



Highlights of [GAO-08-982](#), a report to congressional committees

Why GAO Did This Study

Since the September 2001 terrorist attacks, Congress has provided about \$800 billion as of July 2008 to the Department of Defense (DOD) for military operations in support of the Global War on Terrorism (GWOT). GWOT budget requests have grown in scope and the amount requested has increased every year. DOD uses various processes and the Contingency Operations Support Tool (COST) to estimate costs for these operations and to develop budget requests.

GAO assessed (1) how DOD uses COST and other processes to develop GWOT budget requests and (2) what actions DOD has taken to ensure COST adheres to best practices for cost estimation.

GAO interviewed DOD officials and others to determine how the services develop GWOT budget requests using COST and other processes. GAO also used its *Cost Assessment Guide* as criteria for best practices for cost estimation.

What GAO Recommends

GAO is recommending that DOD (1) arrange for an independent review of COST to ensure that the model adheres to best practices and (2) consider options for refining COST to better meet the needs of the services. DOD agreed with both of GAO's recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-982](#). For more information, contact Sharon L. Pickup, (202) 512-9619, pickups@gao.gov.

DEFENSE BUDGET

Independent Review Is Needed to Ensure DOD's Use of Cost Estimating Tool for Contingency Operations Follows Best Practices

What GAO Found

The services use COST as part of their process to develop a GWOT budget request. While the Army relies more on the estimate resulting from COST, the other services adjust the results of COST to reflect estimates they generate outside of COST, based on historical obligation data and other information. DOD's financial management regulation and other guidance require components to use COST to develop an estimate for the deployment and sustainment of military personnel and equipment for ongoing operations in support of GWOT. While all services use COST to develop an initial estimate, Air Force, Marine Corps, and Navy budget officials alter the results of the tool to match information provided by lower level commands and historical obligation data that they believe are more accurate than the COST-generated estimate. These officials stated that the tool routinely overestimates some costs and therefore most changes made are decreases in the amount estimated by COST. These officials believe that the requirement to use COST to develop a GWOT budget request is a duplicative process to their preferred method of using historical obligation data and other information better suited to their specific service. For example, they stated that COST better represents the needs of Army ground forces and the tool has not been refined to be as effective for estimating needs for their service's mission. These officials also mentioned that COST is better suited for developing estimates for smaller-scale contingency operations than for the lengthy deployments and sustainment phases associated with a large campaign such as GWOT. To develop estimates for items that are outside the scope of COST, such as procurement and certain contracts, the military services rely primarily on needs assessments developed by commanders and historical obligation data.

DOD has taken steps to improve the performance and reliability of COST; however, COST could benefit from an independent review of the tool's adherence to best practices for high-quality cost estimation as described in GAO's *Cost Assessment Guide*. COST has been refined many times and cost factors are routinely updated in an effort to use the most current information available to develop an estimate. DOD officials stated they are confident in the tool's ability to provide reasonable estimates because COST is frequently updated. However, COST has not been assessed against best practices for cost estimation to determine whether COST can provide high-quality estimates that are well documented, comprehensive, accurate, and credible. While GAO did not undertake a full assessment of COST against best practices, it determined that some features of the tool meet best practices while other features would benefit from further review. For example, the tool adheres to several best practices for a comprehensive and accurate cost estimate, such as frequent updates to the structure of COST and the data the tool uses to generate estimates. However, COST relies on GWOT obligation data that GAO has identified as being of questionable reliability. A thorough, independent review of COST against best practices could provide decision makers with information about whether the tool creates cost estimates for GWOT expenses that are well documented, comprehensive, accurate, and credible.