

September 2007

# DEFENSE ACQUISITIONS

## DOD's Research and Development Budget Requests to Congress Do Not Provide Consistent, Complete, and Clear Information



# Report Documentation Page

*Form Approved*  
*OMB No. 0704-0188*

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1. REPORT DATE <b>SEP 2007</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2007 to 00-00-2007</b>	
4. TITLE AND SUBTITLE <b>Defense Acquisitions. DOD's Research and Development Budget Requests to Congress Do Not Provide Consistent, Complete, and Clear Information</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>General Accountability Office, 441 G Street NW, Washington, DC, 20548</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

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# Highlights

Highlights of [GAO-07-1058](#), a report to congressional committees

## Why GAO Did This Study

The Department of Defense (DOD) asked Congress for \$73.2 billion in fiscal year 2007 for research, development, testing, and evaluation (RDT&E). DOD organized this request using program element (PE) codes, which are designed to convey key information about the budget request. DOD also provides documents called budget exhibits detailing the activities for which funds are being requested. The National Defense Authorization Act for Fiscal Year 2006 mandated that GAO examine the program elements and budget exhibits. GAO assessed (1) whether the RDT&E program element code structure and the associated budget exhibits provide accurate, consistent, complete, and clear information, and (2) what factors contribute to any problems found. In conducting this review GAO analyzed all of the fiscal year 2007 program element codes and 47 budget exhibits. GAO also interviewed key DOD officials.

## What GAO Recommends

GAO recommends the Secretary of Defense take several actions aimed at providing Congress with more clear and complete information on RDT&E funding requests. In addition, Congress may wish to have the DOD Comptroller work with relevant committees to determine how best to revise these budget materials. DOD partially concurred with these recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-1058](http://www.gao.gov/cgi-bin/getrpt?GAO-07-1058).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mike Sullivan at (202) 512-4841 or [sullivanm@gao.gov](mailto:sullivanm@gao.gov).

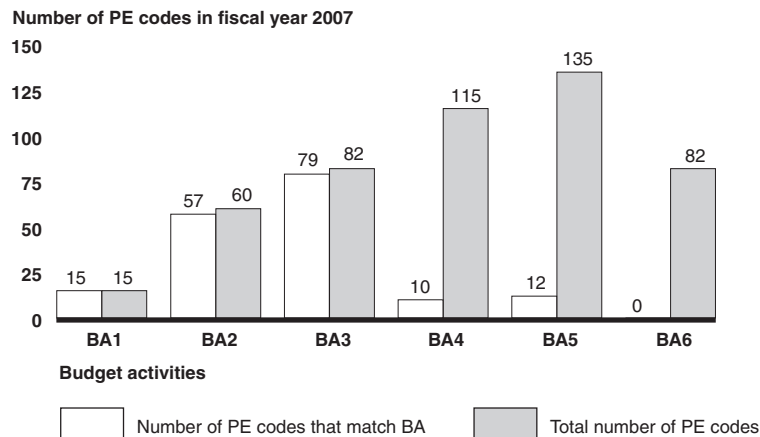
# DEFENSE ACQUISITIONS

## DOD's Research and Development Budget Requests to Congress Do Not Provide Consistent, Complete, and Clear Information

### What GAO Found

Neither the RDT&E program element code structure nor the budget exhibits consistently provide accurate, clear, and complete information on the nature of DOD's proposed research and development efforts. First, one-third of the requested RDT&E funding is for efforts that are not identified as research and development in their program element codes. In addition, a majority of the remaining funding request misidentifies the budget activity (which is a classification of the stage of development and ranges from BA 1 for basic research to BA 6 for management support) as it is stated in program element codes. Second, some of the budget exhibits justifying the programs' funding requests do not provide consistent, complete, and clear information with suitable levels of detail needed to understand DOD's research and development efforts. GAO found that DOD budget exhibits were difficult to understand, frequently lacked information about the accomplishments and planned efforts of each project, lacked appropriate cross-references between efforts, and were frequently missing key schedule data.

### Number of Program Elements That Match Their Assigned Budget Activity



The RDT&E program element codes are not always accurate nor are the budget exhibits always accurate, clear, consistent and complete for two major reasons. First, DOD's regulation does not require identification of any RDT&E effort as such in its program element code if it is taking place on a weapon system that is approved for production or already fielded. This affects over a third of all RDT&E funds. Second, the regulation governing the structuring of the coding and the content of the exhibits is vague. For example, the regulation does not require the coding to be updated from one year to the next to ensure the correct stage of development has been accurately identified. The regulation also does not provide sufficiently detailed guidance to ensure consistency in the format and content of the budget exhibits. This results in budget exhibits being insufficient as decision-making tools, according to DOD officials.

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## Abbreviations

AMP	Avionics Modernization Program
BA	budget activity
DOD	Department of Defense
GPS	Global Positioning System
FMR	Financial Management Regulation
JLENS	Joint Land Attack Cruise Missiles Defense Elevated Netted Sensor
MFP	Major Force Program
PE	program element
R&D	research and development
RDT&E	research, development, testing, and evaluation
UAV	unmanned aerial vehicle

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United States Government Accountability Office  
Washington, DC 20548

September 5, 2007

### Congressional Committees

In fiscal year 2007, the Department of Defense (DOD) asked Congress for \$73.2 billion for research, development, testing, and evaluation (RDT&E). DOD organized this request for funds for more than 1,000 projects by using the long-standing program element (PE) code structure. This system produces a code that is structured to give decision makers key information such as the development stage of the project. The PE code, for example, describes whether the effort is for basic research in a laboratory on directed energies, integration of weapon system prototypes, or upgrades to long-fielded weapon systems such as the B-52 bomber. PE codes are the building blocks of the defense programming and budgeting system, and can be aggregated to display total resources assigned to specific programs, to specific military services, or in other ways for analytical purposes. For example, decision makers use the reported stages of development to assess how much is being invested in fundamental science and technology. These efforts determine the future capabilities of U.S. military forces.

Each development effort that is assigned a unique PE code has its activities detailed in accompanying documents known as budget exhibits. DOD directs that these documents include such information as a description of the effort, an assessment of progress, and the expected accomplishments.

Although other sources of information are also available to Congress about some of these RDT&E programs, the decision to authorize and appropriate funds for many programs is based primarily on budget exhibits. Accurate classifications of programs and projects by budget activity are needed for decision-makers to readily understand how projects are progressing and on what money is being spent. The National Defense Authorization Act for Fiscal Year 2006<sup>1</sup> required that we examine the program element codes and budget exhibits. We responded with a briefing to the committees in February 2007. In this follow-on report, which summarizes the briefing, we assess:

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<sup>1</sup>Pub. L. No. 109-163, section 251.

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1. Whether the RDT&E program element code structure and the associated budget exhibits provide accurate, consistent, complete and clear information, and
  2. What factors contribute to any problems found.

In conducting our evaluation, we reviewed pertinent program element and budget justification policies and guidance; analyzed all of the fiscal year 2007 program elements and the associated budget exhibits for over 47 of these programs; and interviewed officials from the offices of the Secretary of Defense and each of the military services. We conducted our review from June 2006 to July 2007 in accordance with generally accepted government auditing standards. Additional information about our methodology is contained in appendix I.

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## Results in Brief

Neither the RDT&E program element code structure nor the budget exhibits consistently provide accurate, clear, and complete information on the nature of DOD's proposed research and development efforts. First, one-third of the requested RDT&E funding is for efforts that are not identified as RDT&E in their program element codes. In addition, 65 percent of the remaining funding request misidentified the stage of development as it is stated in program element codes. Second, the budget exhibits justifying the programs' funding requests do not consistently provide complete, and clear information with suitable levels of detail needed to understand DOD's research and development efforts. We found that DOD budget exhibits were difficult to understand, frequently lacked information about the accomplishments and planned efforts of each project, lacked appropriate cross-references between efforts, and were frequently missing key schedule data.

There are two major reasons why the program element codes and budget exhibits are not always accurate, clear, consistent, and complete. First, once a weapon system is fielded or approved for production, DOD's regulation does not require the identification of any RDT&E effort as such in its program element code. This affects the visibility of more than one-third of all RDT&E funds. Second, the regulation governing the structuring of the coding and the content of the exhibits is vague. For example, the regulation does not require the coding to be updated from one year to the next to ensure the correct stage of development has been accurately identified. The regulation also does not provide sufficiently detailed guidance to ensure consistency in the format and content of the budget

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exhibits. This results in budget exhibits being insufficient as decision-making tools, according to DOD officials.

Taken together, current reporting policies and practices for justifying R&D requests to Congress could be improved to provide more useful information to decision makers and to strengthen accountability for performance. This report makes two recommendations to DOD. First, DOD should adjust the current RDT&E program element code structure to enhance the visibility that Congress has into the nature of the proposed development. Second, DOD should revise the regulation governing the budget exhibits to provide more specific direction and ensure a more disciplined process is used to provide Congress with accurate, clear, consistent, and complete information.

We have also included a matter for congressional consideration that Congress may wish to have the DOD Comptroller work with the relevant committees to revise the budget exhibit format and content to meet the needs of both Congress and DOD.

In written comments on a draft of this report, DOD partially concurred with our recommendations. However, it is unclear from DOD's response what specific actions the department will take in response to our recommendations other than to put additional emphasis on properly reporting program progress and planned efforts. DOD's comments are reproduced in their entirety in appendix II.

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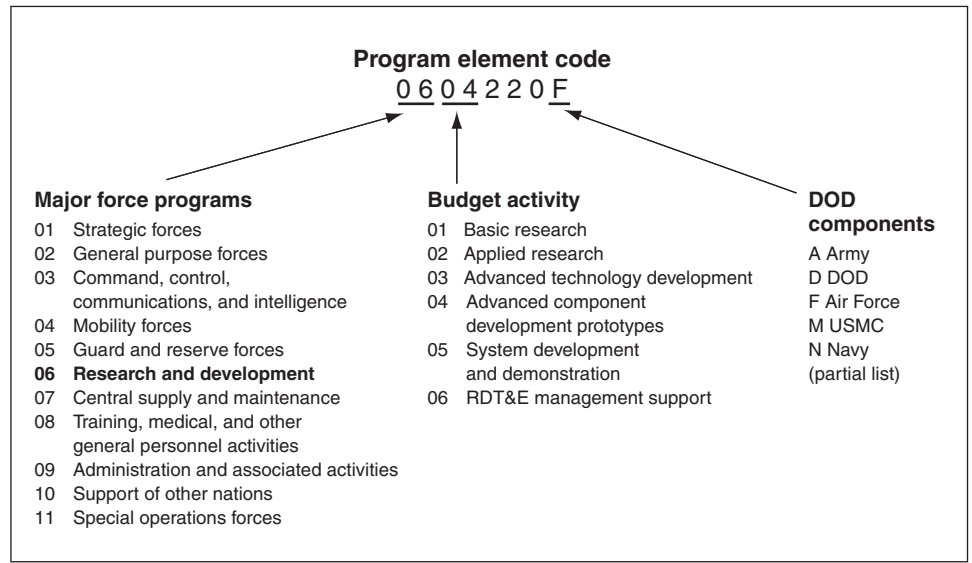
## Background

Under the DOD Financial Management Regulation (FMR),<sup>2</sup> all major new systems are to be identified with a unique PE code. PE codes have 10 positions. In general, each position conveys information, as seen in figure 1.

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<sup>2</sup>DOD's Financial Management Regulation (FMR), DoD 7000.14-R, Volume 2B, Chapter 5, details what information is to be included in the individual PE code budget exhibits or R-docs. This regulation is maintained and updated by the Office of the Under Secretary of Defense (Comptroller).

**Figure 1: Sample Research and Development PE Code Structure Based on the FMR**



Source: GAO.

Note: Budget activity codes are required only if the major force program is 06. The seventh budget activity—systems approved for production or already fielded—is not identified in the code.

The first and second positions of the PE code illustrated above define the Major Force Program (MFP), which contain the resources necessary to achieve a broad objective or plan. In figure 1, for example, the “06” in the first positions indicate this is a research and development effort. Because it is a research and development effort beginning with “06,” under the FMR, the third and fourth positions must define the budget activity. In general, the budget activity codes that fill positions three and four are intended to describe the current nature of the research and development effort for each PE code. For example, budget activities 1 through 3 cover initial development efforts and should describe activities that take place in what is often called the science and technology realm. Research and development efforts in these first three budget activities may produce scientific studies and experimentation, develop paper studies of alternative concepts, or test integration of subsystems and components. Budget activities 4 and 5 cover efforts used to fully develop and acquire integrated weapon systems respectively. Programs in these budget activities may perform efforts necessary to further mature a technology or conduct engineering and manufacturing development tasks. Budget activity 6 funds efforts to sustain or modernize the installations or operations required for general RDT&E. Test ranges, military construction, maintenance support of laboratories, studies and analysis, and operations

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and maintenance of test aircraft and ships are funded with this budget activity.

Budget activity 7 is used to designate R&D efforts for systems that have already been approved for production or those that have already been fielded. Unlike budget activities 1 through 6, budget activity 7 is not indicated in a PE code. This information is seen in the accompanying budget exhibits. Despite the fact that these are research and development efforts, their program element code does not contain any indication that they are for research and development.

The FMR also requires that DOD justify the annual RDT&E budgets requests in budget exhibit documents. These accompanying budget exhibits are the primary information source for Congress and analysts throughout the government. Generally, there are six sections in each budget exhibit that are used to justify each funding request made using an RDT&E PE code. These include a mission description and budget item justification section; an accomplishments and planned program section; a program change summary section showing total funding, schedule, and technical changes to the program element that have occurred since the previous budget submission; a performance measures section to justify 100 percent of resources requested; a section that shows connections and dependencies among projects, which should also include information such as the appropriation, budget activity, line item, and program element number of the related efforts; and, a section providing a schematic display of major program milestones that reflect engineering milestones, acquisition approvals, test and evaluation events, and other key milestones for the program events.

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## Program Element Codes and Budget Exhibits Do Not Consistently Provide Key Information

The program element code structure and budget exhibits do not consistently provide accurate, clear, and complete information regarding RDT&E budget requests. The PE codes given for many programs do not indicate that they are for an R&D effort at all or do not accurately reflect the reported nature of the development. Budget exhibits sometimes omit required information about programs and their links to other programs, and may provide only minimal information.

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## One-Third of the Requested RDT&E Funding Is Not Identified as RDT&E Programs

Programs that were requested in budget activity 7—RDT&E efforts for fielded systems and programs approved for production—presented the greatest visibility problem. Under DOD’s current regulation, programs in this budget activity are not required to report in the code itself that the funds are for research and development, nor are they required to report the nature of the development effort. This budget activity was used to request \$23.5 billion in fiscal year 2007, or about a third of DOD’s entire RDT&E funding request. Instead, the information available about these funding requests is contained in their budget exhibits.

Programs classified as budget activity 7 do not begin their PE code with 06, which would identify them as RDT&E requests. Instead, budget activity 7 RDT&E efforts use PE codes that begin with the major force program code established for the system being modified. For example, PE 0102419A, the Joint Land Attack Cruise Missiles Defense Elevated Netted Sensor System (JLENS) program, provides no indication that the effort uses RDT&E funds, nor does it identify the nature of the development. It begins with 01, indicating it is for strategic forces and ends with A, indicating that it is an Army request.

In addition, we found that nature of the efforts funded in budget activity 7 overlap with the nature of the efforts undertaken in other budget activities, making it difficult to determine the amounts requested for the different stages of development across the entire RDT&E budget. While the definition for budget activity 7 describes efforts that are fielded or approved for production, several defense acquisition efforts covered under budget activity 7 are involved in phases ranging from technology development to production, as shown in figure 2. The JLENS program, for example, is currently developing an aerostat for cruise missile defense, but its code does not indicate that it is in system development and demonstration. There is a separate code, budget activity 5, which also funds efforts in system development and demonstration.

**Figure 2: Fiscal Year 2007 Budget Activity 7 Programs Occur in Most Phases of Development**

<b>Programs acquired</b>	ACS		Warrior UAS MUOS, JLENS	Global Hawk GPS II	
<b>Acquisition phases</b>	Concept refinement	Technology development	System development and demonstration	Production and development	Operations and support

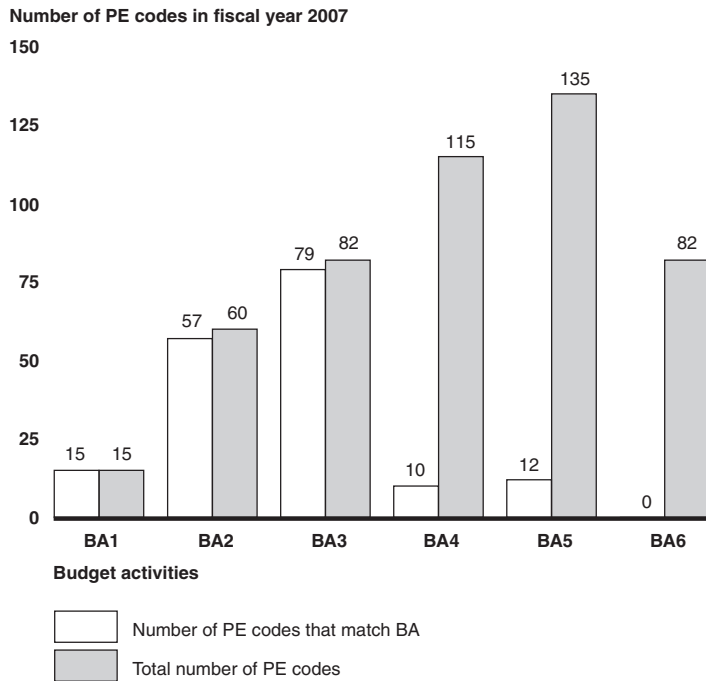
Source: GAO analysis of DOD data.

Note: The programs represented above are the Aerial Common Sensor (ACS), the Warrior Unmanned Aircraft System, Mobile User Objective System (MUOS), Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS), Global Hawk Unmanned Aircraft System, and Navstar Global Positioning System II.

**Program Element Codes also Misidentified the Specific Nature of R&D Efforts**

We found that 65 percent of the RDT&E PE codes for budget activities 1 through 6 misidentified the nature or stage of the development in fiscal year 2007. While the early development efforts described by budget activities 1 through 3 generally properly identified the nature of the effort in their codes, budget activities 4 through 6 generally did not, as seen in figure 3. Programs reported in budget activities 4 through 6 requested more than half of the total RDT&E funding.

**Figure 3: Number of Fiscal Year 2007 Program Elements That Match Their Assigned Budget Activity**

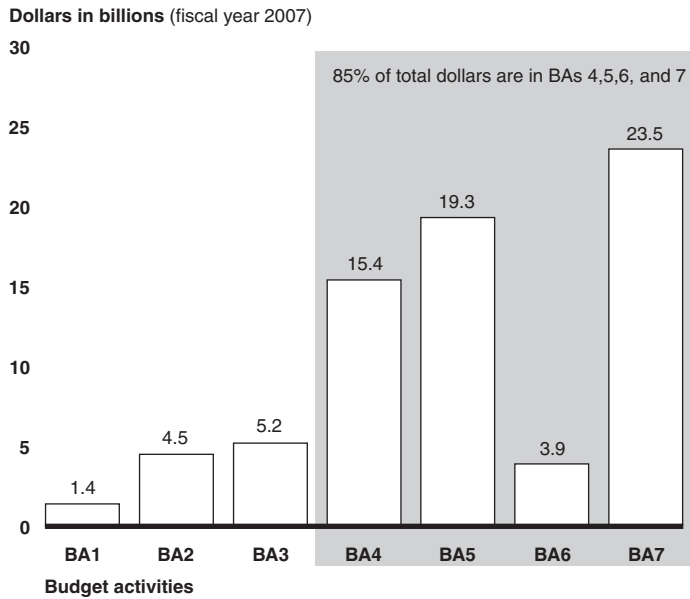


Source: GAO analysis of DOD program element code data.

Note: A total of 207 program element codes funded under BA7 are excluded from the figure because they are not required by the FMR to identify the budget activity in the program element code.

The challenge of clearly identifying the nature of the development efforts is actually much worse when the budget activity 7 programs are considered along with the misidentified programs in budget activities 1 through 6. As a result of these combined problems, the PE code provides only limited visibility into 85 percent of the requested funding, as seen in figure 4.

**Figure 4: Total Fiscal Year 2007 RDT&E Requests by Budget Activity**



Source: GAO analysis.

## Budget Exhibits Were Sometimes Inconsistent, Incomplete, or Unclear

While reviewing a set of 47 RDT&E budget exhibits from fiscal years 2006 and 2007, we observed that some of the exhibits omitted key information. While DOD presents some valuable information in these exhibits, we found in many cases that the justification narratives were not clear or provided little or no additional information from the previous year's justification. In a number of cases the narratives appeared to be "copy and paste" descriptions of activities from prior years, making it difficult to determine recent changes or program progress. We also observed that information on accomplishments from the past year was provided for few programs. In addition, few programs provided detailed narratives of planned activities for the current budget year. For the few exhibits that did contain narratives on planned activities, the level of detail was minimal. For example, the Air Force Global Positioning System (GPS) Block III program requested \$315 million for fiscal year 2007 and had requested \$119 million combined in the previous 2 fiscal years. In this section, the accomplishments were described as "Continue Program Support and Modernization Development for GPS III," and the planned program was described as "Begin Modernization Segment."

Furthermore, funding changes from year to year were inconsistently reported. In some cases they were provided at the PE code level and in

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other cases at the project level, when the PE code involved multiple projects. These funding change summaries also routinely provide limited detail on the reasons for the changes. For example, the Navy's EA-18G and DD(X) programs had funding changes of millions of dollars to their previous and current budgets but failed to provide details of why these changes had occurred.

Additionally, the budget exhibits did not always identify the connections and dependencies among related projects consistently as required by the FMR. In general, these connections can be vital to the successful development of some programs. In some instances, key components to a system under development are being developed in other programs. A delay or failure in one program can mean delay and failure in the related program. For example:

- C-130 Avionics Modernization Program (AMP) exhibit did not identify all of the required information for related programs in the Navy and Special Forces nor did it identify C-130 Talon II procurement, which included C-130 AMP upgrades.
- DDG-1000 (formerly the DD(X)) destroyer program is developing dual-band radar that will be used on the CVN-21 aircraft carrier. No reference is made to this link/dependency in the exhibit.
- Expeditionary Fire Support System is being developed to be transported by the V-22 aircraft, but makes no reference to the V-22 program.
- Warrior UAV (unmanned aerial vehicle) is being developed in two PEs—one for the system and one to weaponize. Only one program references the other.

Our review found the schedule profiles in the budget exhibits were generally provided but sometimes did not provide a detailed display of major program milestones such as engineering milestones, acquisition approvals, or test and evaluation events. Also, we could not find the standard program milestones in a number of the schedule profiles we reviewed. In some cases we found it difficult to determine the program's phase of development. For example, in two cases the development schedule showed "continue development" across all fiscal years displayed. In another example, a program simply reported "S/W Development" with a bar covering all fiscal years.

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## DOD Guidance and Practices Contribute to Reduced Visibility

We found the RDT&E program element code and the budget exhibits are not always accurate, clear, consistent, and complete for two major reasons. First, DOD's own regulation for constructing program element codes does not require a large part of the RDT&E effort to be reflected in program element codes. Second, the regulation governing the structuring of the coding and the content of the exhibits is vague. For example, it does not require the coding to be updated from one year to the next to ensure the correct stage of development has been accurately identified. The regulation also does not provide sufficiently detailed guidance to ensure consistency in the format and content of the budget exhibits. This leads to inconsistencies in how it is applied by different organizations and officials within DOD.

The FMR requires that once a weapon system is fielded or approved for production that it be identified not as R&D efforts in the program element code, but rather under a different code. These PE codes are required to carry the Major Force Program code of the fielded systems. As a result, these PE codes, accounting for one-third of the requested RDT&E budget, do not identify the efforts as R&D activities and do not indicate the nature of the R&D effort.

In addition, the regulation is unclear on how or when program element coding should change over time as the development progresses into a different stage. As a result, even if the program element code is accurate when a program is assigned a code, without updating the code, the programs that successfully mature will automatically develop inaccurate coding over time.

Several DOD officials said that one of the reasons that the budget exhibits are insufficient as decision-making tools is the lack of clear and consistent guidance for the budget exhibits in the FMR. For example, while the FMR requires a "Program Schedule Profile" exhibit, it is not standardized. The FMR provides examples of the budget exhibits that include an "Accomplishment/Planned Program" section. However, it is unclear whether this section has to contain specific information about both the accomplishments achieved from previous funds and the activities to be achieved with requested funds.

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## Conclusion

Congress has the difficult task of choosing which RDT&E efforts to fund from the many competing demands. These RDT&E efforts are critical to the national interest. However, they must be balanced within the other fiscal pressures facing the government, including the large and growing

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structural deficit. These factors make it especially important that Congress get the justifications for these R&D efforts in a clear, consistent, and readily useable form.

However, the department's policies and practices are not providing this key information to congressional decision makers. The RDT&E justification material often obscures rather than reveals the nature of the efforts under way and prevents a determination of the specifics regarding why the money is needed.

A number of opportunities exist for DOD to provide Congress with clearer justifications for the funds requested for these efforts. Congress needs a structure that will (1) properly identify the development status of projects for which funds are requested, (2) bring complete visibility to all of the activities for which funds are requested, and (3) provide consistent information about how well these projects are progressing in order to make efficient decisions.

More specific guidance could improve the ability of the program element codes and budget exhibits to aid Congress in focusing oversight where it is needed, facilitate early corrective action, and improve accountability.

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## Recommendations for Executive Action

This report makes two recommendations. To provide Congress with greater understanding of the nature of developmental activities proposed, as well as to improve the consistency and completeness of the justification material provided for the RDT&E funds requested, the Secretary of Defense should ensure that the DOD Comptroller:

- Revises the Financial Management Regulation to, (1) in the case of programs approved for production or fielded, ensure that the code or the budget exhibit indicates which stage of development—from basic research through system development and demonstration—the effort is undertaking, and (2) ensure that the program element codes reflect the stage of development—that is from basic research through system development and demonstration—of the requested research and development effort.
- Develops more specific guidance for budget exhibits to ensure that they are accurate, consistent, clear, and complete, and enforce a disciplined process for ensuring proper reporting of program progress and planned efforts.

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## Matter for Congressional Consideration

Congress may wish to have DOD's Comptroller work with relevant committees to reach agreement on how to revise budget exhibits and the program element code structure to meet congressional oversight needs as well as serve the needs of DOD. In these discussions, consideration could be given to:

- The value and cost of modifying or replacing the current PE code structure so that it more readily informs Congress as to the nature of the R&D effort for systems in development as well as fielded systems and systems approved for production.
- The best means to inform Congress of the state of development of the requested effort as it progresses toward production.
- The changes needed to the format and content of the budget exhibits to more effectively communicate the purpose for which funding is sought, the progress made with prior funding, and other key funding justification information.
- The time frames and funding needed to develop and implement any changes.

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## Agency Comments and Our Evaluation

DOD partially concurred with both of our recommendations. However, it is unclear from DOD's response what specific actions the department will take in response to our recommendations other than to put additional emphasis on properly reporting program progress and planned efforts.

In partially concurring with our first recommendation, DOD commented that in the case of systems that have been approved for production and fielded, specifically capturing RDT&E funding would be counterproductive to how the departmental leadership makes decisions. We recognize the importance to the department of enabling the department's leadership to make decisions on the full scope of a program; however, we note that program element codes also have the purpose of providing important oversight information to Congress and the current practice significantly lacks the clarity of the RDT&E funding justifications to Congress. As we reported, RDT&E funds for programs approved for production and fielded systems currently represents one-third of the total RDT&E budget. As a result, we believe this level of investment warrants improved clarity. We have modified the wording in the recommendation to focus on providing clearer information to Congress either through the program element code structure or the budget exhibits.

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DOD fully concurred with the second part of that recommendation to ensure that the program element codes reflect the state of development of the requested effort as it progresses toward production. DOD noted that the program element structure accommodates this progression. However, our analysis found that a significant amount of funding is misidentified in the coding. DOD has not identified any proposed actions to correct this misidentification.

DOD partially concurred with our second recommendation and will place greater emphasis on proper reporting of program progress and planned efforts as reported in its budget exhibits. However, DOD took issue with developing a template, stating that it is doubtful any single template would be feasible or desirable given the complexity of the RDT&E activity. We believe more specific guidance is needed to ensure that DOD is more effectively communicating the purpose for which funding is sought, the progress made with prior funding, as well as the other key funding justification information. We have modified the wording of the recommendation to remove the term “template.” We still believe that greater standardization is called for, but recognize that templates are but one means among many to achieve that end.

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We are sending copies of this report to interested congressional committees; the Secretary of Defense; the Secretaries of the Air Force, Navy, Army, and the Commandant of the Marine Corps; and the Director, Office of Management and Budget. We will provide copies to others on request. This report will also be available at no charge on GAO’s Web site at <http://www.gao.gov>.

Should you or any of your staff have any questions on matters discussed in this report, please contact me on (202)512-4841 or by e-mail at [sullivanm@gao.gov](mailto:sullivanm@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Principal contributors to this report were David Best (Assistant Director), Jerry Clark, Chris Deperro, Greg Campell, Anna Russell, Julie Hadley, and Noah Bleicher.



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*List of Congressional Committees*

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# Appendix I: Scope & Methodology

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To assess whether DOD's RDT&E program element code structure provides Congress consistent, complete and clear information, we reviewed relevant guidance while analyzing all 696 program elements contained in the fiscal year 2007 RDT&E budget request. We assessed program elements by budget activity, dollar value, number of projects, and phase of development. We also determined the number of program elements that properly matched their assigned budget activity to determine if guidance contained in the Financial Management Regulation was properly followed. To determine the actual phase of development for programs requesting funding in budget activity 07, we reviewed both their budget exhibits and other documents, such as their Selected Acquisition Reports. For this analysis, we reviewed the Global Hawk Unmanned Aircraft System, Aerial Common Sensor, Warrior Unmanned Aircraft System, Mobile User Objective System, Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System, and Navstar Global Positioning System.

We assessed the information contained the RDT&E budget justification documents by reviewing the content, structure, clarity, and completeness of all components of the budget exhibits, including sections related to the program's description and budget item justification, schedule profile, and funding summaries. We reviewed multiple budget justification documents from 47 program element codes reported in February 2005 and 2006. We ensured that this review encompassed all military services and covered multiple fiscal years. This review focused on budget exhibits for programs in budget activities 4, 5, and 7 to identify any differences in the consistency, completeness and clarity of information presented. To assess connections and dependency information, we included additional programs that GAO has recently reported on because a more detailed understanding of the programs involved is required to identify these connections. To assess consistency, we compared the level of detail reported from year to year and compared the treatment of funding changes from program to program. To assess completeness, we compared the information in the budget exhibits to the requirements of the FMR. To assess the clarity of the information, we reviewed the details provided in the narrative language in the exhibits.

To determine the factors that contribute to any problems found, we also reviewed the Department of Defense Financial Management Regulation and the Future Years Defense Planning Handbook policies and guidance related to developing program elements and budget justification documents. To better understand the processes involved with developing program elements and budget justification documents, we interviewed

officials from the offices of the Under Secretary of Defense for Acquisition, Technology, and Logistics Director, Defense Research and Engineering; Under Secretary of Defense (Comptroller); Principal Deputy Under Secretary of Defense (Comptroller); Director, Program Analysis and Evaluation; Assistant Secretary of the Army for Financial Management and Comptroller; Office of the Assistant Secretary of the Navy Financial Management and Comptroller; Office of the Secretary of the Air Force; and the Air Force Office for the Deputy Chief of Staff for Strategic Plans and Programs.

We conducted our review from June 2006 to January 2007 in accordance with generally accepted government auditing standards.

# Appendix II: Comments from the Department of Defense



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

AUG 31 2007

Mr. Michael Sullivan  
Director, Acquisition and Sourcing Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Sullivan:

This is the Department of Defense (DoD) response to the GAO draft report 07-1058, "DEFENSE ACQUISITIONS: DoD's Research and Development Budget Requests to Congress Do Not Provide Consistent, Complete, and Clear Information," dated August 2, 2007, (GAO Code 120630).

The Department partially concurs with both recommendations. The Department has a disciplined review process in place and will put additional emphasis on proper reporting of program progress and planned efforts.

Sincerely,

Nancy L. Spruill  
Director, Acquisition Resources  
and Analysis

Enclosure



GAO Draft Report Dated August 2, 2007  
GAO-07-1058 (GAO CODE 120630)

“DEFENSE ACQUISITIONS: DOD’S RESEARCH AND DEVELOPMENT  
BUDGET REQUESTS TO CONGRESS DO NOT PROVIDE  
CONSISTENT, COMPLETE, AND CLEAR INFORMATION”

DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense should ensure that the DoD Comptroller revises the Financial Management Regulation to:  
(1) require all programs receiving Research, Development, Test and Evaluation funds to identify themselves as research and development efforts in their program element codes; and (2) ensure that the program element codes reflect the stage of development – that is from basic research through system development and demonstration – of the requested research and development effort.

**DOD RESPONSE:** Partially concurs: Since we budget by line item, tying resources to our capabilities is an important consideration. All new start RDT&E Programs should have a unique designation as long as we clearly delineate the differences between new RDT&E programs from new projects that fall under the scope and umbrella of existing RDT&E programs. However, in the case of approved for production and fielded weapon systems, creating programs to specifically capture RDT&E would be counter-productive with respect to how department leadership makes decisions about programs. Keeping all appropriations in one program for fielded systems enables leadership to make decisions on the full scope of a program.

As for recommendation (2), we concur with it. The program element structure accommodates this progression.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense should ensure that the DoD Comptroller develops a template and more specific guidance for budget exhibits to ensure that they are accurate, consistent, clear, and complete, and enforce a disciplined process for ensuring proper reporting of program progress and planned efforts.

**DOD RESPONSE:** Partially concurs: The written guidance in the Financial Management Regulation (FMR) for the preparation of RDTE budget exhibits supports this recommendation. However, it is doubtful any single “template” would be feasible or desirable for this specific recommendation given the scope and complexity of RDT&E activity. The Department has a disciplined review process in place and will put additional emphasis on proper reporting of program progress and planned efforts.

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