DOD BUSINESS SYSTEMS MODERNIZATION

Navy ERP Adherence to Best Business Practices Critical to Avoid Past Failures

Why GAO Did This Study

The Department of Defense's (DOD) difficulty in implementing business systems that are efficient and effective continues despite the billions of dollars that it invests each year. For a decade now—since 1995—we have designated DOD's business systems modernization as "high-risk." GAO was asked to (1) provide a historical perspective on the planning and costs of the Navy's four Enterprise Resource Planning (ERP) pilot projects, and the decision to merge them into one program; (2) determine if the Navy has identified lessons from the pilots, how the lessons are being used, and challenges that remain; and (3) determine if there are additional best business practices that could be used to improve management oversight of the Navy ERP.

What GAO Recommends

GAO makes three recommendations to DOD: (1) develop and implement the quantitative metrics needed to evaluate project performance and risks and use the metrics to assess progress and compliance with disciplined processes, (2) establish an independent verification and validation (IV&V) function and direct that all IV&V reports be provided to Navy management and the appropriate DOD investment review board, and (3) institute semiannual reviews of the program. DOD generally agreed with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-858.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-9505 or Keith Rhodes at (202) 512-6412.

What GAO Found

The Navy invested approximately $1 billion in four ERP pilots without marked improvement in its day-to-day operations. The planning for the pilots started in 1998, with implementation beginning in fiscal year 2000. The four pilots were limited in scope and were not intended to be corporate solutions for any of the Navy's long-standing financial and business management problems. Furthermore, because of the various inconsistencies in the design and implementation of the pilots, they were not interoperable, even though they performed many of the same business functions. In short, the efforts were failures and $1 billion was largely wasted.

Because the pilots would not meet its overall requirements, the Navy decided to start over and develop a new ERP system, under the leadership of a central program office. Using the lessons learned from the pilots, the current Navy ERP program office has so far been committed to the disciplined processes necessary to manage this effort. GAO found that, unlike other systems projects it has reviewed at DOD and other agencies, Navy ERP management is following an effective process for identifying and documenting requirements. The strong emphasis on requirements management, which was lacking in the previous efforts, is critical since requirements represent the essential blueprint that system developers and program managers use to design, develop, test, and implement a system and are key factors in projects that are considered successful.

While the Navy ERP has the potential to address some of the Navy's financial management weaknesses, as currently planned, it will not provide an all-inclusive end-to-end corporate solution for the Navy. For example, the current scope of the ERP does not include the activities of the aviation and shipyard depots. Further, there are still significant challenges and risks ahead as the project moves forward, such as developing and implementing 44 system interfaces with other Navy and DOD systems and converting data from legacy systems into the ERP system. The project is in its early phases, with a current estimated completion date of 2011 at an estimated cost of $800 million. These estimates are subject to, and very likely will, change. Broader challenges, such as alignment with DOD's business enterprise architecture, which is not fully defined, also present a significant risk. Given DOD's past inability to implement business systems that provide the promised capability, continued close management oversight—by the Navy and DOD—will be critical. In this regard, the Navy does not have in place the structure to capture quantitative data that can be used to assess the effectiveness of the overall effort. Also, the Navy has not established an IV&V function. Rather, the Navy is using in-house subject matter experts and others within the project. Industry best practices indicate that the IV&V activity should be independent of the project and report directly to agency management in order to provide added assurance that reported results on the project's status are unbiased.

_____ **United States Government Accountability Office**