



Highlights of [GAO-08-922](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

## Why GAO Did This Study

GAO has designated the Department of Defense's (DOD) multi-billion dollar business systems modernization efforts as high risk, in part because key information technology (IT) management controls have not been implemented on key investments, such as the Navy Cash program. Initiated in 2001, Navy Cash is a joint Department of the Navy (DON) and Department of the Treasury Financial Management Service (FMS) program to create a cashless environment on ships using smart card technology, and is estimated to cost about \$320 million to fully deploy. As requested, GAO analyzed whether DON is effectively implementing IT management controls on the program, including architectural alignment, economic justification, requirements development and management, risk management, security management, and system quality measurement against relevant guidance.

## What GAO Recommends

GAO recommends that investment of modernization funding in Navy Cash be limited until a basis for informed decision making is established, and that other program management weaknesses be corrected, as appropriate. DOD agreed with most of GAO's recommendations and described actions underway or planned to address them, while FMS committed to supporting DON in implementing them. Both provided other comments that GAO addresses in the report.

To view the full product, including the scope and methodology, click on [GAO-08-922](#). For more information, contact Randolph C. Hite at (202) 512-3439 or [hiter@gao.gov](mailto:hiter@gao.gov).

# DOD BUSINESS SYSTEMS MODERNIZATION

## Planned Investment in Navy Program to Create Cashless Shipboard Environment Needs to Be Justified and Better Managed

### What GAO Found

Key IT management controls have not been effectively implemented on Navy Cash, to the point that further investment in this program, as it is currently defined, has not been shown to be a prudent and judicious use of scarce modernization resources. In particular, Navy Cash has not been (1) assessed and defined in a way to ensure that it is not duplicative of programs in the Air Force and the Army that use smart card technology for electronic retail transactions and (2) economically justified on the basis of reliable analyses of estimated costs and expected benefits over the program's life. As a result, DON cannot demonstrate that the investment alternative that it is pursuing is the most cost-effective solution to satisfying its mission needs.

Moreover, other management controls, which are intended to maximize the chances of delivering defined and justified system capabilities and benefits on time and within budget, have not been effectively implemented.

- System requirements have not been effectively managed. For example, neither policies nor plans that define how system requirements are to be managed, nor an approved baseline set of requirements that are justified and needed to cost-effectively meet mission needs, exist. Instead, requirements are addressed reactively through requests for changes to the system based primarily on the availability of funding.
- Program risks have not been effectively managed. In particular, plans, processes, and procedures that provide for identifying, mitigating, and disclosing risks have not been defined, nor have risk-related roles and responsibilities for key stakeholders.
- System security has not been effectively managed, thus putting the confidentiality, integrity, and availability of deployed and operating shipboard devices, applications, and data at increased risk of being compromised. For example, the mitigation of system vulnerabilities by applying software patches has not been effectively implemented.
- Key aspects of system quality are not being effectively measured. For example, data for determining trends in unresolved system change requests, which is an indicator of system stability, as well as user feedback on system satisfaction, are not being collected and used.

Program oversight and management officials acknowledged these weaknesses and cited turnover of staff in key positions and their primary focus on deploying Navy Cash as reasons for the state of some of these IT management controls. Collectively, this means that, after investing about 6 years and \$132 million on Navy Cash and planning to invest an additional \$60 million to further develop the program, the department has yet to demonstrate through verifiable analysis and evidence that the program, as currently defined, is justified. Moreover, even if further investment was to be demonstrated, the manner in which the delivery of program capabilities is being managed is not adequate. As a result, the program is at risk of delivering a system solution that falls short of cost, schedule, and performance expectations.