

# GAO Highlights

Highlights of [GAO-17-369](#), a report to congressional addressees

## Why GAO Did This Study

The United States faces a complex national security environment, to include strategic challenges presented by traditional state actors and destabilizing nonstate actors, such as the Islamic State of Iraq and Syria. Recognizing these challenges, DOD has emphasized the importance of providing forces that are capable of performing a full range of missions. GAO has issued hundreds of reports that bring greater attention to areas where DOD can strengthen its operations to more efficiently and effectively meet its mission.

This report identifies (1) key challenges affecting DOD's ability to accomplish its mission, progress made on these challenges, and work remaining; and (2) factors that have affected DOD's ability to address these key challenges. This report builds on GAO's past work with an emphasis on reports issued since 2011. GAO also analyzed DOD information on recent actions taken in response to GAO's prior work.

## What GAO Recommends

GAO has made approximately 3,100 recommendations to DOD since 2006. Of these, about 1,037 remain open, including 78 priority recommendations that, if implemented, could significantly improve DOD's operations. In commenting on this report, DOD stated that although the report made no new recommendations, the department stands by its responses and concurrence to taking the requisite actions needed to address all previous recommendations.

View [GAO-17-369](#). For more information, contact Cathleen A. Berrick at (202) 512-3404 or [berrickc@gao.gov](mailto:berrickc@gao.gov).

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## DEPARTMENT OF DEFENSE

### Actions Needed to Address Five Key Mission Challenges

## What GAO Found

The Department of Defense (DOD) faces five key challenges that significantly affect the department's ability to accomplish its mission. These include the need to (1) rebalance forces and rebuild readiness; (2) mitigate threats to cyberspace and expand cyber capabilities; (3) control the escalating costs of programs, such as certain weapon systems acquisitions and military health care, and better manage its finances; (4) strategically manage its human capital; and (5) achieve greater efficiencies in defense business operations. DOD has demonstrated progress addressing challenges, but significant work remains. Specifically:

**Rebalance forces and rebuild readiness:** The military services today are generally smaller and less combat ready than they have been in many years, and each military service has been forced to cut critical needs in areas such as training, maintenance, and modernization due to budgetary constraints, according to DOD. Officials said that the result of the current state of readiness is that military forces are not strong enough to protect vital U.S. national security interests from worldwide threats. DOD has pursued plans to strengthen military capabilities, but must take key actions to rebalance, rebuild, and modernize the capabilities of U.S. military forces. For example, DOD needs to take further steps to meet the demands of geographic commanders and examine whether there are opportunities to reduce the high demand on special operations forces. DOD also needs to provide decision makers with complete and accurate budget and cost information to make well-informed decisions on weapon systems modernization investments and mitigate potential risks to certain modernization initiatives, including regarding the F-35 aircraft—a program on which DOD plans to spend over \$1 trillion to operate and sustain over its life cycle. The military services have plans underway to rebuild readiness for portions of their military forces, but these initiatives are at risk without more comprehensive planning and an approach to measure progress in attaining goals (see table). Since 2011, GAO has directed 39 recommendations to DOD in this area, of which 35 remain open, including 5 priority recommendations.

#### Summary of Readiness Challenges Faced by the Military Services

Military service	Summary of readiness challenges
Army	Ground force readiness has improved in recent years but the Army has reported that gaps remain against other nation-states. GAO has found that readiness goals and timelines are not clear for all portions of the military force, especially for the reserve component.
Air Force	Readiness has steadily declined due to continuous operations and a smaller inventory of aircraft. The Air Force is seeking to balance near-term readiness recovery with the need to modernize its aging aviation fleet. The Air Force has stated its readiness goals will take a decade to achieve, and are predicated on a slowing of operations and consistent funding.
Navy	The fleet has experienced increasing maintenance challenges as a high pace of operations has continued and maintenance has been deferred. Readiness recovery for the Navy is premised on the adherence to deployment and maintenance schedules, but GAO has found that the Navy has had difficulty completing maintenance on time.
Marine Corps	Ground force readiness has improved in recent years but acute readiness problems exist in aviation units. The Marine Corps has

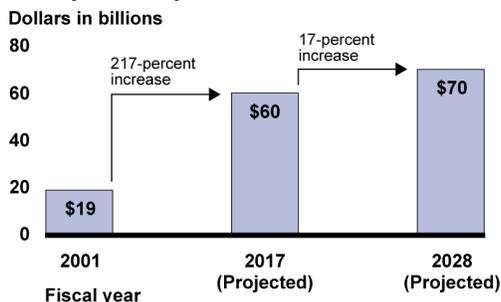
established specific strategies and metrics to achieve readiness goals for certain but not all force communities.

Source: GAO analysis of Department of Defense (DOD) documentation and GAO's previously issued work. | GAO-17-369

**Mitigate threats to cyberspace and expand cyber capabilities:** In February 2016, the Director of National Intelligence identified cyber threats as first among strategic threats to the United States, surpassing terrorism. According to the 2016 Federal Information Security Management Act report, more than 30,000 data security incidents compromised federal information systems during fiscal year 2016, 16 of which were categorized as major incidents. DOD has become increasingly reliant on the Internet and other networks, which are central to its military operations and enable essential services. At the same time, the vulnerability of its cyber networks has grown significantly, due in part to the increase in the severity of cyber attacks. DOD has made progress in developing a cyber strategy to defend its networks and protect the nation from cyber attacks, but needs to take additional actions to improve its planning for the continuity of operations in a degraded cyber environment, such as providing defense organizations with guidance and training to practice responses during exercises. DOD also needs to take further action to strengthen its insider threat awareness program to address the increased risk of the unauthorized disclosure of classified information from defense information systems and to improve the visibility and oversight of the cyber capabilities of all National Guard units, such as computer network defense teams that could be used during a cyber incident. Since 2011, GAO has directed 33 recommendations to DOD in unclassified and sensitive but unclassified reports, of which 14 remain open, including 5 priority recommendations.

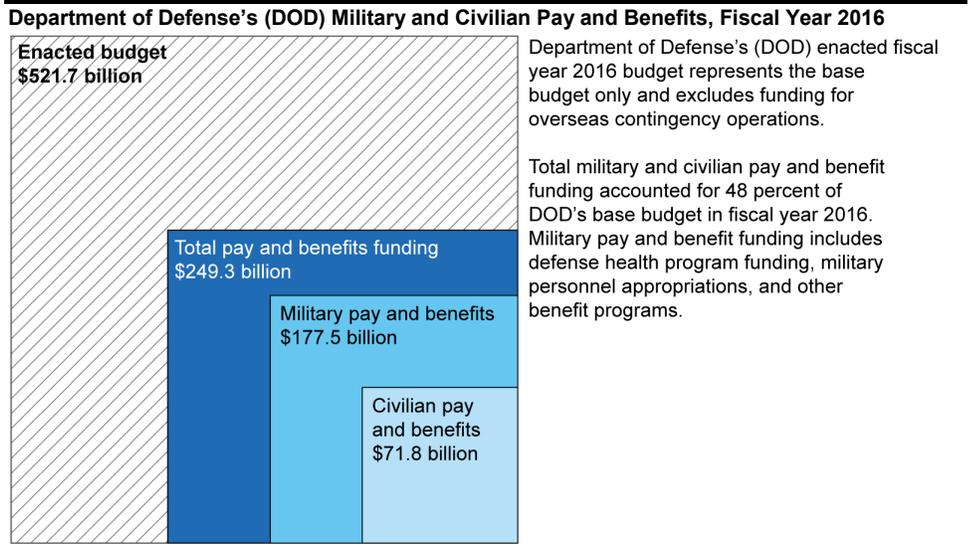
**Control escalating costs and manage finances:** DOD's \$580 billion fiscal year 2016 budget accounts for nearly half of the federal government's discretionary spending, and DOD's costs are growing. DOD plans to invest \$574 billion to develop and acquire 78 major acquisition programs through fielding, such as the F-35 and the Littoral Combat Ship, while annual military health care costs are expected to increase from about \$60 billion in fiscal year 2017 to about \$70 billion by fiscal year 2028. Further, DOD remains one of the few federal entities that cannot demonstrate an ability to accurately account for and reliably report its spending or assets. DOD has undertaken a series of reform initiatives to control costs and improve its financial management, but needs to more consistently implement leading acquisition practices to manage the costs of its weapon systems. DOD also needs to better address improper payments to control rising costs in the military health system, which has experienced a 217 percent increase in costs since 2001 (see fig.). Further, DOD should take steps to identify underutilized space in its facilities to reduce its reliance on costly leased facilities. Finally, DOD needs to remediate financial management deficiencies, which prevent it from producing auditable financial statements and result in inadequate financial and other information available to DOD to manage its operations. Since 2011, GAO has directed 79 recommendations to DOD in this area, of which 72 remain open, including 52 priority recommendations.

**Military Health System Costs, Fiscal Years 2001 through 2028 (Projected)**



Source: GAO analysis of Department of Defense (DOD) and Congressional Budget Office projections. | GAO-17-369

**Strategically manage human capital:** DOD estimates that it will spend nearly \$180 billion in fiscal year 2017 on pay and benefits for its military personnel and about \$70 billion for its civilian employees. Taken together, funding for military and civilian pay and benefits represents nearly 50 percent of DOD’s budget in fiscal year 2016 (see fig.). DOD also estimates that it spent about \$115 billion on certain contractor-provided services in fiscal year 2015, although we have raised questions regarding the reliability of DOD’s information on its contractor workforce. Current budget and long-term fiscal pressures on the department increase the importance of strategically managing DOD’s human capital. DOD has taken steps to develop better information about the skill sets possessed and needed within the department’s military, civilian, and contractor workforces, but needs to take further actions to complete a workforce mix assessment, improve the methodology for estimating workforce costs, and address skill gaps in critical workforces. DOD should also establish a comprehensive compensation strategy for its military personnel to help achieve its recruiting and retention goals, including a cost-effective approach for managing the \$3.4 billion the department spent in fiscal year 2015 on special and incentive pays for active-duty service members. Since 2011, GAO has directed 67 recommendations to DOD in this area, of which 64 remain open.



Source: GAO analysis of Department of Defense budget data. | GAO-17-369

**Achieve greater efficiencies in defense business operations:** DOD spends billions of dollars each year acquiring business systems and contractor-provided services to support the warfighter. In 2014 alone, DOD obligated \$85 billion on three types of contractor-provided services—including an amount obligated for knowledge-based and research and development services that was more than double what the department spent to purchase aircraft, land vehicles, and ships. DOD has emphasized the need to improve its business practices and reduce overhead and free up resources for higher priorities, but needs to take additional actions to drive business transformation efforts, implement management controls for its business systems investments, and develop guidance to manage the acquisition of contracted services. DOD also needs to improve the reliability of its data to enable it to properly size its headquarters organizations, which have experienced significant growth; to accomplish missions; and identify potential cost savings. Since 2011, GAO has directed 49 recommendations to DOD in this area, of which 38 remain open, including 8 priority recommendations.

GAO’s prior work identified four cross-cutting factors that have affected DOD’s ability to address the department’s key challenges. Specifically:

- **Lack of sustained leadership involvement:** More than 9 years after Congress designated the Deputy Secretary of Defense as the Chief

Management Officer and created the Deputy Chief Management Officer position to provide leadership over the department’s business functions, all of DOD’s business areas remain on our High-Risk List—areas that are vulnerable to waste, fraud, or mismanagement (see fig.). In December 2016, Congress established a separate Chief Management Officer position from the Deputy Secretary of Defense and replaced the Under Secretary of Defense for Acquisition, Technology, and Logistics with two new Under Secretary positions to further address DOD’s leadership challenges. These new positions provide an opportunity to enhance DOD’s leadership focus on DOD’s key challenges, but DOD will need to clearly define the key responsibilities and authorities for these positions to help ensure that they can effectively drive transformation efforts.

**Department of Defense’s (DOD) High-Risk Areas, Years on the High-Risk List, and Status of DOD’s Efforts to Address Five Criteria for Removal**



Source: GAO February 2017 High-Risk Update. | GAO-17-369

- Misalignment between programs and resources and budgets:** The federal government faces an unsustainable long-term fiscal path, and the Congress and the new administration will need to consider difficult policy choices in the short term regarding federal spending. However, since 2005, GAO has reported that DOD’s approach to planning and budgeting often results in a mismatch between the department’s programs and available resources. As a result, DOD faces significant affordability challenges for some of its major acquisition programs that have unsustainable cost estimates and that will vie for significant funding commitments.
- Ineffective strategic planning and performance monitoring:** GAO has reported since 2005 on strategic planning and performance monitoring challenges that have affected the efficiency and effectiveness of DOD’s operations, both at the strategic readiness level and across all of DOD’s major business areas—including contract management, financial management, and supply chain management. DOD has missed opportunities to hold officials accountable for progress made toward meeting goals and milestones, make timely and well-informed actions to address identified challenges, and encourage continuous improvements in performance across its major business functions.
- Ineffective management control system:** DOD has not addressed long-standing challenges in implementing an effective management control system to improve accountability and effectively and efficiently achieve its mission. DOD does not have quality information on costs related to mission critical programs, such as weapon systems, and the department is unable to effectively assess the affordability of the programs that support them. Since 2005, GAO has reported on internal control deficiencies with DOD’s financial management that have contributed to inconsistent and sometimes unreliable reports to Congress on weapon system operating and support costs, among other areas. This inconsistent and unreliable reporting limits the visibility that Congress needs to effectively oversee defense programs, and impairs its ability to make cost-effective choices.