



March 2019

DEFENSE BUSINESS OPERATIONS

DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position

Accessible Version

GAO Highlights

Highlights of [GAO-19-199](#), a report to congressional addressees

Why GAO Did This Study

DOD spends billions of dollars each year to maintain key enterprise business operations intended to support the warfighter, including systems and processes related to the management of contracts, finances, the supply chain, and support infrastructure. The 2018 National Defense Strategy identified reform of DOD's business practices as one of DOD's three strategic goals. GAO has previously reported that weaknesses in these business operations have resulted in inefficiencies and billions of dollars wasted. GAO has also identified the need for a CMO with significant authority and experience to focus concerted attention on DOD's long-term business transformation efforts. Congress initially established such a position in the National Defense Authorization Act for Fiscal Year 2017.

This report evaluates the extent to which DOD has implemented its CMO position and issued guidance to communicate within the department the authorities and responsibilities of the position. GAO analyzed the statutory authorities and responsibilities assigned to the CMO position and evaluated DOD's actions to implement them.

What GAO Recommends

GAO is making four recommendations, including that DOD should address each of the three unresolved issues that impede its progress in institutionalizing statutory authorities and responsibilities, and issue guidance, such as a chartering directive that addresses how the CMO's authorities should be operationalized. DOD concurred with GAO's recommendations.

View [GAO-19-199](#). For more information, contact Elizabeth Field at 202-512-2775 or fieldel1@gao.gov.

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What GAO Found

The Department of Defense (DOD) has taken steps to implement its Chief Management Officer (CMO) position which has been given the responsibility for managing DOD's business operations; however, unresolved issues remain for DOD to fully institutionalize the CMO's authorities and responsibilities. DOD has restructured the Office of the CMO (OCMO) to more closely align with the CMO's statutory authorities and responsibilities. Further, the OCMO is working to strengthen its data capabilities and has hired a Chief Data Officer and formed a Data Management and Analytics Steering Committee. Additionally, OCMO officials told us they are establishing cost baselines for each of DOD's major business functions.

However, DOD has not fully addressed three key issues related to the CMO's authorities and responsibilities:

- **The CMO's authority to direct the military departments on business reform issues.** The law gave the CMO authority to direct the secretaries of the military departments on matters over which the CMO has responsibility. However, DOD has not determined how the CMO will exercise this authority, particularly when there is disagreement between the departments and the CMO.
- **The CMO's oversight responsibilities of the Defense Agencies and DOD Field Activities (DAFAs).** The CMO is responsible for exercising authority, direction, and control over the designated DAFAs that provide shared business services—those business functions, such as supply chain and logistics and human resources operations, that are provided across more than one DOD organization. However, DOD has not determined how the CMO will exercise this authority, such as which DAFAs will submit their proposed budgets for CMO review.
- **Transfer of responsibilities from the Chief Information Officer to the CMO.** Under the law, the CMO will exercise responsibilities relating to business systems and management that previously belonged to the Chief Information Officer. However, DOD has not determined which, if any, responsibilities will transition from the Chief Information Officer to the CMO or assessed the impact of such a transition on associated resources.

In part because these issues remain unresolved, DOD agreed that it does not have department-wide guidance that fully and clearly articulates how the CMO's authorities and responsibilities should be operationalized. Making determinations on the three unresolved issues and issuing guidance would help ensure a shared understanding throughout the department of the CMO's role in leading DOD's enterprise-wide business reform efforts.

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Abbreviations

CAPE	Cost Assessment and Program Evaluation
CIO	Chief Information Officer
CMO	Chief Management Officer
CAG	CMO Action Group
DAFA	Defense Agencies and DOD Field Activities
DCMO	Deputy Chief Management Officer
DLA	Defense Logistics Agency
DOD	Department of Defense
IT	information technology
NDAA	National Defense Authorization Act
OCMO	Office of the Chief Management Officer
RMG	Reform Management Group
WHS	Washington Headquarters Services

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March 14, 2019

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

Dear Mr. Chairman:

The Department of Defense (DOD) faces several key challenges that significantly affect its ability to accomplish its mission, including achieving greater efficiencies in defense business operations.¹ DOD spends billions of dollars each year to maintain key business operations intended to support the warfighter, including systems and processes related to the management of contracts, finances, the supply chain, and support infrastructure.² However, we have previously reported that weaknesses in these business operations result in billions of dollars being wasted, reduced efficiencies, ineffective performance, inadequate accountability, and lack of transparency.³ The 2018 *National Defense Strategy* also

¹GAO, *Department of Defense: Actions Needed to Address Five Key Mission Challenges*, [GAO-17-369](#) (Washington, D.C.: June 13, 2017). GAO has reported on five key challenges DOD faces 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.

²Enterprise business operations refers to those activities that constitute the cross-cutting business operations used by multiple DOD components, but not those activities that are directly tied to a single military department or DOD component. The term includes business-support functions designated by the Secretary of Defense or the Deputy Secretary of Defense for purposes of section 132a of title 10, United States Code, such as aspects of financial management, healthcare, acquisition and procurement, supply chain and logistics, certain information technology, real property, and human resources operations. See 10 U.S.C. § 132a(e).

³See for example, GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: Jan. 2007); *Defense Business Transformation: A Comprehensive Plan, Integrated Efforts, and Sustained Leadership Are Needed to Assure Success*, [GAO-07-229T](#) (Washington, D.C.: Nov. 16, 2006); *Department of Defense: Sustained Leadership Is Critical to Effective Financial and Business Management Transformation*, [GAO-06-1006T](#) (Washington, D.C.: Aug. 3, 2006); *DOD's High-Risk Areas: Successful Business Transformation Requires Sound Strategic Planning and Sustained Leadership*, [GAO-05-520T](#) (Washington, D.C.: Apr. 13, 2005); and *DOD Financial Management: Integrated Approach, Accountability, Transparency, and Incentives Are Keys to Effective Reform*, [GAO-02-497T](#) (Washington, D.C.: Mar. 6, 2002).

highlighted this issue, identifying reform of the department's business practices for greater performance and affordability as one of DOD's three strategic goals.

Given the complexity and magnitude of the challenges facing DOD in improving its business operations, in 2005 we identified the need for a Chief Management Officer (CMO) with significant authority and experience to sustain progress on these issues.⁴ We recommended that Congress consider enacting legislation to establish a separate, full-time CMO position at DOD with significant authority and experience and a sufficient term of office to provide focused and sustained leadership over business transformation efforts.⁵ DOD first took steps to establish a CMO role in May 2007, when it designated the Deputy Secretary of Defense as the department's CMO. Subsequently, Congress included a provision in the National Defense Authorization Act (NDAA) for Fiscal Year 2008 to codify the Deputy Secretary of Defense as the DOD CMO, and to establish a new position known as the Deputy Chief Management Officer (DCMO) to assist the Deputy Secretary.⁶ In 2007, we highlighted the importance of a full-time CMO position separate and distinct from that of the Deputy Secretary to help elevate, integrate, and institutionalize responsibility for key management functions and focus concerted attention on long-term business transformation efforts.⁷

In 2016, Congress included a provision in the NDAA for Fiscal Year 2017 to create a CMO position effective February 1, 2018 that would be distinct from the Deputy Secretary of Defense and provided a number of key responsibilities. In December 2017, Congress repealed and replaced this provision in the NDAA for Fiscal Year 2018 and later added additional responsibilities and functions in the John S. McCain NDAA for Fiscal Year 2019.⁸ The CMO's current responsibilities are codified in section 132a of

⁴GAO, *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: Jan. 2005).

⁵[GAO-05-207](#). Given the nature and complexity of the overall business transformation effort, and the need for sustained attention over a significant period of time, we also recommended that this position be a term appointment (e.g., 5-7 years) and that the person in the position be subject to a performance contract.

⁶Pub. L. No. 110-181, § 904 (2008).

⁷GAO, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, [GAO-07-1072](#), (Washington, D.C.: Sept. 5, 2007).

⁸See Pub. L. No. 114-328, § 901 (2016); Pub. L. No. 115-91, § 910 (2017), and Pub. L. No. 115-232, § 921 (2018) respectively and codified as amended at 10 U.S.C. § 132a.

title 10, United States Code. Section 132a provides that the CMO is responsible for, among other things, managing DOD's enterprise business operations and shared services and exercising authority, direction, and control over the designated defense agencies and DOD field activities (DAFA) that provide shared business services for the department.⁹ Furthermore, in the NDAA for Fiscal Year 2018, effective on Jan. 1, 2019, the CMO exercises any responsibilities, duties and powers relating to business systems or management that are exercisable by a Chief Information Officer (CIO) for the department. In an August 2017 report to Congress, DOD announced its plans to establish a CMO position separate from the Deputy Secretary of Defense in order to improve the quality and productivity of the business operations of the department, thereby reducing the costs of those operations.¹⁰ The report stated that DOD would use the establishment of the CMO organization as an opportunity to renew its focus on business operations reform and to shift its business operations to enterprise services in order to reduce the cost of business operations. On February 1, 2018, the Secretary of Defense announced the establishment of a CMO position with responsibility for directing all enterprise business operations of the department and other duties as set forth in section 132a of title 10, United States Code. With the resignation of DOD's first CMO in November 2018, the DCMO assumed the role of the Acting CMO in December 2018.¹¹

We performed our work under the authority of the Comptroller General to conduct evaluations to assist Congress with its oversight responsibilities. In this report, we evaluate the extent to which DOD has implemented its

⁹DOD's 19 defense agencies and eight DOD field activities are defense organizations separate from the military departments. They are intended to provide a common supply or service across more than one DOD organization, but not to those activities that are directly tied to a single military department or DOD component. The term includes business-support functions, including aspects of financial management, healthcare, acquisition and procurement, supply chain and logistics, certain information technology, real property, and human resources operations.

¹⁰DOD, *Report to Congress: Restructuring the Department of Defense Acquisition, Technology and Logistics Organization and Chief Management Officer Organization In Response to Section 901 of the National Defense Authorization Act for Fiscal Year 2017* (Public Law 114 - 328).(August 2017).

¹¹John Gibson was confirmed as DOD's first Chief Management Officer in February 2018. On November 5, 2018, DOD announced that Mr. Gibson had submitted his resignation, effective November 30, 2018. On December 1, 2018, Lisa Hershman, Deputy Chief Management Officer, assumed the role of the Acting Chief Management Officer.

CMO position and issued guidance communicating within the department the authorities and responsibilities of the position.

To evaluate the extent to which DOD has implemented its CMO position and issued guidance, we reviewed relevant laws, such as the NDAA for Fiscal Years 2017 through 2019, to understand the authorities and responsibilities that Congress assigned to this position. We also reviewed DOD's August 2017 report to Congress and its April 2018 *National Defense Business Operations Plan*, as well as memorandums issued by the Secretary of Defense that outline the CMO's authorities and responsibilities.

We interviewed DOD's CMO, who served from February to November 2018, as well as the current Acting CMO. Additionally, we interviewed the individuals who were chiefs of the five directorates within the Office of the CMO (OCMO) as of July 2018, in order to understand the responsibilities of these directorates. To understand how the CMO collaborates with other DOD entities to lead business operation reform and how the responsibilities of the CMO and the CIO may change, we met with the CMO, officials from the Office of the CIO, and an official from DOD's Cost Assessment and Program Evaluation (CAPE) Office. To learn how the CMO is interacting with and influencing the military departments' business operations, we met with officials from the Army, Air Force, and Navy CMO and CIO offices. More details on our objectives, scope, and methodology can be found in appendix I.

We conducted this performance audit from February 2018 to March 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

History of the CMO Position

DOD first took steps to establish a CMO role in May 2007, when it designated the Deputy Secretary of Defense as the department's CMO. Subsequently, Congress included a provision in the NDAA for Fiscal Year 2008 to codify the Deputy Secretary of Defense as the DOD CMO,

establish a new position known as the Deputy Chief Management Officer (DCMO) to assist the Deputy Secretary, and name the Under Secretaries of the military departments as CMOs of their respective organizations.¹² The military departments also established DCMO positions to assist the CMOs with overseeing their business operations. In addition, the NDAA for Fiscal Year 2009 required the secretary of each military department to establish an office of business transformation and develop business transformation plans, with measurable performance goals and objectives, to achieve an integrated management system for the business operations of each military department.¹³ Further, DOD's guidance states that the DOD DCMO should coordinate with the military department CMOs to identify and exchange information necessary to facilitate the execution of the Deputy Secretary of Defense's responsibilities in his role as the DOD CMO.¹⁴

In October 2008, DOD issued Department of Defense Directive 5105.82 to assign the authorities and responsibilities of the DCMO. Among other duties, the DCMO was responsible for recommending methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations of the department and advising the Secretary of Defense on performance goals and measures and assessing progress against those goals. For a full list of the DCMO authorities and responsibilities identified in DOD Directive 5105.82, see appendix II.

CMO Statutory Authorities and Responsibilities

In December 2016, Congress initially established the standalone CMO position to be effective on February 1, 2018 in section 901(c) of the NDAA for Fiscal Year 2017. In December 2017, Congress repealed and replaced this provision in the NDAA for Fiscal Year 2018 and later added additional responsibilities and functions in the John S. McCain NDAA for

¹²Pub. L. No. 110-181, § 904 (2008).

¹³Pub. L. No. 110-417, § 908 (2008).

¹⁴DOD Directive 5105.82, *Deputy Chief Management Officer (DCMO) of the Department of Defense* (Oct. 17, 2008).

Fiscal Year 2019.¹⁵ Table 1 summarizes key CMO statutory authorities and responsibilities, and appendix II provides a more detailed comparison of these authorities and responsibilities.

¹⁵Section 910 of the NDAA for Fiscal Year 2018 repealed and replaced section 901(c) of the NDAA for Fiscal Year 2017, and expanded and codified the role and responsibilities of the DOD CMO, establishing it as taking precedence after the Secretary and Deputy Secretary of Defense. See 10 U.S.C. § 132a.

Table 1: Summary of Key Statutory Authorities and Responsibilities of the Department of Defense's Chief Management Officer

Statute	Authorities and Responsibilities
Section 901 of the National Defense Authorization Act for Fiscal Year 2017 ^a	Established the Chief Management Officer (CMO) position effective February 1, 2018. Provided various duties and powers such as supervising all business operations of the Department of Defense (DOD).
Section 910 of the National Defense Authorization Act for Fiscal Year 2018	Assigned the CMO the responsibility for performing such duties and exercising such power as the Secretary and Deputy Secretary of Defense may prescribe, including: <ul style="list-style-type: none"> • serving as the CMO of the DOD with the mission of managing enterprise business operations and shared services of the department; • serving as the principal advisor to the Secretary and the Deputy Secretary of Defense on establishing policies for, and directing all enterprise business operations of the department, including business transformation, planning and processes, performance measurement and management, and business information technology management and improvement activities and programs, including the allocation of resources for enterprise business operations, and unifying business management efforts across the department; • exercising authority, direction, and control over the Defense Agencies and Department of Defense Field Activities (DAFA) providing shared business services for the department that are designated by the Secretary or Deputy Secretary of Defense; • serving as the official with principal responsibility in the department for providing for the availability of common, usable, defense-wide data sets with applications such as improving acquisition outcomes and personnel management; • exercising authority to direct the secretaries of the military departments and the heads of all other elements of the department with regard to matters for which the CMO has responsibility under section 132a of title 10 of the United States Code; and • serving as the Chief Information Officer (CIO) of the department for defense business systems (as of January 1, 2019).
Section 912 of the National Defense Authorization Act for Fiscal Year 2018	Designated the CMO as the department's primary decision-making authority with respect to the development of common enterprise data.
Section 903 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019	Amended section 142(b)(1) of title 10 of the United States Code to recognize the transfer of certain CIO business systems and management responsibilities to the CMO.
Section 921 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019	Directed that, beginning in fiscal year 2020, the CMO review the proposed budget of certain DAFAs designated by the Secretary of Defense, submit to the Secretary of Defense a report containing the CMO's comments with respect to all such proposed budgets, and certify whether each such proposed budget achieves the required level of efficiency and effectiveness for enterprise business operations, consistent with guidance for budget review established by the CMO. Directed that not later than January 1, 2020, and not less frequently than once every 5 years thereafter, the Secretary of Defense, acting through the CMO, reform enterprise business operations of DOD through reductions, eliminations, or improvements, across all organizations and elements of the department with respect to any activity relating to civilian resources management, logistics management, services contracting or real estate management in order to increase effectiveness and efficiency of mission execution.

Source: GAO analysis of Pub. L. No. 114-328, § 901 (2016), Pub. L. No. 115-91, § 910 (2017), Pub. L. No. 115-91, § 912 (2017), Pub. L. No. 115-232, § 903 (2018), Pub. L. No. 115-232, § 921 (2018).
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^aIn Section 901 of the NDAA for Fiscal Year 2017, Congress first established the CMO position to be effective February 1, 2018. However, this provision was repealed and replaced by Section 910 of the NDAA for Fiscal Year 2018.

Key Strategies for Implementing CMO Positions

In November 2007, we reported on key strategies for implementing CMO positions.¹⁶ We developed these strategies based on our work, in which we (1) gathered information on the experiences and views of officials at four organizations that rely on chief management officials and (2) convened a forum to gather insights from individuals with experience and expertise in business transformation, federal and private sector management, and change management.¹⁷ The forum brought together former and current government executives and officials from private business and nonprofit organizations to discuss when and how a CMO or similar position might effectively provide the continuing, focused attention essential for integrating key management functions and undertaking multiyear organizational transformations.

Our work identified the following six key strategies:

- Define the specific roles and responsibilities of the CMO position.
- Ensure that the CMO has a high level of authority and clearly delineated reporting relationships.
- Foster good executive-level working relationships for maximum effectiveness.
- Establish integration and transformation structures and processes in addition to the CMO position.
- Promote individual accountability and performance through specific job qualifications and effective performance management.

¹⁶GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, [GAO-08-34](#) (Washington, D.C.: Nov. 1, 2007).

¹⁷The four organizations included in our review were three federal agencies and one nonprofit organization: the Department of the Treasury, the Internal Revenue Service, the Department of Justice, and the Massachusetts Institute of Technology. We selected the four organizations because each had a senior-level official who was responsible for integrating key management functions, including, at a minimum, human capital, financial management, information technology, and acquisition management.

-
- Provide for continuity of leadership in the CMO position.¹⁸

DOD Has Taken Some Steps to Implement the CMO Position, but Key Issues Related to Authorities and Responsibilities Remain Unresolved

DOD Has Begun to Implement Its CMO Position and Restructure the OCMO, with a Focus on Data Responsibilities

In February 2018, DOD formally established the position of the CMO and an office in support of the CMO (OCMO). In establishing the office, the Secretary of Defense stated that all resources and personnel (military, civilian, and contractor) assigned within the existing DCMO office were to transfer to the OCMO. Generally, the department has been focused on updating organizational structures and strengthening the OCMO's data capabilities, as described below.

Updating Organizational Structures

When the office was first established, its organizational structure mirrored that of the office of the DCMO, with five directorates focused on the responsibilities that had been in place under the DCMO.¹⁹ According to the CMO, however, that structure was not ideal for accomplishing the OCMO's mission of delivering optimized enterprise business operations to assure the success of the National Defense Strategy, given the evolving nature of the CMO's authorities and responsibilities under recent legislation.²⁰ Therefore, the office began an effort to restructure itself to more closely align with statutory authorities and responsibilities. On

¹⁸We have previously recommended a term appointment of 5-7 years for CMO positions.

¹⁹The five directorates were: (1) Administration; (2) Planning, Performance, and Assessment; (3) Defense Business Management, Analysis, and Optimization; (4) Oversight and Compliance; and (5) Organizational Policy and Decision Support.

²⁰The draft vision for the restructured OCMO is "efficiency for Lethality by leading business operations for the Department through innovative processes and services, data driven solutions, and mission focused funding."

December 7, 2018, the Acting CMO issued a memorandum announcing the reorganization of the OCMO which, according to the memorandum, was expected to be completed by January 31, 2019. In February 2019, an OCMO official told us that the design of the OCMO reorganization was completed, but that the OCMO was still working to realign personnel within the new organization, as applicable. The memorandum indicated the office would be reorganized into five directorates: 1) Administration and Organizational Management, 2) Data Insights, 3) Fourth Estate Management, 4) Oversight and Compliance, and 5) Transformation and Reform.²¹ OCMO officials also provided us draft charters that described each directorate's areas of responsibility. The duties of some of the new directorates are directly related to the CMO's statutory responsibilities, while others are tied to duties carried over from the DCMO, which are more administrative in nature. For example, the Data Insights, Fourth Estate, and Transformation and Reform directorates have duties directly related to the CMO's statutory responsibilities, such as:

- establishing policy and governance for common enterprise data related to business operations and management (Data Insights);
- developing, executing, and tracking business management reform throughout the Fourth Estate, while building on-going management structures to manage DAFAs designated as providing shared services (Fourth Estate); and
- supporting the Secretary of Defense, Deputy Secretary of Defense, and CMO with reform and business transformation initiatives regarding organizational alignment, process improvement, and resource efficiencies through policy and expertise in best practices for business operation improvements (Transformation and Reform).

The Administration and Organizational Management and Oversight and Compliance directorates were charged with a multitude of administrative duties carried over from the DCMO, to include:

- exercising signature authority for the Deputy Secretary of Defense to cancel, approve administrative changes, and reissue DOD issuances, in accordance with DOD Instruction 5025.01, *DOD Issuances*

²¹DOD has defined Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense, the Joint Staff, the defense agencies, DOD field activities, and the Combatant Commands. The OCMO has excluded the Combatant Commands for purposes of CMO management of Fourth Estate organizations.

Program (Aug. 1, 2016) (change 2, Dec. 22, 2017) (Administration and Organizational Management); and

- managing and overseeing multiple DOD programs such as intelligence oversight, privacy and civil liberties, and Freedom of Information Act (Oversight and Compliance).

While the OCMO is being restructured to more closely align with the CMO's expanding responsibilities, OCMO officials emphasized that they are committed to ensuring that the size of the office does not increase. In November 2018, OCMO officials told us the office had 110 civilian personnel.²² According to OCMO officials, they have taken steps to limit the office's size, in part, because they are responsible for leading the department's efforts to reduce its management and headquarters activities.²³ Officials also said that increasing the office's budget and workforce would be inconsistent with their mission of achieving efficiencies and cutting costs. Budget data indicate that DOD is reducing the size of the OCMO. Specifically, DOD requested about \$54 million for fiscal year 2017 for the DCMO (the last full year of the DCMO's

²²According to OCMO officials, the number of civilian personnel does not include 14 civilian employees detailed to the office; two military personnel, and contractors.

²³Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007) (incorporating change 2, Jun. 12, 2012) defines Major Headquarters Activities (MHA) as "those headquarters (and the direct support integral to their operation) whose primary mission is to manage or command the programs and operations of the Department of Defense, the DOD Components, and their major military units, organizations, or agencies." MHA includes Management Headquarters, Combatant Headquarters, and Direct Support as defined in DOD Instruction 5100.73. Management Headquarters, a subset of MHA, is defined as "those headquarters primarily responsible for overseeing, directing, and controlling subordinate organizations or units through: (1) developing and issuing policies and providing policy guidance, (2) reviewing and evaluating performance, (3) allocating and distributing resources, and (4) conducting mid- and long-range planning, programming, and budgeting." Management Headquarters is generally taken to exclude the Combatant Headquarters and Direct Support elements. Subsection 346(a) of the National Defense Authorization Act for Fiscal Year 2016 required DOD, among other things, to implement a plan to achieve not less than \$10 billion in cost savings from headquarters, administrative, and support activities from fiscal year 2015 through fiscal year 2019. GAO has issued correspondence dealing with MHA, *Defense Efficiency Initiatives: Observations on DOD's Reported Reductions to Its Headquarters and Administrative Activities*, [GAO-18-688R](#) (Washington D.C.: Sep.24, 2018).

operation); and about \$48 million and \$36 million for the OCMO in fiscal years 2018 and 2019, respectively.²⁴

To help the office carry out its new responsibilities within its current personnel levels, the OCMO established a new CMO Action Group (CAG). According to OCMO officials, the CAG serves as a central point to determine how to most efficiently carry out new requirements within the CMO organization. The CAG has three primary roles: (1) conduct strategic engagement with the department's legislative and public affairs personnel to ensure that the CMO can effectively message its role and work both inside and outside the department, (2) serve as an "incubator" to assess how to implement new authorities assigned to the OCMO that do not have a natural home in the organization, and (3) help integrate and oversee the CMO's organizational structure.

Strengthening OCMO's Data Capabilities

OCMO officials said that steps to strengthen the office's data capabilities formed a key element of their reorganization plan. For example, OCMO officials told us that, in addition to creating a new directorate charged with overseeing management of enterprise-wide data, OCMO added a Chief Data Officer position and established a Data Management and Analytics Steering Committee. Immediate tasks of this committee, which is chaired by the Chief Data Officer, were to develop a charter, relevant DOD policy, and a data governance process. As of October 2018, OCMO officials said that the committee had ratified a charter detailing the data governance process, and the charter was going through the DOD review and concurrence process. OCMO officials said that they had also prepared a draft policy on common enterprise data, which was being circulated among stakeholders before being submitted for review.

The new Chief Data Officer told us that his initial steps are to understand the maturity of DOD's data environment and to establish cost baselines for its major lines of business, such as supply chain and medical. Based

²⁴President's Budget Request Fiscal Year 2019, Operations and Maintenance, Defense-Wide. OCMO officials explained that the decrease in the budget from fiscal year 2018 to fiscal year 2019 was due, in part, to a reduction in the number of lines of business that it is seeking to reform. In November 2018, the Acting CMO informed us that the OCMO was going to reduce the focus of its business reform effort from nine categories to four. While the OCMO budget requests have been declining, the OCMO is able to utilize contract support to augment its personnel, and has used contractors to perform tasks such as its review of the DAFAs.

on information OCMO officials told us in a July 2018 demonstration of DOD's cost baseline, their goal is to populate the cost model for the lines of business and to have a single source of cost data that is available to everyone in the department. According to these officials, they began developing a cost baseline for real property, which was completed in 2016.²⁵ Medical and information technology (IT) cost baselines had also been completed as of July 2018, and the OCMO was working on supply chain, financial management, and acquisition. Several functional areas like community services, human resources, and science and technology had not yet been completed, but officials told us they expected to complete them in the 2019-2020 timeframe. In November 2018, the Chief Data Officer said that the OCMO has established a cost baseline for half of the lines of business. OCMO officials also told us that it takes about 300 days to create a cost baseline for each line of business, and that they expect to complete another two to three additional cost baselines in fiscal year 2019.

Additionally, the Chief Data Officer is leading efforts to institutionalize data governance in order to make data more applicable to the day-to-day decisions of DOD leadership. This effort will involve standardizing data and establishing commonality in the data process across the department. As DOD pursues commonality in its data, the Chief Data Officer told us that the OCMO will coordinate with the Office of the Under Secretary of Defense, Comptroller to ensure DOD's financial management systems are included in this undertaking.

DOD Has Not Resolved Three Key Issues Related to the CMO's Authorities and Responsibilities

Despite its efforts to establish and restructure the OCMO, DOD has not fully addressed three key issues related to the CMO's statutory authorities and responsibilities, including: (1) how the CMO will exercise the authority to direct the military departments; (2) how the CMO will exercise oversight of the DAFAs; and (3) which responsibilities, if any, will transfer from the CIO to the CMO.

²⁵DOD defines real property as lands, buildings, structures, utilities systems, improvements, and appurtenances thereto. Real property includes equipment attached to and made part of buildings and structures, but not movable equipment.

Unresolved Issue #1: The CMO's Authority to Direct the Military Departments on Business Reform Issues

The Secretary of Defense has charged the CMO with leading DOD's enterprise business operations and with unifying business management efforts across the department and other responsibilities as set forth in section 132a of title 10, United States Code. Moreover, the NDAA for Fiscal Year 2019 directed the Secretary of Defense, acting through the CMO, to reform DOD's enterprise business operations across all organizations and elements of the department with respect to any activity relating to civilian resources management, logistics management, services contracting, or real estate management. Fulfilling these responsibilities depends, in part, on the CMO's visibility into the business operations of all components of the department, including the military departments, as well as the ability to identify and execute DOD-wide business reforms, including those that may affect the military departments.

Congress addressed the issue of the CMO's relationship to the military departments in section 132a, which authorizes the CMO, subject to the authority, direction, and control of the Secretary of Defense and Deputy Secretary of Defense, to direct the secretaries of the military departments and the heads of all other elements of DOD on matters for which the CMO has responsibility under the statute. DOD leadership has provided some guidance regarding the CMO's responsibilities for efforts that are department-wide and therefore involve the military departments. For example:

- In a May 2017 memorandum, the Deputy Secretary of Defense directed all DOD components to conduct a thorough review of business operations throughout the department and to propose initiatives that drive increased effectiveness in pursuit of greater efficiency. The memorandum identified the DCMO as the lead for this effort and tasked the DCMO with integrating all initiatives. All responsibilities and authorities assigned to the DCMO were transferred to the CMO on February 1, 2018.
- More recently, in May 2018, DOD issued its FY 2018-FY 2020 *National Defense Business Operations Plan* (Plan), which states that the CMO is personally responsible for overseeing implementation of business reforms. The Plan further establishes, and gives the CMO

responsibility for carrying out, a strategic objective to improve and strengthen business operations through a move to DOD-enterprise or shared services and reduce administrative and regulatory burden.

However, DOD leadership has not determined how the CMO will exercise this authority in instances where the military departments have concerns or disagree with decisions that the CMO makes. In our discussions with the Army, Navy, and Air Force's CMO offices, officials from each military department explained that they frequently met with the CMO and were involved in discussing business operation initiatives with potential for implementation across multiple military departments. According to these officials, these discussions were collaborative and the CMO did not have to exercise his authority to direct the services. However, we found two instances in which the lack of a determination as to how the CMO is to direct the business-related activities of the military departments led to questions about the respective roles and authorities of the CMO and the military departments as they relate to business reform. In one case, officials from the military departments questioned the CMO's authority to make binding decisions; in the other, the military departments sought to pursue reform activities without CMO involvement and oversight, even though the CMO has responsibility for leading DOD's enterprise business reform efforts.

First, officials told us that in a July 2018 meeting of the Reform Management Group (RMG) the CMO approved a decision to consolidate DOD's contract writing systems into a single system.²⁶ According to OCMO officials, the effort to move to a single contract writing system would increase data visibility, lessen or eliminate redundant contracting needs, provide for greater management insight, and increase the buying power of the department. However, officials told us the military departments, which had voiced concerns about moving to one consolidated system in a previous RMG meeting, expressed reservations. Specifically, a DOD official who participated in the RMG meetings told us the military departments cited a concern about loss of individual

²⁶The Reform Management Group oversees the business reform teams, including the reform team focused on Information Technology. The Deputy Secretary of Defense chairs the Reform Management Group, and the CMO facilitates regular meetings of the group. The previous CMO wrote that the RMG serves as a venue to engage the department's functional leaders on the reform initiatives, allowing these leaders to stay informed of reform team work and adjudicate any concerns. For a more detailed description of DOD's Reform Management Group and reform teams, see GAO, *Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams*, [GAO-19-165](#) (Washington, D.C.: Jan. 2019).

authorities and requirements, among other issues. Several DOD officials we spoke with described the RMG meeting as the first time the question of the CMO's authority to make decisions for enterprise-wide business reform and to direct the military departments had been raised at an RMG meeting. According to officials who were present at the meeting, participants discussed whether the RMG is a voting body and what authority the CMO has to make unilateral decisions for the RMG.²⁷ When we spoke with officials about this matter in January 2019, they said this question was still unresolved.

Second, the Secretaries of the Army, Navy, and Air Force, in a December 10, 2018 memorandum to the Secretary of Defense, requested the Secretary direct the military departments to jointly review organizations, activities, processes, and procedures that might be reformed or restructured to enhance lethality and readiness or reduce cost. While the departments asked for support the Secretary deemed appropriate from the Joint Staff, the Office of the Secretary of Defense, and others, it did not request support or involvement from the CMO. Further, the memorandum stated that the military department secretaries envision a process where they would make recommendations directly to the Secretary. However, the memorandum made no mention of CMO involvement in the review, notwithstanding Congressional, Secretary of Defense, and Deputy Secretary of Defense direction that calls for the CMO to oversee DOD's business reform efforts.²⁸

Without a determination by the Secretary or Deputy Secretary of Defense about how the CMO is to direct the business-related activities of the military departments, the CMO's ability to lead DOD's reform of its enterprise business operations and to direct the military departments may be limited, potentially leading to fragmented business reform efforts.

²⁷Since that July meeting, the Acting CMO has, according to her office, been engaged with the military departments and the leader of the Information Technology Business Systems reform team to determine an approach that would align with the RMG's decision, while serving and maintaining service equities. As of January 2019, DOD had plans to consolidate, through a phased approach, 18 unique contract systems into two systems, and ultimately into one. The final date for consolidation into one system has not been determined, but a plan for final consolidation is due to the Acting CMO in the second quarter of Fiscal Year 2019.

²⁸According to DOD officials, this matter was still under review as of January 2019.

Unresolved Issue #2: The CMO's Oversight Responsibilities for the Defense Agencies and DOD Field Activities (DAFA)

DOD's 19 defense agencies and eight DOD field activities are intended to perform many of DOD's business operations, including consolidated supply and service functions such as human resources services, on a department-wide basis. We have previously identified numerous instances of fragmentation, overlap, and duplication and have recommended actions to increase coordination or consolidation to address related inefficiencies that affect the DAFAs.²⁹ For example, in September 2018, we reported that there is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DOD.³⁰ Our September 2018 report on

²⁹GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-18-371SP](#) (Washington, D.C.: Apr. 26, 2018). For example, we previously identified instances of fragmentation, overlap, and duplication among aspects of military healthcare and management of DOD's commissaries, among other areas. DOD has taken some actions to respond to associated recommendations. For example, DOD established a Defense Health Agency to consolidate the governance structure of the military health system.

³⁰GAO, *Defense Management: DOD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DOD Field Activities*, [GAO-18-592](#) (Washington, D.C.: Sept. 6, 2018). We recommended DOD take several actions, including: 1) developing time frames and deliverables for identifying and adopting optimal IT solutions for human resources and fully assessing, identifying, and implementing the most effective and efficient means of human resources service delivery; and 2) collecting information on the overhead costs charged by all DOD human resources service providers to assist in determining the most effective, economical, and efficient model of human resources service delivery within the department. As of January 2019, DOD had not taken action to implement our recommendations.

³⁰[GAO-18-592](#). DOD was statutorily required to periodically review the services and supplies each DAFA provides to ensure there is a continuing need for each, and that the provision of services and supplies by each DAFA, rather than by the military departments, is more effective, economical, or efficient (See 10 U.S.C. § 192 (c)). Since 2012, DOD has relied on existing processes, such as its annual budget process, to fulfill this review requirement. However, DOD did not provide sufficient evidence that these processes satisfy the statute. For example, while DOD reviews the DAFAs during the budget process, it does not specifically review the provision of services by the DAFAs rather than the military departments.

the DAFAs also found that DOD does not comprehensively or routinely assess the continuing need for its DAFAs.³¹

Congress addressed the issue of the CMO's relationship to the DAFAs in the law establishing the CMO position. Under section 132a, the CMO is responsible for exercising authority, direction, and control over the DAFAs that provide shared business services for the department, as designated by the Secretary or Deputy Secretary of Defense. In January 2018, the Deputy Secretary reported to Congress that the Secretary of Defense formally identified the Pentagon Force Protection Agency and Washington Headquarters Services (WHS) as the DAFAs that provide shared business services, and directed that they would fall under the authority, direction, and control of the CMO. However, both of these organizations had already been identified as providing shared business services and aligned under the previous DCMO. In addition, the Deputy Secretary's January 2018 report to Congress did not explain why these two DAFAs, but not others, were designated as providing shared business services.

In the January 2018 report to Congress, the Deputy Secretary of Defense also stated that, under his direction, the DCMO and Director of CAPE were leading defense reform work that would result in recommendations on, among other things, any required organizational changes. According to DOD's report, such changes would include the designation of, and oversight arrangements for, other DAFAs providing shared business services that require CMO oversight. The recommendations were expected in late summer 2018. However, when we asked OCMO officials for a status update in November 2018, they acknowledged that they had not yet conducted the review.

In November 2018, OCMO officials told us they had recently begun a review of the DAFAs but had not designated any additional DAFAs as providing shared business services. OCMO officials explained that the DAFAs were prioritized for review, with WHS being selected to be the first reviewed. The review will assess what role WHS performs and how efficiently it is performing that role, and will compare WHS performance to commercial benchmarks, according to OCMO officials. As of January 2019, officials said they expected to complete the review of WHS on February 16, 2019. According to officials, the next DAFAs to be reviewed

will be DLA, the Defense Finance and Accounting Service, and the Defense Information Systems Agency. In addition, OCMO officials said that they plan to conduct a review of business functions performed in multiple DAFAs to identify opportunities to consolidate shared services for greater efficiency. For example, because WHS performs some human resource functions, as do certain other DAFAs, the OCMO is assessing how human resources management can be improved across the department. OCMO officials indicated they expect additional DAFAs to be identified as shared business services as a result of this review. Additionally, officials said they expect that the review will be completed in January 2020, but have not determined when or how the Secretary of Defense will designate additional DAFAs as providing shared business services. They have also not determined what those decisions would mean for the OCMO's management of its responsibility to provide direct authority, control, and direction over those DAFAs.

In section 921 of the John S. McCain NDAA for Fiscal Year 2019, Congress also expanded and codified the CMO's authority over the DAFAs by requiring the Secretary of Defense, acting through the Under Secretary of Defense, Comptroller, to direct the head of each DAFA specified by the Secretary for the purpose of section 921, to transmit its proposed budget for enterprise business operations for a fiscal year to the CMO for review, beginning in fiscal year 2020. Section 921 further provides that the CMO shall submit a report to the Secretary containing the CMO's comments and certification of whether each proposed budget achieves a required level of efficiency and effectiveness for enterprise business operations, consistent with guidance for budget review established by the CMO.³² Under section 921, the Secretary of Defense has discretion to determine which DAFAs' proposed budgets are subject to CMO review. In November 2018, OCMO officials told us that the Secretary of Defense had not yet designated any DAFAs as required to submit their budgets for review. However, they stated that the OCMO is working with the DOD Comptroller to determine how the DAFA budget review will be conducted. They also said that they have hired consultants under an existing blanket purchase agreement contract to assist with developing a methodology for this review. OCMO officials told us they believed they would be ready to conduct the required review by fiscal year 2020, as required by the statute. However, it is unclear whether this

³²These provisions of section 921 were codified at 10 U.S.C. § 132a.

review will result in a determination of which DAFAs are required to submit their proposed budgets for review.

Until the Secretary of Defense makes a determination regarding the CMO's relationship to the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for CMO review, the CMO's ability to effectively oversee and streamline the DAFAs' business operations may be limited.

Unresolved Issue #3: The Transfer of Responsibilities from the Chief Information Officer to the CMO

As described in table 1 of this report, section 910 of the NDAA for Fiscal Year 2018 provided that, effective January 1, 2019, the CMO would assume certain responsibilities for business systems and management that were formerly performed by the CIO. Section 903 of the John S. McCain NDAA for Fiscal Year 2019 clarified this provision by amending the statute (10 U.S.C. § 142) which established and provides responsibilities for the DOD CIO. However, in July 2018, DOD officials told us no formal action had been taken to determine which, if any, responsibilities would transition or to assess the resource impact this would have on both offices because they had concerns about the statutory requirement and how it would affect IT management at the department. For example, CMO officials expressed the belief that all IT roles and responsibilities should be consolidated under one position. We have previously found that having department-level CIO responsibilities performed by multiple officials could make the integration of various information and technology management areas, as envisioned by law, more difficult to achieve.³³

The CMO told us in July 2018 that he had begun engaging informally with Congress to discuss the department's concerns about the transition of certain responsibilities from the CIO to the CMO, and that he would engage further once the newly confirmed CIO felt prepared to join those discussions. However, in November 2018, the Acting CMO told us that

³³GAO, *Federal Chief Information Officers: Responsibilities, Reporting Relationships, Tenure, and Challenges*, [GAO-04-823](#), (Washington, D.C.: July 21, 2004).

the OCMO was still exploring all of the authorities that Congress had provided, and, as such, felt that further engagement with Congress was premature at this point. The Acting CMO added that she and the CIO had worked out an informal agreement regarding which areas they would each manage, but did not identify specific tasks that would transfer to the CMO or provide any details of this agreement. At the same time, OCMO officials acknowledged in November 2018 that the OCMO had not conducted an analysis to determine which responsibilities should formally transfer or what resource ramifications, if any, this transfer would have on both offices. Without an analysis to help DOD determine which duties should transfer from the CIO to the CMO, including identifying any associated resource impacts, DOD will remain reliant on this informal agreement.³⁴ Such reliance could cause confusion within the department about who is responsible for key IT functions. Moreover, section 3506 of title 44, United States Code states that in similar circumstances, where a CIO is designated for DOD and for each military department, the respective duties of the CIOs shall be clearly delineated.

DOD Lacks Guidance That Institutionalizes All of the CMO's Authorities and Responsibilities

In part because the issues identified above have not been resolved, DOD agreed that it does not have department-wide guidance, such as a chartering directive, that fully and clearly institutionalizes the CMO position by articulating how all of the CMO's authorities and responsibilities are to be operationalized. The department has issued several documents that refer to some of the CMO's authorities and responsibilities, but these documents were issued as the CMO's role under the statute was evolving, and none of them, either individually or collectively, encompass all of the CMO's current authorities and responsibilities. For example:

³⁴GAO reported in April 2018 that DOD has not yet integrated its business and IT enterprise architectures, or established a timeframe for doing so. DOD partially concurred with our recommendation and the department stated that it agreed that the DOD CIO and CMO should work together to establish a time frame and ensure coordination and consistency of the IT and business architectures. See GAO, *Defense Business Systems: DOD Needs to Continue Improving Guidance and Plans for Effectively Managing Investments*, [GAO-18-130](#), (Washington, D.C.: Apr. 16, 2018).

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- **DOD Directive 5105.82** (Oct. 17, 2008) established the responsibilities and authorities of the DCMO.³⁵ These responsibilities included, among others, advising the Secretary of Defense on performance goals and measures and assessing progress against those goals; and ensuring that strategic plans, performance goals, and measures were aligned with, and assured accountability to, DOD strategic goals. However, this document is now outdated—for example, it assigns the DCMO responsibilities related to the Defense Business Transformation Agency, which an OCMO official agreed no longer exists. Moreover, the directive does not reflect the additional authorities and responsibilities for the CMO position that are delineated in section 132a of title 10, United States Code, as amended. Table 3 at appendix II summarizes all authorities and responsibilities included in this directive.
 - **Secretary of Defense Memorandum** (Feb. 1, 2018) established the CMO position and outlined its authorities and responsibilities consistent with section 132a of title 10, United States Code. The authorities and responsibilities outlined in this memorandum align closely with those specified for the CMO in the statute, but the memorandum does not explain how these authorities and responsibilities are to be operationalized. For example, this memorandum does not address how the CMO will interact with other DOD organizations, such as the military departments, as DOD traditionally has done through its chartering directives. Table 4 at appendix II summarizes authorities and responsibilities included in Secretary of Defense memorandums.
 - **Secretary of Defense Memorandum** (July 12, 2018) addressed the CMO's role in supporting the Deputy Secretary of Defense on enterprise management and performance accountability. According to this memorandum, the CMO supports the Chief Operating Officer to ensure all DOD leaders are unified and aligned across all assigned responsibilities and functions, through strong management practices, integrated processes, and best value business investments, and to support the Deputy Secretary of Defense in his capacity as the department's Chief Operating Officer.³⁶ However, the CMO's

³⁵Department of Defense, Directive 5105.82, *Deputy Chief Management Officer (DCMO) of the Department of Defense* (October 17, 2008)

³⁶As the Chief Operating Officer, the Deputy Secretary of Defense is the official accountable for the strategic alignment of priorities and resources, and overall performance management. In this role, he focuses on synchronizing top-level strategic guidance across senior leadership for maximum results.

responsibilities in supporting the Deputy Secretary of Defense as the Chief Operating Officer outlined in this memorandum are not specified by any other relevant guidance documents.

- **CMO Action Memorandum** (July 27, 2018) responded to the Secretary's February 1, 2018 memorandum and restated several of the CMO's authorities and responsibilities, consistent with 132a of title 10, United States Code, and provided information on the plans to restructure the OCMO and to establish the CMO Action Group.

The Secretary of Defense's July 12, 2018 Memorandum directed the Deputy Secretary of Defense to provide amplifying guidance on CMO responsibilities and authorities emanating from statute as well as delegating additional discretionary authorities or responsibilities to the CMO. Issuance of this amplifying guidance would be consistent with one of the key strategies we identified for implementation of a CMO position—clearly defining roles and responsibilities of the position and communicating them throughout the organization.³⁷ In November 2018, however, officials told us that they expected the CMO vacancy to delay progress on codifying any decisions on the CMO's statutory and discretionary authorities in a chartering directive. Additionally, in November 2018, a senior OCMO official stated that the office needed to complete its reorganization prior to the department issuing updated guidance.

Until the Deputy Secretary of Defense resolves the issues previously discussed and issues guidance (such as a chartering directive) to codify the CMO's authorities and responsibilities and specify how those are to be operationalized, questions regarding the extent of the CMO's authority and responsibility are likely to persist, preventing a shared understanding across the department of the CMO's role. Further, the lack of guidance could affect the ability of the department to make progress in conducting necessary business reforms—one of three key priorities identified in the 2018 National Defense Strategy.

³⁷ [GAO-08-34](#). In this report, we highlight six key strategies, which emerged from a panel of public and private entities convened by GAO, for implementation of CMO positions.

Conclusion

DOD has made progress in implementing some of the authorities and responsibilities Congress has provided the CMO. However, DOD has not resolved several key issues that limit its ability to implement all statutory authorities and responsibilities. Specifically, DOD has yet to resolve key issues, such as how the CMO will exercise authority to direct the military departments and exercise direction and control over DAFAs that provide shared business services. Additionally, without analyzing the authorities and responsibilities that will transfer from the CIO to the CMO and the resource impact, if any, those new responsibilities will have on the OCMO, DOD risks creating confusion within the department about which official is responsible for key information technology functions. While DOD has issued several documents delineating some of the CMO's authorities and responsibilities, the department does not currently have formal and current guidance, such as a DOD chartering directive, that institutionalizes all the CMO's authorities and responsibilities. Considering the evolution of the CMO's authorities and responsibilities since the position was created, guidance that fully encompasses all CMO authorities and responsibilities and explains how they are to be operationalized could help to institutionalize and sustain the position beyond the tenure of the current acting CMO.

Recommendations for Executive Action

We are making the following four recommendations to the Secretary of Defense:

The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination as to how the CMO is to direct the business-related activities of the military departments. (Recommendation 1)

The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination regarding the CMO's relationship with the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for enterprise business operations to the CMO for review. (Recommendation 2)

The Secretary of Defense should ensure that the CMO and CIO conduct an analysis to determine which responsibilities should transfer from the CIO to the CMO, including identifying any associated resource impacts, and share the results of that analysis with the Congress.
(Recommendation 3)

The Secretary of Defense should ensure that the Deputy Secretary of Defense, on the basis of the determinations regarding the CMO's statutory and discretionary authorities, codify those authorities and how they are to be operationalized in formal department-wide guidance.
(Recommendation 4)

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In its written comments, which are reproduced in Appendix III, DOD concurred with our recommendations and described ongoing and planned actions to address them.

We are sending copies of this report to the Acting Secretary and Acting Deputy Secretary of Defense, the Acting DOD Chief Management Officer, the DOD Chief Information Officer, the Director, Cost Assessment and Program Evaluation, and appropriate congressional committees. 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. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix IV.

Sincerely yours,



Elizabeth A. Field
Acting Director
Defense Capabilities and Management

Appendix I: Scope and Methodology

To examine the extent to which DOD has implemented the authorities and responsibilities of its Chief Management Officer (CMO) position and issued guidance communicating within the department the authorities and responsibilities of the position, we reviewed related laws and key documents such as memorandums issued by the Secretary of Defense that outline some of the CMO's authorities and responsibilities. To understand the authorities and responsibilities that Congress and DOD have assigned to this position, we reviewed section 901 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017, which initially created the CMO position effective February 1, 2018; section 910 of the NDAA for Fiscal Year 2018, which codified and expanded the CMO's authorities and responsibilities; and section 921 of the John S. McCain NDAA for Fiscal Year 2019, which further expanded the CMO's authorities and responsibilities. We reviewed DOD's August 2017 Report to Congress and its April 2018 *National Defense Business Operations Plan*. We also reviewed our November 2007 report on key strategies for implementing CMO positions.¹

To understand ongoing actions to implement the authorities and responsibilities given to the CMO position, we interviewed DOD's former CMO, who served from February to November 2018, as well as the current acting CMO and the chiefs of the five directorates or their representatives within the Office of the CMO (OCMO) in July 2018, to understand the responsibilities of these directorates. We also met with the nine reform teams charged with implementing initiatives to, among other things, move DOD toward an enterprise-wide, shared-service model.²

¹GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, [GAO-08-34](#) (Washington, D.C.: Nov. 1, 2007).

²DOD currently has nine cross functional teams focused on transforming DOD's business operations that consist of team leaders and subject matter experts from the following functional areas: Community Services Management, Financial Management, Human Resources, IT & Business Systems, Health Care Management, Real Property Management, Service Contracts and Category Management, Supply Chain and Logistics, and Testing and Evaluation.

Additionally, we reviewed documentation from the reform teams to understand what business operation reform initiatives the CMO has prioritized and what progress has been made to implement and monitor these initiatives. To understand key initiatives DOD is pursuing to improve its business operations and how it monitors implementation of those initiatives, we attended demonstrations of DOD's cost management framework and its reform team portal. We also met with an official from DOD's Cost Assessment and Program Evaluation (CAPE) Office to gain additional insights on oversight of the reform teams from one of the co-chairs on the Reform Management Group. Additionally, we reviewed documentation from the OCMO containing personnel numbers and funding levels to determine the level and type of resources available to the CMO to assist in carrying out his responsibilities. To understand how the CMO collaborates with other DOD entities to lead business operation reform and how the responsibilities of the CMO and Chief Information Officer (CIO) may change, we met with officials from the Office of the DOD CIO. To understand how the CMO is interacting with and influencing the military departments' business operations, we met with officials from the Army, Air Force, and Navy CMO and CIO offices.

We performed our work under the authority of the Comptroller General to conduct evaluations to assist Congress with its oversight responsibilities. We conducted this performance audit from February 2018 to March 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Summary of Key Authorities and Responsibilities for the Department of Defense Chief Management Officer

Table 2: Comparison of Selected Chief Management Officer Statutory Authorities and Responsibilities in Fiscal Years (FY) 2018 and 2019 National Defense Authorization Acts (NDAA)

Subject	Sections 910 and 912, FY 2018 NDAA	Section 903 and 921, FY 2019 NDAA
Direction of military departments	Exercising authority to direct the secretaries of the military departments and the heads of all other elements of the Department of Defense (DOD) with regard to matters for which the Chief Management Officer (CMO) has responsibility under 10 U.S.C. § 132a.	n/a
Defense Agencies and DOD Field Activities (DAFA)	Exercising authority, direction, and control over the DAFAs providing shared business services for the department that are designated by the Secretary or Deputy Secretary of Defense.	Beginning in fiscal year 2020, the CMO shall review the proposed budget of certain DAFAs, submit to the Secretary of Defense a report containing the CMO's comments with respect to all such proposed budgets, and certify whether each such proposed budget achieves the required level of efficiency and effectiveness for enterprise business operations, consistent with guidance for budget review established by the CMO.
Chief Information Officer (CIO) role	The CMO will assume CIO responsibilities for defense business systems (as of January 1, 2019). The CMO shall have primary decision-making authority with respect to the development of common enterprise data. (Sec. 912)	Provided clarification that the CMO would absorb certain responsibilities from the CIO, among them those information technology responsibilities previously performed by the CIO for business systems and management.
CMO's role within DOD	Serving as the CMO of the DOD with the mission of managing the enterprise business operations and shared services of the department. The CMO takes precedence in DOD after the Secretary of Defense and the Deputy Secretary of Defense.	n/a

**Appendix II: Summary of Key Authorities and
Responsibilities for the Department of Defense
Chief Management Officer**

Subject	Sections 910 and 912, FY 2018 NDAA	Section 903 and 921, FY 2019 NDAA
Other	<p>Serving as the principal advisor to the Secretary and the Deputy Secretary on establishing policies for and directing all enterprise business operations of the department, including planning and processes, business transformation, performance measurement and management, and business information technology management and improvement activities and programs, including the allocation of resources for enterprise business operations, and unifying business management efforts across the department.</p> <p>Serving as the official with principal responsibility in the department for providing for the availability of common, usable, defense-wide data sets with applications such as improving acquisition outcomes and personnel management.</p>	<p>Not later than January 1, 2020, and not less frequently than once every 5 years thereafter, the Secretary of Defense shall, acting through the CMO, reform enterprise business operations across all organizations and elements of the department , through reductions, eliminations, or improvements, with respect to covered activities in order to increase effectiveness and efficiency of mission execution.</p> <p>Not later than January 1, 2020, the CMO shall establish a consistent reporting framework to establish a baseline for the costs to perform any activity relating to civilian resources management, logistics management, services contracting, or real estate management.</p> <p>Not later than January 1 of every fifth calendar year beginning with January 1, 2025, the CMO shall submit to the congressional defense committees a report that describes the activities carried out by the CMO during the preceding 5 years, including an estimate of any cost savings achieved as a result of such activities.</p>

Legend: Text here to denote blank cells.

Source: GAO analysis of Pub. L. No. 115-91, §§ 910, 912 (2017) and Pub. L. No. 115-232, §§ 903,921 (2018) | GAO-19-199

Table 3: Summary of Preceding Department of Defense (DOD) Deputy Chief Management Officer Authorities and Responsibilities

Department of Defense Directive (DODD)	Authorities and responsibilities
DODD 5105.82: Deputy Chief Management Officer (DCMO) of the Department of Defense (October 17, 2008).	<p>Assigned the DCMO the following duties and responsibilities:</p> <ul style="list-style-type: none">• assist the Deputy Secretary of Defense in his capacity as DOD CMO;• recommend to the Deputy Secretary of Defense methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations of the DOD to ensure optimal alignment in support of the DOD warfighting mission;• develop and maintain, through the Defense Business Systems Management Committee, the DOD Strategic Management Plan;• advise the Secretary of Defense on performance goals and measures and assess progress against those goals;• serve as the Capability Portfolio Manager for the Corporate Management and Support Portfolio;• participate as a member of senior governance councils;• oversee the functions of the Performance Improvement Officer;• work in close coordination with the CMOs of the military departments to identify and exchange the information necessary to facilitate execution of the responsibilities of the DOD CMO;• assist Office of the Secretary of Defense officials and heads of DOD components in ensuring that strategic plans, performance goals, and measures are aligned with, and assure accountability to, DOD strategic goals; and• ensure that business transformation policies and programs are designed and managed to improve performance standards, economy, and efficiency.

Source: DODD 5105.82: Deputy Chief Management Officer (DCMO) of the Department of Defense (Oct. 17, 2008). | GAO-19-199

Appendix II: Summary of Key Authorities and Responsibilities for the Department of Defense Chief Management Officer

Table 4: Summary of the Department of Defense Chief Management Officer Authorities and Responsibilities Outlined in DOD Memorandums

Department of Defense (DOD) Memorandums	Authorities and Responsibilities
Secretary of Defense Memo (Feb. 1, 2018) establishing the Chief Management Officer (CMO) position	<p>Gave the CMO the responsibility for duties and authorities as set forth in section 132a of title 10, United States Code, including:</p> <ul style="list-style-type: none"> • serving as the CMO with the mission of managing DOD’s enterprise business operations and shared services; • serving as the principal advisor to the Secretary and the Deputy Secretary on establishing policies for, and directing, all enterprise business operations of the department, including planning and processes, business transformation, performance measurement and management, and business information technology management and improvement activities and programs, including the allocation of resources for enterprise business operations and unifying business management efforts across the department; • exercising authority, direction, and control over the Defense Agencies and DOD Field Activities providing shared business services for the department that are designated by the Secretary or the Deputy Secretary; • serving as the official with principal responsibility in the department for providing common, usable, defense-wide data sets with applications such as improving acquisition outcomes and personnel management; and • exercising authority to direct the secretaries of the military departments and the heads of all other elements of the department with regard to matters for which the CMO has responsibility. <p>Additionally, effective 1 February, 2018, all responsibilities and authorities of the Deputy Chief Management Officer transfer to the CMO. This includes exercising authority, direction, and control over the Pentagon Force Protection Agency and the Washington Headquarters Services, both designated as shared business service providers.</p>
Secretary of Defense Memorandum (July 12, 2018) on Enterprise Management and Performance Accountability	<p>Gave the CMO the responsibility of performing the following duties:</p> <ul style="list-style-type: none"> • supporting the Chief Operating Officer (Deputy Secretary of Defense) to ensure that DOD leaders are unified and aligned appropriately across all assigned responsibilities and functions, through strong management practices, integrated processes, and best value business investments. As the Chief Operating Officer, the Deputy Secretary is the accountable official for the strategic alignment of priorities and resources, and overall performance management. <p>Directed the Deputy Secretary of Defense:</p> <ul style="list-style-type: none"> • to provide amplifying guidance on CMO responsibilities and authorities emanating from statute as well as delegating additional discretionary authorities or responsibilities to the CMO.

Source: GAO analysis of Secretary of Defense Memorandums. | GAO-19-199

Appendix III: Comments from the Department of Defense

**Appendix III: Comments from the Department
of Defense**



**CHIEF MANAGEMENT OFFICER
9010 DEFENSE PENTAGON
WASHINGTON, DC 20301-9010**

March 1, 2019

Ms. Elizabeth Fields
Acting Director, Defense Capabilities and Management
U.S. Government Accountability Officer
441 G Street, N.W.
Washington, DC, 20548

Dear Ms. Fields:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) report GAO-19-199, "DoD Should Take Steps to Fully Institutionalize the Chief Management Officer Position," dated March 2019, (GAO Code 102628). The Department has reviewed the recommendations provided in this draft report and concurs with the GAO's position. The Department's responses to the recommendations are provided in Attachment 1.

By solidifying the Chief Management Officer's roles within the Department, the office will be able to make meaningful and sustainable impacts. These efforts will also align to the greater Departmental reforms and efficiency efforts, facilitating a holistic approach to reform management. The Department appreciates the GAO's recognition of our efforts to date and looks forward to continuing our collaboration as efforts progress.

Should you have any questions, please contact Mr. Mitchell Lawrie, Director, Transformation and Reform Division. Mr. Lawrie can be reached by email, mitchell.b.lawrie.civ@mail.mil or phone (571) 372-2861.

Sincerely,

HERSHMAN.LISA
.W.1544505641

Digitally signed by
HERSHMAN.LISA.W.154450564
Date: 2019.03.01 15:07:43
-05'00'

Lisa W. Hershman
Acting

Attachment(s):
As stated

ATTACHMENT 1

In reviewing the GAO's four (4) *Recommendations for Executive Action*, the Department understands the need for better defined roles and responsibilities between the Office of the Chief Management Officer (OCMO) and the Military Departments on business-related activities. Further, it is the Department's endeavor to enhance its roles and responsibilities as it pertains to oversight of the Defense Agencies and Field Activities (DAFAs) and the integration of some of the DoD Chief Information Officer duties. These important responsibilities will be codified in the guidance based on and supported by the Offices of the Secretary and Deputy Secretary of Defense.

The Department's positions on the recommendations are:

1. **The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination as to how the CMO is to direct the business-related activities of the military departments.**

DoD Position: Concur. The Department concurs with the GAO's recommendation to determine how the CMO will direct the business-related activities of the Military Departments. Significant steps have already taken place to further dialogue and joint reform opportunities using the Reform Management Group (RMG). The RMG serves as the senior governing body for reform, chaired by the CMO with representation from the Military Departments and the Offices of the Principal Staff Assistants (PSAs). Further, the charter for the RMG is currently under review with leadership and, once final, will finalize the governing roles of the Chair and members. While these relationships will continue to grow, the Department is establishing the needed processes and practices to better align Military business activities to larger enterprise endeavors.

2. **The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination regarding the CMO's relationship with the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for enterprise business operations for CMO review.**

DoD Position: Concur. The OCMO is currently outlining its approach to review the DAFAs for shared business practices and redundancies. Currently, Washington Headquarters Services (WHS) is under review with planning underway for additional agencies in the near-term. This requirement is currently under review with more detailed plans expected by the third quarter FY19.

3. **The Secretary of Defense should ensure that the Chief Management Officer and Chief Information Officer conduct an analysis to determine which responsibilities should transfer from the CIO to the CMO, including identifying any associated impacts, and share the results of that analysis with Congress.**

DoD Position: Concur. The Department concurs with the GAO's recommendation to determine which responsibilities should transfer from the CIO to the CMO. This requirement is currently being reviewed and discussed among the leadership from the OCMO and CIO, with final details still pending. The Department recognizes the

ATTACHMENT 1

need to determine these roles and responsibilities in the near-term and will ensure GAO and Congress are updated when appropriate.

4. **The Secretary of Defense should ensure that the Deputy Secretary of Defense, on the basis of the determinations regarding the CMO's statutory and discretionary authorities, codify those authorities and how they are to be operationalized in formal department-wide guidance.**

DoD Position: Concur. The Department concurs with the GAO's recommendation to codify the CMO's statutory and discretionary authorities. The Office of the CMO acknowledges its roles and responsibilities and is working across the Department to ensure its obligations are fulfilled.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Elizabeth A. Field, (202) 512-2775 or fielde1@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Sally Newman (Assistant Director), Tracy Barnes, Margaret Best, Arkelga Braxton, William Carpluk, Timothy DiNapoli, Michael Holland, Chad Johnson, Kristi Karls, William Lamping, Ned Malone, Jared Sippel, Susan Tindall, Sarah Veale, and Lillian Yob made key contributions to this report.

Appendix V: Accessible Data

Agency Comment Letter

Accessible Text for Appendix III Comments from the
Department of Defense

Page 1

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Acting Director, Defense Capabilities and Management

U.S. Government Accountability Officer

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Washington, DC, 20548

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