

## Why GAO Did This Study

DOD spends billions of dollars each year to maintain key business operations intended to support the warfighter. The John S. McCain National Defense Authorization Act for Fiscal Year 2019 established requirements for DOD to reform its enterprise business operations. Section 921 of the act required the Secretary of Defense, acting through the Chief Management Officer, to submit to the congressional defense committees by February 1, 2019, a plan, schedule, and cost estimate for reforms of DOD's enterprise business operations to increase effectiveness and efficiency of mission execution.

Section 921 also requires GAO to provide a report assessing the feasibility of the plan. GAO's objectives were to assess (1) DOD's 921 plan, including its feasibility in reforming DOD's business operations, and (2) the extent to which DOD has made progress in implementing the plan and its broader reform efforts.

GAO reviewed DOD's plan and associated documentation and interviewed DOD officials on efforts to reform business operations of the department, including the development and implementation of the plan. GAO also reviewed its past work on DOD reform efforts and the specific subject areas covered by DOD's reform initiatives.

GAO has previously made eight recommendations related to DOD's reform initiatives from three prior reports. DOD concurred with those recommendations and is working to address them, in part through the initiatives GAO discusses.

View [GAO-19-666](#). For more information, contact Elizabeth Field at (202) 512-2775 or [fieldel1@gao.gov](mailto:fieldel1@gao.gov).

## DEFENSE MANAGEMENT

### Observations on DOD's Business Reform Efforts and Plan

#### What GAO Found

The Department of Defense's (DOD) April 2019 plan for business reform identifies eight initiatives related to civilian resources management, logistics management, services contracting, and real estate management. According to the plan, these initiatives will cost at least \$116 million to implement through fiscal year 2021. GAO found that the plan generally contains the elements required under section 921—a schedule and cost estimate—and that several initiatives address aspects of GAO's prior recommendations. However, because many of the planned initiatives entail collecting information that will lay the groundwork for later reforms, assessing the feasibility of DOD's reform effort is difficult. For example, one logistics reform initiative plans to identify opportunities to improve processes, make recommendations, and develop an implementation plan for the recommendations by the end of fiscal year 2019.

Although DOD officials told GAO that the department is making progress implementing the plan's initiatives and achieving cost savings on its broader efforts, DOD provided limited documentation of that progress. As a result, GAO could not independently assess and verify this progress. For example:

- Office of the Chief Management Officer (OCMO) officials provided briefing charts on the status of milestones for DOD's three human resource-related initiatives stating that those initiatives are progressing according to the schedule, but did not provide underlying documentation for each milestone.
- According to DOD, its broader reform efforts have saved or are expected to save about \$18.4 billion between fiscal years 2017 and 2020. According to Under Secretary of Defense (Comptroller) officials, they have validated these savings. However, DOD did not provide any supporting documentation that would allow GAO to independently validate these savings. GAO's prior work has found repeated shortcomings in DOD's ability to demonstrate that it has achieved its goals for savings from reform efforts. DOD is taking steps to address these challenges, including establishing cost baselines for DOD's major lines of business and incorporating Comptroller input into estimates of the costs and potential savings from initiatives as they are developed.

Further, according to the plan, DOD has provided funding through its annual budget process for four of the eight initiatives included in its plan. For the four remaining initiatives, OCMO has identified a source of funding but not obtained that funding for two initiatives, is awaiting a cost estimate for one initiative, and has identified only partial funding for one initiative, which is designed to review contracts and categories of goods or services on a quarterly basis to identify savings. OCMO anticipates that savings identified in earlier rounds of this initiative will fully fund later rounds. However, in January 2019, GAO reported that, according to OCMO, DOD initially planned to fund its reform initiatives in part with savings generated by other initiatives, but recognized that this approach did not work because additional funding was needed. GAO recommended that DOD establish a process to identify and prioritize funding for implementing its initiatives. OCMO has updated its processes for managing its reform efforts in part to address this issue, but the effects of this update at this time are unclear.