



January 2019

# OVERSEAS CONTINGENCY OPERATIONS

## Alternatives Identified to the Approach to Fund War-Related Activities

Accessible Version

# GAO Highlights

Highlights of [GAO-19-211](#), a report to congressional committees

## Why GAO Did This Study

Since 2001, DOD has received more than \$1.8 trillion in OCO funds. DOD defines “contingency operations” as small, medium, or large-scale military operations, while “base” activities include operating support for installations, civilian pay, and other costs that would be incurred, regardless of contingency operations. Congress separately appropriates amounts for base and OCO activities into the same appropriation accounts and directs how funds are to be spent by designating amounts in conference reports or explanatory statements accompanying the annual appropriations acts.

The *National Defense Authorization Act for Fiscal Year 2018* included a provision for GAO to report on the feasibility of separating OCO expenditures from other DOD expenditures. This report (1) describes internal controls that selected DOD components use to separately account for OCO and base amounts during budget execution and (2) identifies and examines alternatives that Congress or DOD could use to separate funding for OCO and base activities.

GAO reviewed documentation of DOD internal controls for separating OCO and base amounts in the O&M account, interviewed financial management officials, and, among other things, conducted a literature review to identify alternatives that Congress or DOD could use to separate funding for OCO and base activities. Also, GAO administered a questionnaire to DOD and non-DOD officials to identify positive and negative aspects of these alternatives.

View [GAO-19-211](#). For more information, contact Elizabeth Field at (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov).

January 2019

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#### What GAO Found

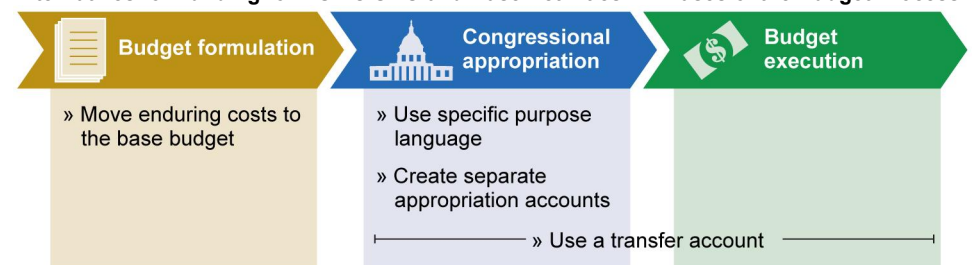
Selected Department of Defense (DOD) components use coding and other internal control activities to separately account for overseas contingency operations (OCO) and base amounts in their operation and maintenance (O&M) accounts during budget execution. To record and track OCO and base amounts separately, the military services, U.S. Special Operations Command, and the Defense Security Cooperation Agency use coding in their financial systems. These DOD components also have instituted some internal control activities to help ensure separation of OCO amounts. For example, Army and Defense Security Cooperation Agency officials stated that the financial systems they use incorporate system controls that automatically maintain the categories of funding, such as OCO, designated during allotment through subsequent actions to ensure the OCO coding remains throughout budget execution.

GAO identified at least four alternatives to the processes used to separate funding for DOD’s OCO and base activities:

- **Move enduring costs to the base budget.** DOD could request funding for enduring costs—costs that would continue in the absence of contingency operations—through its base budget rather than its OCO budget.
- **Use specific purpose language.** Congress could use legally binding language in the annual DOD appropriations acts to specify the purposes—programs, projects and activities—for which OCO amounts may be obligated.
- **Create separate appropriation accounts.** Congress could create separate appropriation accounts for OCO and base funding.
- **Use a transfer account.** Congress could appropriate funds for OCO into a non-expiring transfer account. DOD would fund OCO with its base budget and later reimburse its base accounts using funds from a transfer account.

Implementing these alternatives would require Congress and DOD to take action in different phases of the budget process (see figure).

Alternatives for Funding for DOD’s OCO and Base Activities in Phases of the Budget Process



Source: GAO analysis of the congressional appropriation and Department of Defense budget process. | GAO-19-211

Each alternative includes tradeoffs that Congress and DOD would have to consider to strike the desired balance between agency flexibility and congressional control. The alternatives, and GAO’s summary of their positive and negative aspects identified by questionnaire respondents, could be a reference for Congress and DOD as they consider potential changes to processes for separating the funding of amounts for OCO and base activities.

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**Abbreviations**

DOD	Department of Defense
OCO	Overseas Contingency Operations
OMB	Office of Management and Budget
O&M	Operation and Maintenance

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January 28, 2019

The Honorable James M. Inhofe  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Adam Smith  
Chairman  
The Honorable Mac Thornberry  
Ranking Member  
Committee on Armed Services  
House of Representatives

Since September 2001, the Department of Defense (DOD) has received more than \$1.8 trillion in funds designated for Overseas Contingency Operations (OCO), primarily in Iraq and Afghanistan. DOD defines “contingency operations” as small, medium, or large-scale campaign-level military operations, including but not limited to support for peacekeeping operations, foreign disaster relief efforts, and noncombatant evacuation operations, and international disaster relief efforts. In contrast, regular or “base” activities include, for example, operating support for installations, training and education, and civilian personnel pay, which are costs that would be incurred, regardless of contingency operations. Since fiscal year 2010, DOD has submitted separate requests for both base and OCO funding as part of its annual budget request to Congress.<sup>1</sup> Congress separately appropriates amounts for base and OCO activities into the same appropriation accounts and directs how funds are to be spent by designating specific amounts at the activity level in conference reports or explanatory statements accompanying annual appropriations acts. However, congressionally designated amounts are not binding unless they are also incorporated by reference into an appropriations act or other

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<sup>1</sup>Prior to fiscal year 2010, requests for Global War on Terror and contingency operations funding were presented to Congress as requests for supplemental appropriations. Supplemental appropriations provide additional budget authority usually in cases where the need for funds is too urgent to be postponed until enactment of a regular appropriations bill.

statute. In addition, DOD's OCO budget request now includes some funding for enduring activities—activities that would continue in the absence of contingency operations that could be transitioned to DOD's base budget. According to the Congressional Budget Office, for each year since 2006, about \$53 billion of the total funding designated for OCO has been used to pay for enduring costs.<sup>2</sup> It further estimates that about 70 percent of all OCO funding in DOD's Fiscal Year 2019 OCO budget is expected to be used for enduring costs.

We have reported on multiple issues associated with OCO funds since 2007, including efforts to transition enduring costs to DOD's base budget. In June 2014, we reported that DOD recognized that the U.S. Central Command and its service components have enduring headquarters costs, but the majority of the costs to operate and support U.S. Central Command, two of its service component commands, and its theater special operations command headquarters were funded with OCO appropriations.<sup>3</sup> We recommended that DOD develop guidance to transition enduring costs funded with OCO appropriations to DOD's base budget. DOD partially concurred with this recommendation, stating that the transition's time frame depends on the evolution of threats in U.S. Central Command's area of responsibility and the impact of the caps enacted in the *Budget Control Act of 2011, as amended*, on the department's ability to migrate additional requirements to the base budget.<sup>4</sup> In January 2017, we reported that DOD had developed an initial estimate of costs being funded with OCO appropriations that are likely to endure beyond current operations, but had not finalized or reported its estimate outside of the department.<sup>5</sup> We recommended that DOD develop a complete and reliable estimate of enduring costs to report in future budget requests. DOD also partially concurred with this recommendation,

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<sup>2</sup>CBO, *Funding for Overseas Contingency Operations and Its Impact on Defense Spending* (October 2018). In formulating their estimates, CBO classified OCO spending as enduring if it supported operations or activities that would occur whether or not the United States was at war; if it was used to procure facilities or equipment that would continue to need funding whether or not the United States was at war; or if it had been appropriated expressly to support base-budget activities despite its OCO designation.

<sup>3</sup>GAO, *Defense Headquarters: Guidance Needed to Transition U.S. Central Command's Costs to the Base Budget*, [GAO-14-440](#) (Washington, D.C.: June 9, 2014).

<sup>4</sup>Pub. L. No. 112-25 (2011).

<sup>5</sup>GAO, *Overseas Contingency Operations: OMB and DOD Should Revise the Criteria for Determining Eligible Costs and Identify the Costs Likely to Endure Long Term*, [GAO-17-68](#) (Washington, D.C.: Jan. 18, 2017).

stating that until there is relief from the budgetary caps established by the *Budget Control Act of 2011, as amended*, DOD would need OCO to finance counterterrorism operations.

In May 2018, DOD officials indicated that the department was taking steps to implement our January 2017 recommendation. According to these officials, they received direction from the Office of Management and Budget (OMB) to develop a plan for the fiscal year 2020 President's Budget to shift the enduring costs in the OCO budget to the base budget, reducing the size of the OCO budget. According to DOD, the department's guidance for the fiscal year 2020 budget directs the movement of enduring costs to the base budget, and the remaining OCO budget funds only those costs directly associated with combat operations. DOD officials told us that this plan is still under consideration. The step DOD has taken also addresses our 2014 recommendation for DOD to develop guidance to transition enduring costs funded with OCO appropriations to DOD's base budget. Further, based in part on our work, Congress, in the *John S. McCain National Defense Authorization Act for Fiscal Year 2019*, required the Under Secretary of Defense (Comptroller) to submit an annual report for fiscal years 2020 through 2024 that includes, among other elements, an estimate of the costs of operations that are likely to continue beyond such operations and that are currently supported in part or in whole by requested funding for OCO.<sup>6</sup>

Another issue we have previously highlighted relates to criteria for determining which activities belong in DOD's annual base and OCO funding requests to Congress. We reported in January 2017 that OMB collaborated with DOD in 2010 to issue these criteria.<sup>7</sup> However, we found that the criteria were outdated and did not address the full scope of activities included in DOD's fiscal year 2017 OCO budget request. We recommended that DOD collaborate with OMB to revise the criteria, and DOD concurred. In October 2017, a DOD official stated that the department had discussed modifications to the criteria with the military departments and combatant commands, but that it had not made recommendations to OMB to revise the criteria. The *National Defense Authorization Act for Fiscal Year 2018* included a provision requiring DOD and OMB to update their OCO criteria by September 2018.<sup>8</sup> However, in

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<sup>6</sup>Pub. L. No. 115-232 (2018).

<sup>7</sup>[GAO-17-68](#).

<sup>8</sup>Pub. L. No. 115-91, § 1524 (2017).

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January 2019, a DOD official confirmed that neither OMB nor DOD had released updated criteria.

Section 1523 of the *National Defense Authorization Act for Fiscal Year 2018* included a provision for us to report on the feasibility of separating DOD's OCO expenditures from its other expenditures.<sup>9</sup> In this report we (1) describe internal controls that selected DOD components use to separately account for OCO and base amounts during budget execution, and (2) identify and examine alternatives that Congress or DOD could use to separate funding for DOD's OCO and base activities.

For our first objective, we reviewed documentation of the internal control activities that DOD organizations in our review have designed to account for OCO amounts separately from base amounts in their operation and maintenance (O&M) appropriation accounts during budget execution. We focused our review on O&M accounts because Congress appropriates the majority of OCO amounts to DOD's multiple O&M accounts.<sup>10</sup> In addition, we focused our review on the military services and two non-service DOD components (U.S. Special Operations Command and the Defense Security Cooperation Agency) that are allotted the most OCO funding to the O&M Defense-wide account. We collected information for this objective through interviews and written requests for information from financial management officials in the Office of the Secretary of Defense (Comptroller), the offices of the military services, U. S. Special Operations Command, the Defense Security Cooperation Agency, and the Defense Finance and Accounting Service. Our review focused on the design of the internal control systems and did not assess the effectiveness of these internal controls.

For our second objective, we searched for relevant literature from 2001 through July 2018. Specifically, we searched for alternative processes that (1) DOD could use to separately account for OCO funding or (2) Congress could use to provide separate OCO funding to DOD because both DOD and Congress could be involved in implementing alternatives to separate funding for OCO and base activities. We did not identify any

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<sup>9</sup>Pub. L. No. 115-91 (2017). In this report, we focus on obligations.

<sup>10</sup>There are 11 O&M appropriation accounts—one for each active and reserve service component, as well as for the Army National Guard, the Air National Guard and Defense-wide activities. Congress also appropriates OCO amounts to a number of other DOD appropriations, including those for military personnel; military construction; procurement; and research, development, test and evaluation.



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alternatives for DOD to separately account for OCO funding; therefore we do not address this in our report. We did identify alternatives related to how Congress provides OCO funding to DOD and how DOD requests OCO funding from Congress. We identified and summarized four alternatives related to this in our report based on the literature search and review by our internal subject matter experts.

We developed and administered a questionnaire to solicit opinions from knowledgeable individuals (“respondents”) regarding Congress’ and DOD’s current processes and the four alternatives. We included the summaries of all processes in the questionnaire. We asked respondents to identify positive and negative aspects of Congress’ and DOD’s current processes and of the alternatives, as well as the costs and requirements associated with each. We also asked respondents to describe any additional alternatives. We identified questionnaire respondents within and outside DOD, and we included questions in our questionnaire to help us determine whether the respondents were sufficiently knowledgeable about Congress’ and DOD’s current processes. The respondents were predominantly current officials in DOD financial management offices, former DOD officials, and defense budget analysts from think tanks. We received 17 usable questionnaires, which is a response rate of 81 percent.<sup>11</sup> Fifteen of the 17 respondents to our questionnaire were current or former DOD officials. Results of this questionnaire are not generalizable beyond our respondents. We conducted a content analysis of the responses received to identify similarities, defined for our purposes as when two or more respondents gave the same or very similar answers to a particular question. More detailed information on our scope and methodology can be found in appendix I of this report.

We conducted this performance audit from March 2018 to January 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

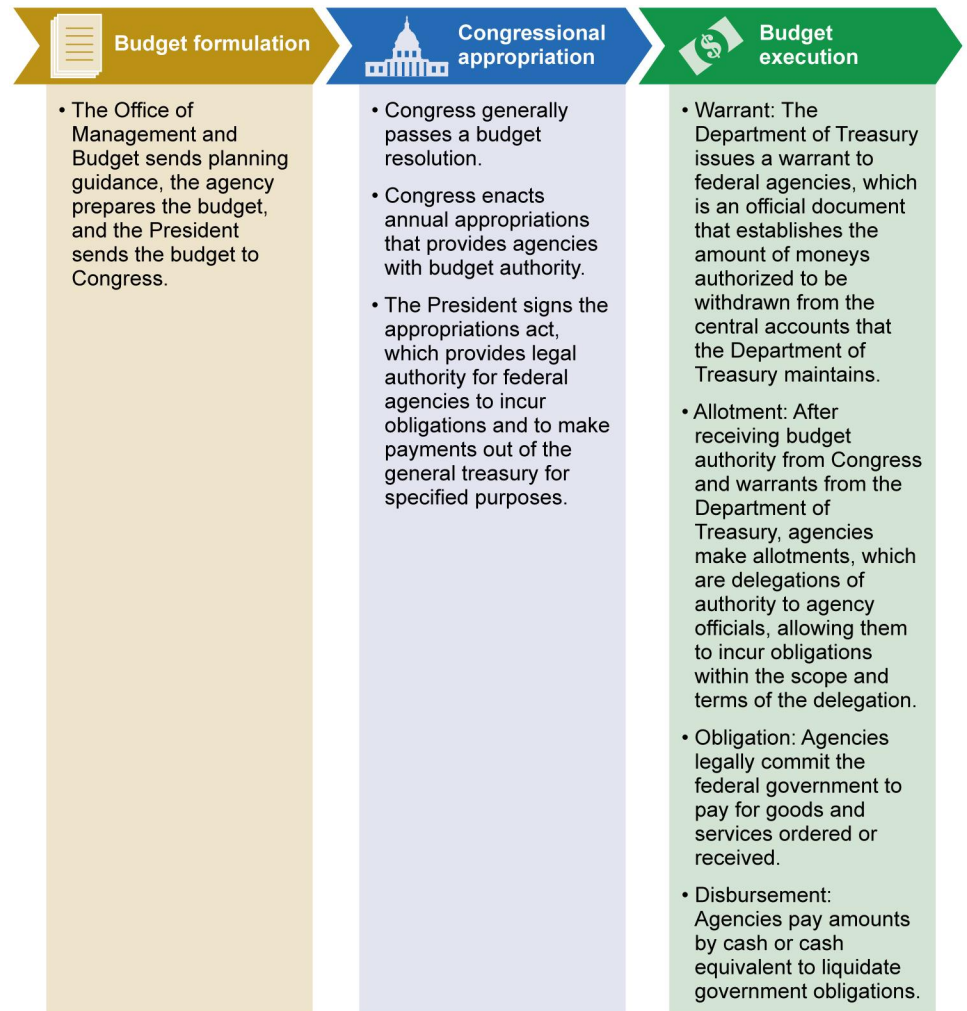
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<sup>11</sup>We excluded two questionnaires from our analysis based on our screening criteria for determining if respondents were sufficiently knowledgeable about Congress’ and DOD’s current processes. These two questionnaires were not counted in the response rate.

## Background

The appropriation and execution of DOD's base and OCO amounts is part of the broader federal budget process. In this process, Congress, the President, and federal agencies take a number of steps to formulate a budget, enact appropriation acts, and execute the federal budget for each fiscal year. A summary of the budget process is depicted in figure 1 below.

**Figure 1: Phases in the Fiscal Year Federal Budget Process**



Source: GAO analysis of Department of Defense information. | GAO-19-211

In DOD's budget process, the military services and defense agencies submit a budget request—known as the Budget Estimate Submission—that addresses their estimated annual funding requirements for both base and OCO activities.<sup>12</sup> In building their OCO budget requests, the military services and defense agencies use criteria that OMB developed in collaboration with DOD, for deciding whether items belong in the base budget or in OCO funding requests.<sup>13</sup> The services also use guidance issued within their own organizations, as well as utilize OCO-specific budget guidance included in DOD's *Financial Management Regulation*.<sup>14</sup>

Congress then takes action on the budget request and appropriates funding for both base and OCO activities into the same appropriation accounts, such as service-specific O&M accounts. Explanatory statements or conference committee reports accompanying annual appropriations acts provide congressional direction on how OCO and base funding amounts should be obligated. However, the congressional direction for funding is generally not legally binding. Congress also has the discretion to make available amounts for base activities or enduring costs through OCO appropriations, even if DOD considers such costs to be part of the base budget. The *Budget Control Act of 2011*, amending the *Balanced Budget and Emergency Deficit Control Act of 1985*, imposes government-wide discretionary spending limits for fiscal years 2012 through 2021 to reduce projected spending by about \$1 trillion.<sup>15</sup> All

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<sup>12</sup>DOD's budgeting process is governed by DOD Directive 7045.14, *The Planning, Programming, Budgeting, and Execution (PPBE) Process* (Jan. 25, 2013) (incorporating Change 1, Aug. 29, 2017), and DOD 7000.14-R, *Financial Management Regulation* (June 2017).

<sup>13</sup>OMB, *Criteria for War/Overseas Contingency Operations Funding Requests* (September 9, 2010).

<sup>14</sup>DOD 7000.14-R, vol. 12, chap. 23, *Contingency Operations* (December 2017).

<sup>15</sup>The *Budget Control Act of 2011*, Pub. L. No. 112-25 (2011), amends the *Balanced Budget and Emergency Deficit Control Act of 1985*, Pub. L. No. 99-177 (1985), codified at 2 U.S.C. § 901, provides that new budget authority may not exceed the discretionary spending limits for a fiscal year. Subsequent amendments have revised the discretionary spending limits and extended the sequestration of direct spending through fiscal year 2027. See *Bipartisan Budget Act of 2018*, Pub. L. No. 115-123, § 30101 (2018); *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 101 (2015); *Bipartisan Budget Act of 2013*, Pub. L. No. 113-67, § 101 (2013). If Congress and the President enact appropriations that exceed the discretionary spending limits for a fiscal year, there will be a sequestration of nonexempt accounts within the affected category to eliminate the breach. Discretionary spending refers to budget authority, except to fund direct spending programs that are provided in and controlled by appropriation acts.

amounts appropriated to DOD are subject to limitations on discretionary spending. Appropriated amounts designated by Congress for OCO that would otherwise exceed the annual limits established for discretionary spending will instead result in an adjustment to the overall spending limit established for a particular fiscal year, and will not trigger a sequestration, which is an automatic cancellation of budgetary resources provided by discretionary appropriations or direct spending laws.<sup>16</sup>

Upon enactment of an appropriation, the Secretary of the Treasury issues a warrant to federal agencies, which is an official document that establishes the amount of moneys authorized to be withdrawn from the central accounts that the Department of Treasury maintains. The Treasury does not employ a process to separate OCO funding from base funding in its role in warranting funds to federal agencies, including DOD. After receiving budget authority, agencies make allotments, delegating budget authority to various agency officials allowing them to incur obligations. Agencies then disburse amounts by cash or cash equivalents to liquidate obligations.

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## DOD Components We Reviewed Use Coding and Other Control Activities to Separately Account for OCO and Base Amounts during Budget Execution

The DOD components in our review use coding and other internal control activities to separately account for OCO and base amounts in their O&M accounts during budget execution.<sup>17</sup> To record and track OCO and base amounts separately, the DOD components use coding in their financial systems during the allotment, obligation, and disbursement of funds. For example, during the allotment phase, the Army and the Defense Security Cooperation Agency use codes in their financial systems to divide, distribute, and track their appropriated funds into separate categories—

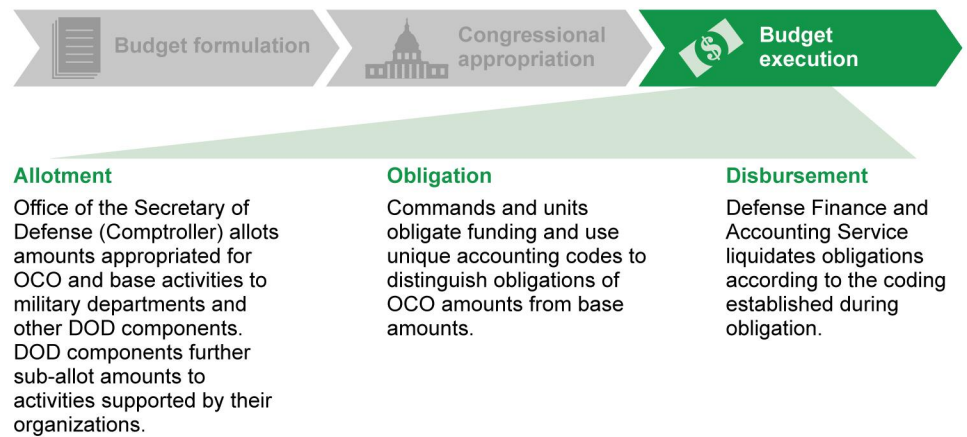
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<sup>16</sup>From 2001 to 2009, overseas contingency amounts were designated for the Global War on Terror (GWOT). Since 2009, contingency amounts have been designated for OCO.

<sup>17</sup>Our review focused on the military services and two non-service DOD components, U.S. Special Operations Command and the Defense Security Cooperation Agency.

including one for OCO and one for base.<sup>18</sup> Army and Defense Security Cooperation Agency officials stated that the separate categories are maintained through the obligation phase. The Air Force, the Marine Corps, and the Navy use specific codes to track OCO transactions within multiple systems they use to allot and obligate OCO and base amounts. For example, the Air Force uses an Emergency and Special Program code to track and record allotments and obligations of OCO amounts within its budgeting and accounting systems. The Marine Corps uses three-digit, alphanumeric codes called Special Interest Codes to track and record costs associated with high-interest activities, such as OCO, during obligation. Figure 2 describes the steps that DOD takes to separate OCO and base amounts.

**Figure 2: Department of Defense’s (DOD) Steps to Separately Account for Overseas Contingency Operations (OCO) from Base Amounts within Its Operation and Maintenance Accounts during Budget Execution**



Source: GAO analysis of Department of Defense information. | GAO-19-211

We identified some internal control activities that the DOD components in our review have put into place to ensure separate accounting of OCO and base amounts, such as controls over information processing.<sup>19</sup> A variety

<sup>18</sup>In August 2018, Army officials told us that they executed 91 percent of the Army’s O&M appropriation in the General Funds Enterprise Business System for fiscal year 2018, and officials from the Defense Security Cooperation Agency told us that they executed 93 percent of the agency’s O&M appropriation in the Defense Agencies Initiative system for fiscal year 2018.

<sup>19</sup>We did not assess the effectiveness of the internal controls that the reviewed DOD components use to separately account for OCO and base amounts. We also did not assess whether these components identified the parts of their processes that have the most risk and thus warrant an internal control activity to mitigate that risk.

of control activities can be used in information processing, including controls incorporated directly into computer applications to ensure accuracy, as well as policies and procedures that apply to information systems.<sup>20</sup> For example, Army and Defense Security Cooperation Agency officials stated that the financial systems they use incorporate system controls that automatically maintain the categories of funding designated during allotment through subsequent actions, including obligation, which ensures an amount in the OCO category maintains its OCO-specific coding throughout the budget execution process. Also, the Army restricts the number of personnel who are able to reassign the coding of funding from one category to another. Navy officials explained that two of three financial accounting systems used by the Navy receive OCO allotments automatically from the Navy's budgeting information system, which eliminates the need for manual entry of allotment amounts. Also, Marine Corps guidance requires entry of an identifying OCO code in the Marine Corps' financial system when recording an OCO-related transaction, which can prevent data reporting errors.

In addition to controls over information processing, each DOD component in our review incorporates reviews of their OCO execution as one of their internal control activities. Internal control activities also include reviews, such as reviews of data or expected results, by management throughout an organization.<sup>21</sup> The financial management offices of these components periodically review the OCO-related allotments they make within their components to confirm the amounts are properly recorded. For example, the Air Force, the Army, the Marine Corps, the Navy, the Defense Security Cooperation Agency, and U.S. Special Operations Command review OCO-related execution amounts at least monthly to determine if amounts are within their established spending plans and that OCO coding is recorded correctly, among other things. In addition, officials from each service and the Defense Security Cooperation Agency stated that officials review OCO-related obligations and verify they are legitimate OCO expenses.

The DOD Inspector General and the services' audit agencies have found weaknesses in the services' processes of accounting for OCO costs or in other related internal control activities. For example, in March 2018, the US Army Audit Agency found that while the Army had a strategy and

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<sup>20</sup>[GAO-14-704G](#).

<sup>21</sup>[GAO-14-704G](#).

processes to capture and report its financial data for Operation Inherent Resolve for fiscal year 2016, processes to account for some obligation data needed improvement.<sup>22</sup> Moreover, an official from the Office of the Secretary of Defense (Comptroller) stated that, while the DOD components included in our review have processes to separate OCO and base amounts, other DOD components may not have similar processes, and not all components have auditable financial systems.

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## Four Alternatives to the Current Processes That Congress and DOD Use to Separate Funding for OCO and Base Activities Would Entail Tradeoffs

We identified at least four alternatives to the processes Congress and DOD use to separate funding for DOD's OCO and base activities.<sup>23</sup> Each alternative would require action at different phases of DOD's budget process and entail tradeoffs. Appendix II provides additional information on requirements and costs to implement the alternatives reported by respondents that we summarize, as well as other alternatives to provide funding to DOD that respondents independently identified. In addition, appendix II provides summary information on the positive and negative aspects of Congress' current process for providing funding for OCO and base activities, as described by respondents.

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### Alternative #1: DOD Could Request Funding for Enduring Costs through Its Base Budget Rather Than Its OCO Budget

The first alternative to the current process would be for DOD to request all funding for enduring costs through its base budget rather than its OCO budget. DOD is considering a plan to move enduring costs associated with OCO activities from its OCO budget request into its base budget request for fiscal year 2020. In its budget justification materials for fiscal

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<sup>22</sup>U.S. Army Audit Agency, *Reporting Expenditures for Operation Inherent Resolve (A-2018-0039-1EX)* (Mar. 26, 2018).

<sup>23</sup>The alternatives are presented in order of most positive to least positive aspects reported by questionnaire respondents.

year 2019, DOD estimated that it would shift between \$45.8 billion and \$53.0 billion from its OCO request to its base budget request from fiscal years 2020 through 2023. However, moving DOD’s enduring costs to its base budget request may require increased base O&M appropriations provided in annual DOD appropriations acts. Appropriations that are not designated as OCO, such as base O&M amounts, and that exceed annual discretionary spending limits established by the *Budget Control Act of 2011, as amended*, would trigger a sequestration.<sup>24</sup> Respondents to our questionnaire identified several positive and negative aspects of this alternative, which we summarize in table 1.

**Table 1: Positive and Negative Aspects Identified by Respondents for Alternative #1: Department of Defense (DOD) Requesting Funding for Enduring Costs through Its Base Budget Rather than Its OCO Budget**

Positive aspects	Negative aspects
<ul style="list-style-type: none"> <li>• Would provide additional reliability, accuracy, transparency, and accountability in estimates of costs within DOD.</li> <li>• Would simplify management and reporting of DOD’s costs.</li> <li>• Would help ensure that DOD appropriately requests funding based on existing criteria for its OCO budget request.</li> <li>• Would acknowledge that military operations have formal beginnings and endings, but some activities endure.</li> </ul>	<ul style="list-style-type: none"> <li>• Increases fiscal constraints, as more of DOD’s funding will be subject to the limits of the <i>Budget Control Act of 2011, as amended</i>.</li> <li>• May not fully account for variability and uncertainty in contingency operations.</li> <li>• Involves subjective decision-making to define which activities are enduring and which activities belong in the OCO budget.</li> </ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Positive and negative aspects reflect questionnaire responses we summarized and do not represent aspects independently identified by GAO. We present the positive and negative aspects in this table starting with the aspect that was most frequently reported by respondents.

## Alternative #2: Congress Could Add Specific Purpose Language to Annual DOD Appropriations Acts Concerning OCO Amounts

The second alternative would be for Congress to specify in annual DOD appropriations acts the purposes—programs, projects and activities—for which OCO amounts may be obligated. As we noted above, DOD currently determines what constitutes OCO activities based on criteria developed in 2010 in coordination with OMB and DOD 7000.14-R, *Financial Management Regulation*.<sup>25</sup> Explanatory statements and

<sup>24</sup>Pub. L. No. 112-25 (2011), amending the *Balanced Budget and Emergency Deficit Control Act of 1985*, Pub. L. No. 99-177 (1985).

<sup>25</sup>OMB Memorandum, *Criteria for War/Overseas Contingency Operations Funding Requests* (Sept. 9, 2010) and DOD 7000.14-R, vol. 12, chap. 23 (December 2017).



conference committee reports accompanying annual appropriations acts include direction on how OCO amounts should be allocated for specific activities; however, explanatory statements and committee reports are not legally binding unless incorporated by reference into the appropriations act. Either specific purpose language or language incorporating explanatory statement or committee report language could be included in DOD’s annual appropriations. Respondents to our questionnaire identified several positive and negative aspects of this alternative, which we summarize in table 2.

**Table 2: Positive and Negative Aspects Identified by Respondents for Alternative #2: Congress Adding Specific Purpose Language to the Department of Defense’s (DOD) Annual Appropriation Acts Concerning Overseas Contingency Operations (OCO) Amounts**

Positive aspects	Negative aspects
<ul style="list-style-type: none"> <li>• Could prevent the use of OCO funding for base activities with up-to-date and enforceable criteria.</li> <li>• Would better align how OCO funds are spent with congressional intent because the purpose of funds would be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>• Limits DOD’s financial flexibility and responsiveness to changes in operations.</li> <li>• Would limit flexibility for Congress.</li> <li>• May complicate budgeting and execution if OCO activities change across administrations or fiscal years.</li> <li>• May be difficult to ensure funds were used for their intended purpose.</li> <li>• Congress could change or ignore this alternative each year.</li> </ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Positive and negative aspects reflect questionnaire responses we summarized and do not represent aspects independently identified by GAO. We present the positive and negative aspects in this table starting with the aspect that was most frequently reported by respondents.

### Alternative #3: Congress Could Create Separate Appropriation Accounts for OCO and Base Funding

The third alternative entails Congress creating separate appropriation accounts for OCO and base funding. Under the current approach, both OCO and base amounts are appropriated into and executed out of the same appropriation accounts. By contrast, under this alternative, Congress would create separate Treasury-level appropriation accounts for funding for OCO and base activities. For example, there could be an O&M appropriation account for the Army’s base activities and an O&M appropriation account for the Army’s OCO activities. Funding for OCO and base activities would no longer be comingled, but could be transferred between accounts with statutory authority. Respondents to our questionnaire identified several positive and negative aspects of this alternative, which we summarize in table 3.

**Table 3: Positive and Negative Aspects Identified by Respondents for Alternative #3: Congress Creating Separate Appropriation Accounts for Funding of Overseas Contingency Operations (OCO) and Base Activities**

Positive aspects	Negative aspects
<ul style="list-style-type: none"> <li>Differentiates OCO funds from base funds and makes it more difficult to comingle these funds.</li> </ul>	<ul style="list-style-type: none"> <li>Increases budget and/or accounting complexity and creates a significant administrative burden.</li> <li>Limits flexibility for the Department of Defense (DOD) to fund its operations.</li> <li>May increase audit risk, because it would require transfers between appropriation accounts if funds need to be reallocated.</li> </ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Positive and negative aspects reflect questionnaire responses we summarized and do not represent aspects independently identified by GAO. We present the positive and negative aspects in this table starting with the aspect that was most frequently reported by respondents.

### Alternative #4: Congress and DOD Could Use a Transfer Account to Fund Contingency Operations

Under the fourth alternative, Congress would appropriate funds into a non-expiring transfer account for contingency operations. These funds would be available for DOD’s use during multiple fiscal years. DOD would use its base appropriations to initially fund OCO activities and later use funds from the transfer account, as needed, to reimburse its base appropriation accounts. One example is the Overseas Contingency Operations Transfer Fund, which was originally established by Congress in fiscal year 1997 to meet small-scale, recurring operational demands of the department by transferring amounts to the military services and agencies based on execution needs as the year progresses.<sup>26</sup>

Respondents to our questionnaire identified several positive and negative aspects of this alternative, which we summarize in table 4.

**Table 4: Positive and Negative Aspects Identified by Respondents for Alternative #4: Department of Defense (DOD) Using a Transfer Account to Fund Overseas Contingency Operations (OCO)**

Positive aspects	Negative aspects
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<sup>26</sup>Omnibus Consolidated Appropriations Act, 1997, Pub. L. No. 104-208 (1996). DOD’s budget request for fiscal year 2019 does not include amounts for the Overseas Contingency Operations Transfer Fund because the operations it once supported—such as operations in Bosnia and Kosovo, the operations of Joint Task Force-Bravo in Honduras, Operation Juniper Shield in North and West Africa, and Operation Noble Eagle in the U.S.—are now supported within the service operation and maintenance budget requests.

Positive aspects	Negative aspects
<ul style="list-style-type: none"> <li>Provides DOD additional flexibility and improves responsiveness to operational changes in the year of execution.</li> </ul>	<ul style="list-style-type: none"> <li>Reduces visibility into DOD’s need for and use of OCO funding, and may allow OCO to be misused.</li> <li>Increases the potential for funding delays and could create difficulties in planning, depending on the timing of reimbursements or the need to reprioritize the use of funds.</li> <li>Would create an additional administrative burden in budgeting and accounting processes.</li> <li>Creates funding uncertainty for base activities, since all OCO funding would initially be provided out of the base budget and could tie up funding needed for base activities.</li> </ul>

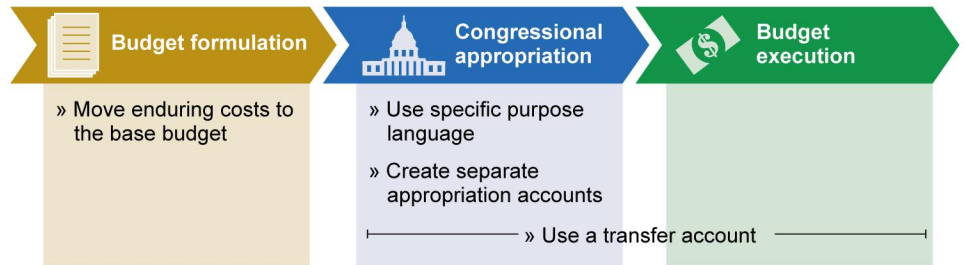
Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Positive and negative aspects reflect questionnaire responses we summarized and do not represent aspects independently identified by GAO. We present the positive and negative aspects in this table starting with the aspect that was most frequently reported by respondents.

### Each Alternative Would Require Action at Different Phases in the Budget Process and Entail Tradeoffs

The four alternatives we identified would require Congress and DOD to take action at different phases within DOD’s budget process. In the first alternative, DOD would move enduring costs to the base budget request during the budget formulation phase. In the second alternative, Congress would specify the activities to be funded by OCO amounts in the annual appropriations acts during the congressional appropriation phase. Similarly, in the third alternative, Congress would create separate appropriation accounts for OCO and base activities during the congressional appropriation phase. In the fourth alternative, using transfer accounts would require actions during two phases—the congressional appropriations phase and the budget execution phase. Congress would appropriate funds into a transfer account during the congressional appropriation phase, and DOD would later use funds from the transfer account, as needed, to reimburse its base appropriation accounts during budget execution. In figure 3, we depict the phase of the budget process in which these alternatives would take place.

**Figure 3: Alternatives for Separating Funding of Amounts for the Department of Defense's (DOD) Overseas Contingency Operations (OCO) and Base Activities, by Phases in DOD's Budget Process**



Source: GAO analysis of the congressional appropriation and Department of Defense budget process. | GAO-19-211

Each alternative includes tradeoffs that Congress and DOD would have to consider to strike the desired balance between agency flexibility and congressional control. For example, adding specific purpose language would better align obligation of OCO amounts with congressional intent; however, doing so could also reduce DOD's financial flexibility and responsiveness to changes in operations. Understanding the implications of each alternative is important to avoid unintended consequences. Our summary of the positive and negative aspects of the alternatives reported by respondents could be a reference for Congress and DOD as they consider potential changes to processes for separating the funding of amounts for OCO and base activities.

## Agency Comments and Our Evaluation

We requested comments from DOD, the Department of the Treasury, and provided an informational copy of the draft report to OMB. DOD provided technical comments on the draft report, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Secretary of the Treasury, the Director of OMB; the Under Secretary of Defense for the Comptroller; the Secretaries of the Air Force, the Army, and the Navy; the Commandant of the Marine Corps; the Commanding General of U.S. Special Operations Command, and the Director of the Defense Security Cooperation Agency. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov). Contact points for our Offices

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of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read "Elizabeth Field". The signature is fluid and cursive, with a large loop at the end.

Elizabeth Field, Acting Director  
Defense Capabilities and Management

# Appendix I: Scope and Methodology

To describe selected Department of Defense (DOD) components' use of internal controls to separately account for overseas contingency operations (OCO) and base amounts, we reviewed documentation of the internal controls that DOD organizations in our review have designed to separate these amounts in their operation and maintenance (O&M) account. We focused on the O&M account because Congress provides most of the OCO amounts for DOD in O&M.<sup>1</sup> In addition, we focused on the military services that receive service-specific OCO appropriations, and the two non-service DOD components (U.S. Special Operations Command and the Defense Security Cooperation Agency) that are allotted the most OCO funding appropriated to the O&M Defense-wide account. We collected information for this objective through interviews and written requests for information from financial management officials in the Office of the Secretary of Defense (Comptroller), the offices of the military services, U.S. Special Operations Command, the Defense Security Cooperation Agency, and the Defense Finance and Accounting Service. Our review focused on the design of the internal control systems and did not assess the effectiveness of these internal controls.

To identify alternatives to separate funding for DOD's OCO and base activities, we searched for relevant literature from 2001 through July 2018. Specifically, we searched for alternative processes that (1) DOD could use to separately account for OCO funding or (2) Congress could use to provide separate OCO funding to DOD because both DOD and Congress could be involved in implementing alternatives to separate funding for OCO and base activities. We started with 2001, because this was the first year that funds were appropriated for the Global War on Terror (GWOT), now known as OCO. We conducted searches of various databases and websites, such as ProQuest and the National Academy of Sciences website. Our literature search identified 235 sources, which

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<sup>1</sup>There are 11 O&M appropriation accounts—one for each active and reserve service component, as well as for the Army National Guard, the Air National Guard and Defense-wide activities. Congress also provides OCO amounts in the other DOD appropriations for military personnel; military construction; procurement; research, development, test and evaluation; and revolving and management funds.

primarily consisted of journal articles, reports, and news articles.<sup>2</sup> Two analysts independently reviewed the full text of the literature sources to determine which were relevant. When they disagreed, a third analyst independently reviewed the full text of a source to make the final determination. We determined that 22 sources were relevant. We did not identify any sources that described alternative processes for DOD to separately account for OCO funding; therefore, we do not address this in our report. We did identify three alternatives related to how Congress provides OCO funding to DOD and how DOD requests OCO funding from Congress. We summarized these alternatives and obtained feedback from our internal subject matter experts familiar with Congress' process for providing funding for OCO and DOD's process for separating OCO and base funds. We revised the wording of the alternatives based on their feedback to ensure that we described them accurately. Our internal subject matter experts suggested a fourth congressional alternative. We summarized all four alternatives in our report.

In collaboration with a survey specialist, we developed a questionnaire to solicit opinions from knowledgeable individuals ("respondents") regarding Congress' and DOD's current processes and the four alternatives. Our internal subject matter experts also provided feedback on the draft questionnaire. We included the summaries of all processes and asked respondents to identify the positive and negative aspects, as well as the costs and requirements, associated with each. We also asked respondents to describe any additional alternatives apart from the four we described in the questionnaire.

We identified questionnaire respondents within and outside DOD who were sufficiently knowledgeable about Congress' and DOD's current processes in several ways. We identified respondents within DOD by emailing the engagement points of contact, who were budget and financial management officials in the headquarters for the military services and other DOD components included in our review. To identify respondents outside of DOD, we contacted individuals identified by an internal subject matter expert and contacted additional individuals identified in our literature review. We provided respondents with a brief summary of the questionnaire and asked them if they would be able and willing to respond to questions on these topics. We also asked

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<sup>2</sup>Examples of search terms we used include: "overseas contingency operations", "supplemental appropriations", OCO, base, separate, split, and divide.

respondents to recommend additional knowledgeable individuals at the end of the questionnaire. Respondents identified were current officials in DOD financial management offices, former DOD officials, and defense budget analysts from think tanks. In addition, we contacted officials from the Congressional Research Service and the Congressional Budget Office, whom we identified as assigned to analyze defense budget issues related to OCO. We included questions at the start of the questionnaire to determine if respondents were sufficiently knowledgeable about either the current congressional process, the current DOD process—or both—to offer perspectives on the alternatives presented.

We sent the questionnaire as a Microsoft Word form via email to 23 respondents, including 10 within DOD and 13 outside DOD. We began sending the questionnaires on August 1, 2018, and continued as we identified more respondents. We sent up to two reminder emails with a copy of the questionnaire to anyone who had not yet responded. We received the last questionnaire on September 10, 2018. We received a total of 19 questionnaires back from respondents. We excluded two completed questionnaires from our analysis based on our screening criteria for determining if respondents were sufficiently knowledgeable about Congress' and DOD's current processes. Therefore, we included 17 questionnaires in our analysis—10 from DOD officials and 7 from respondents outside DOD—for a response rate of 81 percent. We calculated the response rate using a total possible number of 21 questionnaires instead of 23 to account for the two questionnaires we excluded from the analysis. Fifteen of the 17 respondents to our questionnaire were current or former DOD officials. Results of this questionnaire are not generalizable beyond our respondents.

To enable us to provide the information to Congress within the time frames required by the mandate, we did not pretest the questionnaire. However, we believe that the questionnaire was a sufficiently valid data collection tool for reporting positive and negative aspects identified by respondents. We developed the questionnaire with assistance from a survey specialist, and we revised the questionnaire content based on feedback from our internal subject matter experts. Most respondents provided answers that indicated they correctly interpreted the questions as stated in the questionnaire. In addition, we took steps to provide clarification to the few respondents who misunderstood questions and excluded responses we could not reasonably assure were understood. Four of the 23 original recipients of the questionnaire requested clarification or misunderstood two questions in our questionnaire. We provided clarification to those respondents via email and requested that



they update their questionnaire responses based on this new information. Two did so. The other two respondents did not reply to our clarification email, and we excluded their responses to the misunderstood questions. Not all respondents provided answers to all questions in our questionnaire. We extracted the data from the Word questionnaires and imported them into Excel for qualitative analyses. We inspected the Excel files to ensure that data were not missing or were not imported incorrectly and made iterative corrections to the process to ensure accurate data were analyzed. Because we did not pretest the questionnaire, we do not report the number of respondents who provided any answers but rather we present qualitative positive and negative aspects based on the responses.

We conducted a content analysis in which two analysts independently categorized each response from each questionnaire to identify similarities. For our purposes, similarities existed when two or more respondents gave the same or very similar answers to a particular question. The summaries of the responses we developed were based on comments from two to nine respondents. The analysts discussed any discrepancies in their categorizations until they reached agreement. Subsequently, an internal subject matter expert provided feedback on the summary. Using that feedback, the analysts consolidated summaries that were related and clarified the wording of all the summarized responses. We identified positive and negative aspects for questions regarding the current processes and the four alternatives presented in the questionnaire. We did not summarize positive and negative aspects for questions regarding the additional alternatives described by respondents. We did not include this information because although two respondents described similar alternatives, they did not identify similar positive and negative aspects about this alternative. In addition, none of the remaining questionnaires included similar responses. We list any additional alternatives identified by respondents in appendix II. The verbatim wording from key sections of the questionnaire we administered is presented in appendix III.

In addition, section 1523 of *the National Defense Authorization Act for Fiscal Year 2018* contained additional provisions for us to review other processes related to the execution of OCO funds.<sup>3</sup> In particular, section 1523 contained a provision for us to review the processes the Department

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<sup>3</sup>Pub. L. No. 115-91 (2017).

of the Treasury employs to separate expenditures of amounts appropriated for OCO from expenditures of all other amounts appropriated for DOD. We assessed the steps that the Department of the Treasury takes in the execution of the federal budget after funds have been appropriated and determined that the Department of the Treasury does not employ a process to separate OCO funding from base funding in its role in making appropriations available to DOD. In addition, section 1523 of the act included another provision for us to compare the processes DOD and the Department of Treasury use to separate expenditures of OCO amounts to the generally accepted accounting principles. The Federal Accounting Standards Advisory Board issues federal financial accounting standards and provides guidance on federal generally accepted accounting principles. The Federal Accounting Standards Advisory Board's *Handbook of Federal Accounting Standards and Other Pronouncements, as Amended (Current Handbook)* is the most up-to-date, authoritative source of generally accepted accounting principles developed for federal entities. However, the Current Handbook does not address the separation of OCO from non-OCO appropriations, obligations, and disbursements. Therefore, it is not possible to compare the processes DOD and the Department of the Treasury use to the generally accepted accounting principles based on existing standards and guidance.

We conducted this performance audit from March 2018 to January 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Additional Information on the Current Process and Alternatives to Provide OCO Funding

Additional information from our questionnaire is provided below, including information about (1) the positive and negative aspects of Congress' current process for providing funding for the Department of Defense's (DOD) overseas contingency operation (OCO) and base activities, (2) the requirements and costs to implement the four alternatives we discussed earlier, and (3) other alternatives for providing funding to DOD.

## Positive and Negative Aspects of Congress' Current Process to Provide Funding for OCO and Base Activities

We asked respondents to report on the positive and negative aspects of Congress' current process for providing funding for DOD's OCO and base activities. We summarize those aspects in table 5.

**Table 5: Positive and Negative Aspects Identified by Respondents to the Current Process That Congress Uses to Fund the Department of Defense's (DOD) Overseas Contingency Operations (OCO) Activities**

Positive aspects	Negative aspects
<ul style="list-style-type: none"><li>Clearly identifies funding designated for OCO or base activities.</li><li>Provides flexibility to DOD in the use of OCO.</li><li>Allows Congress to review and provide input on DOD's proposed use of OCO funds.</li></ul>	<ul style="list-style-type: none"><li>Reduces transparency in use of OCO funds.</li><li>Distorts DOD's funding needs, and creates difficulties in DOD's planning and programming processes.</li><li>Leads to higher defense spending.</li></ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Positive and negative aspects reflect questionnaire responses we summarized and do not represent aspects independently identified by GAO. We present the positive and negative aspects in this table starting with the aspect that was most frequently reported by respondents.

## Requirements and Costs to Implement the Four Alternatives

Respondents reported on the requirements and costs to implement the four alternatives in our questionnaire. The requirements respondents identified to implement the four alternatives are summarized in table 6.

**Table 6: Requirements Identified by Respondents to Implement the Four Alternatives Identified for Separating Funding for the Department of Defense’s (DOD) Overseas Contingency Operations (OCO) and Base Activities**

Alternatives	Requirements
Move enduring costs to the base budget	<ul style="list-style-type: none"> <li>Requires new and revised policies, guidance, and training.</li> <li>Requires clear rules or criteria for what is considered an enduring OCO cost.</li> </ul>
Specific purpose language	<ul style="list-style-type: none"> <li>Requires clear rules or criteria for what can be considered OCO activities.</li> <li>Requires changes to reporting requirements.</li> </ul>
Separate appropriation accounts	<ul style="list-style-type: none"> <li>Requires changes to financial management systems to account for separate appropriation accounts.</li> </ul>
Use a transfer account	<ul style="list-style-type: none"> <li>Requires updates to policies and processes on the use of a transfer account.</li> <li>Requires additional labor and training on the use of the transfer account.</li> </ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Requirements reflect questionnaire responses we summarized and do not represent requirements independently identified by GAO. For each alternative, we present the requirements starting with the requirement that was most frequently reported by respondents.

Regarding the costs, respondents reported that two alternatives would require minimal or no additional costs, while the other two alternatives would involve higher costs to DOD. The costs respondents identified to implement the four alternatives are summarized in table 7.

**Table 7: Costs Identified by Respondents to Implement the Four Alternatives Identified for Separating Funding for the Department of Defense’s (DOD) Overseas Contingency Operations (OCO) and Base Activities**

Alternatives	Costs
Move enduring costs to the base budget	<ul style="list-style-type: none"> <li>Requires minimal or no additional costs to implement this alternative.</li> <li>May not reflect the true costs of contingency operations.</li> </ul>
Specific purpose language <sup>a</sup>	<ul style="list-style-type: none"> <li>Requires some or no additional costs to implement this alternative.</li> </ul>
Separate appropriation accounts	<ul style="list-style-type: none"> <li>Requires more labor to implement this alternative.</li> </ul>
Use a transfer account <sup>a</sup>	<ul style="list-style-type: none"> <li>Adds labor and opportunity costs due to additional administrative requirements in the budgeting and accounting processes.</li> <li>Reduces visibility over DOD’s OCO costs.</li> </ul>

Source: GAO analysis of questionnaire responses. | GAO-19-211

Note: Costs reflect questionnaire responses we summarized and do not represent costs independently identified by GAO. For each alternative, we present the costs starting with the cost that was most frequently reported by respondents.

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<sup>a</sup>For the alternatives on adding specific purpose language and using a transfer account, two or more respondents also stated that the costs to DOD of implementing the alternative are unknown.

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## Alternatives for Providing Funding to DOD that Respondents Independently Identified

We also asked respondents to describe any other alternatives for separating funding for DOD's OCO and base activities, apart from the four alternatives described above. Respondents identified several alternatives for providing funding to DOD, including alternatives that would not provide separation of OCO and base funding. The other alternatives that respondents described are shown in table 8.

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**Table 8: Alternatives Identified by Respondents for Providing Funding to the Department of Defense (DOD)**

- 
- Eliminate funds for Overseas Contingency Operations (OCO) and return to using emergency supplemental funding for wartime expenses.
  - Fund all expenses out of one budget and do not request separate OCO funding.
  - Divide DOD's budget into fixed and variable budgets.<sup>a</sup>
  - Divide DOD's budget into capital and operating budgets.
  - Keep the current approach but make budget cuts to eliminate the most significant cases of OCO misuse.
  - Congress could change the spending limits imposed by the *Budget Control Act of 2011, as amended*, to either create separate limits for OCO funds or increase the limit and include OCO funding under the new limits.
  - Congress could require DOD to develop a more detailed set of budget justification documents that show how the agency is requesting and obligating funding for contingency operations.

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Source: GAO analysis of questionnaire responses. | GAO-19-211

<sup>a</sup>The respondent who proposed this alternative reported that the amount for the fixed budget could be determined by applying a mathematical analysis of the lowest amount of funding in real terms appropriated to each account—most likely at the sub-activity level of the budget. All other funding would be put into the variable budget.

## Appendix III: Key Questions from GAO's Questionnaire on Separation of OCO and Base Amounts

Below we show the verbatim wording of the descriptions of the alternatives to separate amounts for DOD's OCO and base activities as summarized in the questionnaire. Each description was presented separately in the questionnaire followed by a standard set of questions that are all presented below these descriptions. We also show the verbatim wording of any clarification text sent via email to respondents who misunderstood the description of the alternative.

**DOD could move requests for funding of enduring activities from its OCO budget to its base budget request.** Enduring activities are those that began in response to contingency operations but have continued after these operations ended. An example of an enduring cost would be maintaining residual headquarters staff at U.S. Central Command in Qatar to train, advise, and assist as missions have evolved from contingency to ongoing activities. We understand that in the in FY 2020, the Department plans to move funding for enduring activities from its OCO budget to its base budget request. DOD's OCO funding request would then reflect only the incremental costs of existing contingency operations.

**The Congress could specify activities for which DOD should use OCO amounts within the annual appropriations acts.** Currently, DOD determines what activities constitute OCO activities based on criteria developed in 2010 in coordination with OMB. Under this alternative, explicit purpose language designating specific funds for specific activities would be added directly into the appropriations acts or the explanatory statement, then incorporated into the appropriations act by reference.

Clarification wording sent to some respondents regarding the alternative above:

“Under the current approach, funds are designated for specific sub-activities in the explanatory statement. However, these designations are generally not legally binding unless incorporated by reference into the appropriations act itself. Under this alternative approach [in Question 6], specific purpose language or language of incorporation would be included in the appropriations act. The distinction between the current approach and the alternative presented here is that legally binding language concerning specific amounts for specific OCO activities would appear in the appropriation act.”

**The Congress could create separate appropriation accounts for amounts designated for OCO and amounts designated for base activities.**

Clarification wording sent to some respondents regarding the alternative above:

“In the current approach, amounts are designated for OCO and base activities within a single appropriation account. In the alternative proposed in Question 5, the Congress would create two separate appropriation accounts for OCO and base activities amounts. For example, there would be one appropriation account for OCO amounts for O&M, and another appropriation account for base activity amounts for O&M.”

**DOD could use a transfer account (such as the Overseas Contingency Operations Transfer Fund, or OCOTF) through which the Department could meet operational demands by transferring funds to the military services and agencies based on execution needs as the year progresses.** The Congress would appropriate funds into a transfer account. These funds would not expire and be available for DOD’s use during multiple fiscal years. DOD would use its base activities appropriations to fund OCO activities and later draw from the transfer account as needed to reimburse its base appropriation accounts.

Below we show the verbatim wording from key sections of the questionnaire we administered. We used Questions 2 and 3 as screening questions to help determine if respondents were sufficiently knowledgeable about the current congressional or DOD processes. Question 4 and its sub-questions below were repeated for each alternative presented above (i.e., as Questions 4 through 7 in the questionnaire). We also asked sub-questions “b” through “e” in Question 4 for the current approaches Congress and DOD use (presented in Questions 2 and 3). Finally, we asked respondents to identify up to five additional alternatives in Questions 8 through 12.

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1. **Are you familiar with any of the current approaches that the military services or DOD organizations use to separate operation and maintenance (O&M) amounts designated for Overseas Contingency Operations (OCO) from amounts designated for base activities during the allotment, obligation, and/or disbursement phases?** Please check one box.

Yes  → Please continue to “a” through “e”

No  → Please skip to Question 3

Not sure  → Please skip to Question 3

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2. **Are you familiar with the current approach that Congress uses to designate amounts for OCO in the appropriations process for DOD?** Please check one box.

Yes  → Please continue to “a” through “e”

No  → Please skip to Question 4

Not sure  → Please skip to Question 4

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3. **GAO has identified the following as a possible alternative to the current approach for separating amounts designated for OCO from amounts designated for base activities in the appropriations process:**

<b>DESCRIPTION OF ALTERNATIVE</b>
-----------------------------------

a. **Were you aware of this alternative before completing this questionnaire?** Please check one box.

Yes  *Please continue to “b” through “e”*

No

Not sure

b. **What are the positive aspects associated with this alternative, if any? Please consider factors impacting both taxpayers and the DOD. The box will expand as you type.**



c. **What are the negative aspects associated with this alternative, if any? Please consider factors impacting both taxpayers and the DOD.** The box will expand as you type.

d. What are the costs associated with this alternative, if any? Please consider costs impacting both taxpayers and the DOD. The box will expand as you type.

e. **What are the requirements associated with implementing this alternative? Consider factors such as: changes to existing systems, policies, or processes; new systems, policies, or processes; new budget estimations; required training; etc. These could be requirements for DOD or the Congress.** The box will expand as you type.

8. **Are you aware of any alternative approaches for separating amounts designated for OCO from amounts designated for base activities other than the ones listed above? Please consider both approaches DOD could implement on its own (such as approaches to separating OCO from base in the O&M account or changes that make that unnecessary) and legislative approaches the Congress could take.** We are aware of the Enterprise Resource Planning (ERP) systems listed above. For this question, we are interested in the implementation of new potential alternatives other than the ERP system. Please check one box.

Yes  → Please continue to "a" through "e" to tell us about one alternative. If you are aware of more than one, you will be able to tell us about others in Questions 9-12.

No  → Please skip to Question 13

Don't know  → Please skip to Question 13

a. **If yes, please briefly describe the first alternative approach.** The box will expand as you type.

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**Appendix III: Key Questions from GAO's  
Questionnaire on Separation of OCO and Base  
Amounts**

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Elizabeth Field, (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov).

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## Staff Acknowledgments

In addition to the contact named above, Richard K. Geiger, Assistant Director; Arkelga Braxton, Assistant Director; Rebekah Boone; Amie Lesser; Felicia Lopez; James P. Klein (Analyst-in-Charge); Shylene Mata; Sheila Miller; Richard Powelson; and Michael Silver made key contributions to this report.

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