

GAO Highlights

Highlights of [GAO-21-74](#), a report to congressional committees

Why GAO Did This Study

DOD spends billions of dollars each year to maintain key business operations. Section 921 of the NDAA for FY 2019 established requirements for DOD to reform these operations and report on their efforts. DOD has also undertaken additional efforts to reform its operations in recent years.

Section 921 called for GAO to assess the accuracy of DOD's reported cost baselines and savings, and section 1753 of the NDAA for FY 2020 called for GAO to report on the OCMO's efficiency initiatives. This report assesses the extent to which DOD has (1) established valid and reliable baseline cost estimates for its business operations; (2) established well-documented cost savings estimates reflecting its reforms; and (3) coordinated its reform efforts.

GAO assessed documents supporting costs, savings estimates, and coordination efforts; interviewed DOD officials; observed demonstrations of DOD's reform tracking tools; and assessed DOD's efforts using selected criteria.

What GAO Recommends

GAO is making three recommendations—specifically, that DOD establish formal processes to standardize development and documentation of cost savings; ensure that reported savings are consistent with the department's definition of reform; and formalize policies or agreements on its reform efforts. DOD concurred with GAO's recommendations.

View [GAO-21-74](#). For more information, contact Elizabeth Field at (202) 512-2775 or fielde1@gao.gov.

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DEFENSE REFORM

DOD Has Made Progress, but Needs to Further Refine and Formalize Its Reform Efforts

What GAO Found

The Department of Defense (DOD) has made progress in establishing valid and reliable cost baselines for its enterprise business operations and has additional efforts ongoing. DOD's January 2020 report responding to section 921 of the John S. McCain National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019 addressed most of the key requirements from that section but also had some limitations, which DOD acknowledged. For example, the baselines included only labor and information technology costs because DOD's financial data do not attribute costs to other specific activities required under section 921. However, DOD officials told GAO they have developed and are continuing to refine baselines for all of the department's enterprise business operations, such as financial and human resource management, to enable DOD to better track the resources devoted to these operations and the progress of reform. While still in progress, this effort shows promise in addressing the weaknesses in DOD's section 921 report and in meeting the need for consistent baselines for DOD's reform efforts that GAO has previously identified.

GAO found that DOD's reported savings of \$37 billion from its reform efforts and a Defense-Wide Review to better align resources are largely reflected in its budget materials; however, the savings were not always well documented or consistent with the department's definitions of reform. Specifically:

- DOD had limited information on the analysis underlying its savings estimates, including (1) economic assumptions, (2) alternative options, and (3) any costs of taking the actions to realize savings, such as opportunity costs. Therefore, GAO was unable to determine the quality of the analysis that led to DOD's savings decisions.
- Further, some of the cost savings initiatives were not clearly aligned with DOD's definitions of reform, and thus DOD may have overstated savings that came from its reform efforts rather than other sources of savings, like cost avoidance. For example, one initiative was based on the delay of military construction projects. According to DOD officials, this was done to fund higher priorities. But if a delayed project is still planned, the costs will likely be realized in a future year.

Without processes to standardize development and documentation of savings and to consistently identify reform savings based on reform definitions, decision makers may lack reliable information on DOD's estimated reform savings.

In coordinating its reform efforts, DOD has generally followed leading practices for collaboration, but there is a risk that this collaboration may not be sustained in light of any organizational changes that Congress or DOD may make. This risk is increased because the Office of the Chief Management Officer (OCMO) and other offices have not formalized and institutionalized these efforts through written policies or agreements. Without written policies or formal agreements that define how organizations should collaborate with regard to DOD's reform and efficiency efforts, current progress may be lost, and future coordination efforts may be hindered.