June 28, 2019

The Honorable James M. Inhofe
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Adam Smith
Chairman
The Honorable Mac Thornberry
Ranking Member
Committee on Armed Services
House of Representatives

Defense Business Transformation: Cross-Enterprise Activities of Selected DOD Inspector General Offices

Within the Department of Defense (DOD) and its components (military departments, combatant commands, defense agencies, and field activities), more than 30 inspector general (IG) offices have been established to provide oversight and assistance through audits, inspections, investigations, and evaluations.1 There is an inherent risk that large organizations such as DOD may expend funds in programs that are fragmented, overlap with other programs, or are duplicative of other programs, including those programs affecting IG offices established within the department. Executive branch guidance provides guidelines for agencies in an effort to identify and address redundancies within functions and programs across the federal government.2

The John S. McCain National Defense Authorization Act for Fiscal Year 2019, enacted in August 2018, includes a provision for GAO to review the cross-enterprise activities of IG offices within DOD. The cross-enterprise activities included in the provision were public affairs, human resources (HR), services contracting, other contracting, and any other cross-enterprise activities that GAO deemed appropriate. GAO was to identify opportunities to maximize efficiency and minimize duplication of effort—including through reduction or elimination of duplicative functions—and any matters considered appropriate.3 The objectives of this audit were to (1) examine selected cross-enterprise activities for selected DOD IG offices and determine whether significant examples of fragmentation, overlap, or duplication exist and (2) determine

1DOD components consist of the Office of the Secretary of Defense, DOD Office of Inspector General, Joint Chiefs of Staff, military departments, combatant commands, defense agencies, and DOD field activities.
what opportunities, if any, exist to reduce or better manage any fragmentation, overlap, or duplication associated with the selected cross-enterprise activities of the DOD IG offices we reviewed.

On May 29, 2019, we provided the draft results of our audit to members of your staff; this report contains our final audit results. (See enclosure.)

To address the audit objectives, we analyzed information on DOD’s organizational structure and identified 36 IG offices within DOD from which we judgmentally selected six to review:4 DOD Office of Inspector General (OIG), Office of the Naval Inspector General, U.S. Southern Command Inspector General office, Defense Logistics Agency Office of Inspector General, Defense Contract Management Agency Office of Inspector General, and Defense Media Activity Office of the Inspector General. We selected these offices to provide illustrative examples of varying size, structure, agency function, geographic location, and statutory authority. While the sample provided information about various aspects of cross-enterprise activities, the results represent activities of the selected offices and cannot be generalized to make inferences about all IG offices within DOD.

For these selected IG offices, we analyzed evidentiary documents and interviewed IG officials to determine the selected cross-enterprise activities that exist within the IG offices, how they are accomplished, and the resources used to accomplish them. The cross-enterprise activities we reviewed consist of HR, contracting (services and other contracting), and public affairs. Within HR, we specifically focused on payroll (e.g., time and attendance systems, personnel actions, and payroll processing), hiring, training, and performance management. To identify significant examples of fragmentation, overlap, or duplication, we identified and examined similarities and differences in how the selected IG offices accomplished selected cross-enterprise activities. In addition, we interviewed DOD Office of the Chief Management Officer (OCMO) officials to determine whether the office has taken any actions to reduce or better manage fragmentation, overlap, or duplication affecting the IG community within DOD.5 We used our *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide* as guidance for conducting our audit.6

We conducted this performance audit from October 2018 to June 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.

In summary, we found the following:

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4DOD does not have a list of IG offices. We developed a list of IG offices by (1) analyzing organizational charts and IG contact listings that the DOD Office of Inspector General (OIG) provided, (2) conducting independent research on the public websites of the various DOD components, and (3) obtaining confirmation from DOD OIG. There is a possibility that there are IG offices that we did not identify and therefore did not consider for our sample.

5OCMO is charged with, among other things, managing the transformation of DOD’s enterprise business operations and the department’s shared services.

• We did not identify significant examples of fragmentation, overlap, or duplication in selected cross-enterprise activities of the selected IG offices. Specifically, we found that other than DOD OIG, the remaining selected IG offices did not use their own resources to perform cross-enterprise activities because of their limited budget authority and independence from the DOD components in which they were established and their relative size. Based on those factors, we found that it is reasonable for the majority of the selected IG offices to accomplish cross-enterprise activities through the use of their DOD components’ resources. For example, DOD OIG uses its own resources or DOD-wide shared services to accomplish the selected cross-enterprise activities, and the remaining IG offices use their DOD components’ resources or DOD-wide shared services to accomplish the selected cross-enterprise activities. In addition, DOD OIG, which is significantly larger than the other IG offices we reviewed, has an internal HR department of 46 staff who conduct its HR functions. The remaining IG offices rely on their DOD components’ HR department to conduct their HR functions.

• Prior GAO work has identified opportunities for increased efficiencies related to cross-enterprise activities, some of which may be applicable to activities that the selected IG offices perform. Opportunities to reduce or better manage potential fragmentation, overlap, or duplication related to cross-enterprise activities exist at the department and DOD component levels, as we have previously reported and for which we have made recommendations.7 For example, in September 2018, we reported that at least six organizations within DOD provide HR services to other defense agencies or organizations, with varying levels of quality and transparency of costs.8 We also reported that according to DOD officials, more than 800 learning management systems are employed across the department, which are used to deliver training to personnel and store and record training records. In our prior work, we made recommendations related to cross-enterprise activities at the department and DOD component levels that remain open, including several associated with (1) the role of the chief management officer and DOD’s collaboration efforts at the department level, (2) DOD’s cross-functional reform teams looking at areas such as HR and contracting at the department level, and (3) the defense agencies and field activities that provide HR shared services. Although we did not identify significant examples of fragmentation, overlap, or duplication in our review of selected cross-enterprise activities at selected IG offices, DOD efforts to address these open recommendations could help it to reduce or better manage any potential fragmentation, overlap, and duplication related to cross-enterprise activities affecting the IG offices.

Agency Comments

We provided a draft of this report to DOD for review and comment. DOD informed us that it had no comments on the report.

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8GAO-18-592.
We are sending copies of this report to the appropriate congressional committees, the Acting Secretary of Defense, and the Department of Defense’s Chief Management Officer. 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) 512-2989 or kciolekk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. In addition to the contact named above, Jonathan Meyer (Assistant Director), Cherry Vasquez (Auditor in Charge), Enoh (Sarah) Bacchus, and Kevin Scott made key contributions to this report. Other staff who made key contributions to this report were Margaret Best, Anthony Clark, Pat Frey, Jason Kelly, Jim Kernen, Jason Kirwan, Patricia Powell, Anne Rhodes-Kline, Tina Sherman, and Anne Thomas.

Kristen Kociolek
Director, Financial Management and Assurance

Enclosure
DEFENSE BUSINESS TRANSFORMATION

Cross-Enterprise Activities of Selected DOD Inspector General Offices
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The John S. McCain National Defense Authorization Act for Fiscal Year 2019, enacted in August 2018, includes a provision for GAO to review the cross-enterprise activities of inspector general (IG) offices within the Department of Defense (DOD). The cross-enterprise activities included in the provision were public affairs, human resources (HR), services contracting, other contracting, and any other cross-enterprise activities that GAO deemed appropriate. GAO was to identify opportunities to maximize efficiency and minimize duplication of effort—including through reduction or elimination of duplicative functions—and any matters considered appropriate.¹

Objectives

Our audit objectives were to:

- Examine selected cross-enterprise activities for selected DOD IG offices and determine whether significant examples of fragmentation, overlap, or duplication exist.
- Determine what opportunities, if any, exist to reduce or better manage any fragmentation, overlap, or duplication associated with the selected cross-enterprise activities of the DOD IG offices we reviewed.
Scope and Methodology

We used GAO’s *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide* as guidance for conducting our audit.²

- Fragmentation refers to circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.
- Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.
- Duplication occurs when two or more agencies or programs are engaged in the same activities or provide services to the same beneficiaries.

Scope and Methodology (continued)

• We analyzed information on DOD’s organizational structure, components, and IG offices within the components.

• We judgmentally selected six IG offices of varying size, structure, agency function, geographic location, and statutory authority.3
  • DOD Office of Inspector General (DOD OIG)
  • Office of the Naval Inspector General (NAVINSGEN)
  • U.S. Southern Command Inspector General office
  • Defense Logistics Agency Office of Inspector General (DLA OIG)
  • Defense Contract Management Agency Office of Inspector General (DCMA OIG)
  • Defense Media Activity Office of the Inspector General

• While our findings are not generalizable to all DOD component IG offices, our sample provides illustrative examples of IG offices’ cross-enterprise activities.

3Judgmental selections are nongeneralizable. Results cannot be used to make inferences about a population. Specifically, the results of our work cannot be used to make inferences about all IG offices within DOD; rather, the results only provide information related to the selected IG offices.
Scope and Methodology (continued)

• We observed IG office activities, conducted interviews, and analyzed evidentiary documentation related to selected IG cross-enterprise activities (i.e., public affairs, HR, and service and other contracting).

• Within HR, we specifically focused on payroll (e.g., time and attendance systems, personnel actions, and payroll processing), hiring, training, and performance management.

• We determined whether there were instances where multiple IG offices use shared services.
Scope and Methodology (continued)

• We determined the factors that contributed to how IG offices accomplish selected cross-enterprise activities.
• We interviewed DOD Office of the Chief Management Officer (OCMO) officials to obtain DOD guidance regarding fragmentation, overlap, or duplication and to determine whether OCMO has taken any actions to reduce or better manage fragmentation, overlap, or duplication within the DOD IG community.
Background: DOD IG Community

• Military inspectors general date back to the Revolutionary War when Thomas Conway was appointed as the first Inspector General of the Continental Army in 1777.

• The Inspector General Act of 1978, as amended, authorizes DOD OIG as well as four other IG offices within DOD.4

• IGs for the military departments are established under statutes codified in Title 10, United States Code.5 Certain combatant commands are also required by law to have IGs.6

• Other IG offices within DOD were established through agency or department orders in accordance with DOD Directive 5106.04.7

Figure 1: DOD Organizational Chart

Source: GAO analysis of Department of Defense data | GAO-19-559R
Background: DOD OCMO

• DOD’s Chief Management Officer (CMO) responsibilities include managing the transformation of DOD’s enterprise business operations and shared services and exercising authority, direction, and control over the defense agencies and field activities that provide shared business services.\(^8\)

• One of the strategic objectives in DOD’s National Defense Business Operations Plan for fiscal years 2018 through 2022, which OCMO issued, is to improve and strengthen DOD’s business operations through a move to DOD enterprise or shared services.\(^9\)

\(^8\)Department of Defense, Secretary of Defense Memo establishing the Chief Management Officer (CMO) position (Feb. 1, 2018); 10 U.S.C. § 132a.
Background: Executive Branch Guidance

- Executive Order 13781: Requires the Office of Management and Budget (OMB) Director to propose a plan to reorganize governmental functions and eliminate unnecessary agencies, components of agencies, and agency programs.\(^\text{10}\)

- OMB Memorandum M-17-22: States that agencies should develop an analytical framework that compares the alignment of agency activities with the mission and role of the agency and the performance of individual functions.\(^\text{11}\)

- OMB Memorandum M-19-13: Provides guidance on the use of category management (i.e., practice of buying common goods and services) in an effort to more effectively manage contract spending through cost avoidance and reduced unnecessary contract duplication.\(^\text{12}\)

\(^{10}\)Exec. Order No. 13781, Comprehensive Plan for Reorganizing the Executive Branch (March 2017).


Results: Overall

- We did not identify significant examples of fragmentation, overlap, or duplication in selected cross-enterprise activities of the selected IG offices. Specifically, we found that other than DOD OIG, the selected IG offices did not use their own resources to perform cross-enterprise activities because of their limited budget authority and independence from the DOD components in which they were established and their relative size. Based on those factors, we found that it is reasonable for the majority of the selected IG offices to accomplish cross-enterprise activities through the use of their DOD components’ resources.
Results: Overall (continued)

• GAO has previously reported on and has made recommendations regarding opportunities to reduce or better manage potential fragmentation, overlap, or duplication related to cross-enterprise activities that exist at the department and DOD component levels. While this past work did not focus on IG offices, and our current work did not find significant examples of fragmentation, overlap, or duplication, as DOD works to address our prior recommendations, its efforts might also reduce or better manage any potential fragmentation, overlap, or duplication affecting the cross-enterprise activities of the IG offices.
Results: Fragmentation, Overlap, or Duplication Not Identified within the Selected IG Offices

- DOD OIG uses its own resources or DOD-wide shared services to accomplish the selected cross-enterprise activities.
- The remaining selected IG offices use their DOD components’ resources or DOD-wide shared services to accomplish the selected cross-enterprise activities.
- The factors that affect selected IG offices’ cross-enterprise activities include:
  - Independence: DOD OIG is an independent unit of DOD; the other selected IG offices were established by and report to the head of the DOD component in which they were established.
  - Budget authority: Of the selected IG offices, only DOD OIG has budget authority in its own appropriations account provided by Congress, separate from the funding for the entity it oversees.
  - Size: DOD OIG is the largest IG office; the remaining selected IG offices are considerably smaller in size. (DOD OIG has over 1,500 employees; the numbers of employees in the remaining selected IG offices range from two to 65.)
Results: Human Resources

Not all of the selected IG offices have internal HR staff that perform HR functions.

- DOD OIG has an internal HR department of 46 staff who conduct its HR functions.
- NAVINSGEN has one internal HR liaison who coordinates with the Department of the Navy Assistant for Administration (DON/AA) and Office of Civilian Human Resources that conducts NAVINSGEN’s HR functions.
- The remaining IG offices do not have internal HR staff and rely on their DOD components’ HR departments.
Figure 2: Differences in Obtaining Human Resources Services for Selected IG Offices

Source: GAO analysis of Department of Defense data. | GAO-19-558R
All of the selected IG offices use the following DOD-wide shared services for certain HR-related functions:

- Defense Finance and Accounting Service for processing payroll
- Defense Performance Management and Appraisal Program for accomplishing performance management actions
- Defense Civilian Personnel Data Services for processing civilian personnel actions
Results: Human Resources (continued)

- The selected IG offices, other than DOD OIG, use a combination of automated and manual methods to store and record training records, consistent with their DOD components.
- The selected IG offices, other than DOD OIG, use the same time and attendance systems as their DOD components.
- How the selected IGs offices accomplish their HR activities is reasonable given the selected IG offices’ independence, budget authority, and size.
Figure 3: Time and Attendance Systems Used by Selected Inspector General Offices
Results: Contracting

Four of the six IG offices have contracts for goods or services.

- DOD OIG has an internal contracting department of eight staff who conduct its contracting functions.
- NAVINSGEN has limited contracting functions and has a financial liaison who works with the Navy Contract Management Division in DON/AA to procure and acquire contracted services.
- DLA OIG and DCMA OIG do not have internal contracting staff and use their DOD components’ contracting departments.
- All four IG offices with contracts use the Wide Area Workflow system that DLA maintains for electronic invoicing and receipt and acceptance of goods and services.
- How the selected IG offices accomplish their contracting activities is reasonable given the selected IG offices’ independence, budget authority, and size.
Results: Public Affairs

• Of the selected IG offices, DOD OIG is the only office that regularly releases information directly to the public through its external website.

• DOD OIG has an internal public affairs department of three staff who handle public release of information.

• The remaining selected IG offices do not have internal public affairs staff, as some of these offices either do not release reports publicly or release reports on a limited, as-required basis. They use their DOD components’ public affairs offices when needed.

• How the selected IG offices accomplish their public affairs activities is reasonable given the selected IG offices’ independence, budget authority, and size.
Results: Prior GAO Work Has Identified Opportunities Related to Cross-Enterprise Activities

• Although we did not identify significant examples of fragmentation, overlap, or duplication in our review of selected cross-enterprise activities at selected IG offices, DOD efforts to address open recommendations might also reduce or better manage any potential fragmentation, overlap, or duplication affecting the cross-enterprise activities of the IG offices.

• GAO has previously reported on and identified opportunities to reduce or better manage fragmentation, overlap, or duplication related to cross-enterprise activities at the department and DOD component levels, in areas such as the following:¹³
  • the role of the CMO in DOD collaboration efforts associated with the shared business activities of the department,
  • the status of DOD cross-functional reform teams examining areas such as HR and contracting at the department level, and
  • the defense agencies and field activities that provide HR shared services.

Results: Prior GAO Work Related to DOD Cross-Enterprise Activities

- Examples of fragmentation, overlap, and duplication previously identified include the following:¹⁴
  - at least six organizations within DOD provide human resources services to other defense agencies or organizations, with varying levels of quality and transparency of costs, and
  - according to DOD officials, more than 800 learning management systems are employed across the department, which are used to deliver training to personnel and store and record training records.

¹⁴GAO-18-592.
Results: Prior GAO Recommendations Related to DOD Cross-Enterprise Activities

GAO has open recommendations related to cross-enterprise activities at the department and DOD component levels, as follows:

- **GAO-18-194**: The Secretary of Defense should ensure that the CMO:
  - In its revisions to the draft organizational strategy, address how the department will promote and achieve a collaborative culture. The CMO could accomplish this by incorporating GAO’s leading practices on mergers and organizational transformations.
  - Incorporate leading practices for effective cross-functional teams in guidance on Secretary of Defense-empowered cross-functional teams.
Results: Prior GAO Recommendations Related to DOD Cross-Enterprise Activities (continued)

- **GAO-19-199**: 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.
  - Makes a determination regarding the CMO's relationship with the defense agencies and DOD field activities including whether additional defense agencies and DOD field activities should be identified as providing shared business services.
Results: Prior GAO Recommendations Related to DOD Cross-Enterprise Activities (continued)

- **GAO-19-165**: The Secretary of Defense should ensure that the CMO establishes a process for identifying and prioritizing available funding to develop and implement initiatives from the cross-functional reform teams.
Results: Prior GAO Recommendations Related to DOD Cross-Enterprise Activities (continued)

• **GAO-18-592**: The Secretary of Defense should ensure that the CMO, through the human resources management reform team:
  
  • Identifies time frames and deliverables for fully assessing, identifying, and implementing the most effective and efficient means of human resources service delivery for the department.
  
  • Collects 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.
Results: Prior GAO Recommendations Related to DOD Cross-Enterprise Activities (continued)

Although the open recommendations do not specifically focus on the selected IG offices, DOD efforts to address these open recommendations related to cross-enterprise activities at the department and DOD component levels, specifically those pertaining to (1) the role of the CMO and DOD’s collaboration efforts at the department level, (2) DOD’s cross-functional reform teams examining areas such as human resources and contracting at the department level, and (3) the defense agencies and field activities that provide human resource shared services, could help DOD reduce or better manage any potential fragmentation, overlap, and duplication related to cross-enterprise activities affecting the IG offices.
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Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548


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