



Highlights of [GAO-05-293](#), a report to congressional committees

Why GAO Did This Study

The high pace of military operations in Iraq and elsewhere has generated a multibillion dollar equipment maintenance requirement that must be addressed after units return home. Upon returning from deployments, active, reserve, and National Guard units reconstitute, or restore, their equipment to a condition that enables them to conduct training and prepare for future deployments. The Department of Defense (DOD) uses a two-phased process to develop equipment reconstitution supplemental budget estimates. GAO reviewed this process for the fiscal year 2004 supplemental budget to determine (1) the extent to which the process produced reliable estimates of reconstitution requirements in the fiscal year 2004 supplemental budget, and (2) whether DOD is accurately tracking and reporting reconstitution costs.

What GAO Recommends

GAO is making several recommendations to correct weaknesses identified in DOD's equipment reconstitution cost estimating and tracking processes. In commenting on a draft of this report, DOD concurred or partially concurred with five recommendations and did not concur with the other recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-05-293.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE MANAGEMENT

Processes to Estimate and Track Equipment Reconstitution Costs Can Be Improved

What GAO Found

DOD's two-phased process to develop its fiscal year 2004 equipment reconstitution cost estimates contained weaknesses that produced errors, which may result in misstatements of future-year reconstitution cost requirements. The model DOD used to estimate costs in the first phase of the process generated unreliable estimates due to two main reasons. First, the model can overstate aircraft and ship reconstitution costs because these costs are covered in two different sections of the model. As a result, the model's estimate for Air Force aircraft reconstitution was overstated by over \$1 billion. Second, there is uncertainty over what maintenance requirements the model covered. The Office of the Secretary of Defense (OSD) and the services developed their requirements with the understanding that the model did not calculate all maintenance requirements. GAO learned that the model may duplicate some requirements that the services manually calculated and included in their cost estimates. Consequently, DOD cannot have confidence that its equipment reconstitution budget estimate is reliable. There are also reconstitution estimating and guidance problems associated with the second phase of the process, where the services may develop alternative estimates outside of the model. For instance, the Army failed to consider funding in its baseline budget that would be available for equipment reconstitution. In another instance, the services included requirements in their reconstitution estimates that appear to go beyond equipment reconstitution as established by OSD's guidance. Nonetheless, GAO found an accumulation of unfulfilled equipment reconstitution requirements, because OSD guidance excluded the services from requesting funds for projected battle and other expected losses. The effect of losses not recognized in OSD's supplemental budget requirements have not yet been quantified and may be significant. GAO believes these problems are creating a backlog of equipment reconstitution requirements that will eventually need to be addressed in future budgets.

DOD has not accurately tracked and reported its equipment reconstitution cost because the services are unable to segregate equipment reconstitution from other maintenance requirements as required. As a result, DOD cannot accurately report the cost of equipment reconstitution and, consequently, the total cost of the global war on terror. The Air Force does not break out its equipment reconstitution obligations from other global war-on-terrorism obligations in a DOD monthly cost report because it does not have a mechanism that can track the amounts obligated on equipment reconstitution and delineate such obligations from routine maintenance. Further, Army- and Navy-reported equipment reconstitution obligations are likely overstated in the monthly report because they include other maintenance costs—such as those related to equipment used in training exercises—that do not fall within DOD's description of equipment reconstitution.