



Highlights of GAO-03-98, a report to Congress included as part of GAO's Performance and Accountability Series

Why GAO Did This Report

In its 2001 performance and accountability report on the Department of Defense (DOD), GAO identified systemic and specific problems with management processes related to strategic planning, human capital, support infrastructure, financial and information management, acquisition reform, contracting processes, and logistics reengineering. The information GAO presents in this report is intended to help to sustain congressional attention; facilitate a departmental focus on continuing to make progress in addressing these challenges—and others that have arisen since 2001; and ultimately overcome them. This report is part of a special series of reports on governmentwide and agency-specific issues.

What Remains to Be Done

DOD needs a strategic approach to transition its business processes that includes the

- integrated nature of the department's management challenges and related solutions;
- importance of continuity in leadership to achieve process improvements; and
- agreement between the executive and legislative branches of government on planned actions, time frames, and desired results.

Legislatively establishing a chief management officer may be one option to help achieve these goals.

www.gao.gov/cgi-bin/getrpt?GAO-03-98.

To view the full report, click on the link above. For more information, contact Henry L. Hinton, Jr., at (202) 512-4300 or hintonh@gao.gov.

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Department of Defense

What GAO Found

DOD is transforming its business operations, and its current leadership places high priority and great attention on transformation. However, significant management problems continue to impact the economy, effectiveness, and efficiency of DOD's business processes. This places mission capabilities at risk by unnecessarily spending funds that could be directed to higher priorities such as modernization and readiness.

- **Strengthen strategic planning and budgeting.** DOD developed a new strategic plan and management framework, but shortcomings in strategic planning and budgeting processes provide little assurance that DOD manages and operates programs effectively or ensures adequate program accountability.
- **Hire, support, and retain military and civilian personnel.** DOD has instituted benefits, but junior officer shortages, retention problems, and civilian workforce reductions and imbalances create a workforce not balanced by age or experience and that puts at risk the orderly transfer of institutional knowledge.
- **Overcome support infrastructure inefficiencies.** DOD emphasizes reform but lacks an overarching business transformation strategy; infrastructure costs continue to consume nearly 44 percent of its budget, detracting from DOD's ability to spend funds on more critical needs such as weapon system modernization and readiness.
- **Confront and transform pervasive, decades-old financial management problems.** DOD has adopted business transformation initiatives, but long-standing financial management problems adversely affect its ability to control costs, ensure basic accountability, anticipate future costs and claims on the budget, measure performance, maintain funds control, prevent fraud, and address pressing management issues.
- **Effectively manage information technology investments.** DOD is investing heavily in modernizing its information technology, but management weaknesses have limited success. At the same time, information security weaknesses limit DOD's ability to ensure that current and future systems are not compromised.
- **Improve DOD's weapons acquisition process.** DOD has undertaken acquisition reforms, but cost increases, schedule delays, and performance shortfalls pervade the acquisition process; reforms have not produced consistent improvements in program outcomes.
- **Improve processes and controls to reduce contract risk.** DOD is trying to reduce contract risk, but problems in service contracting, techniques and approaches, payments, health contract management, and human capital undermine DOD's ability to effectively acquire goods and services.
- **Improve quality of logistics support.** DOD has 400 improvement initiatives ongoing, but longstanding problems in logistics processes, systems, and operations result in decreases in the quality and timeliness of logistics support. This is particularly the case for its high-risk inventory area.