



Highlights of [GAO-07-851](#), a report to congressional committees

Why GAO Did This Study

Given a large-scale organizational change initiative, such as the Department of Defense's (DOD) National Security Personnel System (NSPS), is a substantial commitment that will take years to complete, it is important that DOD and Congress be kept informed of the full cost of implementing NSPS. Under the Comptroller General's authority to conduct evaluations on his own initiative, GAO analyzed the extent to which DOD has (1) fully estimated total costs associated with the implementation of NSPS and (2) expended or obligated funds to design and implement NSPS through fiscal year 2006. GAO interviewed department officials and analyzed the NSPS Program Executive Office's (PEO), and the military services' and the Washington Headquarters Services' (hereafter referred to as the components) cost estimates and reports of expended and obligated funds.

What GAO Recommends

GAO recommends that DOD define all costs needed to manage NSPS, prepare a revised estimate of those costs for implementing the system in accordance with federal financial accounting standards, and develop a comprehensive oversight framework to ensure that all funds expended or obligated to design and implement NSPS are fully captured and reported. In reviewing a draft of this report, DOD generally concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-851.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Derek Stewart at (202) 512-5559 or stewartd@gao.gov.

HUMAN CAPITAL

DOD Needs Better Internal Controls and Visibility over Costs for Implementing Its National Security Personnel System

What GAO Found

DOD's November 2005 estimate that it will cost \$158 million to implement NSPS does not include the full cost that the department expects to incur as a result of implementing the new system. Federal financial accounting standards state that reliable information on the costs of federal programs and activities is crucial for effective management of government operations and recommend that full costs of programs and their outputs be provided to assist Congress and executives in making informed decisions on program resources and to ensure that programs get expected and efficient results. The full cost includes both those costs specifically identifiable to carry out the program, or direct costs, and those costs that are common to multiple programs but cannot be specifically identified with any particular program, or indirect costs. While the standards emphasize that full cost information is essential for managing federal programs, their activities, and outputs, the standards also provide that items may be omitted from cost information if that omission would not change or influence the judgment of a reasonable person relying on the cost information. Based on GAO's review of documentation provided by DOD and discussions with department officials, GAO found that DOD's estimate includes some direct costs, such as the start-up and operation of the NSPS PEO and the development and delivery of new NSPS training courses, but it does not include other direct costs such as the full salary costs of all civilian and military personnel who directly support NSPS activities departmentwide. Before developing its estimate, DOD had not fully defined all the direct and indirect costs needed to manage the program. Without a better estimate, decision makers—within DOD and Congress—will not have complete information about whether adequate resources are being provided for implementing NSPS.

The total amount of funds DOD has expended or obligated to design and implement NSPS during fiscal years 2005 through 2006 cannot be determined because DOD has not established an oversight mechanism to ensure that these costs are fully captured. In May 2005, the NSPS Senior Executive established guidance for tracking and reporting NSPS implementation costs that requires the components to develop mechanisms to capture these costs and to report quarterly their costs to the NSPS PEO. However, this guidance does not define the direct and indirect costs DOD requires that the components capture. DOD's pervasive financial management deficiencies have been the basis for GAO's designation of this as a high-risk area since 1995. GAO's review of submitted reports from the components found that their official accounting systems do not capture the total funds expended or obligated to design and implement NSPS. Without an effective oversight mechanism to ensure that the official accounting systems capture all appropriate costs, DOD and Congress do not have visibility over the actual cost to design and implement NSPS.