

GAO Highlights

Highlights of [GAO-17-38](#), a report to congressional committees

Why GAO Did This Study

Given budget constraints, DOD is reviewing opportunities for efficiencies in its commissaries and exchanges, which provide reduced-price groceries and services for the military community. In fiscal year 2015, \$1.3 billion in appropriated funds were used for DOD commissaries and exchanges. The National Defense Authorization Act for Fiscal Year 2016 mandated that DOD report on its plan for budget neutrality, and included a provision for GAO to assess DOD's report.

GAO evaluated the extent to which DOD's report (1) includes a plan to achieve budget neutrality and (2) addresses seven mandated elements and three mandated benchmarks to ensure the maintenance of customer satisfaction, quality of products, and savings that commissary and exchange patrons are to realize.

GAO compared DOD's report with the mandated elements and benchmarks, generally accepted research standards, and federal internal control standards, and interviewed DOD officials.

What GAO Recommends

GAO recommends that DOD provide information to Congress to support its conclusion about budget neutrality; develop a plan for achieving alternative reductions to appropriations; and identify specific metrics for customer satisfaction, product quality, and savings. DOD concurred with GAO's recommendations.

View [GAO-17-38](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.

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DOD COMMISSARIES AND EXCHANGES

Plan and Additional Information Needed on Cost Savings and Metrics for DOD Efforts to Achieve Budget Neutrality

What GAO Found

The Department of Defense's (DOD) May 2016 report on commissaries and exchanges does not provide a plan for achieving budget neutrality, which DOD interprets as ending the use of appropriated funding for commissaries and exchanges by October 2018. The report states that DOD will not be able to achieve budget neutrality, but does not provide detailed information on why budget neutrality is not possible. According to the report, DOD cannot achieve budget neutrality without reducing patron benefits; however, the report does not include cost estimates, assumptions, or specific details about trade-offs or limitations that would clarify DOD's conclusion that budget neutrality is not possible. Instead, DOD's report states that DOD expects to achieve an estimated \$2 billion in reductions over a 5-year period from fiscal year 2017 through fiscal year 2021. However, the report does not include any assumptions, a methodology, or specific time frames related to cost savings initiatives that would lead to the \$2 billion savings. According to DOD officials, the cost savings amount was an arbitrary estimate, and they did not develop details on the steps they would take to achieve \$2 billion in savings. Without information to support DOD's conclusion related to achieving budget neutrality and a plan for achieving an alternative reduction in cost savings, the department lacks the assurance that its cost savings target is an accurate and achievable cost savings estimate, and decisionmakers cannot evaluate the effectiveness of DOD's efforts to achieve cost savings without reducing patron benefits.

GAO's analysis found that DOD's report fully addresses three of the seven mandated elements and partially addresses the remaining four. Although DOD's report discusses the seven mandated elements, GAO found that including additional information would have made the report more consistent with relevant generally accepted research standards and would have made the report more useful to decision makers. For example, the report did not fully include information about assumptions and anticipated cost savings associated with establishing common business processes at commissaries and the exchanges. According to DOD officials, DOD is in the early stages of developing efforts that could include an estimated cost savings target, and DOD did not have time to include additional information in the report.

In addition, GAO found that DOD's report discusses the three mandated benchmarks for customer satisfaction, quality of products, and patron savings but does not define specific metrics for each of the benchmarks. For example, DOD has not defined customer satisfaction relative to maintaining a "high level" of satisfaction or determined what results would qualify as meeting that benchmark. In another example, DOD has not determined whether the commissaries and exchanges are to use the last available savings rate or the average savings rate over the past 5 years as the metric for a sustained patron savings rate. Without specific metrics to assess the mandated requirements related to customer satisfaction, product quality, and patron savings, DOD cannot effectively assess its performance in meeting the benchmarks for success.