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# Highlights

Highlights of [GAO-04-615](#), a report to congressional requesters

## Why GAO Did This Study

Despite its significant investment in business systems, the Department of Defense (DOD) continues to have long-standing financial and inventory management problems that prevent it from producing reliable and timely information for making decisions and for accurately reporting on its billions of dollars of inventory. GAO was asked to (1) identify DOD's fiscal year 2004 estimated funding for its business systems, (2) determine if DOD has effective control and accountability over its business systems investments, and (3) determine whether selected business systems will help resolve some of DOD's long-standing problems and whether they are being effectively managed.

## What GAO Recommends

GAO makes four recommendations to DOD, including the following: (1) develop a standard business system definition and system repository and (2) have reasonable assurance that all weaknesses associated with the two case study systems—BSM and LMP—have been resolved prior to further deployments. GAO also proposes four matters for congressional consideration, including the following: establish management control, accountability, and oversight of business system funding with DOD's functional areas—referred to as domains.

DOD agreed with GAO's four recommendations to DOD, but disagreed with two of the matters for congressional consideration.

[www.gao.gov/cgi-bin/getrpt?GAO-04-615](http://www.gao.gov/cgi-bin/getrpt?GAO-04-615).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz, (202) 512-9505 ([kutzg@gao.gov](mailto:kutzg@gao.gov)) or Keith Rhodes, (202) 512-6412 ([rhodesk@gao.gov](mailto:rhodesk@gao.gov)).

# DOD BUSINESS SYSTEMS MODERNIZATION

## Billions Continue to Be Invested with Inadequate Management Oversight and Accountability

### What GAO Found

DOD requested approximately \$19 billion for fiscal year 2004 to operate, maintain, and modernize its reported 2,274 business systems. This stovepiped and duplicative systems environment evolved over time as DOD components—each with its own system funding—developed narrowly focused, parochial solutions to their business problems.

### DOD's Fiscal Year 2004 Business System Budget Request



Source: GAO analysis of DOD IT budget request for fiscal year 2004.

As a result of this uncontrolled spending, DOD reported over 200 inventory systems and 450 personnel systems. DOD's fundamentally flawed business systems affect mission effectiveness and can contribute to the fraud, waste, and abuse that GAO continues to identify. Further, the number of business systems is likely understated in part because DOD does not have a central systems repository or a standard business system definition.

DOD does not have an effective management structure for controlling business systems investments and the business domains' roles and responsibilities have not been defined. Further, DOD does not have reasonable assurance that it is in compliance with the National Defense Authorization Act for Fiscal Year 2003, which requires the DOD Comptroller to determine that system improvements exceeding \$1 million meet the criteria specified in the act. Based on limited information provided by DOD, system improvements with at least \$479 million of obligations over \$1 million were not reviewed by the DOD Comptroller.

GAO's two case studies are examples of DOD spending hundreds of millions on business systems that will not result in corporate solutions to its long-standing inventory and related financial management problems. While these efforts should provide some improvement to the Defense Logistics Agency's and the Army's business operations, implementation problems have resulted in schedule slippages, cost increases, and critical capabilities not being delivered. These issues can be attributed, in part, to the lack of disciplined processes in the areas of requirements management and testing. If not corrected, the problems will result in two more costly, nonintegrated systems that only marginally improve DOD business operations and further impede DOD's transformation as envisioned by the Secretary of Defense.