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

Accessible Version

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

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.

functions—and any matters considered appropriate. 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 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: 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. We used our Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide as guidance for conducting our audit.

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

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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.

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:

- **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.

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8GAO-18-592.
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.

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 kociolekk@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