

# GAO Highlights

Highlights of [GAO-15-213](#), a report to congressional committees

## Why GAO Did This Study

DOD spends billions of dollars each year to maintain key business functions intended to support the warfighter. While DOD maintains military forces with unparalleled capabilities, it continues to confront decades-old management weaknesses related to its business functions that support these forces. GAO designated DOD's approach to business transformation as high-risk in 2005 because DOD had not taken steps to achieve and sustain business reform on a strategic, department-wide basis.

This report identifies the extent to which (1) DOD has addressed business transformation weaknesses and (2) the Office of the DCMO has effectively monitored the progress of its business transformation efforts. GAO reviewed documentation, such as DOD's Fiscal Year 2014-2015 Strategic Management Plan and performance measures established for its business functions. GAO also interviewed officials responsible for DOD's business transformation efforts.

## What GAO Recommends

GAO recommends that the CMO and DCMO document and communicate priorities for DOD's business transformation efforts and oversee the development of a correction action plan. GAO also recommends that the DCMO develop clear and comprehensive performance measures that are aligned with strategic goals to monitor the progress of its business transformation efforts. DOD concurred with GAO's recommendations.

View [GAO-15-213](#). For more information, contact Zina D. Merritt at (202) 512-5257 or [merrittz@gao.gov](mailto:merrittz@gao.gov).

February 2015

## DEFENSE BUSINESS TRANSFORMATION

### DOD Has Taken Some Steps to Address Weaknesses, but Additional Actions Are Needed

## What GAO Found

Department of Defense (DOD) senior leadership—specifically the Chief Management Officer (CMO) and the Deputy Chief Management Officer (DCMO)—have taken some steps to address business transformation weaknesses, such as establishing management responsibilities and issuing an updated Strategic Management Plan to provide a strategy for business transformation. However, DOD senior leadership has not implemented leading performance management practices for federal agencies to help ensure additional progress. For example, DOD's CMO and DCMO have not communicated priorities for its business goals or overseen the development of a corrective action plan that outlines the root causes hindering progress in its business transformation efforts and the solutions needed to address them. A provision in the Carl Levin and Howard P. "Buck" McKeon National Defense Act for Fiscal Year 2015 to convert the DCMO to the Under Secretary of Defense for Business Management and Information in February 2017 will assist the Deputy Secretary of Defense in his role as the CMO by providing greater authority to supervise management of business operations and help, among other things, DOD further demonstrate its commitment to addressing business transformation efforts. However, without the implementation of these leading practices, DOD will continue to face challenges in addressing its business transformation weaknesses, such as its continued use of outdated processes and systems for key business functions, such as financial management and logistics.

The Office of the DCMO has collected some performance information to satisfy government-wide requirements, but has not effectively monitored the progress of DOD's business transformation efforts. For example, DOD's performance measures are not clear, comprehensive, or aligned with its strategic goals, all of which are key attributes for such measures, and Office of the DCMO officials stated that its performance measures are not effective in monitoring progress toward meeting strategic goals. In addition, the Office of the DCMO conducted a high-level assessment of its personnel as part of its 2014 reorganization to determine their placement within its office based on input and work experience, but Office of the DCMO officials have not fully assessed the skills of its personnel to determine whether critical gaps to effectively monitor performance exist. Office of the DCMO officials acknowledged that while its assessment served as a baseline for training needs, a more comprehensive analysis is needed to identify specific skill gaps. In May 2013, GAO recommended that the DCMO develop a comprehensive plan to address identified gaps as part of a strategic approach to human capital planning. DOD did not concur with the recommendation, stating that the Office of the DCMO is a relatively small DOD component and the recommended action was designed for an entire agency. GAO disagreed and continues to believe that the 2014 reorganization provided an opportunity to undertake a more complete assessment. Until the Office of the DCMO develops new performance measures and implements GAO's May 2013 recommendation on determining whether it has personnel with the appropriate skills to effectively monitor performance, the Office of the DCMO will be hindered in assessing progress made by its business transformation efforts.