

Why GAO Did This Study

The Department of Defense's (DOD) headquarters and support organizations have grown since 2001, including increases in spending, staff, and numbers of senior executives and the proliferation of management layers. In 2010, the Secretary of Defense directed DOD to undertake a departmentwide initiative to reduce excess overhead costs. In response to a mandate, GAO evaluated the extent to which DOD (1) examined its headquarters resources for efficiencies and (2) has complete and reliable headquarters information available for use in making efficiency decisions. For this review, GAO analyzed documents and interviewed officials regarding DOD's headquarters resources and information.

What GAO Recommends

GAO recommends that DOD continue to examine opportunities to consolidate organizations and centralize functions and services and revise DOD Instruction 5100.73 to include all headquarters organizations, specify how contractors performing headquarters functions will be identified and included in reporting, clarify how components are to compile information needed to respond to headquarters reporting requirements, and establish time frames for implementing these actions. DOD concurred with GAO's first recommendation and partially concurred with GAO's second recommendation.

View [GAO-12-345](#). For more information, contact John Pendleton at (404) 679-1816 or pendletonj@gao.gov.

March 2012

DEFENSE HEADQUARTERS

Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings

What GAO Found

The Department of Defense (DOD) has taken some steps to examine its headquarters resources for efficiencies, but additional opportunities for cost savings may exist by further consolidating organizations and centralizing functions. For purposes of the Secretary of Defense's efficiency initiative, DOD components were asked to focus in particular on headquarters and administrative functions, support activities, and other overhead in their portfolios. DOD's fiscal year 2012 budget request included several efficiencies related to headquarters organizations or personnel. GAO found that these efficiencies generally fell into two categories: (1) consolidating or eliminating organizations based on geographic proximity or span of control and (2) centralizing overlapping functions and services. The DOD efficiencies that GAO reviewed to reduce headquarters resources are expected by DOD to save about \$2.9 billion through fiscal year 2016, less than 2 percent of the \$178 billion in savings DOD projected departmentwide. GAO's work indicates that DOD may be able to find additional efficiencies by further examining opportunities to consolidate organizations or centralize functions at headquarters. DOD may not have identified all areas where reductions in headquarters personnel and operating costs could be achieved because the department was working quickly to identify savings in the fiscal year 2012 budget and used a top-down approach that identified several targets of opportunity to reduce costs, including headquarters organizations, but left limited time for a detailed data-driven analysis. In February 2012, DOD proposed \$61 billion in additional savings over fiscal years 2013 to 2017, but provided limited information as to what portions of these savings were specific to headquarters. Without systematic efforts to reexamine its headquarters resources on a more comprehensive basis, DOD may miss opportunities to shift resources away from overhead.

An underlying challenge facing DOD is that it does not have complete and reliable headquarters information available for use in making efficiency assessments and decisions. According to GAO's internal control standards, an agency must have relevant, reliable, and timely information in order to run and control its operations. DOD Instruction 5100.73 guides the identification and reporting of headquarters information. However, GAO found that this instruction is outdated and does not identify all headquarters organizations, such as component command headquarters at U.S. Africa Command and certain Marine Corps headquarters. Also, although some of the services and functions performed by contractors could be considered as headquarters activities, the instruction does not address the tracking of contractors that perform these functions. DOD has delayed updating the instruction to allow time for components to adjust to the statutory changes enacted by Congress in 2009 that created new headquarters reporting requirements. According to DOD officials, ever-changing statutory reporting requirements have contributed to DOD's failure to report to Congress about the numbers of headquarters personnel. As the department did not have reliable headquarters data, DOD compiled related information from other sources to inform its 2010 efficiency initiative. Because of the short timelines given to identify efficiencies and limitations on the sharing of information, this information was not validated before decisions were made. As a result, some of the information used to identify headquarters-related efficiencies was inaccurate and some adjustments in resource allocations will have to be made during implementation to achieve planned savings. Looking to the future, until DOD has updated its instruction to ensure that it has complete and reliable headquarters data, the department will not have the information it needs, which could affect its efforts to direct resources to its main priorities during future budget deliberations.