

# GAO Highlights

Highlights of [GAO-14-563T](#), a testimony before the Committee on Armed Services, U.S. Senate

## Why GAO Did This Study

DOD's acquisition of major weapon systems has been on GAO's high risk list since 1990. Over the past 50 years, Congress and DOD have continually explored ways to improve acquisition outcomes, including reforms that have championed sound management practices, such as realistic cost estimating, prototyping, and systems engineering. While some progress has been made, too often GAO reports on the same kinds of problems with acquisition programs today that it did over 20 years ago.

The topic of today's hearing is: "Reform of the Defense Acquisition System." To address the topic, this testimony discusses (1) the performance of DOD's major defense acquisition program portfolio; (2) the management policies and processes currently in place to guide those acquisitions; (3) the incentives to deviate from otherwise sound acquisition practices; and (4) suggestions to temper these incentives. This statement draws from GAO's extensive body of work on DOD's acquisition of weapon systems.

View [GAO-14-563T](#). For more information, contact Michael J. Sullivan at (202) 512-4841 or [sullivanm@gao.gov](mailto:sullivanm@gao.gov).

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## DEFENSE ACQUISITIONS

### Addressing Incentives is Key to Further Reform Efforts

#### What GAO Found

The Department of Defense (DOD) must get better outcomes from its major weapon system investments, which in recent years have totaled around \$1.5 trillion or more. Recently, there have been some improvements, owing in part to recent reforms. For example, 50 of the 80 weapon system programs in the portfolio reduced their total acquisition costs over the past year, and a number of them also improved their buying power by finding efficiencies. Still, cost and schedule growth remain significant; 42 percent of programs have had unit cost growth of 25 percent or more.

DOD's acquisition policy provides a structured framework for developers to gather knowledge at appropriate stages that confirms that their technologies are mature, their designs stable, and their production processes are in control. The Weapon Systems Acquisition Reform Act of 2009 and DOD's recent "Better Buying Power" initiatives introduced significant changes that, when fully implemented, should further strengthen practices that can lead to successful acquisitions. While recent reforms have benefited individual programs, it is premature to say there is a trend or a corner has been turned. The reforms still face implementation challenges and have not yet been institutionalized within the services.

Reforms that focus mainly on the mechanisms of the acquisition process are only partial remedies because they do not address incentives to deviate from sound practices. Weapons acquisition is a complex system, complete with incentives to pursue programs that are not always feasible and affordable. These incentives stem from several factors. For example, the fragmented decision making paradigm in DOD and different participants involved in the acquisition process impose conflicting demands on weapon programs so that their purpose transcends filling voids in military capability. Also, the budget process forces funding decisions to be made well in advance of program decisions, encouraging undue optimism. Finally, DOD program managers' short tenures and limitations in experience and training can foster a short-term focus and put them at a disadvantage with their industry counterparts.

Drawing on its extensive body of work in weapon systems acquisition, GAO sees several areas of focus regarding where to go from here: 1) examining best practices to integrate critical requirements, resources, and acquisition decision making processes; 2) attracting, training, and retaining acquisition staff and managers so that they are both empowered and accountable for program outcomes; 3) at the start of new programs, using funding decisions to reinforce desirable principles such as well-informed acquisition strategies; 4) identifying significant risks up front and resourcing them; 5) exploring ways to align budget decisions and program decisions more closely; and 6) investigating tools, such as limits on system development time to improve program outcomes.

These are not intended to be all-encompassing, but rather, practical places to start the hard work of holding decision makers more accountable and realigning incentives with desired results.