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Affairs Division

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Defense Management Issue Area Plan

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Foreword

As the investigative arm of Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose waste, fraud, abuse, and mismanagement in federal programs; help Congress target budget reductions; assess financial information management; and alert Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own when information is unavailable elsewhere.

To ensure that GAO's resources are directed toward the most important issues facing Congress, each of GAO's 32 issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

Defense managers face many challenges as they strive to streamline operations, control cost growth in high-interest programs, manage existing infrastructures, and accomplish their missions. GAO's overall strategy for Defense Management issues is to identify innovative, efficient, and cost-effective approaches to improve Department of Defense (DOD) management and reduce infrastructure costs. Our work focuses on encouraging the reengineering and streamlining of DOD operations through new processes and best management practices. Our goal is to identify opportunities to save money, achieve management efficiencies, and improve results. The principal issues in the Defense Management area include the following:

- opportunities for additional savings by consolidating, eliminating, or reengineering infrastructure activities;
- best management practices of public and private sector entities that can be applied to DOD operations and progress in implementing key initiatives, such as National Performance Review reinvention efforts, provisions of the Government Performance and Results Act, and the Chief Financial Officers Act;
- high-interest programs such as environmental cleanup and chemical weapons disposal, and Defense-wide initiatives to improve financial and information management.

Foreword

In the pages that follow, we describe our objectives and planned work on these important issues.

Because unanticipated events may affect this plan, GAO's process allows for updating the plan and provides the flexibility to respond to new emerging issues. If you have any questions or suggestions about this plan, please call me at (202) 512-8412.

A handwritten signature in black ink that reads "David R. Warren". The signature is written in a cursive style with a long horizontal flourish extending to the right.

David R. Warren
Director, Defense Management Issues

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Table I: Key Issues

Issue	Significance
Infrastructure management: Is DOD efficiently and effectively managing military and civilian elements of its infrastructure and identifying opportunities to reduce costs?	Infrastructure costs accounted for \$160 billion (59 percent) of DOD's fiscal year 1994 budget. DOD anticipates operational savings and efficiencies will be achieved as a result of the base closure and realignment process. DOD also believes that additional infrastructure savings and efficiencies could be achieved through additional consolidation, privatization, or outsourcing of functions. However, it is not clear that DOD has an overall strategy or that its efforts will reduce infrastructure costs. Moreover, significant reductions may be difficult without legislative authority similar to that which authorized the previous base closure and realignment rounds.
Best management practices: What best management practices of public and private sector entities can be applied to DOD operations?	Although DOD recognizes the need to reengineer and streamline its operations and infrastructure, cultural changes are needed to overcome long-standing problems and to decrease costs, particularly in the areas of inventory management and installation support activities. Our work has shown that best practices in the private sector often serve as excellent models for change.
Program management: Is DOD's management approach for high-interest programs effective and efficient?	DOD has a number of initiatives underway that are of high interest to Congress and the public. These programs are costly and include environmental cleanup and compliance, chemical weapons disposal, and financial and information management initiatives. Despite their importance, these programs have historically experienced significant cost growth and schedule delays and have often not achieved their original objectives.

Table I: Key Issues

Objectives	Focus of work
<ul style="list-style-type: none">• Identify opportunities to reduce infrastructure costs by reengineering, consolidating, or eliminating infrastructure activities and functions.• Determine how effectively DOD is implementing recommendations by the Commission on Roles and Missions to reduce infrastructure costs by privatizing or outsourcing noncore functions.• Assess whether DOD is effectively managing privatization and outsourcing.• Determine if DOD is realizing savings from base closures and effectively transitioning former bases to civilian use.• Assess DOD's process for identifying excess capacity in a post base closure and realignment environment.• Monitor DOD inventory reduction efforts.	<ul style="list-style-type: none">• DOD strategy for reducing infrastructure costs.• DOD efforts to downsize infrastructure activities and functions in line with the force structure.• Infrastructure activities that are costly, duplicative, or managed inefficiently.• DOD strategy and plans for privatizing or outsourcing noncore functions.• Implementation of privatization and outsourcing initiatives.• Costs, savings, and efficiencies of base closures.• Barriers in transitioning closed bases.• DOD efforts to identify/reduce excess capacity.• Inventory trends, levels, and goals.
<ul style="list-style-type: none">• Identify proven operational and management practices that achieve economies, efficiencies, and savings and assess how DOD can best use them.• Identify mechanisms for overcoming cultural barriers to change.• Follow up on DOD actions to implement best practices for inventory management.	<ul style="list-style-type: none">• Private sector management practices, concepts, and techniques that can be applied to DOD activities.• Management practices, concepts, and techniques to change DOD's culture, including implementation of National Performance Review initiatives and legislatively mandated Government Performance and Results Act requirements.• Results of pilot projects and other initiatives to implement best practices in inventory management.
<ul style="list-style-type: none">• Determine whether DOD is efficiently and effectively managing high/interest programs.• Identify areas that represent unfunded liabilities in future year budgets.	<ul style="list-style-type: none">• DOD initiatives to improve financial and information management.• DOD efforts related to environmental compliance and cleanup.• DOD programs to dispose of chemical weapons and related materials.• Management of the National Defense Stockpile.

Table II: Planned Major Work

Issue	Planned major job starts
Infrastructure management	<ul style="list-style-type: none">• Analysis of DOD strategy for reducing infrastructure costs• Privatization of depot maintenance activities and functions• Reserve and National Guard infrastructure costs• Issues related to transition of former military bases• Progress in improving inventory management• Procurement of items that are not needed• Restructuring inventory control points
Best management practices	<ul style="list-style-type: none">• Management of Army aircraft reparable parts• Overview of reparable parts management• Status of the Defense Logistics Agency's initiatives• Savings being achieved from prime vendor concept• Privatization of the Defense Reutilization and Marketing Service's operations• Implementation of Government Performance and Results Act and National Performance Review initiatives
Program management	<ul style="list-style-type: none">• Pricing policies for DOD fuel• Reengineering of the Defense Finance and Accounting Service• Defense Business Operations Fund mechanism and customer impact• Environmental cleanup priorities• Environmental compliance strategy and costs• Status of chemical weapons disposal programs• Sale of zinc from the National Defense Stockpile

Table III: GAO Contacts

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