United States General Accounting Office

GAO

Report to the Chairman and Ranking Minority Member, Committee on Armed Services, U.S. Senate

November 2002

QUADRENNIAL DEFENSE REVIEW

Future Reviews Can Benefit from Better Analysis and Changes in Timing and Scope

GAO-03-13

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GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-03-13, a report to Senate Committee on Armed Services

Why GAO Did This Study

Congress mandated that every 4 years the Department of Defense (DOD) conduct a review to examine the national defense strategy and its implications for force structure, modernization, infrastructure and the budget. Because the 2001 review, which was issued on September 30, 2001, will have a significant impact on the department's planning and budget, GAO was asked to assess (1) the strengths and weaknesses of DOD's conduct and reporting of the review, and (2) whether changes in the QDR legislation could improve the usefulness of future reviews.

What GAO Recommends

To enhance the usefulness of future reviews, GAO recommends that the Secretary of Defense clearly assign responsibility for addressing all QDR legislative requirements and provide Congress with more complete information on DOD's force structure analyses and other key conclusions. GAO is also suggesting that Congress consider (1) extending the QDR deadline, (2) revising the scope of the issues for DOD to address in the QDR, and (3) establishing an advisory panel prior to the next review to identify critical issues and programs for QDR analysis. DOD partially agreed with our first recommendation but did not take a position on our second recommendation. DOD supported our suggestion to change the review's timing and scope.

www.gao.gov/cgi-bin/getrpt?GAO-03-13.

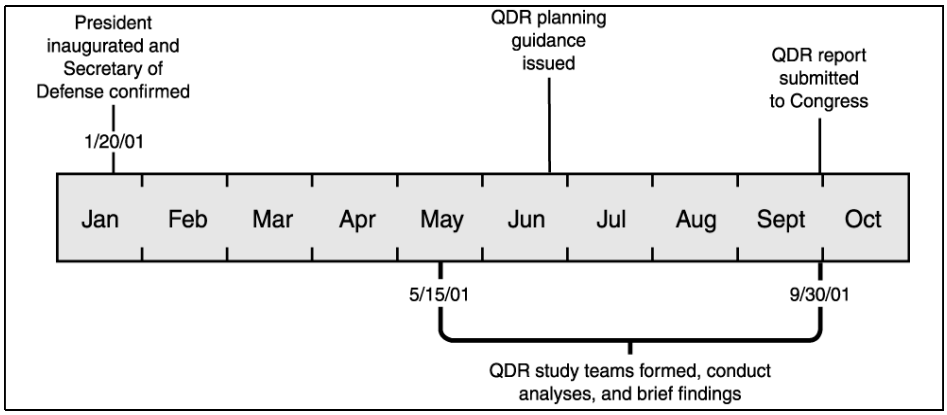
To view the full report, including the scope and methodology, click on the link above. For more information, contact Henry L. Hinton at (202) 512-4300 or hintonh@gao.gov.

What GAO Found

DOD's 2001 Quadrennial Defense Review (QDR) was marked by both strengths and weaknesses. On the positive side, the review was enhanced by the sustained involvement of the Secretary of Defense and other senior department leaders. It also led to the development of a new defense strategy that underscores the need to transform the forces to better meet the changing threats of a new security environment. On the other hand, DOD's decision to delay the start of the review until late spring 2001 constricted an already tight timetable; there was not always a clear link between the study team assignments and the legislatively required issues; the thoroughness of the analysis on these required issues varied considerably; and the assessment of force structure needs had some significant limitations. As a result, Congress did not receive comprehensive information on all required issues, and DOD lacks assurances that it has optimized its force structure and investment priorities to balance short-term and long-term risks.

Options exist for changing the timing and refocusing the scope of the QDR to make it more useful to Congress and DOD. To address concerns that a new administration cannot study all the issues by the September 30 deadline, especially when there is a major change in the defense strategy, Congress could (1) delay the report by 4 months until the second February of a President's term, (2) delay the due date for 12 to16 months, allowing significantly more time for analysis, or (3) require the report in two phases, the first to discuss the defense strategy, and the second—due during the second year of a 4-year term—to address force structure and other issues. Each option would also better support DOD's planning and budget cycle. In terms of the QDR's scope, Congress could eliminate issues that are less relevant in the new security environment or that are included in other routine DOD analyses. Congress could also reinstitute an advisory panel to help set the QDR's agenda.

2001 QDR Conducted under Tight Time Frame



Source: DOD.

Contents

Abbreviations

DOD Department of Defense
OSD Office of the Secretary of Defense
QDR Quadrennial Defense Review

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United States General Accounting Office
Washington, DC 20548

November 4, 2002

The Honorable Carl Levin
Chairman
The Honorable John W. Warner
Ranking Minority Member
Committee on Armed Services
United States Senate

To ensure that the country's defense needs are reviewed periodically, Congress directed the Department of Defense to conduct comprehensive Quadrennial Defense Reviews to examine the national defense strategy, force structure, modernization, infrastructure, and the budget. In response to this mandate, the department submitted on September 30, 2001, its second quadrennial report to Congress.[1] This was the first quadrennial report submitted by the new administration that took office in January 2001. Moreover, it established a new defense strategy, which revolves around four critical goals: to assure allies and friends that the United States is capable of fulfilling its commitments; to dissuade adversaries from undertaking activities that could threaten U.S. or allied interests; to deter aggression and coercion; and to decisively defeat any adversary if deterrence fails. Moreover, the review shifted the basis of defense planning from the long-standing "threat-based" model, which focuses on specific adversaries and geographic locations (e.g., two-major-theater-war scenario), to a "capabilities-based" construct that emphasizes the need to prepare for a range of potential military operations against unknown enemies. The report concluded that the current force structure generally can implement the new defense strategy goals with moderate operational risk,[2] although the Chairman of the Joint Chiefs of Staff cautioned that additional war-fighting analyses are needed to confirm this initial assessment.

Because the 2001 review will have a significant impact on the department's defense planning and budgetary decisions over the next several years, you asked us to evaluate the review and the process that the Department of Defense used to conduct it. In this report, we assess (1) the strengths and

[1] The first Quadrennial Defense Review was submitted to Congress in May 1997.

[2] The Department of Defense defines operational risk as the ability to achieve military objectives in a near-term conflict or other contingency.

weaknesses of the department's conduct and reporting of the 2001 review, and (2) the legislative options that are available to Congress to improve the usefulness of future quadrennial reviews. In addition to this report, we plan to issue a separate classified report that discusses the thoroughness of the department's analysis of force structure alternatives to determine the one best suited to carry out the new defense strategy.

To evaluate the conduct and reporting of the 2001 Quadrennial Defense Review, we documented and analyzed the department's timetable and management structure for conducting the review, compared the department's guidance for the review with the legislative reporting requirements, and assessed the thoroughness of key analyses, such as the department's examination of force structure requirements. Although the department provided us with access to analyses completed between June and September 2001, the period of time that the department defines as comprising its quadrennial review, department officials did not provide us with access to documentation on preparatory activities and analyses that occurred prior to June 2001. As a result, we were not able to fully assess the department's efforts to prepare for the review or the extent to which analyses conducted during this time frame may have influenced the review's key conclusions. To examine legislative options that might enhance the usefulness of future reviews, we identified potential options from our analyses of the 1997 and 2001 quadrennial defense reviews and obtained the views of defense department civilian leaders, military leaders, and nongovernment defense analysts who played a key role in the 2001 quadrennial review or in prior defense strategy reviews. The scope and methodology we used in our review are described in further detail in appendix I.

Results in Brief

The Department of Defense's 2001 Quadrennial Defense Review was marked by both strengths and weaknesses. On the positive side, the review was enhanced by the sustained involvement of the Secretary of Defense and other senior department officials who provided top-down leadership for the process. In addition, it led to the adoption of a new defense strategy that underscores the need to transform the force to meet future military threats and adopt more efficient business practices. However, several weaknesses in the department's process, analysis, and reporting limited the review's overall usefulness as a means for fundamentally reassessing U.S. defense plans and programs. Specifically, the Secretary of Defense's decision to delay the review's start until late spring 2001, when the department completed a series of strategic reviews led by outside defense experts, imposed additional time constraints on the

quadrennial review's already tight schedule. In addition, because the study's principal guidance document was designed to emphasize the Secretary's priorities, there was not always a clear link between the specific reporting requirements in the legislation and the issues assigned to study teams for analysis. Moreover, the thoroughness of the department's analysis and reporting on issues mandated by legislation varied considerably, and some significant issues, such as the role of the reserves, were deferred to follow-on studies. Finally, the department's assessment of force structure requirements had some significant limitations—such as its lack of focus on longer-term threats and requirements for critical support capabilities—and the department's report provided little information on some required issues, such as the specific assumptions used in the analysis. As a result of these shortcomings, Congress did not receive comprehensive information on all of the legislatively mandated issues, the department lacks assurance that it has optimized its force structure to balance short- and long-term risks, and the review resulted in few specific decisions on how existing military forces and weapons modernization programs may need to be changed in response to emerging threats.

Several options exist for changing the timing and refocusing the scope of the quadrennial defense review to improve its usefulness both to the Department of Defense and Congress. These options would address concerns identified by department officials, defense analysts, and our analysis that the current deadline—September 30—does not provide a new administration with adequate time to analyze a range of complex defense issues (particularly when it is considering making significant changes to the nation's defense strategy) and integrate the review's findings with the department's planning and budgeting process. Each option, however, could have some positive as well as negative effects. One option is to extend the review's deadline by 4 months, from September 30 to early February; while this option would allow the review to coincide with an administration's first budget submission, it would only provide a few more months for analysis. A second option is to extend the deadline by 12 to 16 months; this would allow considerably more time for analysis, but it would delay the impact of the quadrennial review until an administration's second full budget cycle. A third option is to divide the review into two phases, with an initial report on broad security and strategy issues due on September 30 and a final report on the remaining issues, including force structure, to be submitted the following year. Several options also exist to respond to concerns that the legislative requirements are currently too numerous and detailed and should be better focused on a few high-priority issues. Many defense officials believe that some requirements, such as the

one to examine the extent to which military forces would need to be shifted from one theater of operations to another, are no longer as relevant given the defense strategy's decreased emphasis on planning for two-major theater wars. In addition, some legislative requirements that ask DOD to address important issues such as mobility needs and the alignment of military commands may not have to be included in future quadrennial reviews because they require significant time for analysis and DOD has separate processes to review these issues. Finally, most department officials and defense analysts we spoke to believe that a congressionally mandated advisory panel of outside defense experts should precede the next quadrennial defense review to identify the key issues and alternatives that the department needs to examine as part of its review.

To enhance the usefulness of future quadrennial defense reviews, we are recommending that the Secretary of Defense clearly assign responsibility for addressing all legislative requirements and provide Congress with more complete information on the department's analyses to meet the legislative reporting requirements, particularly its examination of force structure requirements. In addition, Congress may wish to consider extending the time frame for the review, reassessing the legislative requirements and focusing them on a clear set of high-priority issues, and establishing an advisory panel to identify the critical issues the next review should address. In its written comments to our report, the Department of Defense partially agreed with our first recommendation and noted that the clear assignment of responsibilities is important to the success of the review. The department did not take a position on our second recommendation but noted that it had provided Congress information on the Quadrennial Defense Review decisions and the basis for them. The department also stated that it supports, and has proposed, changes in the timing of future reviews. See the "Agency Comments and Our Evaluation" section for our detailed response to DOD's comments.

Background

The idea of a comprehensive quadrennial review by the Department of Defense (DOD) of the country's defense strategy and force structure was initially proposed in May 1995 by the Commission on Roles and Missions of the Armed Forces. In August 1995, the Secretary of Defense endorsed the idea, and the following year Congress mandated that DOD conduct the 1997 Quadrennial Defense Review (QDR).[3] Congress also authorized

[3] P.L. 104-201 § 923.

establishing a National Defense Panel, composed of national security experts from the private sector, to review the results of the QDR and conduct a subsequent study to identify and assess force structure alternatives. After DOD completed its first QDR in May 1997, the National Defense Panel concluded that (1) DOD had focused its resources on the unlikely contingency that two major theater wars would occur at the same time, and (2) DOD should begin vigorously transforming the military so that it would be capable, for example, of quickly moving to and conducting military operations in overseas locations that may lack permanent U.S. bases.

Our review of the 1997 QDR highlighted several opportunities for improving subsequent reviews.[4] Specifically, we noted that the 1997 QDR, although broader in scope and more rigorous in some aspects than prior reviews of defense requirements, did not examine enough alternatives to the current force and that DOD's modernization assessment did not reflect an integrated, mission-focused approach. We also recommended that DOD take a number of steps, such as considering the need for changing the structure and timing of the QDR process, to prepare for the next review.

Purpose of QDR

With the passage of the National Defense Authorization Act for Fiscal Year 2000 in 1999, Congress created a permanent requirement for DOD to conduct a QDR every 4 years and specified that the next report was due no later than September 30, 2001.[5] According to this legislation, DOD is to conduct a comprehensive examination of the national defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of the country's defense program and policies with a view toward determining and expressing the nation's defense strategy and establishing a defense program for the next 20 years. (See app. II for the text of the legislation governing the 2001 QDR.) The legislation also identifies 13 specific issues that DOD is to address, such as the extent to which resources would have to be shifted among two or more geographic regions in the event of conflict in these regions and the effect on force structure of new technologies anticipated to be available in the next 20 years. Moreover, it allows the Secretary of Defense to review any other

[4] U.S. General Accounting Office, *Quadrennial Defense Review: Opportunities to Improve the Next Review*, GAO/NSIAD-98-155 (Washington, D.C.: June 25, 1998).

[5] National Defense Authorization Act for Fiscal Year 2000, P.L 106-65 § 901, 113 Stat. 512, 715 (1999) (codified at 10 U.S.C. § 118 (2001).

issues he considers appropriate. Finally, it directs the Chairman of the Joint Chiefs of Staff to review the QDR report and include an assessment of the risk associated with implementing the defense strategy.

The QDR is a key component of national security planning. Other legislation requires the President to submit to Congress a national security strategy along with budgets for each fiscal year.[6] (The current administration issued its National Security Strategy on Sept. 17, 2002.) The national security strategy is intended in part to (1) identify U.S. interests, goals and objectives vital to U.S. national security and achieving security, and (2) explain how the United States uses its political, economic, military, and other elements of the national power of the United States to protect or promote the interests and achieve the goals and objectives as identified above. The QDR, in turn, is intended to outline a national defense strategy that supports the national security strategy.

2001 QDR Process

Some preliminary planning for the 2001 QDR began in February 2000 when the Chairman of the Joint Chiefs of Staff organized eight panels within the Joint Staff to conduct preparatory work for the review. Although the Office of the Secretary of Defense (OSD) has the lead role in conducting the QDR, the Joint Staff plays a supporting role in the process and has primary responsibility for leading the analytical work to support the Chairman's risk assessment. Each Joint Staff panel was assigned to address specific topics, such as strategy and operational risk assessment, modernization, and readiness. At the same time, the military services set up separate QDR offices, which were composed of panels that paralleled those of the Joint Staff, and assigned representatives to the Joint Staff panels. These panels continued to operate throughout 2000, but they were put on hold in early 2001 when the newly confirmed Secretary of Defense decided to undertake a series of strategic reviews led by defense experts from the private sector. The strategic reviews covered a wide spectrum of subjects, including missile defense, conventional forces, and transformation, and, according to DOD officials, were designed to stimulate the Secretary's thinking about the critical issues that faced the department. However, these reviews were not completed as part of the

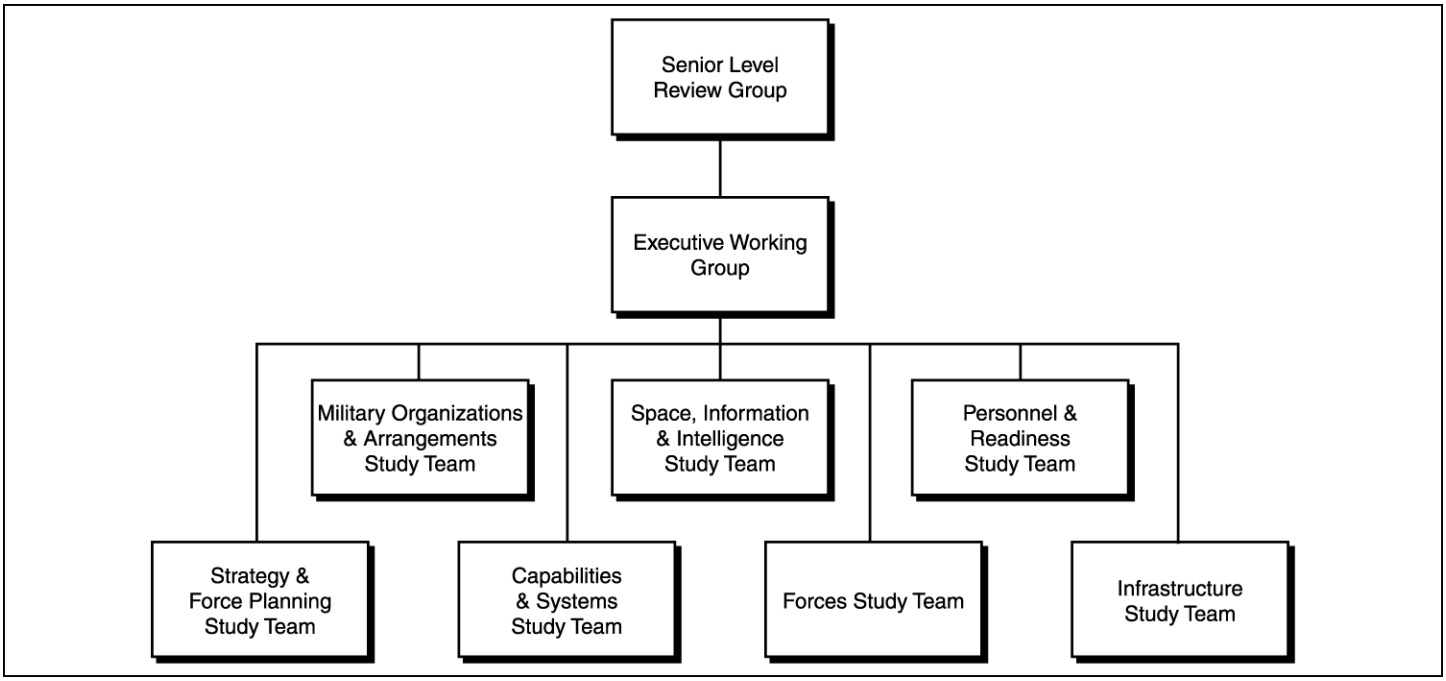
[6] 50 U.S.C. § 404a (a) also requires a new President to submit a national security report no later than 150 days after assuming office. This report is in addition to the report submitted by the outgoing administration for that year.

QDR, according to OSD officials. The strategic reviews culminated in a series of briefings to the Secretary of Defense in the spring of 2001.

OSD began its work on the QDR in May 2001 when it established a structure and process for the review. It set up seven integrated project teams to undertake the analysis for various issues such as strategy and force planning; personnel and readiness; infrastructure; and space, information, and intelligence.[7] These study teams were generally led by OSD staff and included service and other DOD analysts. On June 22, the Secretary of Defense approved the Terms of Reference, which outlined the policy guidance and specific tasks that the study teams were to follow during the review. The study teams were to undertake initial analyses in their subject areas and develop options and alternatives for the executive working group to consider. The executive working group was led by a special assistant to the Secretary of Defense and included the head of each of the study teams. The executive working group was responsible for ensuring that the teams coordinated their work and for determining what information each study team would provide to the senior-level review group, which consisted of the Secretary of Defense, the services secretaries, the Joint Chiefs, the under secretaries of defense, and the special assistant to the secretary. According to OSD officials, the senior level review group issued guidance to the study teams and made all decisions that were included in the QDR report. Figure 1 shows the structure that OSD established to conduct the QDR.

[7] We refer to the integrated project teams as study teams throughout this report.

Figure 1: Organizational Structure for the Development of the 2001 QDR



Source: DOD.

The Secretary of Defense issued the QDR report on September 30, 2001, as required by law, despite the September 11 attacks on New York City and the Pentagon. At the time of the attacks, OSD officials had developed a draft of the report. Although final preparation and approval of the report were made more difficult by the immediate issues confronting senior OSD officials and the physical condition of the Pentagon following the attacks, OSD officials obtained and responded to comments from numerous DOD offices during September and issued the report as planned. According to OSD officials, although the draft report was modified to include references to the attacks and noted the need for more study of the implications of the attacks on future DOD requirements, the initial draft recognized the need for more attention to homeland defense.

QDR Process, Analysis, and Reporting Are Marked by Strengths and Weaknesses

DOD's 2001 QDR had several strengths; however, its usefulness in stimulating a fundamental reexamination of U.S. defense plans and programs was limited by some significant weaknesses in its process, analysis, and reporting. The review benefited from the sustained involvement of the Secretary of Defense and other senior officials who provided critical management direction and oversight. It also led to the adoption of a new defense strategy that extends defense planning beyond a two-major-theater-war scenario and underscores the need to transform the services' military capabilities and business processes to meet future threats and to use defense resources more efficiently. However, the Secretary of Defense's decision to delay the start of the QDR until late spring 2001, when DOD had largely completed a series of strategic studies led by outside experts, further compressed an already tight schedule. In addition, the QDR's terms of reference did not clearly assign responsibility to project teams for studying some issues that were specified in the legislative mandate, and the thoroughness and reporting on study issues mandated by the legislation varied significantly. Moreover, DOD did not provide Congress with detailed information on its force structure analysis, such as the key assumptions used, because much of this information is classified and DOD chose not to report any classified information. As a result, although the review established a vision for change in the department, the 2001 QDR did not result in many decisions on how DOD's force structure, acquisition programs, and infrastructure should be adjusted and realigned to implement this vision. Moreover, Congress did not receive comprehensive information to help them assess the basis for DOD's conclusions or the need for changes in DOD's programs.

Senior Leadership Provided Direction and Oversight to QDR

One of the strengths of the 2001 QDR was the sustained involvement of the Secretary of Defense, the Deputy Secretary of Defense, and other DOD senior leaders who provided the direction and oversight that the QDR process needed to initiate the development of a new defense strategy. According to current management studies, such top-level leadership is crucial for engineering major changes in an organization. Top leaders establish the framework for change and provide guidance and direction to others to achieve that change. According to this research, senior leadership involvement is needed because middle managers often are reluctant to promote and foster new ideas and concepts through fear of reducing their opportunities for advancement. As such, best practices clearly indicate that top-level management involvement is needed to effect major institutional changes.

In assessing past defense reviews, defense analysts have also noted the need for more guidance and involvement by senior leaders in facilitating change within DOD. For example, an assessment of the lessons learned from the 1997 QDR by the Rand Corporation cited the absence of OSD leadership, control, and integration of the study groups as contributing to the lack of fundamental changes proposed in DOD's force structure, infrastructure, and modernization programs.[8] Moreover, the report of the U.S. Commission on National Security in the 21st Century noted that strategic planning in the department suffers because senior defense leadership has spent a disproportionate amount of time on budgeting rather than on strategic planning. To address this concern, the commission recommended that the Secretary of Defense develop defense policy and planning guidance that defines specific goals and establishes relative priorities. This guidance would provide the basis for defining the national military strategy and conducting the QDR and for supporting other DOD planning efforts.

According to OSD and service officials, the Secretary of Defense, other key OSD officials, and senior military leaders from each of the services actively participated in planning and implementing the 2001 QDR. DOD officials characterized the process as a top-down effort where the leadership provided direction and the staff responded to the priorities the leadership established. According to one service official, the Secretary of Defense and the service chiefs attended a 5-day meeting to discuss issues related to threats, capabilities, and force structure. These discussions ultimately culminated in the Terms of Reference, which provided guidance on what issues should be assigned high priority during the QDR, how the process would be structured, and what issues the study teams would tackle. Each of the study teams also presented one or more briefings on their analyses and options between June and August 2001 to the Secretary of Defense and other members of the senior-level review group. Moreover, according to service officials and the OSD official who had primary responsibility for drafting the QDR report, the Secretary was directly involved in reviewing and revising drafts of the QDR report. One high-ranking OSD official stated that he had not seen as much interaction among the senior leadership in any of the three prior defense planning studies he had participated in. The broad consensus of officials we spoke

[8] Schrader, John, Roger Allen Brown, and Leslie Lewis, *Managing Quadrennial Defense Review Integration: An Overview* (Rand Corporation, 2001).

with across DOD is that the QDR report represents the Secretary's thinking and vision.

QDR Sets Framework for New Defense Strategy and Emphasis on Military Transformation

DOD and other defense analysts we met with generally agree that the 2001 QDR successfully laid out a new defense strategy—a broad framework that can guide planning for a range of military operations and that places less emphasis on planning for specific military scenarios, such as two major theater wars. As noted earlier, the strategy is focused on four key tenets: (1) assuring allies and friends that the United States is capable of meeting its commitments; (2) dissuading adversaries from undertaking activities that could threaten U.S. or allied interests; (3) deterring aggression or coercion; and (4) decisively defeating any adversary if deterrence fails. In addition to adopting a new strategy, the QDR concluded that force structure planning should be based on a capabilities-based approach that focuses more on how a range of potential enemies might fight rather than on defining who the adversary might be and where a war might occur.

During the last few years, a number of military commissions and panels have concluded that DOD needed to shift its defense planning paradigm—and restructure its military forces—to meet the changing threats of a new security environment. Beginning in the mid-1990s and including the report of the 2000 U.S. Commission on National Security in the 21st Century, military analysts have called for the replacement of the two-major-theater-war model with a broader and more flexible model to serve as the basis for force planning. The commission noted that DOD's dependency on the two-war model has failed to produce the capabilities that the military needs to confront the various and complex military contingencies that occur today and are likely to increase in the years ahead. DOD officials and outside defense analysts we spoke to see DOD's adoption of a new strategy and a "capabilities-based" approach to force planning as significant steps that should better enable defense planning to focus on future, rather than near-term, threats.

The QDR report also identifies a number of steps that DOD must take to advance military transformation to achieve the objectives of the defense strategy, which can range from exploiting new approaches and operational concepts to a fundamental change in the way war is waged. The QDR report concluded that the needed transformation of the armed forces can be achieved by exploiting new approaches, technologies, and new organization. It also unveiled six critical goals that will provide the focus for DOD's transformation efforts. For example, three of the goals are to (1)

protect critical bases of operations; (2) project U.S. forces in distant locations against enemies who seek to deny the U.S. access; and (3) enhance the capabilities and survivability of space systems. To support the transformation effort, DOD's senior leadership agreed to establish a new transformation office reporting directly to the Secretary of Defense and develop transformation roadmaps for the services and defense agencies. To improve the services' ability to operate together in situations that require a rapid response, the Secretary directed the department to develop a prototype for a Standing Joint Task Force Headquarters—a headquarters with representatives from each of the services and other DOD organizations to provide uniform standard operating procedures, tactics, and techniques.

The QDR also recognizes that DOD has lacked an overarching strategy to improve its business practices to free up resources to support transformation efforts. Although the QDR legislation does not specifically require DOD to report on its business practices, the 2001 QDR report outlines the Secretary of Defense's vision for making DOD more efficient by reforming its financial systems, reducing the size of headquarters staffs, and consolidating DOD's facilities and supply chain. Although the report does not include many specific decisions on how these goals will be accomplished, it highlights them as issues that are important to the Secretary and identifies several specific councils, boards, and follow-on studies to develop plans in these areas.

Decision to Delay Start of QDR Further Compressed Time Available for QDR Analysis

The Secretary of Defense's decision in early 2001 to delay the start of the QDR until late spring 2001, following a series of strategic reviews by military experts in the private sector, compressed the already-tight time frame available to conduct the QDR. As a result, many QDR study teams had little time available to conduct original analysis of issues required by the QDR legislation. Instead, they relied heavily on previous analytical work that was often based on the former defense strategy or had only enough time to identify significant issues requiring further analysis.

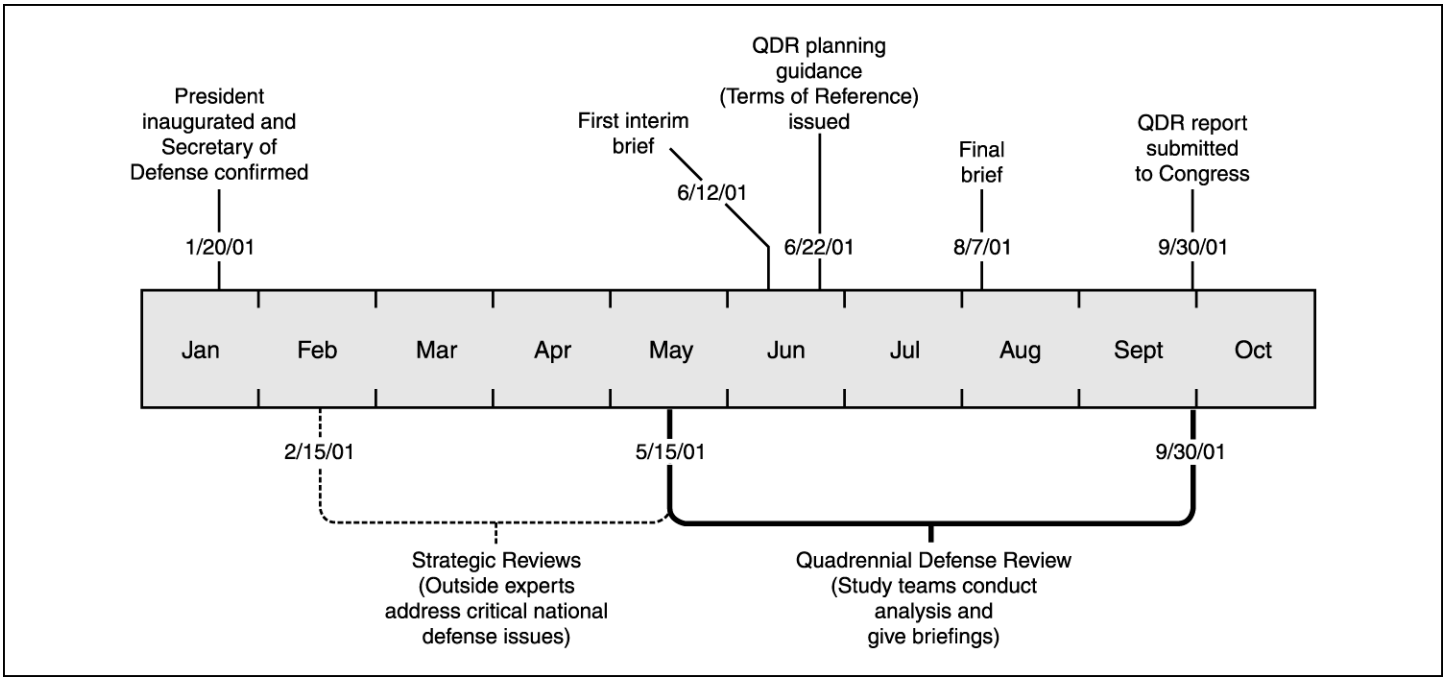
The QDR timetable is short under normal circumstances: the report is due to Congress no later than September 30 of the first year of an administration. Anticipating these time constraints for the 2001 QDR, the Joint Staff and the services began informal preparations (without direction from OSD) nearly 1 year ahead of time by establishing panels or offices to study a number of issues, such as defining the force needed to meet the defense strategy, and developing core themes to study, such as the mismatch between the defense strategy and force structure. According to

service and DOD officials, these efforts slowed down considerably or stopped completely early in 2001 at OSD's direction when the newly confirmed Secretary of Defense initiated a series of outside strategic reviews. Service and Joint Staff officials told us that they had only limited involvement in the strategic reviews. Some service officials also said that at the time they were unclear if the strategic reviews were part of the QDR process.

Led by military experts from outside DOD, the strategic reviews addressed a wide spectrum of topics, including missile defense, conventional forces, and transformation. According to DOD officials, these outside reviews resulted in numerous briefings to the Secretary of Defense during the spring of 2001 and were designed to stimulate the Secretary's thinking about the major issues that the department faced. Moreover, some OSD officials informed us that the results of the strategic reviews were considered by some of the QDR study teams. However, we could not assess the extent to which they were used during the QDR process because OSD officials consider the strategic reviews to be separate from the QDR, and they did not provide us with access to briefings and other documents that the strategic review teams produced.

Rather than conducting the QDR concurrent with the strategic reviews (or making the strategic reviews an official part of the QDR process), OSD waited until May 2001 to establish the organizational structure and process for the QDR. Also, OSD did not finalize and issue the terms of reference until June 22. (See fig. 2 for a detailed timeline of the strategic reviews and QDR process.) After the terms of reference were issued, most study teams had only until mid-July at the latest to study issues, identify options, and develop briefings for the executive working group and senior-level review group. In some cases, study teams were required to begin briefing DOD management before their specific taskings had been finalized. For example, the strategy and force planning team was required to provide an interim briefing on June 12 even though the terms of reference detailing its responsibilities were not finalized until June 22. Although all of the teams were supposed to submit their final results to senior leadership by July 11, at least one provided briefings after this date.

Figure 2: Timeline of Strategic Reviews and 2001 QDR Activities



Source: DOD.

According to several study team officials who met with us, some teams had insufficient time to conduct comprehensive analyses of some issues specified in the QDR legislation. They pointed out that the limited time available was particularly difficult because the new defense strategy required new analyses. To meet their deadlines, some study teams relied on previous work or reached conclusions based on informed opinion rather than on detailed analysis. For example, the infrastructure team was tasked with finding the most efficient way to align infrastructure with force and mission requirements, work that was heavily dependent on the findings of the force structure team. However, the force structure team performed its work concurrently with the infrastructure team. Although the infrastructure team developed a plan called Installations 2020 to guide the transformation of DOD's infrastructure, it is limited in part because the team did not receive any information from the force structure team on how force structure is likely to change in the future due to changes in the threat and technologies. Moreover, infrastructure team officials said that they would have required more time (at least 6 months) to conduct in-depth analysis even if it had had data on likely force structure changes. Instead, the infrastructure team relied on earlier analytical work that had a

short-term focus and was based on the previous defense strategy and current force structure. The team concluded that installations should prepare and implement 20-year strategic plans and that these plans must support changing force structures and new mission requirements.

Study Guidance Did Not Clearly Assign Responsibilities for Addressing All Elements of the Legislative Mandate

Our analysis of the terms of reference that DOD provided to study teams demonstrates that there was not always a clear link between the specific reporting requirements in the QDR legislation and the issues that the teams were directed to study. According to OSD officials, this discrepancy stems from the Secretary of Defense's decision to place more emphasis on some requirements and less on others within the context of a tight QDR timetable.

The QDR legislation requires DOD to address several broad policy issues, including delineating the national defense strategy; defining the force, infrastructure, and budget needed to carry out the strategy; and assessing the magnitude of risk associated with carrying out the missions expressed in the strategy. The legislation also identifies 13 specific issues that need to be addressed, such as the forward presence necessary under the national defense strategy and the strategic and tactical airlift, sealift, and ground transportation capabilities required to support the strategy.

Although OSD and service officials agreed that it would have been reasonable to expect the department to ensure that all of the specific legislative requirements were assigned to a study team, OSD officials stated that, in developing the guidance, they followed the Secretary's desire to place more emphasis on some issues and less on others, given the limited time frame. According to OSD officials, the Secretary's priorities were to: (1) define the security environment, (2) present the defense strategy, and (3) discuss the capabilities required to meet the strategy.

As a result, several critical issues were among the requirements that were not specifically tasked to a study team. For example, DOD is required to examine the manpower and sustainment policies needed under the national defense strategy to support any engagements in conflicts lasting longer than 120 days. However, the only assignment related to manpower in the guidance directs the personnel and readiness team to develop policy alternatives for strengthening the recruitment and retention of military and civilian personnel, with attention to such issues as career paths and mandatory retirement extensions. The legislation also requires that the QDR assess the advisability of changes to the Unified Command Plan and

the effect that participation in operations other than war and smaller-scale contingencies will have on readiness for high-intensity combat. However, the study guidance did not task any of the study groups with addressing these issues.

The quadrennial review legislation also requires DOD to identify a budget plan to successfully execute the full range of missions called for in the defense strategy at a low to moderate level of operational risk, and to identify any resources beyond those programmed in the current years' defense program to achieve such a level of operational risk. Although some study teams were tasked with addressing budget issues in their limited area of research, we did not find any requirement for a team to address this issue from a departmentwide perspective.

Thoroughness of QDR Analysis and Reporting on Key Issues Varied Considerably

The thoroughness of DOD's analysis and reporting on the issues it was required to address as part of the QDR varied considerably. Overall, DOD undertook substantial analysis and reporting on the security environment and defense strategy, but it conducted limited analysis and reporting on several other issues required by the legislation. In addition, DOD's analysis and reporting on force structure—an essential component of the review—was marked by several limitations, such as its near-term focus. As a result, while the QDR report provides broad direction in many areas, its limited analysis of some issues meant that DOD did not obtain sufficient information to make many specific decisions on the need for changes to existing modernization, infrastructure, and force structure plans.

As noted earlier, many DOD officials and analysts we spoke with cited the QDR's emphasis on assessing the future security environment and evaluating alternative defense strategies as examples of sound, well-focused analysis. According to OSD officials, OSD's Office of the Deputy Assistant Secretary of Defense for Strategy drew on a wide variety of sources, from the strategic reviews to intelligence reports, to develop an initial paper discussing these issues. The Secretary then held meetings with his top military and civilian staff to discuss and decide on a defense strategy. As such, the QDR report includes considerable discussion about broad geopolitical trends, regional security developments, the increased number of weak and failing states, and the diffusion of power to nongovernment actors such as terrorist groups. Moreover, this discussion sets the stage for the QDR's conclusion that a broader defense strategy is needed to focus on threats from other than traditional regional powers.

In contrast, DOD's analysis and reporting on some legislatively mandated issues, such as the role of the reserves, the need for changes in the defense agencies, and the Unified Command Plan, were limited. The QDR report identifies over 30 issues that will be the focus of follow-on studies. (See app. III for a listing of all QDR follow-on studies.) Although not all of these studies correlate directly to specific legislative requirements, a number of them do. For example, the legislation asks DOD to examine the role and missions of the reserve forces in the national defense strategy and identify what resources they need to discharge those duties. However, OSD officials decided to defer the study of this issue due to its complexity and the limited time available, effectively limiting the amount of information on this topic in the report. The QDR report notes that DOD will undertake a comprehensive review of the active and reserve mix, organization, priority missions, and associated resources at a later time. According to a November 27, 2001, memo, the Deputy Secretary of Defense directed OSD, with support from the Joint Staff and the services, to conduct this review. OSD officials informed us in late August 2002 that the results of this review and other follow-on studies will be communicated to Congress in a variety of ways, including the administration's next budget submission, once they are completed.

Likewise, there was limited discussion in the QDR report on the appropriate number and size of defense agencies[9] needed to support combat operations, because the infrastructure study team did not have time to conduct a detailed analysis. The report indicated that DOD would begin a review of the defense agencies to improve their business practices, and, in a November 2001 memo, it instructed the defense agencies to develop transformation roadmaps for the Secretary of Defense's review that outlined their planned contributions toward helping DOD meet its critical operational goals. In addition, while the study teams did address the need for changes in overseas presence, neither they nor the QDR report specifically addressed changes to the Unified Command Plan. However, DOD subsequently announced changes to the Unified Command Plan that took effect on October 1, 2002. These include establishing the U.S. Northern Command to defend the United States and to support military assistance to civil authorities and focusing the efforts of the U.S. Joint Forces Command toward transforming the U.S. military.

[9] The term "defense agencies" refers to 15 diverse organizations, including the Defense Advanced Research Projects Agency, the Defense Commissary Agency, and the Defense Information Systems Agency.

In addition, DOD's analysis and reporting on force structure issues had several limitations. The QDR legislation asks DOD to define the size and composition of the force that it needs to successfully execute the full range of missions called for in the national defense strategy. It also specifically asks DOD to identify "the force structure best suited to implement that strategy at a low-to-moderate level of risk." However, the force analysis had a near-term focus that provided few insights into how future threats and planned technological advances in U.S. capabilities may affect future force structure requirements. Moreover, in assessing the numbers and types of forces required to achieve U.S. objectives in the specific scenarios examined, DOD relied primarily on existing military war plans and military judgment; it used analytical tools such as computer modeling and simulation only to a limited extent. Such tools can provide a significant amount of additional data and insights to help decision makers assess operational risk and evaluate force structure requirements for a range of scenarios and time frames. Additionally, the analysis only examined requirements for major combat forces and did not address the types of critical support forces that the Chairman of the Joint Chiefs of Staff identified as presenting the highest risk in carrying out the new strategy. As a result, DOD currently lacks assurance that it has optimized its force to effectively balance short-term and long-term risks.[10] DOD officials cited the lack of time as the primary reason its analysis was not more comprehensive and detailed. However, some officials also pointed to the inherent difficulty of examining future force structure requirements given uncertainties in future threats.

The QDR report also provided little explanation of how DOD reached its conclusion that the current force structure is generally capable of executing the defense strategy at moderate operational risk, and it contained little information on the specific assumptions that DOD made concerning warning time and the intensity and duration of conflicts examined, although these are specific items that the report is intended to address. A DOD official stated that it did not provide a more complete explanation of the analysis done and key assumptions used because it would have required discussing classified information. However, DOD

[10] DOD's 2001 QDR report identifies a risk management framework for balancing short- and long-term risks that includes four components: (1) force management risk (the ability to recruit, train, and equip sufficient numbers of personnel), (2) operational risk (the ability to achieve military objectives in a near-term conflict or contingency), (3) future challenges risk (the ability to invest in new capabilities needed to defeat longer-term challenges), and (4) institutional risk (the ability to develop efficient and effective management practices).

could have chosen to provide Congress with information on some legislative requirements in a classified format, in addition to issuing an overall unclassified report. By not providing this information, DOD limited Congress's ability to assess the reasonableness of DOD's assumptions and better understand the methodology used to arrive at key conclusions regarding force structure.

Legislative Options Are Available to Improve Usefulness of QDR

A number of legislative options are available for improving the QDR's usefulness to both DOD and Congress. These options would ameliorate some of the concerns that we and many defense experts have expressed as a result of examining DOD's process and analysis for the 2001 QDR and prior defense reviews—namely, that the QDR is required too soon after a new administration assumes office, that its timetable does not coincide with DOD's planning and budget process, and that its scope is not adequately focused on high-priority issues. Several options exist for extending the QDR deadline to provide DOD with more time to conduct the comprehensive analysis required to reassess force structure, infrastructure, and acquisition decisions and better link the QDR to DOD's budget and planning process. Moreover, DOD officials and defense experts we spoke to agree that options exist to better focus the legislative requirements on critical issues required for congressional oversight and internal DOD planning. Specifically, this could be accomplished by eliminating issues that have become less relevant given the changing security environment or that may not be needed as part of the QDR because DOD has other studies in place to periodically review them. Finally, a congressionally mandated advisory panel could be convened prior to the next QDR to help identify the critical issues and alternatives that DOD should examine in its review.

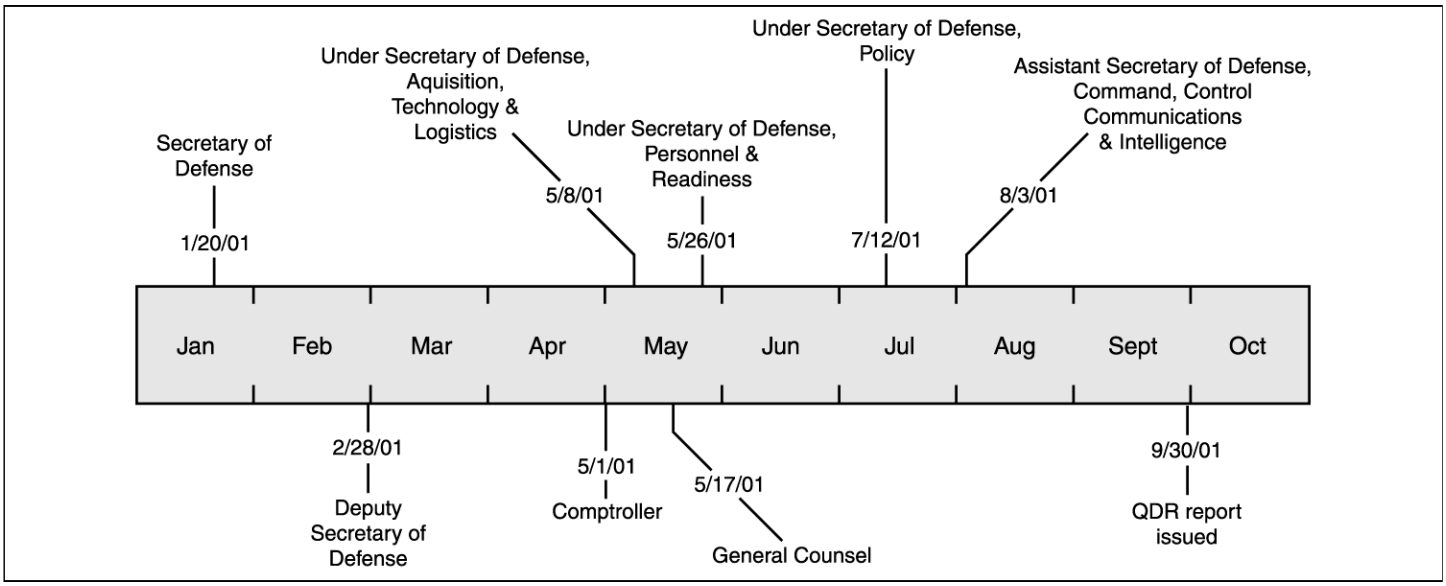
Changing QDR Deadline Would Give DOD More Time to Examine Complex Issues

One of the main concerns with the QDR process has been its short time frame (approximately Feb. to Sept.). In our report on the 1997 QDR, we noted that the 6-month time period available for the QDR was extremely tight, given the complex nature and large number of issues, even for second-term administrations that may have relatively little turnover among DOD's senior personnel. We found that the short time frame was a key factor in limiting the thoroughness of DOD's analyses. We also noted that the conduct of the 2001 QDR could be further complicated because it would take place just after a new administration assumed office and at the same time that DOD was experiencing a large turnover in senior officials. For example, during the first 5 months of President Clinton's first

administration, the Secretary of Defense had less than half of his top managers in place.

These concerns again materialized during the 2001 QDR when, except for the Deputy Secretary of Defense, the Secretary of Defense had no top management officials in place until May 1, 2001, when the Comptroller was confirmed. (See fig. 3.) Many senior officials were not confirmed until sometime during the May to August time frame.

Figure 3: Confirmation Dates of Department of Defense Leadership in 2001



Source: DOD.

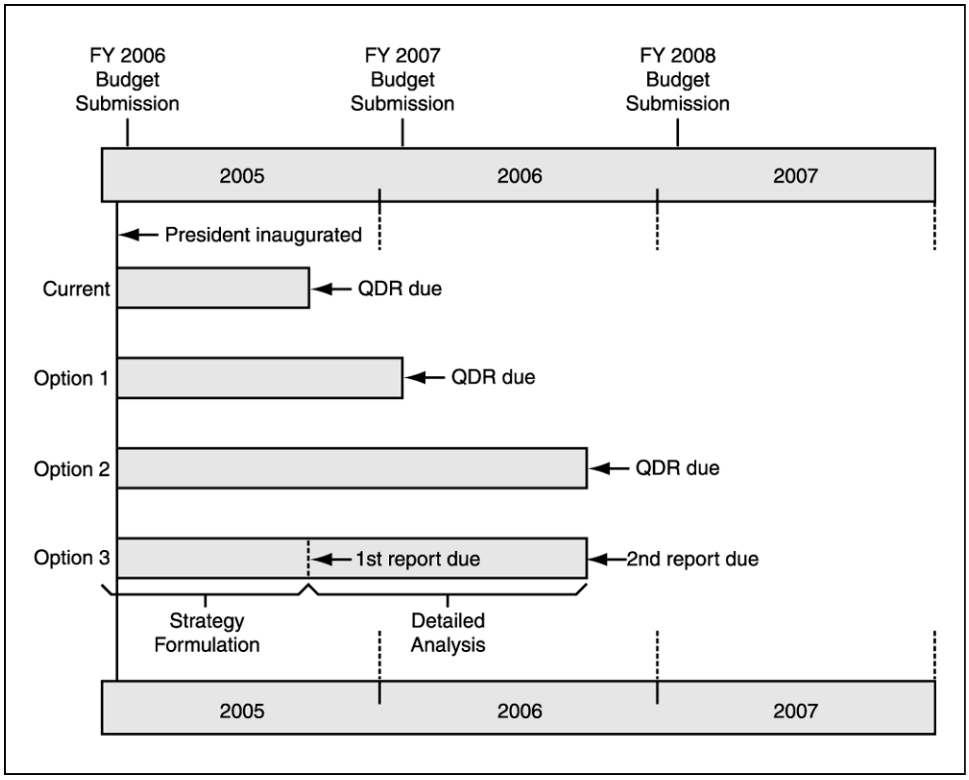
DOD officials informed us that they found it extremely difficult to conduct the type of work the legislation required without these officials in place. Moreover, several DOD officials noted that conducting thorough analyses within the current time frame is a major challenge when an administration makes significant changes in the defense strategy and can no longer rely on prior department analyses. The Secretary reiterated these concerns about the challenges posed by the QDR-reporting deadline in news conferences. A few defense analysts we spoke to did not agree that the difficulty in getting appointees confirmed is a justification in and of itself to change the date of the QDR. One official noted, for example, that unconfirmed appointees could advise and consult with the Secretary. Moreover, we noted that one OSD official who played a key role in the review, the Deputy Assistant Secretary of Defense for Strategy, had

worked on the 1997 QDR and the service chiefs and many of the members of QDR study teams were comprised of military officers and civil servants whose tenure is not affected by the change in administrations. Nevertheless, defense analysts who have studied the QDR process generally agreed that the timing is not practical from other standpoints. For example, two defense researchers concluded that the tight timetable inhibits the Secretary's ability to perform the in-depth analysis necessary. This is especially troublesome since the QDR should form the basis for the defense agenda and major changes to future budgets.

Additionally, some defense analysts have noted that the QDR was not synchronized with DOD's long-term planning and budgeting process even though the QDR should set the framework for budgetary decisions. For example, on September 30 when the QDR is due, DOD is still in the process of reviewing the services' budget proposals and analyzing whether changes are needed. DOD does not finalize its budget request until late January or early February when the President submits the budget to Congress.

In our own work and in our discussions with defense experts, we identified three options that have the potential for alleviating some of the QDR's timing problems. However, each option could have some positive as well as negative effects. Figure 4 illustrates the differences in timing for the three options.

Figure 4: Timing Options for Conducting the 2005 QDR



Source: GAO analysis.

Option 1 would extend the QDR process by about 4 months and change the report submission deadline from September 30 to the following February. This would give DOD a few extra months to complete the review. More importantly, it would allow DOD to develop both the QDR and the administration's first full budget (which is submitted during the second year of a President's term) in tandem. Ideally, this would allow decisions made as part of the QDR process, such as defense strategy and force structure, to be reflected in the budget plan. Both the QDR and budget would be submitted to Congress at the same time. A shortcoming of this option is that DOD and the services would have to work quickly to translate QDR force-related decisions into budgetary projections. Moreover, 4 months of additional time may not be sufficient to complete detailed analysis on all the required issues, particularly if DOD makes a major change in the defense strategy.

Option 2 would extend the QDR process by 12 to 16 months. The report submission deadline would change from September 30 of the first year to

September 30 of the second year of a President's term at the earliest. As we noted in our report on the 1997 QDR, this option would give a new administration substantially more time to put its key officials in place, develop a defense strategy, make preparations for the QDR, and conduct the necessary analyses. Moreover, it would provide time for a new administration to first develop a national security strategy, which many defense analysts believe should precede the development of a defense strategy. A disadvantage of this option is that it would postpone a President's impact on the defense budget until his or her third year in office. To illustrate, the Secretary of Defense stated that the fiscal year 2003 budget they presented to Congress reflected the transformation goals they reached in the 2001 QDR. If the QDR had been delayed by 1 year—to 2002—these decisions would not have been reflected until the fiscal year 2004 budget request.

Option 3 would establish a two-phase QDR process. A study by the National Defense University's Institute for National Strategic Studies, as well as a number of analysts and DOD officials with whom we met, recommended this approach. During the first phase, the QDR would focus on broad policy issues, such as the security environment and defense strategy. The first report would be due on September 30. During the second phase, DOD would conduct comprehensive and in-depth analysis of force structure, force modernization, and other legislatively required issues. The final report would be due sometime during the second year. The strengths of this option are that it would produce a defense strategy during the first year of a President's term that could be used to lay out DOD's strategic plan and prepare the Secretary's budget guidance to the services. Congress could use the new defense strategy as a framework to evaluate the defense budget that it receives a few months later. Moreover, according to the National Defense University review, DOD could take this opportunity to set broad priorities and decide on major program issues. At the same time, this option would give DOD up to an additional year to complete its detailed analyses of force structure and new capabilities, which are needed to support the defense strategy and provide support for its long-term budget and program development. However, for this approach to be successful DOD would have to ensure that each phase receives equal priority and that the results of both are well integrated. Moreover, this option would delay major decisions on force structure and major weapon systems until the latter part of an administration's second year in office.

As part of its deliberation on the Fiscal Year 2003 National Defense Authorization bill, Congress is considering changing the timing for future

QDRs. In mid-2002, the Secretary of Defense requested that Congress consider delaying the QDR until the second year of an administration's 4-year term. A House version of the bill includes a provision to allow DOD to submit the QDR in the second year of a President's term of office rather than on September 30 of the first year as currently required. The House Armed Services Committee's report noted that the complexity of preparing the report could be compounded by the lengthy confirmation process for presidential appointees and it concluded that moving the submission of the report back a year would provide more time to conduct the type of critical review of all aspects of the department's operations envisioned by the statute.[11] The Senate has proposed a shorter extension of the QDR deadline. The Senate proposal would permit the department to provide the QDR report in the second year of a President's term of office, but not later than the date on which the President's budget submission is due.[12] Because the President is required to submit the budget no later than the first Monday in February, the entire QDR would be pushed back 4 months.[13] The differences between the two bills are expected to be resolved when representatives from the House and Senate Armed Services committees meet in conference.

Narrowing Scope of Review Could Provide Better Focus

A second concern with the QDR centers on the broad spectrum of issues that the legislation requires DOD to address. Our assessment of the 2001 QDR process and our discussions with defense analysts who worked on prior QDRs and defense reviews indicate that DOD may be able to provide more useful analysis and reporting to Congress if the specific legislative requirements are reexamined and adjusted to focus DOD's efforts on a more manageable set of high-priority issues. On the basis of our assessment of the 1997 and 2001 QDRs and discussions with defense analysts and DOD officials, we identified a number of study issues in the current legislation that appear critical to meeting the QDR's purpose of encouraging a fundamental reassessment of the nation's defense strategy and needs. However, some of the required study issues may be less relevant to DOD and Congress in the future because of changes in the security environment and the resulting impact on the defense strategy. In addition, other required issues could be reassessed and potentially

[11] H.R. Rep. No. 107-436 (2002).

[12] S. Rep. No. 107-151, (2002) § 901.

[13] 31 U.S.C. § 1105(a).

dropped because they are already addressed by other routine DOD studies that are accessible to Congress.

DOD officials and defense analysts we spoke to agreed that the most important aspects of the QDR are the legislative requirements that ask the Secretary of Defense to delineate a defense strategy and define sufficient force structure, force modernization, and other elements of a defense program that could successfully execute the full range of missions called for by the defense strategy. Analyses have determined that DOD's current planning and budget process does not serve as a good tool for making broad reassessments of defense programs because it has a near-term focus and is based on a more stovepiped decision-making process. For example, the U.S. Commission on National Security in the 21st Century concluded that that biggest problem with DOD's budgeting process is that it focuses on minor programmatic details rather than on significant alternatives to the status quo. As a result, the QDR is needed to prompt broader thinking on these issues and serve as a catalyst for change. Many officials we spoke to also noted that in requiring DOD to analyze the need for changes and report its findings and rationale to Congress, the QDR should serve as the critical document that links DOD's strategy, force structure, and modernization priorities and provides Congress with a blueprint for evaluating DOD's budget requests.

On the other hand, our assessment of the QDR and discussions with defense analysts and DOD officials suggest that the following legislative requirements could be modified or eliminated because they no longer adequately reflect the changing nature of warfighting and the changing security environment.

- A discussion of the "appropriate ratio of combat forces to support forces (commonly referred to as the 'tooth-to-tail ratio') under the national defense strategy." DOD's goal has been to reduce the number of personnel and costs associated with the support forces, or "tail." However, service officials told us that there is no consensus on which units should be considered support and which should be considered combat. This has occurred because many support forces that do not deploy overseas (and therefore have traditionally been considered as part of DOD's "tail") have become critical to the success of combat operations on the modern battlefield. For example, given the significant improvements in communications, headquarters units located in the United States, which include intelligence officers and targeting experts, can play a key role in planning and directing combat operations. Moreover, DOD officials cautioned that rapidly changing technologies will make the concept of

differentiating between support and combat troops increasingly irrelevant and difficult to measure. For example, as the United States moves toward acquiring greater numbers of unmanned aircraft piloted from remote computer terminals and relies increasingly on space-based assets operated by personnel in the United States, it will be more difficult to distinguish between combat and support personnel.

- Assessments of "the extent to which resources must be shifted among two or more theaters under the national defense strategy in the event of conflict in such theaters," and the assumptions used regarding "warning time." A DOD official and defense analysts who addressed this issue with us stated that both of these requirements should be eliminated because they are related to the allocation of forces under the old two-major-theater-war construct. Under this construct, the amount of time that was assumed available for warning and the separation time between major theater wars were critical factors in planning the size and composition of U.S. forces and assessing operational risk, particularly for assets that might need to be shifted between theaters. However, the new defense strategy, along with DOD's new "capabilities-based" planning construct, recognizes that DOD has been involved in a wide range of military operations and faces a more uncertain and unpredictable future, meaning that DOD's force structure assessments should be much less focused on requirements to conduct two major theater wars in specific geographic locations.

  Our review of the QDR process also indicated that the following issues, while critical, may not need to be addressed as part of the QDR because (1) they require more time for detailed analysis than is currently available given the September 30 deadline, and (2) they are examined in routine DOD studies that are or can be easily provided to Congress.

- An evaluation of "the strategic and tactical airlift, sealift, and ground transportation capabilities required to support the national defense strategy." DOD officials and defense analysts believe that the QDR is not the most appropriate venue for addressing this mobility issue because it requires detailed and time-consuming analysis that can best be conducted after DOD decides on a defense strategy, identifies a range of planning scenarios consistent with the new strategy, and completes its detailed analysis of requirements for combat forces. Furthermore, they noted that DOD routinely conducts comprehensive analyses of its mobility requirements outside of the QDR process. To illustrate, since 1992 the Joint Staff has coordinated three major analyses of the U.S. military strategic lift requirements: the 1992 Mobility Requirements Study, Bottom Up Review; the 1995 Bottom Up Review Update; and the 2001 Mobility

Requirements Study, 2005. All of these studies focused on the requirements needed to support two nearly simultaneous major theater wars. Recognizing that the 1998 study, which took 2 years to complete, was based on the previous two-major-theater-war, force-sizing construct, the Deputy Secretary of Defense, in a November 7, 2001, memo, initiated a follow-on study, to be completed by March 2004, to examine mobility requirements within the context of the new defense strategy and force-sizing construct. Overall, analysts believe that DOD's ongoing process works well.

- An assessment of the "advisability of revisions to the Unified Command Plan as a result of the national defense strategy." Defense officials as well as outside analysts believe that this requirement is not needed as part of the QDR because DOD has an ongoing process to reassess the Unified Command Plan, the assessment is already required under other legislation, and the timing of the assessment does not need to coincide with that of the QDR. Specifically, the Chairman of the Joint Chiefs of Staff is required to review periodically, and not less than every 2 years, the missions, responsibilities, and force structure of each combatant command and recommend any changes to the President, through the Secretary of Defense.[14] This legislation also requires that, except during times of hostilities, the President notify Congress not more than 60 days after either establishing a new combatant command or significantly revising the missions, responsibilities, or force structure of an existing command. As such, a major event or change in the political or security landscape could trigger the need for a change in the plan outside or after the QDR process. Moreover, officials pointed out that such a reevaluation is time-consuming and may not fit in with the current QDR timetable as the process is politically sensitive and requires consultation with U.S. allies. Although the 2001 QDR report did not address the need for changes in the Unified Command Plan, the Secretary of Defense recently determined that the changed security environment and change in U.S. defense strategy required some adjustments to the commands. On April 17, 2002, some 7 months after the QDR was completed, the Secretary of Defense and the Chairman of the Joint Chiefs of Staff presented the 2002 Unified Command Plan, which realigned and streamlined the U.S. military to better address their assessments of 21st century threats and reflect the new defense strategy outlined in the QDR. The new plan led to the creation of a new command, known as the Northern Command, which is responsible for homeland defense.

[14] 10 U.S.C. § 161(b). Periodic Review.

Reinstituting an Advisory Panel Could Help Set Agenda

The 1996 legislation that guided the development of the 1997 QDR included a requirement for a National Defense Panel. The panel was composed of national security experts from the private sector and was tasked to review the results of the QDR and conduct subsequent work on force alternatives. The panel completed its report in December 1997, 7 months after the QDR report was submitted. Among its conclusions was that DOD's continued emphasis on the two-major-theater-war, force-sizing construct inhibited its ability to develop the capabilities it needed to address future threats, and it served to justify DOD's current force structure. The legislation mandating the 2001 QDR and future reviews, however, did not include a requirement for a similar panel.

As part of our assessment of the 1997 QDR, we suggested that a congressionally mandated panel such as the 1997 National Defense Panel could be used to encourage DOD to consider a wider range of strategy, force structure, and modernization options. Specifically, we noted that such a review panel, if it preceded the QDR, may be important because it is extremely challenging for DOD to conduct a fundamental reexamination of defense needs, given that its culture rewards consensus-building and often makes it difficult to gain support for alternatives that challenge the status quo. Moreover, most DOD officials and defense analysts who provided us with their views on this issue believe that an advisory panel could be useful in setting the agenda for the next QDR and enhancing the potential for the QDR to tackle difficult issues. Defense analysts generally noted, however, that the panel's structure and timing would affect its usefulness to DOD and Congress. Based on these views, it appears that a future panel would need the following ingredients to be successful.

- A clear mandate of expectations. Some analysts suggested that there would be neither the time nor the need for the panel to look at the entire defense program or all of the issues included in the QDR legislation. Rather, the panel should concentrate on those broad but vital issues that defense and Congress need to consider and that the QDR should address. The panel would recommend issues for the QDR study team to review. Such issues could range from the potential need for changes in the defense strategy to specifying the types of force structure and modernization alternatives and investment trade-offs that DOD should analyze as part of the QDR.

- A balanced membership. Analysts and DOD officials who told us they support an outside panel highlighted the need to obtain a diverse panel membership to better ensure its objectivity and usefulness. Moreover, one study found that the 1997 National Defense Panel was not as useful as it

could have been because almost every member of the panel had a link to a particular service, thereby limiting the flow of independent ideas. Most analysts we spoke to concluded that a future panel should draw upon experts in a wide variety of disciplines, including some beyond the defense community, to stimulate innovative thinking. One defense analyst also suggested that if the panel begins its work during an election year, representatives from each presidential candidate's team should be invited to participate in the panel to enhance the potential that a new administration would use its findings.

- A workable timetable. Most defense analysts we spoke with emphasized that timing was a critical element for a panel's success. They agreed that the panel's report should be completed before DOD starts the formal QDR process so that it can help stimulate debate and set the agenda. However, one analyst also suggested that the panel could conduct its work in two phases: an initial phase to help set the agenda for DOD's review and a second report after the QDR is completed to lay out programmatic options, trade-offs, and recommendations.

Despite general consensus for advisory panels, two defense analysts we spoke to did not see much value in establishing an outside panel, citing the significant problems the 1997 panel faced in arriving at its conclusions or the limited usefulness of its work. Although we agree that an outside panel could face significant challenges if required to recommend specific decisions on force structure and modernization, such a panel may be more effective if its role were limited to identifying the types of force structure alternatives and investment trade-offs that DOD should analyze as part of the QDR.

Conclusions

Quadrennial Defense Reviews provide DOD with the opportunity to conduct analysis that can stimulate broad changes in its defense strategy and programs in response to a changing security environment, guide its long-term planning, and assist congressional oversight. Such reviews should be able to link defense strategy to major DOD programs and initiatives, set clear priorities for change, and establish the analytical basis for major decisions affecting DOD's force structure and investment needs. Although the 2001 QDR had some strengths, it did not fully meet these goals because of weaknesses in DOD's approach to conducting the review and the challenges posed by the timing and scope of the legislative requirements. By not clearly assigning responsibility for examining all of the required study issues, DOD focused the 2001 QDR on issues that were important to the Secretary of Defense but made it less clear to what extent DOD would examine other issues included in the legislation. Moreover,

while the 2001 QDR established a new defense strategy and force planning construct, some important issues mandated by the legislation—such as force structure and the role of the reserves—were not thoroughly addressed or were largely deferred to follow-on studies. As a result, the review was not as useful a planning or oversight tool as it could have been, and many difficult decisions on how the department should change its forces and programs to address emerging security challenges were postponed. Even if DOD more clearly assigns responsibilities in the future, Congress could still have difficulty assessing the reasonableness of DOD's conclusions on key issues such as force structure unless DOD provides more complete information on its methodology, the types of alternatives it examined, and its key assumptions. This may require the department to provide Congress with some information in a classified format.

Changes in the QDR legislation, along with improvements in the way DOD assigns and reports on QDR issues, could significantly enhance the usefulness of future reviews. The tight time frame established by Congress for submitting the QDR report had a significant impact on DOD's ability to conduct in-depth analysis during the 2001 QDR. Moreover, the broad scope and large number of legislative requirements provided DOD with a further challenge in conducting meaningful analysis within the time frame and focusing its attention on high priority issues. Unless the legislatively mandated issues are reexamined, DOD may spend considerable effort during the next review assessing some issues that many defense officials believe are less relevant to the ongoing debate on force transformation and investment priorities. A concurrent reassessment of both the QDR's scope and time frame could provide greater assurances that DOD will thoroughly address and report on the most critical defense issues that both DOD and Congress will face in the future.

Recommendations

To enhance the usefulness of future QDRs and assist congressional oversight, we recommend that the Secretary of Defense (1) clearly assign responsibility for assessing all review issues required by legislation, and (2) provide Congress with more complete information describing the department's analysis to meet the legislative requirements, particularly those related to force structure requirements. If necessary, DOD should provide certain information, such as the key assumptions, scenarios, and alternatives it used in assessing its force structure requirements, in a classified format.

Matters for Congressional Consideration

Congress may want to consider (1) extending the time frame of the QDR to allow more time for DOD to conduct comprehensive analyses and to create a better link with DOD's planning and budget process, and (2) revising the specific requirements of the QDR to clarify what is expected and set clear priorities for DOD's work. Congress may also wish to consider establishing an advisory panel prior to the next review to identify the critical issues and programs that the QDR should address.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD agreed that we fairly characterized the strengths of the 2001 and agreed that Congress should consider revising the QDR's scope and timeframe. However, DOD took exception to our conclusion that its force structure assessment had significant limitations. DOD stated that, given the scope and timing of the review, it effectively used a combination of analytical tools and professional judgment to reach its conclusions on force structure. DOD also stated that our report appears to advocate a "threat-based" planning approach for assessing force structure requirements. Our report recognizes that the QDR was conducted within a short time frame (June-Sept. 2001) and notes that DOD used a variety of data sources and analytical methods in reaching its conclusions. However, we disagree that our report advocates a "threat-based" planning approach. Rather, as the scope and methodology makes clear, we based our evaluation on the specific threats and scenarios that DOD used to assess force structure requirements for the 2001 QDR. Our review identified that many of the specific threats and scenarios DOD examined had a near-term focus and that DOD, in estimating the numbers and types of forces required for major combat operations, relied to a significant extent on existing war plans that have been at the center of U.S. military planning for a number of years. As a result, we believe that more extensive use of analytical tools such as modeling and simulation, along with analysis of a broad range of longer-term scenarios and threats, would have enhanced the QDR's usefulness in fundamentally reassessing force structure requirements.

DOD stated that it partially agreed with our recommendation that the Secretary clearly assign responsibility for assessing all review issues required by legislation. However, it noted that the Secretary must be allowed to manage the QDR in a manner that focuses on issues of primary importance. While we agree that the Secretary needs to have some flexibility in conducting the QDR, we continue to believe that the legislative requirements should guide DOD's review and that the Secretary of Defense should clearly assign all legislative requirements to study teams in future reviews.

DOD did not take a position on our recommendation that the Secretary provide Congress with more complete information describing DOD's analyses, particularly those related to force structure requirements, and consider providing certain information in a classified format, if needed. However, DOD noted that it provided information to Congress through briefings, written reports, budget justification materials and testimonies to support its QDR decisions. We recognize that DOD often provides some members of Congress and their staffs with briefings and other materials on a wide variety of topics and that such exchanges are useful. However, this approach cannot guarantee that all members and their staff receive sufficient information to evaluate the QDR's conclusions. Therefore, we are retaining our recommendation that DOD include more complete information on its analysis of key issues in subsequent QDR reports and, if necessary, consider issuing a classified supplement to the QDR report.

DOD's comments are presented in their entirety in appendix IV.

We are sending copies of this report to interested congressional committees, the Secretary of Defense, and the Director, Office of Management and Budget. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report please call me at (202) 512-4300 or e-mail me at hintonh@gao.gov. Key staff who contributed to this report were Janet St. Laurent, Tim Stone, Tina Morgan, Albert Abuliak, Nancy Benco, and Joan Slowitsky.

Henry L. Hinton, Jr.
Managing Director, Defense Capabilities
and Management

Appendix I: Scope and Methodology

To determine the strengths and weaknesses of Department of Defense's (DOD) conduct of the Quadrennial Defense Review (QDR), we examined the process, schedule, analysis and reporting that DOD undertook to meet the legislative requirements. To evaluate the process and scheduling, we obtained and analyzed Office of the Secretary of Defense (OSD), Joint Staff, and service directives, briefings, and documents that described the organizational structure and procedures developed for conducting the review. We also interviewed OSD, Joint Staff, and service officials about their roles in the process and tasks they were assigned. Moreover, we compared the QDR guidance, known as the Terms of Reference, with the legislative requirements to determine whether all of the legislatively mandated study issues were assigned to study teams. To assess DOD's schedule for conducting the review, we documented and developed a timeline showing important QDR-related events, such as confirmation dates for key DOD officials and study team briefings. We also obtained testimonial evidence from OSD, the Joint Staff, and service officials on the time frame and nature of work completed prior to June 22, 2001, the date DOD finalized its QDR guidance, so that we would have a better understanding of the preparatory work that DOD conducted and the role of the strategic reviews that were undertaken by outside defense experts for the Secretary of Defense.

To assess the thoroughness of the analytical work conducted for the QDR, we interviewed and received briefings from DOD officials who participated in all seven of the department's QDR study teams. We held follow-up meetings with members of several teams including the strategy and force planning team, the capabilities and systems team, the forces team, and the infrastructure team, and we obtained and analyzed briefings and other documentation that supported these teams' presentations to the senior- level review group. After reviewing this material, we met with study team members to discuss in more detail their analytical work, including methods and sources of information they relied on, the key assumptions they made, and the range of alternatives they considered. For example, to assess DOD's analysis to determine the force best suited to implement the national security strategy, we obtained and analyzed documentation on the scenarios and the time frames that DOD used to evaluate force structure alternatives, the key assumptions made about warning times and other factors, the methods used for estimating the numbers and types of forces required to conduct various types of military operations that could occur in the future, the number of alternative force structures evaluated, and the extent to which DOD used analytical tools such as computer warfighting models to assess the operational risks associated with alternative force structures. We also received and

analyzed briefings and documentation on the methodology the Joint Staff used to develop the chairman's operational risk assessment. Finally, we obtained documentation identifying the study issues that DOD determined would require follow-on studies. To evaluate DOD's reporting on QDR issues, we compared the QDR report with legislative reporting requirements to assess the extent of information DOD provided for Congress on each requirement.

Although we obtained a significant amount of documentation on the analysis that study teams conducted after the terms of reference were issued on June 22, 2001, DOD would not provide access to analyses conducted by the Joint Staff and the services prior to that time or to the analyses conducted by the strategic review teams. DOD's rationale was that these analyses were not part of the formal QDR process. As a result, we were not able to assess the extent to which preparatory work by the services and the Joint Staff, or the analyses conducted as part of the strategic reviews, were considered by the study teams or were used to reach conclusions in the QDR report.

To identify options for changing the timing, scope, and oversight of the QDR, we examined a wide variety of studies and articles that discussed the strengths and weaknesses of past reviews and assessed whether similar issues were likely to affect the 2001 QDR. Specifically, we reviewed studies on the QDR and other planning processes from the Rand Corporation, the National Defense University, the Army War College, the Naval War College, the Center for Strategic and Budgetary Assessments, the U.S. Commission on National Security in the 21st Century, and our report on the 1997 QDR. To obtain expert opinions and develop options for changing the timing and scope of the QDR, we interviewed OSD officials who led the 2001 QDR and at least one high-ranking officer from each of the services. We also met with 10 non-DOD defense analysts, who had served in various positions within and outside DOD, including the 1997 National Defense Panel, the 1997 or 2001 QDR, and the U.S. Commission on National Security in the 21st Century. Based on this information, we developed a matrix summarizing these individuals' concerns regarding the QDR requirements and their views on the options to address them.

We conducted our review from November 2001 through August 2002 in accordance with generally accepted government auditing standards.

Appendix II: Quadrennial Defense Review Legislation in Effect as of September 30, 2001

TITLE 10 U.S.C. Sec. 118. Quadrennial Defense Review

(a) Review Required. - The Secretary of Defense shall every four years, during a year following a year evenly divisible by four, conduct a comprehensive examination (to be known as a "quadrennial defense review") of the national defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program and policies of the United States with a view toward determining and expressing the defense strategy of the United States and establishing a defense program for the next 20 years. Each such quadrennial defense review shall be conducted in consultation with the Chairman of the Joint Chiefs of Staff.

(b) Conduct of Review. - Each quadrennial defense review shall be conducted so as –

(1) To delineate a national defense strategy consistent with the most recent National Security Strategy prescribed by the President pursuant to section 108 of the National Security Act of 1947 (50 U.S.C. 404a);

(2) To define sufficient force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program of the United States associated with that national defense strategy that would be required to execute successfully the full range of missions called for in that national defense strategy; and

(3) To identify (A) the budget plan that would be required to provide sufficient resources to execute successfully the full range of missions called for in that national defense strategy at a low-to-moderate level of risk, and (B) any additional resources (beyond those programmed in the current future-years defense program) required to achieve such a level of risk.

(c) Assessment of Risk. - The assessment of risk for the purposes of subsection (b) shall be undertaken by the Secretary of Defense in consultation with the Chairman of the Joint Chiefs of Staff. That assessment shall define the nature and magnitude of the political, strategic, and military risks associated with executing the missions called for under the national defense strategy.

(d) Submission of QDR to Congressional Committees. – The Secretary shall submit a report on each quadrennial defense review to the Committees on Armed Services of the Senate and the House of

Representatives. The report shall be submitted not later than September 30 of the year in which the review is conducted. The report shall include the following:

(1) The results of the review, including a comprehensive discussion of the national defense strategy of the United States and the force structure best suited to implement that strategy at a low-to-moderate level of risk.

(2) The assumed or defined national security interests of the United States that inform the national defense strategy defined in the review.

(3) The threats to the assumed or defined national security interests of the United States that were examined for the purposes of the review and the scenarios developed in the examination of those threats.

(4) The assumptions used in the review, including assumptions relating to - (A) the status of readiness of United States forces; (B) the cooperation of allies, mission-sharing and additional benefits to and burdens on United States forces resulting from coalition operations; (C) warning times; (D) levels of engagement in operations other than war and smaller-scale contingencies and withdrawal from such operations and contingencies; and (E) the intensity, duration, and military and political end-states of conflicts and smaller-scale contingencies.

(5) The effect on the force structure and on readiness for high-intensity combat of preparations for and participation in operations other than war and smaller-scale contingencies.

(6) The manpower and sustainment policies required under the national defense strategy to support engagement in conflicts lasting longer than 120 days.

(7) The anticipated roles and missions of the reserve components in the national defense strategy and the strength, capabilities, and equipment necessary to assure that the reserve components can capably discharge those roles and missions.

(8) The appropriate ratio of combat forces to support forces (commonly referred to as the "tooth-to-tail" ratio) under the national defense strategy, including, in particular, the appropriate number and size of headquarters units and Defense Agencies for that purpose.

(9) The strategic and tactical air-lift, sea-lift, and ground transportation capabilities required to support the national defense strategy.

(10) The forward presence, pre-positioning, and other anticipatory deployments necessary under the national defense strategy for conflict deterrence and adequate military response to anticipated conflicts.

(11) The extent to which resources must be shifted among two or more theaters under the national defense strategy in the event of conflict in such theaters.

(12) The advisability of revisions to the Unified Command Plan as a result of the national defense strategy.

(13) The effect on force structure of the use by the armed forces of technologies anticipated to be available for the ensuing 20 years.

(14) Any other matter the Secretary considers appropriate.

(e) CJCS Review. - Upon the completion of each review under subsection (a), the Chairman of the Joint Chiefs of Staff shall prepare and submit to the Secretary of Defense the Chairman's assessment of the review, including the Chairman's assessment of risk. The Chairman's assessment shall be submitted to the Secretary in time for the inclusion of the assessment in the report. The Secretary shall include the Chairman's assessment, together with the Secretary's comments, in the report in its entirety.

Appendix III: QDR Follow-On Studies, Plans, Reviews, and Concept Development Taskings

The 2001 QDR report identified more than 30 issues that DOD planned to focus on in follow-on studies, plans, reviews and other taskings. Although not all of the studies correlate directly to specific QDR legislative taskings, a number of them do. DOD provided us with the following list.

- DOD will institutionalize definitions of homeland security, homeland defense, and civil support and address command relationships and responsibilities within the Department.
- DOD will review the establishment of a new unified combatant commander to help address complex inter-agency issues and provide a single military commander to focus military support.
- DOD will undertake a comprehensive review of the active and reserve mix, organization, priority missions, and associate resources.
- The Secretary of the Army will explore options for enhancing ground force capabilities in the Arabian Gulf.
- The Secretary of the Navy will explore options for homeporting an additional three to four surface combatants and guided cruise missile submarines (SSGNs) in that area.
- The Secretary of the Air Force will develop plans to increase contingency basing in the Pacific and Indian Oceans, as well as in the Arabian Gulf.
- The Secretary of the Navy will develop new concepts of maritime prepositioning, high-speed sealift, and new amphibious capabilities for the Marine Corps.
- The Secretary of the Navy will develop options to shift some of the Marine Corps' afloat prepositioned equipment from the Mediterranean toward the Indian Ocean and Arabian Gulf to be more responsive to contingencies in the Middle East.
- The Secretary of the Navy, in consultation with U.S. allies and friends, will explore the feasibility of conducting Marine Corps training for littoral warfare in the Western Pacific.
- To support the transformation effort and to foster innovation and experimentation, the DOD will establish a new office reporting directly to the Secretary and the Deputy Secretary of Defense. The Director, Force Transformation will evaluate the transformation efforts of the military departments and promote synergy by recommending steps to integrate ongoing transformation activities.
- To facilitate transformation, the military departments and defense agencies will develop transformation roadmaps that specify timelines to develop Service-unique capabilities necessary to meet the DOD's six operational goals.
- To strengthen joint operations, DOD will develop over the next several months proposals to establish a prototype for Standing Joint Task Force (SJTF) Headquarters.

- In addition, the Department will examine options for establishing Standing Joint Task Forces (SJTFs)... that will seek to develop new concepts to exploit U.S. asymmetric military advantages and joint force synergies.
- DOD will establish a joint presence policy to strengthen the Secretary of Defense's management of the allocation of joint deterrent and warfighting assets from all military departments.
- To ensure effective sustainment, DOD will conduct industrial vulnerability assessments and develop sustainment plans for the most critical weapons systems and preferred munitions.
- DOD will explore the need to establish a joint and interoperability training capability, including a Joint National Training Center as well as opportunities to build on existing capabilities at Service training centers and ranges to enable joint transformation field exercises and experiments and to inform the Services' exercises and experiments.
- Combatant Commanders (CINCs) should develop a plan to rotate assigned forces through a joint training event for regular exercises and evaluations.
- To support the CINCs effort [to rotate assigned forces through a joint training event, DOD will consider the establishment of a Joint Opposing Force and increasing the Joint Forces Command exercise budget.
- DOD is committed to identifying efficiencies and reductions in less relevant capabilities that can free resources to be reinvested to accelerate DOD's transformation efforts. In support of this goal, the military departments and defense agencies will identify significant, auditable savings to be reinvested in high-priority transformation initiatives.
- DOD will develop a strategic human resources plan for military and civilian personnel. The plan will identify the tools necessary to size and shape the military and civilian force to provide adequate numbers of high-quality, skilled and professionally developed people.
- DOD will review existing quality of life services and policies to guarantee that they have kept pace with modem requirements.
- DOD has initiated a comprehensive review of all defense and service health agencies, management activities, and programs.
- DOD will develop recommendations to eliminate redundancy among functions of the Office of the Secretary of Defense, the services, and the Joint Staff.
- The military departments also are evaluating changes in their headquarters structures to improve their ability to perform executive functions at lower staffing levels.
- DOD will explore options to fully redesign the way it plans, programs, and budgets.
- DOD will assess all its functions to separate core and non-core function.

- DOD will create a small team to develop alternatives to the agency or field activity model that permits DOD to produce cross-DOD outputs at a significantly lower cost.
- To improve the business practices of the defense agencies, DOD will begin a review of the agencies to seek efficiencies.
- DOD will develop a plan for improving the effectiveness of the Defense Working Capital Fund.
- DOD will create a department-wide blueprint (enterprise architecture) that will prescribe how DOD's financial and non-financial feeder systems and management processes will interact.
- The mix of new threats and missions that DOD will consider in the near- to mid-term requires that the Department reevaluate and adjust the recommendations of its Mobility Requirements Study completed in FY 2000.

Appendix IV: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000

POLICY

October 18, 2002

Mr. Henry L. Hinton, Jr.
Managing Director
Defense Capabilities and Management
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Hinton:

Thank you for the opportunity to comment on the GAO draft report, "Quadrennial Defense Review: Future Reviews Can Benefit from Better Analysis and Changes in Timing and Scope," dated September 18, 2002 (GAO Code 350043/GAO-03-13).

We appreciate the report's clear statements about the strengths of the Quadrennial Defense Review (QDR), particularly the attention given to the development of a new defense strategy and the emphasis on transforming military capabilities and business processes to meet 21st-century challenges. We also appreciate the recognition that the QDR benefited greatly from the sustained involvement of the Secretary of Defense and his senior advisors.

Still, we take exception with the finding that the QDR force structure assessment had "significant limitations" and the suggestion that the focus of DoD's force analysis was misplaced. To the contrary, given the scope and timing of the review, we effectively employed a combination of analytical tools (including computer simulations) and professional judgment to support senior-level deliberations. The "capabilities-based" planning approach that DoD adopted in the QDR requires a different set of force planning tools than the "threat-based" approach that GAO appears to advocate in the report.

With respect to GAO's two recommendations: We partially concur with the recommendation that "the Secretary clearly assign responsibility for assessing all review issues required by legislation." The clear assignment of such responsibilities is important to the success of the review.

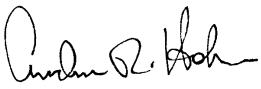
We believe that the QDR covered all issues required by the legislation, though we recognize that the QDR report addressed some issues in more detail than others. This is because the Secretary of Defense and the department's senior civilian and uniformed leadership must be allowed to manage the QDR in a manner that focuses on issues of primary importance. Throughout the QDR report, we described how we met the legislative requirements and how subsequent analytic efforts would devote additional

attention to more complex planning matters. The GAO is correct in stating that "some of the required study issues may be less relevant to DoD and Congress in the future because of changes in the security environment and the resulting impact on strategy." We also support GAO's acknowledgment that the statutorily-required timing of the QDR needs revision. Indeed, the department has proposed language regarding the timing of the QDR in both the House (H.R. 4546) and Senate (S. 2514) versions of the Defense Authorization Bill.

Regarding GAO's recommendation that the Secretary "provide Congress with more complete information describing the department's analysis to meet the legislative requirements, particularly those related to force structure requirements," we briefed members of Congress and staff, provided written reports and subsequent budget justification material, and offered additional information that gave significant visibility into the decisions we made and the basis on which we made them. Moreover, the Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, and other senior officials gave hours of testimony on the processes and the substance of the QDR.

Again, we are grateful for the opportunity to review the GAO's draft report on this important matter.

Sincerely,



Andrew R. Hoehn
Deputy Assistant Secretary of Defense for Strategy

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