



Highlights of [GAO-06-257T](#), a testimony before the Subcommittee on Airland, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Department of Defense (DOD) is shepherding a portfolio of major weapon systems valued at about \$1.3 trillion. How DOD is managing this investment has been a matter of concern for some time. Since 1990, GAO has designated DOD's weapon system acquisitions as a high-risk area for fraud, waste, abuse, and mismanagement. DOD has experienced cost overruns, missed deadlines, performance shortfalls, and persistent management problems. In light of the serious budget pressures facing the nation, such problems are especially troubling. GAO has issued hundreds of reports addressing broad-based issues, such as best practices, as well as reports focusing on individual acquisitions. These reports have included many recommendations.

The subcommittee asked GAO to testify on possible problems with and improvements to defense acquisition policy. In doing so, we highlight the risks of conducting business as usual and identify some of the solutions we have found in successful acquisition programs and organizations.

www.gao.gov/cgi-bin/getrpt?GAO-06-257T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine V. Schinasi, 202-512-4841.

DOD ACQUISITION OUTCOMES

A Case for Change

What GAO Found

DOD is facing a cascading number of problems in managing its acquisitions. Cost increases incurred while developing new weapon systems mean DOD cannot produce as many of those weapons as intended nor can it be relied on to deliver to the warfighter when promised. Military operations in Afghanistan and Iraq are consuming a large share of DOD resources and causing the department to invest more money sooner than expected to replace or fix existing weapons. Meanwhile, DOD is intent on transforming military operations and has its eye on multiple megasystems that are expected to be the most expensive and complex ever. These costly conditions are running head-on into the nation's unsustainable fiscal path.

DOD knows what to do to achieve more successful outcomes but finds it difficult to apply the necessary discipline and controls or assign much-needed accountability. DOD has written into policy an approach that emphasizes attaining a certain level of knowledge at critical junctures before managers agree to invest more money in the next phase of weapon system development. This knowledge-based approach results in evolutionary—that is, incremental, manageable, predictable—development and inserts several controls to help managers gauge progress in meeting cost, schedule, and performance goals. But DOD is not employing the knowledge-based approach, discipline is lacking, and business cases are weak.

Persistent practices show a decided lack of restraint. DOD's requirements process generates more demand for new programs than fiscal resources can support. DOD compounds the problem by approving so many highly complex and interdependent programs. Once too many programs are approved to start, the budgeting process exacerbates problems. Because programs are funded annually and departmentwide, cross-portfolio priorities have not been established, competition for funding continues over time, forcing programs to view success as the ability to secure the next funding increment rather than delivering capabilities when and as promised.

Improving this condition requires discipline in the requirements and budgetary processes. Determining who should be held accountable for deviations and what penalties are needed is crucial. If DOD cannot discipline itself now to execute programs within fiscal realities, then draconian, budget-driven decisions may have to be made later.