

September 1998

DOD COUNTERDRUG ACTIVITIES

Reported Costs Do Not Reflect Extent of DOD's Support



**National Security and
International Affairs Division**

B-279766

September 23, 1998

The Honorable James M. Inhofe
Chairman
The Honorable Charles S. Robb
Ranking Minority Member
Subcommittee on Military Readiness
Committee on Armed Services
United States Senate

The Department of Defense (DOD) provides personnel, equipment, and facilities in support of U.S. drug interdiction and other counterdrug activities. The Office of National Drug Control Policy reported that DOD's fiscal year 1999 budget request for these activities is \$882.8 million. Because you believe the reported funds do not reflect the full extent of DOD's support, you asked us to determine, for fiscal years 1994 through 1998 (1) the total operating and support (O&S) costs that can be associated with counterdrug activities and (2) the share of the original procurement costs of those weapon systems most often used by the active component in counterdrug activities.¹ Under the Foreign Assistance Act, DOD also provides assistance to foreign countries in support of counterdrug activities. You asked us to determine, for fiscal years 1994 through 1998, the amount of assistance DOD provided under section 506(a)(2)(A)(i)(I) of the act, hereafter referred to as 506(a)(2).

Background

The U.S. response to drug abuse and drug trafficking is to integrate domestic and international efforts to reduce the demand and supply of drugs. The Office of National Drug Control Policy was established by the Anti-Drug Abuse Act of 1988. It is responsible for establishing policies, priorities, and objectives for the nation's drug control program. The Office has established five long-range goals as a basis to reduce drug abuse, trafficking, and their consequences. DOD supports each of these goals, as shown in table 1.

¹O&S costs are those resources required to operate and support a system, a subsystem, or a major component during its useful life in the operational inventory.

Table 1: National Drug Control Strategy Goals and DOD's Support

| Goal | Description | Examples of DOD's efforts |
|------|---|---|
| 1 | Educate and enable America's youth to reject illegal drugs as well as alcohol and tobacco | National Guard and service outreach programs (primarily for youths) that assist community groups. |
| 2 | Increase the safety of America's citizens by substantially reducing drug-related crime and violence | DOD components provide direct support to drug law enforcement agencies in the form of equipment and support services. |
| 3 | Reduce health and social costs to the public of illegal drug use | DOD provides demand reduction, drug testing, education, and awareness programs for uniformed and civilian employees. |
| 4 | Shield America's air, land, and sea frontiers from the drug threat | DOD provides personnel and equipment to detect and monitor drug trafficking to the United States. |
| 5 | Break foreign and domestic drug sources of supply | DOD supports intelligence, detection, monitoring, and interdiction efforts in foreign countries. |

Source: The National Drug Control Strategy, 1998: Budget Summary and Ten-Year Plan.

DOD's counterdrug budget, as reported by the Office, is comprised of two major categories: the Central Transfer Account and the military departments' operations (OPTEMPO). The Office defines the Central Transfer Account as a single budget line that accounts for all associated DOD counterdrug resources, with the exception of active component military personnel costs and military OPTEMPO. Specifically, the account funds such items as special supply and equipment purchases, reserve component military personnel costs, and travel costs for individuals supporting counterdrug activities. The military departments' OPTEMPO costs, currently funded in the services' operation and maintenance accounts, are for fuel, spare parts, and depot-level repairables for weapon systems used in counterdrug activities. Table 2 shows DOD's reported counterdrug spending for fiscal years 1994-98.

Table 2: DOD's Reported Counterdrug Spending for Fiscal Years 1994-98

| Dollars in millions | | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|-------------------|------------------|
| Category | Fiscal year | | | | | Total |
| | 1994 | 1995 | 1996 | 1997 | 1998 ^a | |
| Central Transfer Account | \$671.3 | \$721.3 | \$678.4 | \$806.2 | \$712.9 | \$3,590.1 |
| Military OPTEMPO | 143.6 | 118.9 | 143.6 | 133.8 | 134.9 | 674.8 |
| Total | \$814.9 | \$840.2 | \$822.1 | \$940.1 | \$847.7 | \$4,264.9 |

Note: Totals do not add due to rounding.

^aEnacted budget authority for fiscal year 1998.

Source: Office of National Drug Control Policy's budget summaries for 1995-98.

DOD provides assistance to foreign countries that support counterdrug activities. An authority to transfer defense equipment and services to support international narcotics control efforts is section 506(a)(2) of the Foreign Assistance Act.

Results in Brief

There are significant operating and support costs for counterdrug activities that are not reflected in DOD's counterdrug reported costs and funding requests. These include costs associated with military services' weapon systems and costs for deployed personnel who are not assigned to specific weapon systems. The costs associated with weapon systems, if allocated to counterdrug activities, would total in excess of \$2 billion for fiscal years 1994 through 1996.² The number of military personnel deployed in the United States who were not assigned to specific weapon systems totaled about 14,000. These individuals were assigned for various time periods between fiscal year 1994 and 1996. Although we did not estimate the support costs for these personnel, they would be in addition to the costs reported by DOD and the \$2 billion we estimated. According to DOD officials, these operating and support costs are not included in DOD's counterdrug budgets because they pertain to the existing force structure that supports the national defense mission and would be incurred regardless of the type of operations conducted. This practice is consistent with the way DOD reports incremental costs for contingency operations.

The military services use numerous weapon systems for counterdrug activities that were purchased to support the national military strategy. The weapon systems most often used for counterdrug activities were the

²Cost data were not yet available for fiscal years 1997 and 1998.

Air Force's E-3 aircraft, the Army's UH-60 helicopter, and the Navy's P-3 aircraft and Perry class frigate. With the assistance of service officials, we developed a methodology to allocate to counterdrug activities a share of the original procurement costs of these systems. Using this methodology, we calculated that about \$150 million of the procurement costs for these four systems could be allocated to counterdrug activities for fiscal years 1994-97.³

In fiscal years 1994 and 1995, there were no transfers of articles and services to foreign countries under section 506(a)(2). In fiscal years 1996 and 1997,⁴ a total of \$131 million in articles and services were transferred from DOD under this authority.

Additional O&S Costs Associated With DOD's Counterdrug Activities

There are significant o&s costs associated with the military services' weapon systems used for counterdrug activities that are not reflected in DOD's counterdrug reported costs and funding requests. These include intermediate and depot-level maintenance costs, active military personnel salaries and benefits, and base operating support costs. To identify these additional costs, we primarily used the services' Visibility and Management of Operating and Support Costs (VAMOSOC) database,⁵ which allocates o&s costs by weapon system. We determined that there were o&s costs for major weapon systems (ships and aircraft) used in counterdrug activities in excess of \$2 billion over the \$406.2 million in OPTEMPO costs reported by DOD for fiscal years 1994 through 1996.⁶ Figure 1 compares these additional costs to DOD's reported costs by fiscal year.

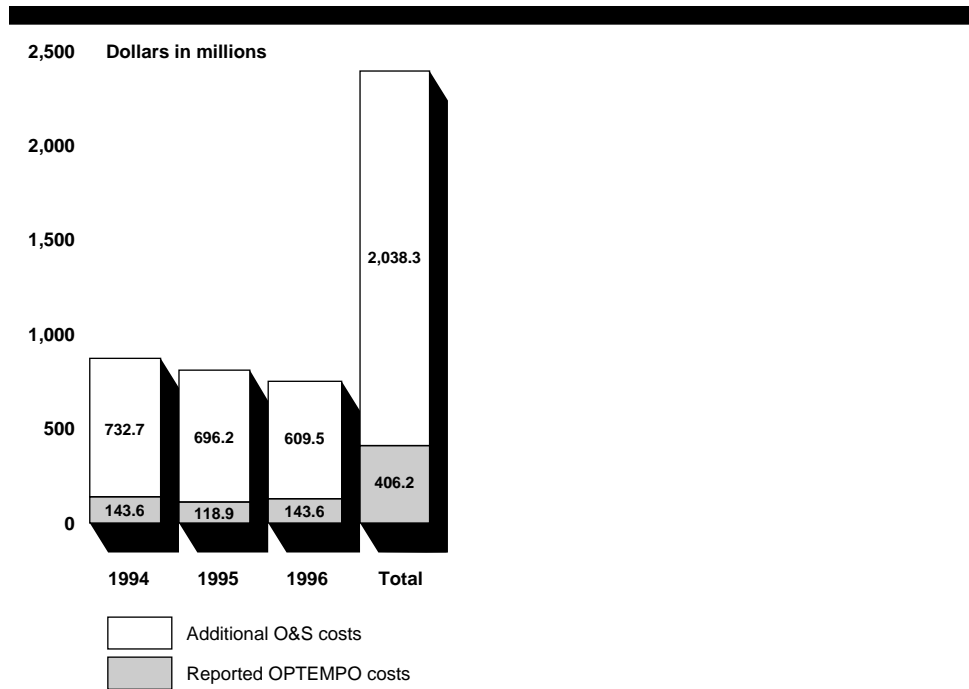
³Data were not yet available to estimate these costs for fiscal year 1998.

⁴As of August 14, 1998, there had been no approved transfers of equipment and services under this section for fiscal year 1998.

⁵An information system for reporting historical weapon system O&S costs derived from a wide range of service data sources.

⁶VAMOSOC data were not yet available for fiscal years 1997 and 1998.

Figure 1: Additional O&S Costs and DOD's Reported OPTEMPO Costs for Counterdrug Activities



Note: Totals do not add due to rounding.

Source: Developed by GAO using DOD and service data.

Our estimate incorporated all o&s costs for these systems reported in the VAMOSC database. However, each service reports o&s data differently. To the extent possible, we obtained additional data from other service sources to develop comparable costs across the services and added the additional costs to the VAMOSC data. For example, because Navy installation support costs are not captured in its VAMOSC database, we calculated these costs based on average cost factors and personnel data provided by the Navy. We were unable to obtain the same categories of data for the services in all cases.

In addition to o&s costs associated with weapon systems, there were support costs associated with personnel deployed for counterdrug activities who were not assigned to specific weapon systems, such as personnel in intelligence units. For example, about 14,000 military personnel were assigned to counterdrug activities in the United States

between fiscal year 1994 and 1996 who were not associated with specific weapon systems. During those years, these personnel were assigned to missions for varying lengths of time on a rotational basis. The pay, benefits, and support costs associated with these personnel were in addition to the counterdrug costs reported by DOD and the \$2 billion we estimated.⁷

DOD officials indicated that these additional O&S costs are not included in DOD's counterdrug budget because they pertain to the existing force structure that supports the national defense mission and, therefore, they would be incurred regardless of the type of operations conducted. This practice is consistent with the way DOD reports incremental costs for contingency operations.

Pro Rata Share of Procurement Costs for Most Used Weapon Systems

To estimate the pro rata share of the original procurement costs of weapon systems used most often by the active component in counterdrug activities, we used the total flying hours or steaming days these systems were used for counterdrug activities. We identified three types of aircraft and one type of ship for this analysis—the Air Force E-3 aircraft, Army UH-60 helicopter, and Navy P-3 aircraft and Perry class frigate. For the four systems, we obtained their original procurement costs and their original expected lives (in flying hours or steaming days). Using these factors, we computed a cost per hour/day that could be applied to the time flown/steamed for counterdrug activities. Using the methodology we developed, we calculated that about \$150 million of the procurement costs for the four systems could be allocated to counterdrug activities for fiscal years 1994-97.⁸ As shown in table 3, most of these costs were for the Perry class frigate due to the number of days steamed in support of counterdrug activities.

⁷We did not estimate a cost value for these personnel because their length of deployment and military rank data were not readily available.

⁸We estimated the pro rata share of procurement costs through fiscal year 1997 because actual flying hour and steaming day data were not yet available for fiscal year 1998.

Table 3: Pro Rata Share of Procurement Costs for Most Used Weapon Systems

| Dollars in millions | | | | | |
|---------------------------|---------------|---------------|---------------|---------------|----------------|
| System | Fiscal year | | | | Total |
| | 1994 | 1995 | 1996 | 1997 | |
| E-3 | \$3.1 | \$1.2 | \$1.6 | \$1.5 | \$7.4 |
| UH-60 | 1.8 | 2.1 | 3.2 | 5.4 | 12.5 |
| P-3 | 3.2 | 4.4 | 5.4 | 4.4 | 17.4 |
| FFG (Perry Class Frigate) | 37.7 | 33.8 | 23.2 | 19.0 | 113.7 |
| Total | \$45.8 | \$41.5 | \$33.4 | \$30.3 | \$151.0 |

Source: Developed by GAO using DOD and service data.

The \$151 million does not include the cost of research and development and modifications. Service officials advised us that this methodology reflects neither life-cycle nor depreciation costs.

Foreign Assistance Provided Under Section 506(a)(2)

Under section 506(a)(2) of the Foreign Assistance Act, the President is authorized to transfer up to \$75 million in defense articles and services each fiscal year. In fiscal years 1994 and 1995, there were no transfers under this authority. In fiscal years 1996 and 1997,⁹ a total of \$131 million in articles and services were transferred from DOD under this authority. For example, in fiscal year 1996, DOD transferred \$75 million in articles and services, such as C-26 aircraft, patrol boats, and radio equipment, to support counterdrug activities in Colombia, Peru, Venezuela, and eastern Caribbean countries. DOD also provides equipment and services to foreign governments and U.S. law enforcement agencies under a number of other authorities.

Agency Comments

DOD generally concurred with a draft of this report. DOD stated that it established the counterdrug program within the current force structure and that it funds all costs that are incremental and unique to the counterdrug mission in the Central Transfer Account. It also stated that the services continue to program, budget, and fund major acquisition costs, depot level maintenance costs, and force structure requirements, as part of fulfilling its overall mission. It believes that section 506(a)(2) costs should be included in the value of the counterdrug program but did not believe that o&s and acquisition costs should be included because these are service-specific costs that are intrinsically incurred by each service.

⁹As of August 14, 1998, there had been no approved transfers of equipment and services under this act for fiscal year 1998.

DOD stated that we did not estimate the cost of active duty military personnel salaries or excess defense articles under 10 U.S.C. 2576(a).

We agree with DOD and specifically state in the report that DOD does not include depot-level maintenance and other O&S costs in its counterdrug budget because they pertain to existing force structure and would be incurred regardless of the type of operations conducted. We also agree and state that weapon systems used for counterdrug activities were purchased to support the overall mission of DOD. We recognize, as DOD pointed out, that most O&S and weapon systems costs would be incurred regardless of the counterdrug mission. We included active component military personnel costs associated with weapon systems used for counterdrug activities, but did not include these costs for personnel deployed to a counterdrug activity that were not associated with a weapon system because data were not readily available. Although we do not specifically mention defense articles under 10 U.S.C. 2576(a), we state in the report that DOD provides equipment and services to foreign governments under other authorities. We believe, and DOD recognizes, that our cost estimates can be used as a reference in estimating DOD's support for counterdrug activities.

Scope and Methodology

To estimate the O&S costs not captured in the DOD counterdrug budget, we first obtained data on the weapon systems, operating hours, and costs directly associated with counterdrug activities. These data were reported by the services to the Office of the Secretary of Defense for fiscal years 1994-98. In addition, we obtained total O&S costs, primarily reported in the VAMOSOC database, for these systems. Although each service reports VAMOSOC data differently, we attempted to gather and analyze the data in the same manner for all services. To the extent possible, where data were not available in VAMOSOC, we worked with the services to obtain information from other service sources. For example, we calculated Navy installation support costs based on average cost factors and personnel data the Navy provided. We also calculated Army mission personnel costs for aviation systems by obtaining average personnel costs and other personnel data from the Army. Once we obtained the O&S data, we estimated a total O&S cost per hour and applied this cost rate to the number of hours flown/days steamed in support of counterdrug activities. We subtracted the DOD-reported counterdrug costs from our computed cost to avoid double counting. We were unable to obtain some data, such as Army base operating support costs. We interviewed officials and obtained documents at the Army Cost and Economic Analysis Center, the Navy Center for Cost

Analysis, the Air Force Cost Analysis Center, the Office of the DOD Coordinator for Drug Enforcement Policy and Support, and the Army, the Navy, and the Air Force counterdrug offices. We did not independently verify the data provided to us.

To estimate a pro rata share of the original procurement costs for systems most often used in counterdrug activities, we developed a methodology in consultation with the services. We obtained procurement costs and useful life data from the service program offices for each of the systems in our analysis. We did not independently verify the data provided to us.

To obtain information on the value of section 506(a)(2) assistance for counterdrug purposes, we interviewed officials and examined documents at the Defense Security Assistance Agency, which develops, implements, and monitors security assistance plans and programs.

We performed our review between March 1998 and August 1998 in accordance with generally accepted government auditing standards.

We are providing copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force.

This report will also be made available to others on request. If you or your staff have any questions about this report, please contact me at (202) 512-3504. Robert Pelletier, Lisa Quinn, and Joe Kirschbaum prepared this report.



Richard Davis
Director, National Security
Analysis

Comments From the Department of Defense



DEPARTMENT OF DEFENSE
COORDINATOR FOR DRUG ENFORCEMENT
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Mr. Richard Davis
Director, National Security Analysis
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SEP 1 1998

Dear Mr. Davis:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DoD Counterdrug Activities: Reported Costs Do Not Reflect Extent of DoD's Support", dated August 13, 1998 (GAO Code 701131), OSD case 1673.

The DoD generally concurs with the draft report. As you are aware, the Department provides critical support to the Nation's Drug Control Strategy, especially in its role of detection and monitoring, command, control, and communications, and intelligence support. The Department established the counterdrug program as one that was within the current force structure, but accounted for its costs in the Central Transfer Account (CTA) as incremental to the Department's other missions. Naturally, the Services continued to program, budget, and fund major acquisition costs, depot level maintenance costs and force structure requirements, as part of fulfilling the over-all mission of the Department of Defense. We continue to believe that excluding these costs from the computation of the specific costs of DoD counterdrug efforts is appropriate because these are costs that would be incurred whether or not the Department was performing counterdrug efforts. As such, they are not true counterdrug costs. However, the CTA did and continues to fund all costs that are incremental and unique to the functionality of the counterdrug mission.

We agree with the inclusion of 506(a)(2) costs to the value of the program; but do not agree with the concept of including estimations of the operation and support costs (which include depot level maintenance costs) and the acquisition costs to the Department's counterdrug efforts. It is important to note that the acquisition costs are for platforms that have been previously procured by the Department, and do not represent future acquisitions. It should be noted that the report does not estimate the costs of active-duty military personnel salaries or the costs of the excess defense articles under 10 U.S.Code 2576(a).

The operation and support cost calculations using the Visibility and Management of Operating and Support Costs database contains Service-specific costs that are



Appendix I
Comments From the Department of Defense

intrinsically incurred by each Military Department, as are the acquisition cost estimates. These estimations provide no added reliability to the true costs of the counterdrug program as budgeted and executed via the CTA.

The DoD appreciates the opportunity to comment on the draft report. While the report can be used as a reference as opposed to a standard measure in estimating the value of specific Service costs to the counterdrug program, these costs are neither inclusive nor precise and therefore do not accurately reflect DoD's commitment to the National Drug Control Strategy. It is important to restate that the counterdrug budget only funds those costs that are incremental to its operations, as is the case of other contingency missions. The Department would incur the acquisition costs, active duty military salaries, and the operating and support costs with or without its counterdrug mission.



Brian E. Sheridan
Principal Deputy

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