



Highlights of [GAO-03-553T](#), a testimony to House Subcommittee on National Security, Emerging Threats, and International Relations, and Subcommittee on Technology, Information Policy, Intergovernmental Relations and Census, Government Reform Committee

## Why GAO Did This Study

The Department of Defense's (DOD) management of its business systems modernization program has been an area of longstanding concern to Congress and one that GAO has designated as high risk since 1995.

Because of this concern, GAO was requested to testify on (1) DOD's current inventory of existing and new business systems and the amount of funding devoted to this inventory; (2) DOD's modernization management capabilities, including weaknesses and DOD's efforts to address them; and (3) GAO's collective recommendations for correcting these weaknesses and minimizing DOD's exposure to risk until they are corrected.

In developing this testimony, GAO drew from its previously issued reports on DOD's business systems modernization efforts, including one released today on four key Defense Finance and Accounting Service (DFAS) projects.

## What GAO Recommends

GAO has previously made a series of recommendations related to putting in place (1) an enterprise architecture to guide and constrain system investments; (2) an investment management structure to ensure that systems are aligned with the architecture and economically justified and approved on an incremental basis; (3) effective oversight to ensure that project commitments are met; and (4) limited investment spending until these recommendations are implemented.

[www.gao.gov/cgi-bin/getrpt?GAO-03-553T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-553T).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Randolph C. Hite at (202) 512-5555 or [hiter@gao.gov](mailto:hiter@gao.gov) or Gregory D. Kutz at (202) 9505 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

# DOD BUSINESS SYSTEMS MODERNIZATION

## Longstanding Management and Oversight Weaknesses Continue to Put Investments at Risk

### What GAO Found

As of October 2002, DOD reported that its business systems environment consisted of 1,731 systems and system acquisition projects spanning about 18 functional areas. This environment is the product of unrelated, stovepiped initiatives supporting nonstandard, duplicative business operations across DOD components. For fiscal year 2003, about \$18 billion of DOD's IT funding relates to operating, maintaining, and modernizing these nonintegrated systems. To DOD's credit, it recognizes the need to modernize, eliminating as many of these systems as possible.

The future of DOD's business systems modernization is fraught with risk because of longstanding and pervasive modernization weaknesses, three of which are discussed below. GAO's report on four DFAS systems highlights some of these weaknesses, and GAO's prior reports have identified the others. DOD has stated its commitment to addressing each and has efforts under way that are intended to do so.

*Lack of departmentwide enterprise architecture:* DOD does not yet have an architecture, or blueprint, to guide and constrain its business system investments across the department. Nevertheless, DOD continues to spend billions of dollars on new and modified systems based the parochial needs and strategic direction of its component organizations. This will continue to result in systems that are duplicative, are not integrated, are unnecessarily costly to maintain and interface, and will not adequately address longstanding financial management problems.

*Lack of effective investment management:* DOD does not yet have an effective approach to consistently selecting and controlling its investments as a portfolio of competing department options and within the context of an enterprise architecture. DOD is also not ensuring that it invests in each system incrementally and on the basis of reliable economic justification. For example, for the four DFAS projects, DOD spent millions of dollars without knowing whether the projects would produce value commensurate with costs and risks. Thus far, this has resulted in the termination of one of the projects after about \$126 million and 7 years of effort was spent.

*Lack of effective oversight:* DOD has not consistently overseen its system projects to ensure that they are delivering promised system capabilities and benefits on time and within budget. For example, for the four DFAS projects, oversight responsibility is shared by the DOD Comptroller, DFAS, and the DOD chief information officer. However, these oversight authorities have largely allowed the four to proceed unabated, even though each was experiencing significant cost increases, schedule delays, and/or capability and scope reductions and none were supported by adequate economic justification. As a result, DOD invested approximately \$316 million in four projects that may not resolve the very financial management weaknesses that they were initiated to address.