



Highlights of [GAO-06-13](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Department of Defense (DOD) is simultaneously conducting costly military operations and transforming its forces and business practices while it is also competing for resources in an increasingly constrained fiscal environment. As a result, GAO has advocated that DOD adopt a comprehensive threat or risk management approach as a framework for decision making. In its 2001 strategic plan, the Quadrennial Defense Review (QDR), DOD stated its intent to establish an approach—the risk management framework—to balance priorities against risk over time and monitor results against its strategic goals.

GAO was asked to (1) assess the extent to which DOD has implemented the framework, including using it to make investment decisions, and (2) identify the most significant challenges DOD faces in implementing the framework, or a similar approach.

What GAO Recommends

GAO recommends that DOD take various actions to increase its chances of successfully implementing a risk-based approach for investment decision making, such as developing results-oriented measures and assigning clear leadership with appropriate accountability and authority to implement the framework. DOD partially concurred with our recommendations.

www.gao.gov/cgi-bin/gettrpt?GAO-06-13.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or pickups@gao.gov.

DEFENSE MANAGEMENT

Additional Actions Needed to Enhance DOD's Risk-Based Approach for Making Resource Decisions

What GAO Found

DOD has taken some positive steps to implement the framework, but additional actions are needed before DOD can show real and sustainable progress in using a risk-based and results-oriented approach to strategically allocate resources across the spectrum of its investment priorities. For example, DOD defined four risk areas, and developed performance goals and department-level measures, but it needs to, among other things, further develop and refine the measures so that they clearly demonstrate results and provide a well-rounded depiction of departmental performance. DOD's current strategic plan and goals also are not clearly linked to the framework's performance goals and measures, and linkages between the framework and budget are also unclear. While DOD officials stated that risk was considered during the fiscal year 2006 budget cycle, DOD's budget submission does not specifically discuss how DOD identified or assessed risks to establish DOD-wide investment priorities. Without better measures, clear linkages, and greater transparency, DOD will be unable to fully measure progress in achieving strategic goals or demonstrate to Congress and others how it considered risks, and made trade-off decisions, balancing needs and costs for weapon programs and other investment priorities.

DOD's Risk Management Framework

Force Management Risk

Definition: Challenge of sustaining personnel, infrastructure, and equipment

Operational Risk

Definition: Challenge of deterring or defeating near-term threats

Future Challenges Risk

Definition: Challenge of dissuading, deterring, defeating longer-term threats

Institutional Risk

Definition: Challenge of improving efficiency (includes financial management)

Source: DOD.

DOD faces four challenges that have affected the implementation of the framework. First, DOD's organizational culture resists department-level approaches to priority setting and investment decisions. Second, sustained leadership, adequate transparency, and appropriate accountability are lacking. Further, no one individual or office has been assigned overall responsibility or sufficient authority for the framework's implementation. DOD also has not developed implementation goals or timelines with which to establish accountability, or measure progress. Finally, integrating the risk management framework with decision support processes and related reform initiatives into a coherent, unified management approach for the department is a challenge that DOD plans to address during the 2005 QDR. However, GAO has concerns about DOD's ability to follow through on this integration, because of its limited success in implementing other management reforms. Unless DOD successfully addresses these challenges and effectively implements the framework, or a similar approach, it will likely continue to experience (1) a mismatch between programs and budgets, and (2) a proportional, rather than strategic, allocation of resources to the services.