



Highlights of [GAO-08-298](#), a report to the Committee on Armed Services, U.S. Senate

DEFENSE ACQUISITIONS

DOD's Practices and Processes for Multiyear Procurement Should Be Improved

Why GAO Did This Study

DOD spends \$10 billion annually on multiyear procurement (MYP) contracts for weapons systems. MYPs may save money through more efficient relationships with suppliers and producers, but may also suffer losses if cancelled and can limit future budget flexibility. Recently, Congress has been concerned about DOD's management of the process and savings realized by MYPs. GAO was asked to evaluate DOD's review process for MYP candidates; examine MYP program outcomes; identify the impact of changes to MYP savings threshold guidance, and determine how much DOD validates MYP performance. To do this, GAO reviewed statutes and other guidance, held discussions with relevant officials, examined DOD budget justifications and contracts, and conducted limited case studies.

What GAO Recommends

GAO is making recommendations that DOD improve the outcomes of multiyear justification reviews by improving guidance, providing third party validation of MYP estimates, implementing a centralized database for MYP information, and conducting after-action assessments of completed MYP contracts. DOD concurred with two of the recommendations and partially concurred with the other two, stating that it will consider whether the delays and expense of third party validation are warranted by the benefits and that several factors limit the usefulness of after-action assessments. GAO believes its recommendations remain valid and can improve MYP outcomes.

To view the full product, including the scope and methodology, click on [GAO-08-298](#). For more information, contact Michael Sullivan at (202) 512-4841 or sullivanm@gao.gov.

What GAO Found

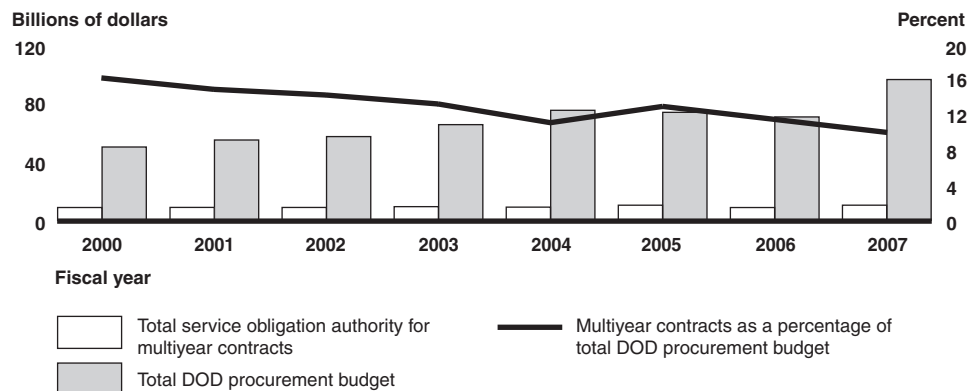
DOD's process for justifying multiyear programs leaves questions about the appropriateness of some approved MYPs and the cost effectiveness of investments made for the risks assumed, as indicated by recent submissions for the F-22A and V-22. Although the law has clear requirements for stable, low risk programs with realistic cost and savings estimates, lack of guidance and a rigorous process is not achieving this.

It is difficult to precisely determine the impact of multiyear contracting on procurement costs. GAO studies of three recent MYPs identified unit cost growth ranging from 10 to 30 percent compared to original estimates, due to changes in labor and material costs, requirements and funding, and other factors. In some cases, actual MYP costs were higher than estimates for annual contracts. Although annual contracts also have unit cost growth, it is arguably more problematic for MYP's because of the up-front investments and the government's exposure to risk over multiple years.

MYP savings were on average higher before changes in law called for "substantial savings" rather than a specific quantitative standard. Other factors—lower quantities of modern systems procured, stricter cancellation liability allowances, and contraction in the defense industrial base—may have also impacted savings by lessening opportunities for more efficient purchases, a key attribute of MYPs.

DOD does not track multiyear results against original expectations and makes little effort to validate if actual savings were achieved. GAO's case studies indicate that evaluating actual MYP results provides valuable information on the veracity of original estimates in the justification packages, the impacts on costs and risks from internal and external events, and lessons learned that can be used to improve future multiyear candidates and savings opportunities.

Multiyear Contract Dollars and Percentage of Total Defense Procurement Obligation Authority



Source: GAO analysis of DOD annual reports to the Congress.