



Highlights of [GAO-06-845T](#), a testimony to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

Of the 25 areas on GAO's 2005 high-risk list of federal programs or activities that are at risk for waste, fraud, abuse, or mismanagement, 8 are Department of Defense (DOD) programs or operations and 6 are governmentwide high-risk areas for which DOD shares some responsibility. These high-risk areas relate to DOD's major business operations. DOD's failure to effectively resolve these high-risk areas results in billions of dollars of waste each year, ineffective performance, and inadequate accountability. At a time when DOD is competing for resources in an increasingly fiscally constrained environment, it is critically important that DOD get the most from every defense dollar. DOD has taken several positive steps and devoted substantial resources toward establishing key management structures and processes to successfully transform its business operations and address its high-risk areas, but overall progress by area varies widely and huge challenges remain.

This testimony addresses (1) DOD's progress in developing a strategic, integrated, enterprise-wide business transformation plan and its related leadership approach, (2) the extent to which DOD has complied with legislation that addresses business systems modernization and improving financial management accountability, and (3) selected additional DOD high-risk areas that highlight the need for continued attention.

www.gao.gov/cgi-bin/getrpt?GAO-06-845T.

To view the full product, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or pickups@gao.gov or Randy Hite at (202) 512-6256 or hiter@gao.gov.

DOD BUSINESS TRANSFORMATION

A Comprehensive, Integrated, and Enterprisewide Business Transformation Plan Coupled With Sustained Senior Leadership Attention Are Needed to Strengthen Ongoing Efforts

What GAO Found

DOD has made some progress in its overall approach to business transformation, which GAO has designated as high risk. Yet, GAO still believes DOD needs an integrated, enterprisewide strategic plan and chief management official (CMO) to guide and oversee these efforts. DOD has developed a revised business enterprise architecture and enterprise business transition plan. However, this plan does not go far enough to constitute a strategic plan for the overall business transformation effort. DOD also established the Defense Business Systems Management Committee (DBSMC), as DOD's primary transformation leadership and oversight mechanism, and the Business Transformation Agency (BTA) to support the DBSMC. However, these organizations do not provide the sustained leadership needed to successfully achieve business transformation. Also, the BTA still faces challenges to become operational, such as filling a number of key positions to oversee the transformation process.

DOD continues to take steps to comply with legislative requirements to improve business systems modernization, designated as a high-risk area. It has updated its business enterprise architecture and enterprise transition plan and issued its annual report to Congress. This report describes steps taken and planned that address several of the missing elements GAO previously identified relative to legislative provisions concerning the architecture, transition plan, budgetary reporting of business system investments, and investment review. While these steps certainly reflect progress, DOD continues to face challenges relative to ensuring that the department's key business system investments are managed in a way to deliver promised system capabilities and benefits on time and within budget. Further, in late December 2005, DOD issued its Financial Improvement and Readiness Plan to guide its financial management improvement efforts.

Ensuring effective transformation of other defense areas that GAO has identified as high risk will require continued attention over many years. These other high-risk areas include weapon systems acquisition, contract management, supply chain management, personnel security clearances, and support infrastructure management. In the area of weapons system acquisition, recurring problems with changing requirements, cost overruns, and schedule delays have resulted in a reduction of buying power of the defense dollar at a time when the nation is struggling with a large and growing structural deficit. While it has made some progress in addressing its supply chain management problems, DOD faces challenges in successfully implementing its planned changes and measuring progress. Problems with the personnel security clearance program continue, although DOD has taken steps to address the financial costs, delays, and other risks associated with the program. Finally, much work remains for DOD to transform its support infrastructure to improve operations and achieve efficiencies so that infrastructure costs adequately fund but no longer consume a larger than necessary portion of DOD's budget.