



Highlights of [GAO-03-346](#), a report to the Chairman and Ranking Minority Member, Subcommittee on Defense, Committee on Appropriations, U.S. Senate

# DEFENSE BUDGET

## Tracking of Emergency Response Funds for the War on Terrorism

### Why GAO Did This Study

As of January 2003, Congress had provided a total of \$38 billion to the Department of Defense (DOD) to cover emergency response costs related to the war on terrorism. Appropriated in different ways in fiscal years 2001, 2002, and 2003, these funds are meant to pay for expenses that DOD would not normally incur, such as contingency military operations and Pentagon building repairs.

Because our prior work raised questions about DOD's oversight of contingency fund spending, GAO was asked to review DOD's management of emergency response funds, specifically:

- DOD's adherence to OMB guidance in managing funds and the sufficiency of DOD's guidance on the use of these funds, and
- DOD's ability to track the use of emergency response funds in general.

We limited our review of DOD's guidance to the initial funds placed in the Defense Emergency Response Fund. We did not verify the accuracy of the data contained in DOD's obligation reports or the appropriateness of individual expenditures.

### What GAO Recommends

Because DOD is revising its guidance and compiling more data based on our prior work, we are not making a new recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-03-346](http://www.gao.gov/cgi-bin/getrpt?GAO-03-346).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov).

### What GAO Found

While DOD followed the Office of Management and Budget's (OMB) guidance in managing the initial \$15 billion in war on terrorism funds that were placed in the Defense Emergency Response Fund in fiscal years 2001 and 2002, DOD provided its components with limited guidance on how to use these funds. DOD allocated the funds according to OMB's 10 funding categories. However, DOD's designations of allowable line items for each category were broad and, thus, could be interpreted in different ways. Also, while OMB directed that the funds were to be used for urgent and known needs, DOD did not define those needs further. Finally, DOD directed the components to use an internal financial management regulation for contingency funding to determine if costs were incremental or not; however, as we have reported previously, these regulations are insufficient for this purpose. In the absence of detailed guidance military officials sometimes had to use their best judgment in obligating emergency response funds.

DOD's ability to track the use of emergency response funds has varying limitations depending on the appropriation. For the fiscal years 2001 and 2002 emergency response funds managed separately in the Defense Emergency Response Fund (\$15 billion), DOD can report a breakdown of obligations by its 10 funding categories, but cannot correlate this information with its appropriation account structure. For emergency response funds provided in fiscal years 2002 and 2003 (\$20.5 billion) that were transferred into or placed directly into DOD's regular appropriations accounts, DOD cannot use its accounting system to track the use of these funds because they are commingled with those appropriated for other purposes. While DOD has an alternative process intended to track obligations for contingency operations related to the war on terrorism, it cannot identify the portion of obligations that are funded with emergency response funds. DOD acknowledged these limitations and, in December 2002, began requiring additional reporting on the use of these funds.

DOD partially concurred with this report, noting it clearly told components to use DOD's financial regulation for guidance and also held meetings for clarification. DOD agreed funds were commingled, but noted it had a process to track incremental costs for the war on terrorism.

**DOD Emergency Response Funds (fiscal years 2001 through 2003)**

Dollars in billions		
Fiscal year	Total	Appropriation type
2001/2002	\$17.5	Emergency supplementals (\$15 billion Defense Emergency Response Fund, \$2.3 billion other accounts, and \$0.2 billion rescinded)
2002	13.4	Supplemental
2003	7.1	Annual appropriation
<b>Total</b>	<b>\$38.0</b>	

Source: DOD.