



Highlights of [GAO-08-134](#), report to congressional requesters

## Why GAO Did This Study

Destruction of the nation's remaining stockpile of chemical weapons in a safe, efficient, and timely manner is essential to meet Chemical Weapons Convention treaty obligations and to reduce the risk of a potential catastrophic event. The Department of Defense (DOD) established the Chemical Demilitarization Program to manage the destruction of the remaining stockpile. GAO was asked to evaluate the (1) progress DOD and the Army have made in addressing GAO's prior recommendations to strengthen program management, (2) reasonableness of schedule milestones, (3) reliability of cost estimates, and (4) effectiveness of efforts to provide monetary incentives to the systems contractors. GAO reviewed relevant planning documents, schedules, cost estimates, and contracts; interviewed program and contractor officials; and visited chemical agent destruction sites.

## What GAO Recommends

GAO recommends that DOD and the Army develop interim destruction goals, approaches, and milestones; establish time frames to complete its risk management approach; develop realistic schedule and closure cost estimates; finalize and independently review cost estimates; and determine whether a greater emphasis can be placed on schedule and cost, and develop more objective award fee performance evaluation criteria. DOD concurred or partially concurred with 12 of GAO's 13 recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-134](#). For more information, contact Davi D'Agostino at (202) 512-5431 or [dagostinod@gao.gov](mailto:dagostinod@gao.gov).

# CHEMICAL DEMILITARIZATION

## Additional Management Actions Needed to Meet Key Performance Goals of DOD's Chemical Demilitarization Program

### What GAO Found

DOD and the Army have taken steps in addressing GAO's prior recommendations to strengthen program management by establishing an overall strategy and supporting implementation plan, but some key elements, such as annual performance measures for some key goals, including interim destruction goals, are not fully developed. Moreover, actions DOD and the Army have taken to identify and mitigate the risk of future program schedule extensions and cost growth have not been effective because the Chemical Materials Agency's risk management process has not been fully developed or integrated with DOD's risk management process. As a result, managers lack an integrated and systematic approach to evaluate and manage risk.

Recently achieved destruction rates may indicate that adjusted schedule milestones are overly conservative. Moreover, the program's schedule was extended in 2005 in response to the slower-than-anticipated destruction rates experienced since 2003, when more optimistic milestones were adopted. GAO's review of processing rates achieved at the sites since the revised schedule determined that most sites are significantly ahead of the revised, extended program estimates for recently completed munitions campaigns. For example, Umatilla, Oregon, completed destruction of one of its rocket munitions by August 2007, about 12 months earlier than forecasted.

GAO was not able to verify the accuracy of the program's cost estimates because of shortcomings in the underlying cost data, such as undefined facility closure requirements and unstable baseline costs. GAO determined that the usefulness of the earned value management tool to provide visibility over the program's cost performance is limited because of these shortcomings. The program's projected cost growth is largely attributable to longer schedules and increased costs associated with facility closure estimates. GAO estimated that a 1-month schedule extension would cost an additional \$9.5 million. Also, schedules used for the closure cost estimates for destruction sites have increased, from 12 months to about 30 months at some sites, but they have not been finalized or independently reviewed.

Since 2003, the Army has actively managed criteria for determining monetary fees—largely award fees—it provided systems contractors to incentivize their performance. These fees had emphasized safety and environmental compliance, and Army officials acknowledged that award fees did not successfully control schedule and cost growth. In 2006, after audit results and DOD direction, and while extending the schedule, the Army reinstated schedule as a performance measure. The award fee plan allows site project managers flexibility to weigh performance measures within a range, and GAO determined that the high end of the range for management was generally selected, rather than for schedule and cost. Most criteria in the program's award fee plans are subjective and are not linked to objective outcomes as much as possible, as called for in DOD guidance. Given the program's maturity, GAO found that the Army could apply more weight to performance measures, such as schedule and cost, and add objective criteria in these plans.