



Highlights of [GAO-05-520T](#), a testimony before the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

## DOD HIGH-RISK AREAS

# Successful Business Transformation Requires Sound Strategic Planning and Sustained Leadership

### Why GAO Did This Study

In January 2005, GAO released its 2005 high-risk series update report for the 109<sup>th</sup> Congress. GAO's high-risk series has increasingly focused on major government programs and operations that need urgent attention and transformation to ensure that the U.S. government functions in the most economical, efficient, and effective manner possible. GAO also emphasizes those federal programs and operations that are at high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement. Of the 25 areas on GAO's 2005 high-risk list, 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 touch on all of DOD's major business operations. DOD's failure to effectively address these many high-risk areas results in billions of dollars of waste each year and inadequate accountability to Congress and the American people.

The Subcommittee asked GAO to provide its views on (1) DOD's high-risk areas, including those it shares responsibility for with other federal agencies; (2) an emerging challenge for DOD that merits close attention, involving DOD's approach to risk management; and (3) key elements, such as a chief management official, to successfully address these high-risk areas and achieve business transformation reform.

[www.gao.gov/cgi-bin/getrpt?GAO-05-520T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-520T).

To view the full product, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov) or Gregory Kutz at (202) 512-9505 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

### What GAO Found

GAO has reported on inefficiencies and inadequate transparency and accountability across DOD's major business areas, resulting in billions of dollars of wasted resources annually. As shown in the following table, these problems have resulted in GAO's designation of eight DOD areas as high-risk, two of which were newly added this year. Progress in addressing one of these new high-risk areas—DOD's overall approach to business transformation—is needed to confront the other seven areas. DOD also shares some responsibility for six other governmentwide high-risk areas, including strategic human capital management. Although DOD's senior leaders have shown commitment to business management reform, little tangible evidence of actual improvement has been seen to date.

**Years When Specific DOD Areas on GAO's 2005 High-Risk List Were First Designated as High Risk**

Area	Year designated as high risk
DOD approach to business transformation	2005
• DOD personnel security clearance program	2005
• DOD support infrastructure management	1997
• DOD business systems modernization	1995
• DOD financial management	1995
• DOD weapon systems acquisition	1990
• DOD contract management	1992
• DOD supply chain management <sup>a</sup>	1990

Source: GAO.

<sup>a</sup>This area, formerly entitled DOD inventory management, was expanded to include distribution and asset visibility.

In addition to the specific high-risk areas, there are other broad-based challenges facing our government that merit continuing close attention. One emerging area of concern involves the need for DOD along with other agencies to develop and use a strategic risk-based approach for establishing goals, evaluating and setting priorities, and making difficult resource decisions across the department. Strategically managing risks and investment decisions is crucial for DOD as it faces growing questions about the affordability and sustainability of current defense spending.

To move forward, there are three key elements that DOD must incorporate into its business management reform efforts to successfully address the systemic management problems related to its high-risk areas. First, any reform efforts must include a comprehensive, integrated strategic plan with results-oriented performance measures, including a well-defined blueprint (an enterprise architecture) to guide and constrain implementation of such a plan. Second, central control of system investments is crucial for successful transformation. Finally, a legislatively created Deputy Secretary of Defense for Management is essential for providing the strong and sustained executive leadership needed if reform efforts are to succeed.