FACILITIES MODERNIZATION

DOD Guidance and Processes Reflect Leading Practices for Capital Planning

Why GAO Did This Study

DOD maintains a global real-property portfolio of over 561,000 facilities, which DOD modernizes to help support its mission and workforce. Modernization includes altering or replacing a facility to implement a new mission or higher life and safety standards. Several years ago, OSD began an effort to develop more accurate methods for estimating installation-support funding needs, including modernization.

House Report 113-446, accompanying H.R. 4435, a proposed bill for the National Defense Authorization Act for Fiscal Year 2015, included a provision for GAO to review OSD's model. This report provides (1) an overview of OSD's development of the model and reasons for not implementing it, and in the absence of the model, (2) an assessment of the extent to which DOD guidance and processes related to capital-investment decisions, including modernization, reflect leading practices for capital planning.

GAO reviewed documentation and interviewed OSD officials involved in the model's development and the decision not to implement it. GAO also compared relevant DOD guidance—including directives, policy memorandums, and processes, such as the Planning, Programming, Budgeting, and Execution process—to key leading practices for capital planning. GAO did not evaluate OSD's implementation of its guidance.

GAO is not making recommendations in this report. DOD provided written technical comments, which were incorporated into the report as appropriate.

What GAO Found

In 2005, the Office of the Secretary of Defense (OSD) developed the Facilities Modernization Model (the model) to estimate the Department of Defense's (DOD) annual-funding requirements for modernization. However, OSD officials stated that they decided in 2009 not to implement the model and identified two primary reasons for their decision. First, OSD senior leadership determined the model was based in part on a key assumption about the expected service life of DOD facilities that officials did not believe reflected the difficulty in predicting new technologies and mission changes that would affect modernization of DOD facilities. Second, OSD officials determined that the model's output—the estimate of total annual funding for modernization requirements—did not accurately account for the cyclical nature of facility modernization, in which the costs could be higher in one year and lower in the next. Therefore, the officials stated that OSD determined that the model was not a reliable forecasting tool for the modernization funding requirements as part of DOD's budget submission.

Without the model, DOD makes its capital-investment decisions, including those related to facilities modernization, using a mix of projections and project-by-project estimates.

GAO found that DOD reflects leading practices for capital planning in its guidance and processes related to the development of modernization funding requirements. Key leading practices for using information to make capital-investment decisions, based primarily on a GAO guide and Office of Management and Budget guidance, are shown in the figure below.

Key Leading Practices for Using Information to Make Capital-Investment Decisions

For example, DOD guidance establishes processes for determining funding requirements—including modernization need—and reviewing and approving budget requests by taking into consideration the costs of proposed assets, the levels of risk involved in modernizing assets, and their importance to DOD's mission. The guidance also requires the military services to prioritize projects. Further, DOD guidance establishes an annual budget process for identifying and allocating resources for capital investments, including modernization, to achieve DOD's goals and objectives as aligned with its strategic plans. In addition, DOD guidance calls for a long-term capital plan that displays resources needed for both operation and maintenance and for military construction, including facilities modernization.

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