



Highlights of [GAO-08-132T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The Department of Defense (DOD) continues to face significant challenges in resolving its many long-standing business challenges. DOD is solely responsible for eight high-risk areas and shares responsibility for another seven governmentwide areas on GAO's high-risk list. GAO designated DOD's approach to business transformation as high risk in 2005 because (1) DOD's improvement efforts were fragmented, (2) DOD lacked an enterprisewide and integrated business transformation plan, and (3) DOD had not appointed a senior official at the right level with an adequate amount of time and appropriate authority to be responsible for overall business transformation efforts. A recent DOD directive designated the current Deputy Secretary of Defense as DOD's chief management officer (CMO). Successful overall business transformation, however, will require full-time leadership that is focused solely on the integration and execution of these efforts, over the long term, to resolve pervasive weaknesses that have left DOD vulnerable to waste, fraud, and abuse at a time of increasing fiscal constraint.

This testimony is based on previous and ongoing GAO work and discusses (1) the impact of DOD's long-standing business challenges on DOD and the warfighter, and (2) the progress DOD has made and actions needed to achieve sustainable success in its business transformation efforts. This testimony also provides an update on DOD-specific high-risk areas.

To view the full product, including the scope and methodology, click on [GAO-08-132T](#). For more information, contact Sharon Pickup, at (202) 512-9619 or pickups@gao.gov.

DEFENSE BUSINESS TRANSFORMATION

A Full-time Chief Management Officer with a Term Appointment Is Needed at DOD to Maintain Continuity of Effort and Achieve Sustainable Success

What GAO Found

The persistence and magnitude of DOD's business transformation challenges highlight the fact that the status quo is unacceptable and that, without focused and sustained leadership to guide the overall business transformation effort, the department will continue to waste billions of dollars annually. Within DOD, business transformation is broad, encompassing people, planning, processes, organizational structures, and technology. DOD's pervasive and long-standing business weaknesses adversely affect the department's economy, efficiency, and effectiveness, and have resulted in a lack of adequate accountability across all of its major business areas. Ultimately, these weaknesses affect the department's ability to support the warfighter, including the availability of equipment and weapon systems, the cost and performance of contractors supporting the warfighter, and the assessment of resource requirements.

Illustrative Weaknesses in DOD's Business Operations

Business area	Impact on department and warfighter
Weapon Systems Acquisition	Weapon development problems have delayed deliveries to the warfighter by several years on average. It is a predictable phenomenon that can be remedied with better knowledge at key decision points. However, standing in the way is a range of long-standing challenges Congress will have to address.
Contract Management	While DOD relies heavily on contractors to undertake major reconstruction projects and provide support to the military, ineffective contract design, management, and oversight leads to increased costs and poor outcomes.
Financial Management	Unreliable cost information affects DOD's ability to assess resource requirements, control costs, assess performance, evaluate programs, and set appropriate fees to recover costs where required.

Source: GAO.

DOD's senior leadership has shown a commitment to transforming the department's business operations. Two critical actions, among others, however, are still needed to change the status quo. DOD has yet to establish (1) a strategic planning process that results in a comprehensive, integrated, and enterprisewide plan or set of plans to help guide transformation, and (2) a senior official who can provide full-time attention and sustained leadership to transformation. Broad-based consensus exists among GAO and others that DOD needs a full-time and term-based senior management official to provide focused and sustained leadership over its overall business transformation efforts, both within and across administrations. Also, various legislative proposals call for senior-level attention to these efforts. While DOD recently assigned CMO duties to the current Deputy Secretary of Defense, this does not ensure full-time attention or continuity of leadership. GAO continues to believe a CMO position should be codified in statute as a separate position, at the right level, and with the appropriate term in office. In the absence of a CMO with these characteristics, and an enterprisewide plan to guide business transformation efforts, it is highly unlikely that DOD will ever get the most out of every taxpayer dollar it invests to better support the warfighter in times of growing fiscal constraint.