



Highlights of [GAO-08-506T](#), a testimony before the Subcommittee on Defense, Committee on Appropriations, U.S. House of Representatives

Why GAO Did This Study

Funded at \$8 billion to nearly \$10 billion per year, the Missile Defense Agency's (MDA) effort to develop and field a Ballistic Missile Defense System (BMDS) is the largest research and development program in the Department of Defense (DOD). The program has been managed in 2-year increments, known as blocks. Block 2006, the second BMDS block, was completed in December 2007. By law, GAO annually assesses MDA's progress.

This testimony is based on GAO's assessment of MDA's progress in (1) meeting Block 2006 goals for fielding assets, completing work within estimated cost, conducting tests, and demonstrating the performance of the overall system in the field, and (2) making managerial improvements to transparency, accountability, and oversight.

In conducting the assessment, GAO reviewed the assets fielded; contractor cost, schedule, and performance; and tests completed during 2007. GAO also reviewed pertinent sections of the U.S. code, acquisition policy, and the charter of a new missile defense board.

We have previously made recommendations to improve oversight in the areas that MDA has recently taken action. We also have a draft report that is currently with DOD for comment that includes additional recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-506T](#). For more information, contact Paul Francis, (202) 512-4841, francisp@gao.gov.

DEFENSE ACQUISITIONS

Assessment of DOD Efforts to Enhance Missile Defense Capabilities and Oversight

What GAO Found

In the past year, MDA has fielded additional and new assets, enhanced the capability of some existing assets, and achieved most test objectives. However, MDA did not meet the goals it originally set for the block. Ultimately, MDA fielded fewer assets, increased costs by about \$1 billion and conducted fewer tests. Even with the cost increase, MDA deferred work to keep costs from increasing further, as some contractors overran their fiscal year 2007 budgets. Deferring work obscures the cost of the block because such work is no longer counted as part of Block 2006. The cost of the block may have been further obscured by a way of planning work used by several contractors that could underestimate the actual work completed. If more work has to be done, MDA could incur additional costs that are not yet recognized. MDA also sets goals for determining the overall performance of the BMDS. Similar to other DOD programs, MDA uses models and simulations to predict BMDS performance. We were unable to assess whether MDA met its overall performance goal because there have not been enough flight tests to provide a high confidence that the models and simulations accurately predict BMDS performance. Moreover, the tests done to date have been developmental in nature, and do not provide sufficient realism for DOD's test and evaluation Director to determine whether BMDS is suitable and effective for battle.

GAO has previously reported that MDA has been given unprecedented funding and decision-making flexibility. While this flexibility has expedited BMDS fielding, it has also made MDA less accountable and transparent in its decisions than other major programs, making oversight more challenging. MDA, with some direction from Congress, has taken significant steps to address these concerns. MDA implemented a new way of defining blocks—that construct for developing and fielding BMDS increments—that should make costs more transparent. For example, under the newly-defined blocks, MDA will no longer defer work from one block to another. Accountability should also be improved as MDA will for the first time estimate unit costs for selected assets and report variances from those estimates. DOD also chartered a new executive board with more BMDS oversight responsibility than its predecessor. Finally, MDA will begin buying certain assets with procurement funds like other programs. This will benefit transparency and accountability, because to use procurement funding generally means that assets must be fully paid for in the year they are bought. Previously, MDA has been able to pay for assets incrementally using research and development funds. Some oversight concerns remain, however. For example, MDA does not plan to estimate the total cost of a block, nor to have a block's costs independently verified—actions required of other programs to inform decisions about affordability and investment choices. Also, the executive board faces a challenge in overseeing MDA's large technology development efforts and does not have approval authority for some key decisions made by MDA.