



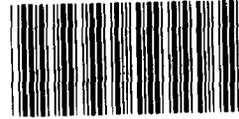
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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RELEASED

The Honorable John Tower
Chairman, Committee on Armed Services
United States Senate



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Dear Mr. Chairman:

Subject: Estimated Savings Reported by the Department of Defense (PLRD-82-69)

In your February 5, 1982, letter, you asked us to evaluate the efforts by the Department of Defense to achieve maximum economies and efficiencies in its operations. In a February 8, 1982, news release, Defense indicated that its efforts reduced the fiscal year 1983 total obligational authority (TOA) by \$7.3 billion and the fiscal years 1981 through 1987 TOA by \$51.4 billion. You also asked us to verify the reasonableness and accuracy of the estimated economies and to determine if Defense's system of tracking actual savings is adequate.

Our analysis showed that some initiatives and actions are being taken which, if carried out as planned, could achieve substantial savings. The savings are based on preliminary budget estimates and, therefore, must be considered tentative. We also found that formal systems to track the economies have not been instituted.

Because of time constraints and data limitations, we were unable to make a detailed analysis. Therefore, we concentrated our work on assessing the reasonableness of the actions being taken and looking for indications that the savings estimates were either grossly overstated or understated. Even though we saw no evidence of grossly overstated or understated savings, we cannot express an overall opinion on the accuracy of the reported economies and efficiencies. This is particularly so in that DOD, even now, continues to refine its earlier savings projections and to examine other initiatives and programs for additional savings.

We made our review at the Office of the Secretary of Defense and at the Departments of the Army, Navy, and Air Force. We interviewed individuals responsible for compiling the economies and efficiencies package. We examined, on a limited basis, backup information for large dollar projects to determine what actions were planned to achieve the savings. We focused on TOA savings

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rather than outlays because outlays are computed as a percentage of TOA. We made our review in accordance with GAO's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

In summary, we found that the reported savings estimates fell into two broad categories--actions planned by the administration and the Congress and in-house initiatives planned by Defense.

The administration is planning a Government-wide action to reduce costs to Defense, as well as other Federal agencies, by about \$23.8 billion (46 percent of Defense's total estimated savings for fiscal years 1981-87). These savings are expected to result from a continuation of the 5 percent pay cap on civilian employees' pay. In addition, the congressionally directed change that retired Defense employees' pay be adjusted annually as opposed to semiannually is reported to achieve savings of \$1.5 billion (3 percent of Defense's total estimated savings).

In-house management initiatives taken or planned by Defense also appear to have potential to achieve savings of \$26.1 billion (51 percent of the total estimated for fiscal years 1981-87). The most significant initiative in this category concerns the elimination or reduction of marginal programs or systems. Defense identified 60 programs, mostly in the research and development phase, which could be reduced or eliminated. In our opinion, these initiatives, if carried out as planned, will undoubtedly achieve savings. However, the amount of savings will not be known until the program periods have been executed.

Formal systems to track all the economies and efficiencies have not been instituted. However, some mechanisms are in place which would help. Acquisition initiatives will be tracked, for the most part, through the existing budget process. Reductions in research and development efforts will be tracked by the service program budget analysts. However, tracking the savings in the operational accounts, such as travel, as well as pay adjustments, will require additional reporting mechanisms. To date, guidelines for existing and new tracking mechanisms for those economies and efficiencies discussed in this report have yet to be issued by the Office of the Secretary of Defense.

As part of our continuing efforts to review the management of major Defense activities and programs, we plan to monitor these initiatives to improve the efficiency and economy of Defense operations. As you directed, we did not obtain Defense comments.

As arranged with your Office, we will withhold further distribution of the report for 30 days, unless you make its contents public earlier. At that time, we will make copies available to other interested parties.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States