



September 2018

DEFENSE MANAGEMENT

**DOD Needs to
Address Inefficiencies
and Implement
Reform across Its
Defense Agencies
and DOD Field
Activities**

Accessible Version

GAO Highlights

Highlights of [GAO-18-592](#), a report to the Committee on Armed Services, U.S. Senate

Why GAO Did This Study

DOD spends billions of dollars annually to maintain business functions that support the warfighter. Many of these functions are performed by the DAFAs—DOD's 19 defense agencies and 8 field activities intended to provide department-wide consolidated support functions. GAO has previously identified instances of fragmentation, overlap, and duplication among the DAFAs.

Senate Report 115-125, accompanying a bill for the National Defense Authorization Act for Fiscal Year 2018, included a provision that GAO review the DAFAs. This report evaluates the extent to which (1) DOD has assessed the continuing need for each DAFA; (2) any overlap or fragmentation among the DAFAs that provide human resources services has affected service delivery; and (3) DOD has monitored and evaluated the results of its efficiency initiatives that affect the DAFAs. GAO reviewed legal requirements, assessed prior DOD reports, and analyzed DOD's human resources activities and documentation tracking past efficiency initiatives.

What GAO Recommends

GAO is making five recommendations, including for DOD to develop internal guidance to conduct and record its reviews of DAFAs; collect consistent performance information and comprehensive overhead cost information; establish time frames and deliverables for key reform efforts; and ensure routine and comprehensive monitoring and evaluation of ongoing efficiency initiatives. DOD concurred with GAO's recommendations.

View [GAO-18-592](#). For more information, contact Elizabeth Field at (202) 512-2775 or fielde1@gao.gov

September 2018

DEFENSE MANAGEMENT

DOD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DOD Field Activities

What GAO Found

The Department of Defense (DOD) does not comprehensively or routinely assess the continuing need for its defense agencies and DOD field activities (DAFAs). DOD was statutorily required to review the services and supplies each DAFA provides to ensure there is a continuing need for each and that the provision of services and supplies by each DAFA, rather than by the military departments, is more effective, economical, or efficient. A DOD directive requires the recording of the review. DOD previously issued biennial reports to Congress to record its review. Since 2012, DOD has relied on existing processes to fulfill the requirement; such as the annual budget process and the day-to-day management of the DAFAs. However, DOD did not provide sufficient evidence that these processes satisfy the statute. For example, while DOD reviews the DAFAs during the budget process, it does not specifically review the provision of services by the DAFAs rather than the military departments. Further, DOD does not have internal guidance that provides clear direction for conducting and recording its response to the statutory requirement. Without such guidance, DOD is limited in its ability to clearly define or target the scope of its reviews and any resulting reports. As such, DOD and congressional decision makers may not have reasonable assurance of a continuing need for the DAFAs, or that the provision of services and supplies is effective, economical, and efficient.

There is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DOD. At least six DOD organizations, including three DAFAs, perform human resources services for other parts of the department. One DAFA receives human resources services from all six organizations. This has resulted in negative effects, such as inconsistent performance information regarding hiring, fragmented information technology systems, and inefficiencies associated with overhead costs. For example, DOD officials stated that there are over 800 fragmented information technology systems used to store and record training records across the department, which are costly to maintain. DOD established a reform team to reduce inefficiencies within this business function. However, the team lacks comprehensive information on overhead costs that could guide reform and does not have time frames or deliverables for completing certain reform initiatives. With consistent human resource performance information, comprehensive information on overhead costs, and clear time frames in place, the team would be better positioned to thoroughly assess the department's system for human resources service delivery and develop and implement long-term solutions for better coordination or consolidation of this function.

DOD has taken some steps to monitor and evaluate the results of key efficiency initiatives that affect the DAFAs. However, DOD has not always established baselines or performed ongoing monitoring of its initiatives. Further, DOD has focused on whether steps have been taken, rather than outcomes achieved. For example, DOD did not evaluate whether a prior efficiency initiative called the Core Business Process Review achieved any of its intended savings or led to expected efficiencies. Without ensuring that efficiency initiatives are fully monitored and evaluated against established baselines over time, DOD lacks a systematic basis for evaluating whether its various initiatives have improved the efficiency or effectiveness of its programs or activities.

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Abbreviations

CMO	Chief Management Officer
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DOD	Department of Defense
DAFAs	Defense Agencies and DOD Field Activities
IT	Information Technology
OCMO	Office of the CMO
USD	Under Secretary of Defense
WHS	Washington Headquarters Service

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September 6, 2018

Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Department of Defense (DOD) maintains military forces with unparalleled capabilities; however, it continues to confront organizational and management challenges that hinder collaboration and integration across the department. Further, DOD spends billions of dollars each year to maintain the business functions designed to support the warfighter, such as managing finances, information systems, contracts, and weapon systems. DOD is in the midst of significant management reorganization and reform intended to address long-standing weaknesses in its business operations. As part of this reorganization, the newly established Chief Management Officer (CMO) is responsible for improving the quality and productivity of the business operations of the department. The defense agencies and DOD field activities (DAFAs) play a critical role in supporting the department's business operations. DOD's 19 defense agencies and 8 field activities are intended to perform consolidated supply and service functions on a department-wide basis. According to a November 2017 DOD memo, 22 DAFAs were funded at more than \$106 billion for fiscal year 2017.¹

In prior work, we have identified numerous instances of fragmentation, overlap, and duplication and have recommended actions to increase coordination or consolidation to address related inefficiencies that affect the DAFAs.² For example, we previously recommended that DOD should minimize unnecessary overlap among the eight organizations that account for missing persons from past conflicts and improve the

¹DOD's reported funding of \$106 billion for the DAFAs includes more than \$57 billion in regular appropriations and more than \$48 billion in working capital funds for 22 DAFAs. This total excludes funding for the 5 DAFAs that are part of the intelligence community.

²GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-18-371SP](#) (Washington, D.C.: Apr. 26, 2018).

effectiveness of that mission.³ Subsequently, DOD addressed this fragmentation and reorganized the mission into one defense agency, the Defense POW/MIA Accounting Agency.

Senate Report 115-125 accompanying a bill for the National Defense Authorization Act for Fiscal Year 2018 included a provision that we review the DAFAs.⁴ This report evaluates the extent to which (1) DOD has assessed the continuing need for each DAFA; (2) any overlap or fragmentation among the DAFAs that provide human resources services has affected the delivery of those services; and (3) DOD has monitored and evaluated the results of its efficiency initiatives that affect the DAFAs.

For our first objective, we reviewed DOD's efforts to fulfill a statutory requirement that the department periodically review the continuing need for its DAFAs and the associated provision of services and supplies.⁵ As such, we reviewed the biennial reports that DOD issued on the DAFAs to address the statute from 1987, the first year after enactment of the requirement, through 2012, the most recent year of DOD's reporting. We also interviewed officials from the Office of the CMO (OCMO) regarding DOD's current processes for reviewing and recording their assessment of the DAFAs, and we evaluated DOD's current response against the relevant statute. Further, we reviewed the most recent DOD reports on combat support agencies, issued in 2016 and 2017, as there is a comparable statutory requirement for DOD to review this subset of the DAFAs, and we interviewed relevant Joint Staff officials regarding the processes used to develop those reports.⁶ We compared DOD's biennial reports and combat support agency reports with key elements of quality

³GAO, *DOD's POW/MIA Mission: Top-Level Leadership Attention Needed to Resolve Longstanding Challenges in Accounting for Missing Persons from Past Conflicts*, [GAO-13-619](#) (Washington, D.C.: Jul. 17, 2013.)

⁴S. Rep. No. 115-125, at 220-221 (2017).

⁵10 U.S.C. § 192(c) (2008). Shortly before the issuance of this report, the John S. McCain National Defense Authorization Act for Fiscal Year 2019 amended the requirements for periodic reviews of the DAFAs in 10 U.S.C. § 192(c). Pub. L. No. 115-232, § 923 (2018). Some changes in the statute align with the findings and recommendations in this report. We evaluated the extent to which DOD fulfilled the requirements of 10 U.S.C. § 192(c) as they existed during our audit work.

⁶10 U.S.C. § 193(a).

evaluations, which we identified in prior work and compiled as part of this review.⁷

For our second objective, we selected one business function of the department—the provision of human resources services—and reviewed the department’s implementation of this function to identify any potential inefficient fragmentation or overlap in the services provided.⁸ For example, we reviewed the client bases serviced by each DAFA to identify any inefficient duplication or overlap, and we reviewed the performance measures used by each DAFA to examine for any fragmentation in their respective approaches to performance measurement. We compared DOD’s provision of human resources by DAFAs against statutory requirements that DOD’s DAFAs provide services in a manner that is effective, economical, or efficient.⁹ Further, we assessed DOD’s provision of human resources, using our fragmentation, overlap, and duplication evaluation guide.¹⁰ We also interviewed relevant DOD and DAFA officials about the provision of human resources and current plans to reform this business function.

For our third objective, we selected and assessed DOD’s monitoring and evaluation of department-wide efficiency initiatives. Specifically, we selected a subset of efficiency initiatives that affected DAFAs and that we have reported on since 2014. We obtained documentation and spoke with officials from the OCMO, and we selected DAFAs regarding DOD’s

⁷For more information on the source of these key elements, please see the longer discussion in appendix I of this report. For example, sources of these key elements include GAO, *Designing Evaluations: 2012 Revision* (Supersedes [PEMD-10.1.4](#)), [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012); GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015); and the generally accepted research standards identified in GAO, *Army Combat Vehicles: Industrial Base Study’s Approach Met Research Standards*, [GAO-15-548](#) (Washington, D.C.: Published: Jun. 16, 2015), among others.

⁸We performed a selection strategy to narrow the focus of this review to one business function. We selected seven DAFAs that are larger in size and budget and that focus on the traditional business areas of DOD, such as logistics or financial management. From those seven DAFAs, we reviewed the chartering directives for each of those agencies and DOD’s most recent biennial report on DAFAs to identify terms and phrases that appeared duplicative or repetitive in nature. Using that strategy, we selected human resources as the business line of effort for the focus of our review.

⁹10 U.S.C. § 191; 10 U.S.C. § 192(c) (2008).

¹⁰GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#). (Washington, D.C. Apr. 14, 2015).

monitoring, assessing, and tracking of the selected reform initiatives. We also obtained information and documentation from the OCMO regarding DOD's ongoing reform efforts, including plans for monitoring and assessing efforts, and we evaluated this information using Standards for Internal Control in the Federal Government, which states that management should establish and operate monitoring activities and evaluate the results.¹¹ See appendix I for additional details.

We conducted this performance audit from August 2017 to September 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

DOD's DAFAs

DOD's 19 defense agencies and 8 DOD field activities are defense organizations separate from the military departments. They are intended to provide a common supply or service across more than one DOD organization. The services and supplies provided by the DAFAs are broad; they range from intelligence to human resources services, to providing secure networks and buildings, to developing cutting edge research and technological advancements, to missile defense, to providing groceries for military families. DOD estimates that the DAFAs employ more than 380,000 military and civilian personnel across the department, not including contractors.

Each head of a DAFA reports to a principal staff assistant within the Office of the Secretary of Defense, who in turn reports directly to the Deputy Secretary of Defense or the Secretary of Defense. The principal staff assistants who provide oversight to the DAFAs include the CMO, the Chief Information Officer, the heads of DOD's Offices of General Counsel and Public Affairs, and all of the Under Secretaries within the department,

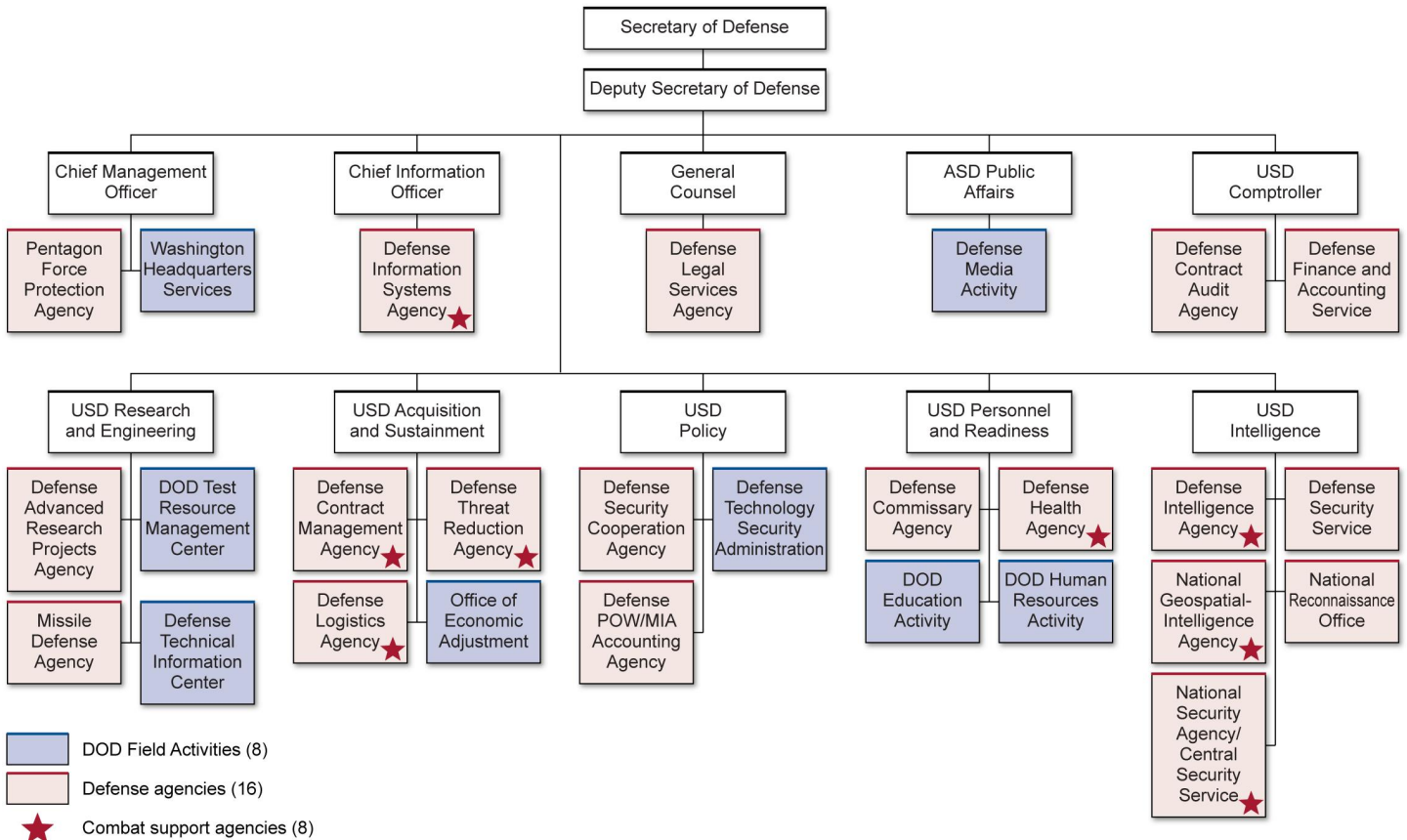
¹¹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#). (Washington, D.C.: Sept. 10, 2014).

depending on the mission of the DAFA. In addition to providing advice to the Secretary on assigned matters, each principal staff assistant plays an important role in the development and review of key aspects of the DAFA's submissions as part of DOD's annual budget process, called the Planning, Programming, Budgeting, and Execution process.¹²

A subset of the DAFAs consists of the combat support agencies, which have, in addition to their other functions, focused missions to support the combatant commands. These eight agencies are jointly overseen by their respective principal staff assistants and the Chairman of the Joint Chiefs of Staff. Figure 1 details the organizational structure and reporting relationships of the DAFAs, including the eight combat support agencies.

¹²Principal staff assistants are those officials within the Office of the Secretary of Defense who report directly to the Secretary or Deputy Secretary of Defense and provide advice, assistance, and support to the Secretary of Defense in managing the department and in carrying out such duties as may be prescribed by the Secretary or by law. According to DOD officials, each DAFA operates under the authority, direction, and control of the Secretary of Defense, either through a principal staff assistant or another designated official, per section 192(a) and section 131(b) of title 10 of the United States Code. See also Department of Defense Directive 5100.01, *Functions of the Department of Defense and Its Major Components* (Dec. 21, 2010).

Figure 1: Defense Agencies and Department of Defense (DOD) Field Activities Organizational Chart



ASD: Assistant Secretary of Defense
 USD: Under Secretary of Defense

Source: Department of Defense (DOD). | GAO-18-592

DOD’s CMO Reorganization and Related Reform Efforts

Section 901 of the Fiscal Year 2017 National Defense Authorization Act established a CMO within DOD, effective on February 1, 2018, and the Secretary established the position, as directed, on that date.¹³ The Fiscal Year 2018 National Defense Authorization Act, Section 910, clarified the role and expanded the responsibilities of the DOD CMO. Further, it elevated the position to take precedence in the department after the

¹³Pub. L. No. 114-328, § 901 (2016).

Secretary of Defense and the Deputy Secretary of Defense.¹⁴ This section also gave the CMO authority to direct the secretaries of the military departments and the heads of other defense organizations with regard to business operations and department-wide shared services. The expanded authority of the CMO includes oversight, direction, and control over DAFAs providing shared business services for the department, to be determined by the Secretary of Defense or the Deputy Secretary of Defense. In January 2019 the CMO will assume some of the Chief Information Officer responsibilities, duties, and powers related to business systems or management, including the management of the enterprise business operations and shared services of the department, as required by law.¹⁵ Additionally, the CMO will serve as the DOD performance improvement officer.¹⁶

Fragmentation, Overlap, and Duplication

Since 2011, we have issued annual reports on opportunities to reduce or better manage fragmentation, overlap, and duplication, as well as to achieve cost savings and enhance revenue for the federal government. The federal government faces a long-term, unsustainable fiscal path based on an imbalance between federal revenues and spending.¹⁷ Figure 2 defines fragmentation, overlap, and duplication.

¹⁴Pub. L. No. 115-91, § 910 (2017).

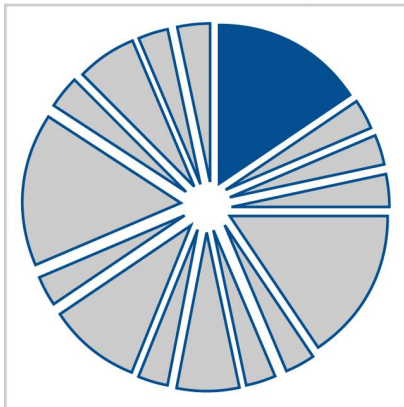
¹⁵Pub. L. No. 115-91, § 910 (2017).

¹⁶The GPRA Modernization Act of 2010 required agency heads to designate a senior executive within the agency as the performance improvement officer, who assists the agency head and agency chief operating officer with various performance management activities. See Pub. L. No. 111-352, 124 Stat. 3866-3884 (2011).

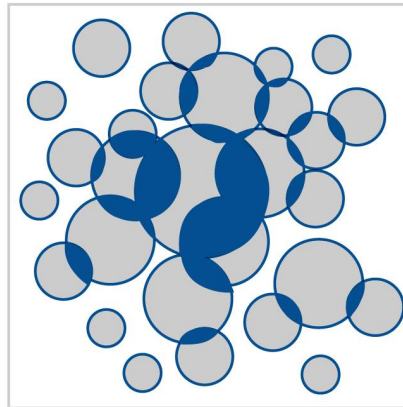
¹⁷[GAO-18-371SP](#).

Figure 2: Definitions of Fragmentation, Overlap, and Duplication

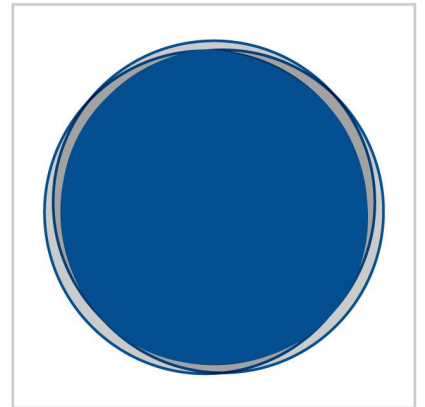
Fragmentation refers to those circumstances in which more than one federal agency (or more than one organization within an agency) is involved in the same broad area of national need and opportunities exist to improve service delivery.



Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.



Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.



Source: GAO. | GAO-18-592

DOD Has Not Comprehensively or Routinely Assessed the Continuing Need for Its DAFAs

DOD's Past and Current Efforts to Assess the DAFAs Have Limitations

Although DOD has taken some steps to assess the continuing need for the DAFAs, we found that these steps have been neither comprehensive nor routine, especially since 2012. At the time of our review, section 192(c) of title 10 of the United States Code required the Secretary of Defense to review the services and supplies each DAFA provides to ensure that (1) there is a continuing need for each DAFA; and (2) the provision of services and supplies by each DAFA, rather than by the military departments, is a more effective, economical, or efficient manner

of providing those services and supplies or of meeting the requirements for combat readiness.¹⁸

From 1987 to 2012, DOD issued biennial reports to Congress to record its response to this statute, but the methodology and quality of those reports varied. Regarding the methodology of the past reports, for the first five biennial reports, from 1987 to 1995, DOD relied on a research team to identify findings and provide recommendations on the structure and composition of the DAFAs. The four reports issued from 1997 to 2004 relied on a survey of the DAFAs' customers across DOD. From 2005 to 2010, DOD issued three reports that alternated between a senior management assessment of the DAFAs and the customer survey approach. In addition, the 2009-2010 report recorded activities relevant to the statutory review requirement, with a focus on a major DOD efficiency initiative that was ongoing at that time.¹⁹

Regarding quality, we found that the most recent report, dated 2012, generally did not reflect key elements of quality evaluations, which we identified in our prior work and compiled as part of this review.²⁰ Table 1 below details these key elements.

Table 1: Key Elements of Quality Evaluations

Element category	Element
Design: Is the study well designed?	Is the purpose aligned with relevant requirements?
Design: Is the study well designed?	Is the scope clearly defined and reasonable?
Design: Is the study well designed?	Are evaluation questions clear, specific, objective, neutral, and measurable, and is it possible to answer the questions?

¹⁸10 U.S.C. § 192(c) (2008).

¹⁹The 2009-2010 biennial report states that Secretary Gates Efficiency Initiatives served as a replacement for the senior management assessment of DAFAs. As such, the report states that it provides an overview of activities relevant to the statutory requirement, with an emphasis on the results of the efficiency initiatives.

²⁰For more information on the source of these key elements, see the longer discussion in appendix I of this report. For example, sources of these key elements include GAO, *Designing Evaluations: 2012 Revision* (Supersedes PEMD-10.1.4), [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012); GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015); and the generally accepted research standards identified in GAO, *Army Combat Vehicles: Industrial Base Study's Approach Met Research Standards*, [GAO-15-548](#) (Washington, D.C.: Published: Jun. 16, 2015), among others.

Element category	Element
Design: Is the study well designed?	Are assumptions identified and key terms clearly defined?
Data collection: Are the data of sufficiently high quality for the study's purpose?	Are the data used sufficient? Sufficiency refers to the quantity of evidence—whether it is enough to persuade a knowledgeable person that the findings are reasonable.
Data collection: Are the data of sufficiently high quality for the study's purpose?	Are the data used appropriate? Appropriateness refers to the relevance, validity, and reliability of the evidence in supporting the evaluation objectives.
Data collection: Are the data of sufficiently high quality for the study's purpose?	Are limitations clearly identified and was the impact of those limitations adequately explained?
Analysis: Is data analysis sound?	Are criteria clearly stated?
Analysis: Is data analysis sound?	Is the selection of criteria reasonable?
Analysis: Is data analysis sound?	Is the methodology performed consistent with the evaluation's purpose?
Results: Are results complete, accurate, and relevant to stakeholders?	Are conclusions supported by data and analysis?
Results: Are results complete, accurate, and relevant to stakeholders?	If recommendations are made, are the recommendations actionable?
Documentation: Is there clear documentation?	Did the research team clearly document the research process?

Source: GAO analysis. | GAO-18-592

We found that some key elements were included in the most recent report, but other key elements were not reflected. We reviewed that report against all elements and found that the report's purpose was aligned with the relevant statutory requirements, which is a key element. Further, the report relied on data obtained from appropriate sources for the evaluation, to include survey information from the DAFA directors and military department officials. However, we found that the report did not assess the reliability of the data used, define key terms, clearly state criteria used for analysis, or make recommendations. For example, OCMO officials familiar with the report told us that some DAFAs and military departments surveyed for the report provided more detail and information in their responses than others, but there was no assessment of the reliability of this information. Overall, OCMO officials acknowledged that the report was more of a collection of information, rather than an in-depth assessment.

At the time of our review, section 192(c) of title 10, United States Code, did not explicitly require that DOD develop and issue a written report as

part of the required periodic review.²¹ According to DOD officials, they discontinued issuing biennial reports in 2012 because the reports were not a leadership priority, given the resources required to produce them. In addition, OCMO officials acknowledged that the department does not currently record fulfillment of the statutory requirement through a centralized process, such as the development of a report that responds to the requirement. However, a DOD directive tasks the former Director of Administration and Management, whose functions have now been integrated into the CMO office, to oversee the biennial review of the DAFAs and to record the fulfillment of that review.²² Further, Standards for Internal Control in the Federal Government states that documentation is a necessary part of an effective internal control system and is required for effective operations.²³ OCMO officials told us that they are considering renewing the issuance of biennial reports, but that there are no firm plans to do so at this time, nor are there any associated time frames.

In the absence of biennial reports, OCMO officials stated that since 2012 they have relied on existing departmental processes to address the statutory requirement to review the DAFAs. Senior level OCMO officials expressed some disagreement about which of these existing processes ensure that they have fulfilled the statutory requirement. When we assessed the processes, we determined that DOD did not provide sufficient evidence that it has met the statutory requirement. These processes include the following:

- Annual budget process: Some OCMO officials stated that DOD's annual budget process is a means of addressing the statutory requirement to review the DAFAs, but one senior official from the OCMO disagreed. Although DOD reviews the budget proposals for each DAFA, DOD could not provide evidence that the annual budget process includes a specific review of the continuing need for each DAFA, or that the use of the DAFAs ensures the most efficient provision of services across DOD.

²¹The John S. McCain National Defense Authorization Act for Fiscal Year 2019 amended 10 U.S.C. § 192(c) to require the CMO to submit a report that sets forth the results of each periodic review to the congressional defense committees. Pub. L. No. 115-232, § 923 (2018).

²²Department of Defense Directive 5105.53, *Director of Administration and Management (DA&M)* (Feb. 26, 2008).

²³[GAO-14-704G](#).

- Day-to-day management of the DAFAs: One OCMO official stated that day-to-day management of the DAFAs provides a means of addressing the statutory requirement to review the DAFAs. However, we found that the documentation provided by OCMO officials does not demonstrate that a review and recording of DAFA services and supplies takes place through day-to-day management of the department. Moreover, some OCMO officials stated that the day-to-day management activities of a large organization can actually detract from leadership's ability to focus on needed reviews and reform.
- Reform or efficiency initiatives: Some OCMO officials stated that prior reform efforts that were focused on the DAFAs exemplify the department's response to the statute. However, although certain reform initiatives, such as the Business Process and Systems Reviews, affected the DAFAs, we found that the stated purposes of these reform initiatives, discussed in more detail later in this report, do not reference the continuing need for DAFAs or examine whether services should be performed instead by the military departments.²⁴ Further, some OCMO officials acknowledged that prior reform efforts did not examine the continuing need for DAFAs.
- DAFA reorganizations: OCMO officials cited certain reorganizations of the department as evidence that they review the DAFAs. However, the examples they cited were congressionally mandated reorganizations, such as the replacement of the Under Secretary of Defense for Acquisition, Technology, and Logistics with two new Under Secretary positions. As these were congressionally mandated reorganizations and therefore required, we found that they do not demonstrate that changes resulted from an internal comprehensive assessment of the continuing need for the DAFAs or their provision of services and supplies.
- Management of services through executive agents: Finally, OCMO officials stated that the existence of executive agents throughout the department shows that DOD focuses on ensuring efficient delivery of services and supplies.²⁵ Multiple heads of DAFAs serve as designated

²⁴The Business Process and System Reviews, an efficiency initiative announced by DOD in August 2014, were intended to review business processes and the supporting information technology systems within the DAFAs.

²⁵A DOD executive agent is the head of a DOD component to whom the Secretary of Defense or Deputy Secretary of Defense assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DOD components. Department of Defense Directive 5101.1, *DOD Executive Agent* (Sept. 3, 2002) (incorporating Change 1, May 9, 2003).

executive agents. However, OCMO officials did not provide documentation that these executive agents assess the continuing need for the DAFAs. Further, we have previously reported on weaknesses in the use of DOD executive agents in management arrangements. For example, we previously reported that DOD had not defined continued need, currency, effectiveness, or efficiency in satisfying requirements for executive agents.²⁶

DOD Has Established Guidance That Results in Quality Evaluations of Its Combat Support Agencies but Lacks Guidance for Its Review of All DAFAs

Under a separate statute, 10 U.S.C. § 193(a), DOD is required to periodically report on the responsiveness and readiness of the eight combat support agencies, a subset of the DAFAs.²⁷ In contrast to DOD's biennial reports on DAFAs for 10 U.S.C. § 192(c), we found that the DOD combat support agency reports for 10 U.S.C. § 193(a) we reviewed generally reflect key elements of quality evaluations that we identified.²⁸ For example, the most recent combat support agency reports we reviewed generally have clear evaluation questions, use sufficient and appropriate data, and support conclusions with data and analysis. Last, all of the DOD combat support agency reports we reviewed contain actionable recommendations.

Recommendations from the Joint Staff included in combat support agency reports resulted in reported efficiencies. For example, in response to the findings and recommendations of a combat support agency report, officials from the Defense Information Services Agency created a new office to serve as a single point of contact for its customers. These officials reported that the office has reduced paperwork and helped to build relationships with customers. Joint Staff officials reported a variety of other positive results from combat support agency report recommendations. These results include an increase in the speed of specific deliveries from the Defense Logistics Agency (DLA) to DOD

²⁶See GAO, *Defense Management: DOD Needs to Improve Its Oversight of Executive Agents*, [GAO-17-601](#) (Washington, D.C.: Sept. 27, 2017).

²⁷10 U.S.C. § 193(a).

²⁸We reviewed the most recent combat support agency report for each of the combat support agencies, such as the Defense Logistics Agency and the Defense Information Services Agency, issued in 2016 and 2017, respectively.

customers outside the continental United States; improved navigational charts provided by the National Geospatial Intelligence Agency to the Combatant Commands to ensure safety; and the establishment of clear policy related to fuel additives, including the clarification of specific roles and responsibilities.

OCMO officials stated that the statutory requirement for combat support agency reports is more specific and smaller in scope than the statutory requirement to review the DAFAs.²⁹ As a result, the officials told us that they have not been able to conduct targeted and potentially more useful analysis for DAFAs, such as the evaluations they conduct of the combat support agencies. However, we found that while the statutes differed in some ways—for example, a report is specifically required for the combat support agencies, but was not for the DAFAs—both statutes prescribed broad requirements for the review processes.³⁰

While each statute requires a periodic assessment, we found differences in the direction that DOD provides to guide the department's response to these statutes. Specifically, a Joint Staff Instruction describes requirements for the combat support agency reports and provides direction for the associated process.³¹ In many cases, the Joint Staff Instruction requirements reflect the key elements for evaluations that we identified. For example, the instruction provides general guidance on the criteria that reports should use, as well as specific examples. To ensure data reliability, the instruction requires validation of findings, issues,

²⁹This statement was made with regard to the statute as it existed during our audit work, before it was recently amended.

³⁰At the time of our review, section 192(c) of title 10, United States Code, required that (1) periodically (and not less often than every 2 years), the Secretary of Defense shall review the services and supplies provided by each defense agency and DOD Field Activity to ensure that (A) there is a continuing need for each such agency and activity; and (B) the provision of those services and supplies by each such agency and activity, rather than by the military departments, is a more effective, economical, or efficient manner of providing those services and supplies or of meeting the requirements for combat readiness of the armed forces. Section 193(a) of title 10, United States Code, requires that (1) periodically (and not less often than every 2 years), the Chairman of the Joint Chiefs of Staff shall submit to the Secretary of Defense and the congressional defense committees a report on the combat support agencies. Each such report shall include (A) a determination with respect to the responsiveness and readiness of each such agency to support operating forces in the event of a war or threat to national security; and (B) any recommendations that the Chairman considers appropriate.

³¹Chairman of the Joint Chiefs of Staff Instruction 3460.01C, *Combat Support Agency Review Team Assessments* (Aug. 9, 2012).

recommendations, and observations. Further, the instruction describes key terms included in the statute, such as responsiveness, readiness, and operating forces. In contrast, DOD has not issued internal guidance that details requirements for the required review of DAFAs.

The Joint Staff has also developed a strategy for scoping and timing its combat support agency reviews to make the work manageable and the outcome of the reviews useful to the combatant command. Specifically, the Joint Staff focuses each report on one combat support agency at a time, rotating the focus so that each agency is reviewed every several years. Joint Staff officials stated that the focus areas of the reports also vary depending on the needs of warfighter, senior leader direction, and actions taken as a result of the previous assessments. Additionally, when conducting its reviews, the Joint Staff primarily assesses the combat support missions within each combat support agency, rather than all functions implemented by the agency.

Conversely, DOD has not developed any internal guidance for a similar process that would allow for a more manageable approach to the requirement to review the DAFAs. As a result, previous biennial reviews examined all services and supplies of all DAFAs in each report, an approach that CMO officials acknowledged prohibited more detailed analysis. Through the development of internal guidance that provides clear direction for conducting and recording DOD's response to the required review of the DAFAs, the department could more clearly define or target the scope of those reviews and any resulting reports to make effective use of the resources devoted to that process. For example, DOD could choose to follow a risk-based approach, focus on the department's key priorities for reform, or rotate the focus of each report as the Joint Staff does with the combat support agency reports.

Without clear internal guidance that defines the requirements for a high-quality review of its DAFAs and the associated recording of the results of those reviews, DOD and congressional decision makers may not have reasonable assurance that there is a continuing need for the DAFAs and that the provision of services and supplies is effective, economical, and

efficient.³² Such information could assist decision makers when considering any future reorganizations of the DAFAs, or the realignment of functions among the DAFAs or other defense organizations, or when seeking greater efficiencies.

³²The John S. McCain National Defense Authorization Act for Fiscal Year 2019 changed the requirements of the periodic reviews under 10 U.S.C. § 192(c) in a number of ways, some of which align with our findings and recommendations. Specifically, the CMO is required to develop internal guidance that defines the requirements for the periodic reviews and provides clear direction for conducting and recording the results of the reviews. The CMO is also required to submit a report in connection with each periodic review that includes specific information set forth in the statute. 10 U.S.C. § 192(c) (2018).

Fragmentation and Overlap among the DAFAs That Provide Human Resources Services Have Negative Effects, and Related Reform Efforts Have Limitations

Fragmentation and Overlap Occur among the DAFAs That Provide Human Resources Services

DOD currently has a service delivery model in which there are numerous human resources providers offering varying levels of quality and transparency of costs.³³ Section 191 of title 10, United States Code, states that the Secretary of Defense may provide for the performance of a supply or service activity that is common to more than one military department by a single agency of DOD when it would be more effective, economical, or efficient.³⁴ Nevertheless, at least six organizations within DOD, including three DAFAs and the three military departments, provide human resources services to other defense agencies or organizations. Specifically, DLA, the Defense Finance and Accounting Service (DFAS), and the Washington Headquarters Service (WHS) perform human resources services for other organizations, such as other DAFAs; offices within the Office of the Secretary of Defense; or parts of the military departments. All perform the same types of human resources services, such as those related to civilian workforce hiring across DOD.³⁵

³³In contrast, for other business functions, DOD has established or identified one defense agency to be the single provider of a service for the department, in order to be more effective, economical, or efficient. For example, in 1991, the Secretary of Defense created DFAS to standardize, consolidate, and improve accounting and financial functions throughout DOD, which was intended to reduce the cost of the department's finance and accounting operations, while strengthening its financial management.

³⁴10 U.S.C. §191.

³⁵DLA, DFAS, and WHS documents describe the types of human resources services provided to other organizations. These include the development and posting of job vacancy announcements, recruiting, screening and listing of potential candidates for job vacancies, and processing of personnel actions, such as hiring and promotions, benefits management, training, labor relations, drug screenings, and processing of clearance-related information, among other services.

Additionally, the Departments of the Army, Navy, and Air Force each has a human resources command or personnel center.³⁶

Below is a count of the number of customers served by the DOD agencies providing human resources services as of May 2018, as reported by agency officials.

- DLA provides human resources services for about 70,000 customers, including 25,000 of its own employees and 45,000 civilians from across DOD outside of DLA.³⁷
- DFAS provides human resources services for about 26,000 DOD civilians, including 12,000 DFAS employees and about 14,000 customers from across DOD.³⁸
- WHS performs nearly all types of human resources services for some DAFAs, such as the Defense POW/MIA Accounting Agency and the Defense Legal Services Agency, as well as all senior executives and presidential appointees across the department, totaling about 170,000 individuals. However, WHS performs only certain human resources services for its own employees, such as recruitment and training. WHS pays DLA to perform other types of human resources services, such as personnel action processing, pre-employment drug testing, and the processing of certain travel orders and allowances, among other functions, for more than 7,000 WHS employees.

Through our assessment of documents detailing the human resources service customer bases of DFAS, DLA, and WHS, we found that there is overlap in the human resources services that they provide. For example, DOD officials reported that three DAFAs and the military departments provide human resources servicing to personnel employed by the Defense Security Cooperation Agency, depending on the location, rank, or other characteristics of the staff (see figure 3). Moreover, although each military department has its own human resources command or personnel center, we have identified some instances of DAFAs providing

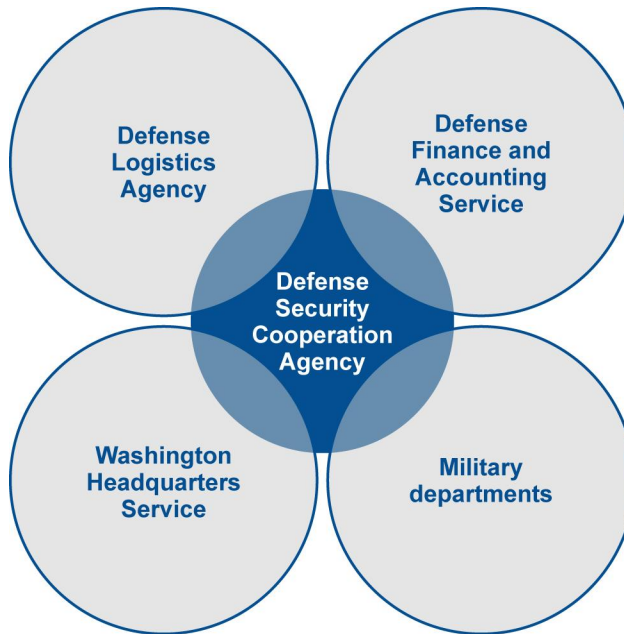
³⁶These human resources entities evolved from each military department Secretary's title 10 responsibilities to recruit, train, and equip a force. 10 U.S.C. § 3013, 10 U.S.C. § 5013, and 10 U.S.C. § 8013.

³⁷In addition, DLA provides human resources services to about 500 military personnel who are assigned to DLA.

³⁸In addition, DFAS officials stated that the agency provides some services for the 9,000 civilian workforce personnel of the U.S. Department of Health and Human Services.

human resources services to military department civilian employees or servicemembers. For example, the Army pays DFAS to provide broad human resources support to the Army's Financial Management Command, even though it could use its own human resources servicing organization. Additionally, WHS officials stated that the agency provides certain human resources services to all presidential appointee civilian positions across the military departments, rather than having the appointees' military departments' own human resources commands or personnel centers do so. Also, DLA provides human resources services to the military department civilians and servicemembers assigned to DLA.

Figure 3: Department of Defense (DOD) Organizations That Provide Human Resources Services to Defense Security Cooperation Agency Personnel



Source: GAO analysis of Department of Defense information. | GAO-18-592

Inefficient Overlap and Fragmentation Have Resulted in Negative Effects to the Department

The fragmentation and overlap among the DAFAs that provide human resources services to other defense offices or organizations have resulted in negative effects, such as inconsistent performance information, inefficiencies resulting from fragmented information technology (IT) systems, and inefficiencies related to overhead costs.

Inconsistent Performance Information

In the current service delivery model with multiple human resources service providers, DOD agencies choose a human resources provider. DFAS, DLA, and WHS differ in how they measure and report their performance data, which results in inconsistent information and limits customers' ability to make informed choices about selecting a human resources service provider to meet their needs. DFAS, DLA, and WHS submit data in department-wide information systems, as required. This information is used to develop an overall DOD time-to-hire measure of the department's performance against the government-wide goal of 80 days to fill a job opening. However, the ways in which each DAFA develops this measure, and other measures to assess its own performance, differ. For instance, one DAFA measures 12 different phases of the entire process to fill a job opening, with a different measure for each of the 12 phases. Other DAFAs choose to begin or end their measurement process at different points within the hiring process. As such, the measures used by human resources providers to determine the timeliness and quality of the services provided to customers are not consistent across the providers. The inconsistent performance data do not allow DOD customers to make fully informed comparisons in selecting a service provider.

Table 2 shows the differences among the respective reported time-to-hire averages of the three DAFAs that provide human resources services for civilians who are hired by the three military departments. The averages range from 65 days to 120 days, which shows a considerable variance in performance. However, as described previously, these reported averages were not calculated in a consistent manner across the department's human resources providers. In addition, these time-to-hire averages do not reflect the quality of the hiring or reflect that some types of positions are difficult to fill, which could affect results. For example, DOD reports that it takes an average of 118 days to fill a civilian intelligence and counterintelligence position department-wide.

Table 2: Reported Time-to-Hire Averages for Civilian Hiring across the Department of Defense's (DOD) Human Resources Providers

DFAS	DLA	WHS	DOD Average ^a
65 days	66 days	120 days	100 days

Source: GAO analysis of DOD-reported information. | GAO-18-592.

^aThe DOD average includes the time-to-hire averages of the DAFA's and the Departments of the Army, Air Force, and Navy. The reported time-to-hire averages of the military departments are 110 days (Army), 107 days (Air Force), and 93 days (Navy).

With more consistent information, DOD leadership could better assess what changes, if any, need to be made to improve hiring practices. As DOD officials told us, delays in hiring can result in failing to hire the best candidates and can negatively affect program success. Further, DOD organizations could better weigh decisions on obtaining human resources services.

Fragmented Information Technology (IT) Systems

Each human resources provider within DOD uses a common IT system, called the Defense Civilian Personnel Data System, to store and process civilian human resources data. However, each uses a separate connection to the system, resulting in some inefficiency. For example, when an employee in a defense agency serviced by multiple human resources providers transfers to a different part of the same agency or another part of DOD, the employee is treated as if he or she has been newly hired. The employee's personnel data must be re-entered through a different connection to the data system, and other administrative steps are re-performed, such as providing the employee a new Common Access Card, the department's identification badge used for facility and computer system access.

Additionally, DOD officials stated that there are more than 800 learning management systems employed across the department, which are used to deliver training to personnel and store and record training records. DAFA and OCMO officials stated that these fragmented learning management IT systems are duplicative in nature and are costly to the department to maintain, although officials were not able to provide an estimate of those costs.

In January 2018, DOD officials stated that all human resources providers were expected to move to a common connection to the IT system by October 2018, which was expected to eliminate redundant data entry and other duplicative administrative inefficiencies. However, as of June 2018, DOD officials stated that this effort is on hold, as the department is currently reexamining the best strategy to provide IT solutions for human resources. According to officials, that strategy might be to use a cloud-based solution, as opposed to changes to the legacy system of the Defense Civilian Personnel Data System.

Inefficiencies Resulting from Multiple Providers Charging Overhead

We found that defense agencies or other organizations that use more than one human resources service provider are paying overhead costs charged by each provider, which results in unnecessary expenses and inefficiencies. DOD officials agreed that the fragmented system of service delivery with multiple providers allows for possibly redundant overhead charges, and that a more consolidated service delivery model could reduce expenses associated with overhead. The DAFAs that charge human resources customers by using a fee-for-service structure apply a certain percentage of the total cost as a “general and administrative cost” or “non-labor costs” to each customer. Agency officials stated that these overhead costs pay for management salaries, other personnel-related costs, and administrative costs, such as IT support and facilities costs. These overhead costs are separate from the “direct labor” costs that represent the personnel and other expenses required to perform the service requested. For example, DFAS officials stated that about 7 percent of the fees charged by DFAS to human resources service customers goes for “general and administrative costs” that are separate from the direct labor expense required to perform services. Similarly, about 20 percent of the costs charged to DLA’s human resources customers covers indirect costs. As such, organizations pay overhead and administrative expenses for several human resources providers, thereby using financial resources that could be diverted to higher priority needs. According to DOD officials, using one provider would likely reduce inefficient expenses for human resources services paid by defense organizations. However, according to those officials, more comprehensive information and analysis is needed to determine the extent of inefficient overhead costs that occur. Comprehensive information about the extent of these and other possibly redundant or otherwise inefficient expenses would help identify a human resources service delivery model that is effective, economical, and efficient.

DOD’s Efforts to Reform Human Resources Have Some Limitations

In January 2018, the Deputy Secretary of Defense established a Human Resources Management Reform Team to initiate key reform efforts within

the department.³⁹ This team is one of nine cross-functional teams established by the Deputy Secretary of Defense to drive reform throughout the department. The human resources management reform team is led by a senior DOD human resources official and comprised of representatives from DFAS; DLA; WHS, the Departments of the Army, Air Force, and Navy; and the OCMO, among others.⁴⁰ According to the team's charter, the team will work to modify human resources processes and move toward enterprise service delivery of human resources services, which is expected to reduce costs. Team members told us that their initial focus is to carry out projects focusing on high-priority challenges, such as pursuing the optimal IT systems for DOD human resources services department-wide and identifying legislative and regulatory changes needed to streamline processes and procedures. After progress is made in these areas, the team plans to review service delivery across the department and determine the most effective and efficient system. Senior leaders from the human resources directorates of DFAS, DLA, and WHS all stated that increased consolidation was possible, if properly reviewed and implemented, especially for tasks such as entering personnel data and other hiring-related tasks, which could be conducted through a shared service model. This work may lead to increased coordination among, or consolidation of one or more, organizations.

DOD has not assessed or identified the most effective, economic, or efficient provision of this business function. DOD officials stated that assessing the provision of human resources in the department has not

³⁹The Deputy Secretary also established a Reform Management Group to monitor and support these nine cross-functional teams. Chaired by the Deputy Secretary of Defense and facilitated by the CMO and the Director of Cost Assessment and Program Evaluation, the Reform Management Group provides oversight and guidance, makes decisions on team recommendations, and monitors the teams' progress, according to OCMO officials. The Reform Management Group holds weekly meetings to discuss the status of the reform teams' efforts and provides monthly comprehensive reports on these efforts to the Secretary of Defense. As articulated in the 2018 *National Defense Business Operations Plan*, the teams are to identify opportunities for increased efficiencies and effectiveness.

⁴⁰The human resources management reform team also includes a member from the National Geospatial-Intelligence Agency, who represents DOD's intelligence community DAFAs, and representatives from the Defense Civilian Personnel Advisory Services and Defense Contract Audit Agency.

previously been a priority of senior leadership.⁴¹ A memorandum from the Deputy Secretary of Defense that established the human resources management reform team required that the team move the department toward a shared service delivery model. Specifically, this required a “time-phased way forward,” with outcomes and time frames for converting the mission to an enterprisewide service delivery model. The new reform team reflects a commitment from senior leaders within the department to address longstanding problems in the human resources area. However, we identified limitations in how the human resources management reform team is planning and managing its work.

First, one goal of the reform team is to reduce the time-to-hire averages across the department and determine a method to measure the quality of hiring. DOD officials stated that performance measure improvements are an important focus of their efforts and that they will share best practices for time-to-hire and will require a standard measure of quality of hiring. However, team plans we reviewed do not include steps for ensuring that the DAFAs and military departments adopt standardized processes to develop a consistent time-to-hire measure. Standardized quality information would be valuable in determining which organizations may be best placed to provide department-wide human resources service delivery, and without this information DOD may not have assurance that its hiring practices are effective and efficient. Standards for Internal Control in the Federal Government emphasizes that managers should identify the information required and obtain it from relevant and reliable sources.⁴²

Second, the team has not set clear time frames for some of its work. As we reported in July 2018, agency reform efforts should have implementation plans with key milestones and deliverables to track implementation progress, and clear outcome-oriented goals and

⁴¹Section 191 of title 10, United States Code, states that the Secretary of Defense may provide for the performance of a supply or service that is common to more than one military department by a single DAFA whenever the Secretary of Defense determines such an action would be more effective, economical, or efficient. At the time of our review, section 192 of title 10, United States Code, required the Secretary of Defense to periodically review the provision of services and supplies by each DAFA to ensure that, among other things, they are more economical, efficient, or effective than providing such services and supplies by the military departments.

⁴²[GAO-14-704G](#).

performance measures for the proposed reforms.⁴³ While one of the team's projects is to determine the best strategy for providing IT solutions for human resources, the team has not identified time frames for completing the assessments needed to inform a new strategy, or deliverables for finalizing and implementing the IT strategy. DOD officials stated that they will develop project plans for completing assessments needed and identify time-frames with the reform team focused on broader department-wide IT. The human resources management reform team has also not set clear time frames or deliverables for developing and moving toward an optimal service delivery model for the department, which may be a long-term effort that goes beyond the expected 2 year duration of the reform team. Draft documents of the team we reviewed discussed obtaining relevant data in 2018, reviewing the effects of policy changes in 2019, and pursuing undefined pilot projects in 2020. However, DOD officials told us that the team plans to begin focusing on assessing optimal service delivery models possibly in 2019. No specific time frames for completion of this effort have been identified, and team members stated that completion of IT efforts and regulatory reforms takes precedence. Further, it is unclear how implementation of long-term efforts will be managed.

Third, although one of the team's charges is to determine the optimal model for department-wide delivery of human resources services, team members are not considering key pieces of information that would be useful in doing so. For example, team members we contacted were not aware that some DOD organizations were making potentially redundant and inefficient payments to the DAFAs for human resources services as overhead charges collected by multiple providers. As discussed previously, Standards for Internal Control in the Federal Government emphasizes the importance of quality performance information.⁴⁴ When we raised the issue of overhead charges with team members, they noted that if such redundant payments are occurring, that would occur only within the department's "Fourth Estate," and that they are initially focusing

⁴³To identify the key questions for agency reform efforts, we reviewed our prior work, including leading practices on organizational mergers and transformations, collaboration, government streamlining, and efficiency. We also reviewed our prior work on fragmentation, overlap, and duplication; high-risk; and other agency longstanding management challenges. For more detail, see GAO, *Key Questions to Assess Agency Reform Efforts*, [GAO-18-427](#) (Washington, D.C.: July 13, 2018).

⁴⁴[GAO-14-704G](#).

on issues that affect the department as a whole.⁴⁵ However, considering the size and scope of the Fourth Estate, which DOD reported includes more than \$100 billion in funding annually, identifying comprehensive information regarding the extent of inefficient overhead costs would be important information for the reform team to consider in addressing inefficiencies and pursuing enterprise-wide solutions to determine the most effective, economical, and efficient model of service delivery.

With consistent human resources performance information, clear time frames in place, and comprehensive information on overhead costs, the team would be better positioned to thoroughly assess the department's system for human resources service delivery, and to develop and implement long-term solutions for better coordination or consolidation of this function. Further, DOD decision-makers would have assurance that any changes they make, such as consolidation of certain organizations or functions, would be based on sound and complete analysis.⁴⁶

⁴⁵DOD has defined Fourth Estate organizations as DOD organizations, other than the military services, that have DOD manpower resources. These organizations include the Office of the Secretary of Defense, the Joint Staff, the defense agencies, DOD field activities, the Joint Staff, and the Combatant Commands. This includes more than 380,000 employees within the DAFAs alone, excluding the other organizations within this definition of the fourth estate. Department of Defense Instruction 7730.64, *Automated Extracts of Manpower and Unit Organizational Element Files* (Dec. 11, 2004).

⁴⁶In addition to our work on key questions to assess agency reform ([GAO-18-427](#)), we have issued work identifying key questions to ask when considering reorganizations such as consolidation. See GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, [GAO-12-542](#) (Washington, D.C., May 23, 2012).

DOD Has Not Consistently Monitored and Evaluated the Results of Its Efficiency Initiatives That Affect the DAFAs

DOD Has Implemented Several Previous Efficiency Initiatives Related to the DAFAs

DOD has undertaken several efficiency initiatives since 2011 that are intended to improve the efficiency of headquarters organizations, including the DAFAs, and to identify related cost savings. These initiatives include the Secretary Gates Efficiencies, the More Disciplined Use of Resources, the Core Business Process Review, the Business Process and Systems Reviews, and a series of initiatives related to the savings required by the National Defense Authorization Act for Fiscal Year 2016.⁴⁷ Table 3 describes each efficiency initiative we assessed as part of this review and includes an estimated cost savings that the department expected to achieve for each initiative.⁴⁸

⁴⁷In the National Defense Authorization Act for Fiscal Year 2016, Congress required DOD to implement a plan to ensure that it achieves not less than \$10 billion in cost savings from headquarters, administrative, and support activities for fiscal years 2015 through 2019. Pub. L. No. 114-92, § 346(a) (2015).

⁴⁸GAO, *Defense Efficiency Initiatives: DOD Needs to Improve the Reliability of Cost Savings Estimates*, [GAO-17-724](#) (Washington, D.C.: Jul. 24, 2017); *Defense Headquarters: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function*, [GAO-16-286](#) (Washington, D.C.: June 30, 2016); *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of the Secretary of Defense, Joint Staff, and Military Service Secretariats*, [GAO-15-10](#) (Washington, D.C.: Jan. 21, 2015); *Defense Efficiencies: Action Needed to Improve Evaluation of Initiatives*, [GAO-14-134](#) (Washington, D.C.: Jan. 17, 2014); *Defense Management: Opportunities Exist to Improve Information Used in Monitoring Status of Efficiency Initiatives*, [GAO-13-105R](#) (Washington, D.C.: Dec. 4, 2012); *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, [GAO-12-345](#) (Washington, D.C.: March 21, 2012); and *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011).

Table 3: Selected Department of Defense (DOD) Efficiency Initiatives and DOD-Estimated Cost Savings

Initiative name	Description of initiative	DOD-estimated cost savings
Secretary Gates Efficiencies	In May 2010 ^a the Secretary of Defense directed DOD to assess how the department is staffed, organized, and operated to reduce excess overhead costs.	Approximately \$154 billion for fiscal years 2012 through 2016.
More Disciplined Use of Resources	In information accompanying its fiscal years 2013 and 2014 budget requests, DOD identified the More Disciplined Use of Resources initiatives, which included reductions tied to better business practices.	Approximately \$60 billion in savings for fiscal years 2013 through 2017 and an additional \$34 billion for fiscal years 2014 through 2018.
Core Business Process Review	In 2014, the Secretary of Defense asked the Defense Business Board to provide actionable recommendations on private-sector best business practices that DOD could adopt to transform its six core business processes—human resources management, healthcare management, financial management, acquisition and procurement, logistics and supply, and real property management—and their supporting information technology.	Approximately \$62 to \$84 billion for fiscal years 2016 through 2020.
Business Process and Systems Reviews	In August 2014, DOD established the Business Process and Systems Reviews to review business processes and the supporting information technology systems within defense agencies and DOD field activities. The process was supposed to end with a “State of the Portfolio” briefing to the Deputy Secretary of Defense and Vice Chairman of the Joint Chiefs of Staff, which included a summary of how the organization would measure progress toward outcomes.	DOD did not establish a savings target for this initiative.
Savings required by the National Defense Authorization Act for Fiscal Year 2016 ^b	Section 346(a) of the National Defense Authorization Act for Fiscal Year 2016 required that DOD implement a plan to achieve no less than \$10 billion in cost savings from headquarters, administrative, and support activities for fiscal years 2015 through 2019. DOD identified savings in two areas: (1) reductions related to reducing the size of DOD headquarters staffs and layers of management, eliminating functions that have little or no added value, and consolidating overlapping and duplicative programs and offices; and (2) reductions related to business operations, service contracts, and information technology.	DOD identified \$13.1 billion in estimated cost savings for fiscal years 2015 through 2021. ^c

Source: GAO analysis of Department of Defense (DOD) information. | GAO-18-592

^aRemarks as delivered by former Secretary of Defense Robert M. Gates, Abilene, Kansas, May 8, 2010.

^bIn the National Defense Authorization Act for Fiscal Year 2016, Congress required DOD to implement a plan to ensure that it achieves not less than \$10 billion in cost savings from headquarters, administrative, and support activities for fiscal years 2015— 2019. Pub. L. No. 114-92, § 346(a) (2015).

^cWe determined that the cost savings estimate was unreliable because the DOD-provided supporting documentation was not sufficiently detailed to support the estimate. See [GAO-17-724](#).

DOD Has Taken Some Steps to Monitor its Efficiency Initiatives but Does Not Consistently Establish a Baseline and Evaluate Results

DOD has taken some steps to monitor and evaluate the results of its efficiency initiatives, but it has not consistently done so.⁴⁹ For some of the efficiency initiatives, DOD ensured that there was ongoing monitoring and worked to evaluate results. For example, as part of the former Secretary Gates Efficiencies initiative, the military departments and the Special Operations Command were required to prepare briefings on the status of initiatives, and the offices of the then Deputy CMO and Comptroller directed them to enter information regarding their efficiency initiatives into a database designed to capture performance management data.⁵⁰ Officials stated that this information was designed to allow them to track the progress of the initiatives, including milestones, risk assessments, and the roles and responsibilities of those implementing the initiatives.

While implementing its More Disciplined Use of Resources initiative, DOD took some ad hoc steps to evaluate the effect of some of the efforts, such as establishing performance measures to assess their effect on achieving desired outcomes. An official in the office of the Under Secretary of Defense (Comptroller) later issued a memorandum that established a requirement to report on the initiatives, including performance goals, measures, and accomplishments.⁵¹ This memorandum was issued based on a recommendation we made in a prior report that the military departments and the Special Operations Command develop approaches for evaluating the effect of their efficiency initiatives, such as establishing performance measures or other indicators, collecting related performance

⁴⁹For the purposes of this review, we define “efficiency” as maintaining federal government services or outcomes using fewer resources (such as time and money) or improving or increasing the quality or quantity of services or outcomes while maintaining (or reducing) resources. See GAO, *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011).

⁵⁰This database is the DOD Enterprise Performance Management System. DOD discontinued using the database in August 2012, because it was too resource intensive. In its place, DOD used Excel spreadsheets and Microsoft Access.

⁵¹Under Secretary of Defense (Comptroller) Memorandum, *More Disciplined Use of Resources Reporting Requirements* (Aug. 2014).

information, and using this information to measure progress in achieving intended outcomes associated with their initiatives until implemented.⁵²

However, for other efficiency initiatives, DOD did not consistently ensure that the agency established a baseline from which to measure progress, use ongoing monitoring, or evaluate results. For example, in the case of DOD's Core Business Process Review initiative, DOD has not evaluated whether the effort achieved any of its intended savings or led to expected efficiencies. According to OCMO officials, DOD ultimately concluded that potential savings opportunities identified as part of this review could not entirely be achieved through these means. As a result, it is unclear what savings, if any, the department achieved. DOD's Business Process and Systems Reviews ended with a briefing to the Deputy Secretary of Defense and Vice Chairman of the Joint Chiefs of Staff that included a summary of how the organizations would measure progress toward outcomes. While the office of the then Deputy CMO and the principal staff assistants were responsible for monitoring the effort up to the briefing, officials from the Deputy CMO's office stated that following the briefing any monitoring that occurred would be the responsibility of the principal staff assistants.⁵³ However, not all principal staff assistants continued monitoring. For example, although the CMO is the principal staff assistant for two of the agencies reviewed—WHS and the Pentagon Force Protection Agency—OCMO officials were unable to provide a list of initiatives related to each agency and the status of those initiatives.

DOD also did not consistently ensure that the agency monitored and evaluated efforts associated with the National Defense Authorization Act for Fiscal Year 2016 requirement to save at least \$10 billion from headquarters, administrative, and support activities for fiscal years 2015 through 2019.⁵⁴ One of the efforts that DOD took pursuant to this requirement was for DAFAs to review their service contracts and present recommendations for cuts to a Senior Review Panel. Under this initiative, called the Service Requirement Review Boards, the panel either approved the proposed cuts or directed alternative reductions, and DCMO then monitored the organizations to ensure that the cuts were

⁵²GAO, *Defense Efficiencies: Action Needed to Improve Evaluation of Initiatives*, [GAO-14-134](#) (Washington, D.C.: Jan. 17, 2014).

⁵³DOD Directive 5100.01.

⁵⁴Pub. L. No. 114-92, § 346(a) (2015).

taken.⁵⁵ However, other efforts DOD took pursuant to the requirement were not well monitored. For example, as part of the required savings, DOD identified approximately \$5.3 billion that it later determined to be “not auditable” because the baseline for the reductions had not been established. Congress mandated DOD to report on its efforts with its budget submissions for fiscal years 2017 through 2019. DOD submitted its first report on May 22, 2018, and it included the \$5.3 billion in savings that it had deemed “not auditable.”

According to Standards for Internal Control in the Federal Government, agencies should monitor and evaluate the quality of performance over time.⁵⁶ As part of this effort, agencies should establish a baseline from which to measure progress, use ongoing monitoring, and evaluate results. Further, the GPRA Modernization Act of 2010 requires agencies to regularly monitor their progress in achieving goals.⁵⁷ Our previous work has noted that having a process with written guidance for monitoring achieved savings from efficiency initiatives can help organizations evaluate actual performance against planned results.⁵⁸ We have also previously noted that without guidance that clearly outlines the information to be provided for evaluation, DOD cannot be assured that senior leaders are getting complete information needed to enhance their visibility over the status of efficiency initiatives.⁵⁹

Although DOD has not consistently ensured that the agency established a baseline from which to measure progress, use ongoing monitoring, or evaluate results, OCMO officials stated that the department is working to do so. The officials stated that previous efforts to track reform had been more focused on assessing whether steps had been taken, rather than on

⁵⁵This effort, termed Service Requirement Review Boards, had DAFAs examine the risk posed to their ability to meet their missions with a 10 percent reduction to service contracts, and then the DAFAs identified contracts where they could reduce costs. DOD previously reported that Service Requirement Review Boards would aid in the management and oversight of services' acquisitions.

⁵⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-740G](#) (Washington, D.C.: Sept. 10, 2014).

⁵⁷Pub. L. No. 111-352, 124 Stat. 3866-3884 (2011).

⁵⁸GAO, *Defense Management: Opportunities Exist to Improve Information Used in Monitoring Status of Efficiency Initiatives*, [GAO-13-105R](#) (Washington, D.C.: Dec. 4, 2012).

⁵⁹[GAO-13-105R](#).

measuring progress and evaluating the results. In its most recent budget request, DOD emphasized the importance of using goals and performance measures to assess the benefit and value of reforms, along with the importance of relevant, accurate, and timely data.⁶⁰ In addition, the chartering documents for DOD's reform teams highlight the importance of monitoring and evaluation, and senior DOD officials are echoing this point. We recently reported that outcome-oriented goals and performance measures and an implementation plan with key milestones and deliverables are important when considering agency reform.⁶¹ While the reform teams' focus on monitoring and evaluation is a positive step, officials stated that the teams are expected to exist for approximately 2 years, and monitoring and evaluating results of some reform efforts may take a significant amount of time to appropriately assess the effects of the reform. In addition, OCMO officials have not provided evidence of plans to fully monitor efforts that began before the reform teams were created and should still be in process. These efforts include savings related to the requirement to save at least \$10 billion from headquarters, administrative, and support activities for fiscal years 2015 through 2019. Without ensuring that efficiency initiatives are fully monitored and evaluated against established baselines over time, DOD lacks a systematic basis for evaluating whether its various initiatives have improved the efficiency or effectiveness of its programs or activities.

Conclusions

While DOD has long been required to periodically review the DAFAs to ensure, among other things, that the provision of their services and supplies are economical, efficient, and effective, it has relied on existing processes to fulfill this requirement, rather than with comprehensive and routine assessment. Without internal guidance that results in quality evaluations of the DAFAs, DOD decision makers remain limited in the information they have about what efficiencies the DAFAs could pursue and how they could cut costs. With establishment of the new CMO position, the department has an opportunity to address long-standing weaknesses in its business operations, including those performed by the DAFAs. The department's effort to establish reform teams that can drive

⁶⁰[GAO-18-427](#).

⁶¹In addition to the human resources management reform team, there are eight other reform teams focused on various department-wide business functions.

change, as well as a senior-level reform management group to direct and oversee these efforts, is a positive step forward. Having comprehensive and quality information would help the CMO and other senior leaders make important decisions regarding the direction of reform efforts and to assess whether efforts are achieving desired results. However, the human resources management reform team has not collected comprehensive information, such as performance information on hiring time frames and overhead costs for providing human resources services and time frames for these efforts, which would enable the department to best address inefficiencies among the DAFAs that provide human resources services. Moreover, DOD has not consistently ensured that the agency established a baseline from which to measure progress, used ongoing monitoring, or evaluated results. While OCMO officials are focused on the reform teams, full monitoring is necessary for all efficiency initiatives. Without routinely and comprehensively monitoring and evaluating ongoing efficiency initiatives across all of its reform efforts, DOD cannot have assurance as to whether its efforts have achieved desired outcomes, are saving resources, and are improving effectiveness.

Recommendations for Executive Action

We are making five recommendations to DOD.

The Secretary of Defense should ensure that the CMO develops internal guidance that defines the requirements and provides clear direction for conducting and recording reviews of the DAFAs in response to 10 U.S.C. § 192(c). This guidance, which could be similar to the guidance that exists for assessments of the combat support agencies, should reflect the key elements of quality evaluations. (Recommendation 1)

The Secretary of Defense should ensure that the CMO, with input from the human resources management team, requires that all DOD human resources providers adopt consistent time-to-hire measures, as one process for assessing performance. (Recommendation 2)

The Secretary of Defense should ensure that the CMO, through the human resources management reform team, identifies time frames and deliverables for identifying and adopting optimal IT solutions for human resources and fully assessing, identifying, and implementing the most effective and efficient means of human resources service delivery. (Recommendation 3)

The Secretary of Defense should ensure that the CMO, through the human resources management reform team, collects information on the overhead costs charged by all DOD human resources service providers to assist in determining the most effective, economical, and efficient model of human resources service delivery within the department. (Recommendation 4)

The Secretary of Defense should ensure that the CMO routinely and comprehensively monitors and evaluates ongoing efficiency initiatives within the department, including those related to the reform teams. This monitoring should include establishing baselines from which to measure progress, periodically reviewing progress made, and evaluating results. (Recommendation 5)

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. DOD concurred with our five recommendations and noted planned actions to address each recommendation. In its written comments, DOD stated that the National Defense Authorization Act for Fiscal Year 2019 gives the CMO additional specific authorities; substantially rewrites the requirements of section 192(c); and addresses the findings and recommendations in our report. Further, DOD stated the department is on track to achieve substantial savings through its reform team efforts and CMO emphasis on strong management practices, integrated processes, and best value business investments. DOD's comments are reprinted in their entirety in appendix II. DOD also provided technical comments, which we incorporated into the report as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and DOD's Chief Management Officer. In addition, the report is available at no charge on our website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2775 or FieldE1@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read "Elizabeth Field". The signature is fluid and cursive, with the first name being more prominent.

Elizabeth Field
Acting Director
Defense Capabilities and Management

Appendix I: Objectives, Scope, and Methodology

This report evaluates the extent to which (1) the Department of Defense (DOD) has assessed the continuing need for each defense agency and DOD field activity (DAFA); (2) any overlap or fragmentation among the DAFAs that provide human resources services has affected the delivery of those services; and (3) DOD has monitored and evaluated the results of its efficiency initiatives that affect the DAFAs.

For our first objective, we reviewed DOD's biennial reports on the DAFAs from 1987, the first year after enactment of the requirement, through 2012, the most recent year of DOD's reporting. We also interviewed officials from the Chief Management Officer's (CMO) office regarding DOD's current processes for reviewing and recording its assessment of the DAFAs. Further, we reviewed the most recent DOD reports on combat support agencies, as there is a comparable statutory requirement for DOD to review this subset of the DAFAs, and the corresponding Joint Staff Instruction that guides those reports.¹ We also spoke to relevant Joint Staff officials regarding the processes used to develop those reports. We compared DOD's biennial reports and combat support agency reports against key elements of quality evaluations, which we identified in prior work and compiled as part of this review, as specified below.²

- To analyze the quality of biennial reports and combat support agency reports, we identified and selected key elements of quality evaluations and compared reports against these key elements. We took four major steps to identify and select key elements. First, we identified

¹Chairman of the Joint Chiefs of Staff Instruction 3460.01C, *Combat Support Agency Review Team Assessments* (Aug. 9, 2012).

²Existing criteria we identified are included in GAO, *Designing Evaluations: 2012 Revision* (Supersedes [PEMD-10.1.4](#)), [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012); GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015); and the generally accepted research standards identified in GAO, *Army Combat Vehicles: Industrial Base Study's Approach Met Research Standards*, [GAO-15-548](#) (Washington, D.C.: Published: Jun. 16, 2015), among others. Further, we compared these criteria to a RAND study on evaluations, *RAND Standards for High Quality Research and Analysis*.

criteria that assess the quality of agency evaluations and resulting reports based on a review of relevant GAO reports and discussions with a methodologist. Second, in collaboration with a methodologist, we assessed the appropriateness of identified criteria for this analysis, and we concluded that no single assessed criterion met the needs of this review. Third, we identified relevant areas of overlap across the criteria, and we excluded topics not relevant for our purposes, such as statistical modeling for technical evaluations. Fourth, we selected a set of elements encompassing relevant areas of overlap, and we discussed and revised these elements in collaboration with a methodologist.

- For the analysis of reports against key elements, we gathered and recorded evidence related to each question from a variety of DOD sources including DOD reports, statements from DOD officials representing the research team, and relevant DOD guidance related to the reports. One analyst assessed the extent to which the reports reflected the key elements, and a second analyst reviewed their assessment. Where there was disagreement in the assessment, analysts discussed their analysis and reached a consensus.

Last, for the first objective, we assessed DOD's response to the statutory requirement that it periodically review the continuing need for its DAFAs, and whether the provision of services and supplies by the DAFAs, rather than by the military departments, is more effective, economical, and efficient.³ We interviewed Office of the Chief Management Officer (OCMO) officials about the existing departmental processes that they stated addressed the statute, and we reviewed associated documentation provided by the OCMO officials, such as budget materials.

For our second objective, we reviewed the business functions of selected DAFAs to identify possible inefficient duplication, overlap, or fragmentation in the services provided by those selected DAFAs to other organizations within the department. For our selection from the 27 DAFAs within DOD, we excluded DAFAs that have been previously identified as focus areas from our body of work on duplication, overlap, and

³10 U.S.C. § 192(c) (2008). Shortly before the issuance of this report, the John S. McCain National Defense Authorization Act for Fiscal Year 2019 amended the requirements for periodic reviews of the DAFAs in 10 U.S.C. § 192(c). Pub. L. No. 115-232, § 923 (2018). Some changes in the statute align with the findings and recommendations in this report. We evaluated the extent to which DOD fulfilled the requirements of 10 U.S.C. § 192(c) as they existed during our audit work.

fragmentation.⁴ We selected 7 DAFAs that are larger in size and budget than others and that focus on the traditional business areas of DOD, such as logistics or financial management.⁵ From those 7 DAFAs we reviewed the chartering directives for each of those agencies and DOD's most recent biennial report on DAFAs to identify terms and phrases that appeared duplicative or repetitive in nature. Using that strategy, we selected human resources as the business line of effort for the focus of our review.

We reviewed the provision of human resources services by DAFAs to identify any potential inefficient duplication, overlap, or fragmentation. For example, we reviewed the client bases serviced by each DAFA to identify inefficient duplication or overlap and reviewed the performance measures used by each DAFA to examine for fragmentation in approach to performance measurement. Pursuant to 10 U.S.C. § 191, whenever the Secretary of Defense determines that it would be more effective, economical, or efficient to provide for the performance of a supply or service common to multiple military departments by a single agency, then the Secretary can create a DAFA to provide that supply or service.⁶ Further, at the time of our review, section 192(c) of title 10, United States Code, required, among other things, that the Secretary of Defense periodically ensure that the provision of services and supplies by the DAFAs, rather than by the military departments, is more effective, economical, and efficient.⁷ As such, we assessed DOD's provision of human resources by DAFAs against GAO's Duplication Evaluation Guide to assess DOD's provision of human resources.⁸ We interviewed officials from DOD's CMO office, the 3 DAFAs that provide human resources services for the department (DFAS, DLA, and WHS), and the lead and members of DOD's human resources management reform team, and we

⁴GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-18-371SP](#) (Washington, D.C.: Apr. 26, 2018).

⁵The 7 selected DAFAs for this review were the Defense Contract Audit Agency, Defense Contract Management Agency, Defense Finance and Accounting Service (DFAS), Defense Human Resources Activity, Defense Information Systems Agency, Defense Logistics Agency (DLA), and the Washington Headquarters Service (WHS).

⁶10 U.S.C. §191.

⁷10 U.S.C. §192(c) (2008).

⁸GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*. [GAO-15-49SP](#). (Washington, D.C. Apr. 14, 2015).

reviewed documents such as DOD’s human capital operating plan and documents provided by the DAFAs that detailed their human resources business functions.

For our third objective, we selected efficiency initiatives that affect DAFAs, and that we have previously reported on since 2011.⁹ We reviewed a selection of reform initiatives because DOD does not have a comprehensive listing of the reform initiatives it has undertaken. For the purposes of this review, we define “efficiency” as maintaining federal government services or outcomes using fewer resources (such as time and money) or improving or increasing the quality or quantity of services or outcomes while maintaining (or reducing) resources. We obtained documentation and spoke with officials from CMO and the DAFAs selected for the second objective of this report regarding DOD’s monitoring, assessing, and tracking of the selected reform initiatives. We obtained information and documentation from CMO officials regarding DOD’s ongoing reform efforts, including plans for monitoring and assessing these efforts. We compared this information and documentation against Standards for Internal Control in the Federal Government, which states that management should establish a baseline from which to measure progress, use ongoing monitoring, and evaluate results.¹⁰

We conducted this performance audit from August 2017 to September 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

⁹GAO, *Defense Efficiency Initiatives: DOD Needs to Improve the Reliability of Cost Savings Estimates*, [GAO-17-724](#) (Washington, D.C.: July 24, 2017); *Defense Headquarters: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function*, [GAO-16-286](#) (Washington, D.C.: June 30, 2016); *Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of the Secretary of Defense, Joint Staff, and Military Service Secretariats*, [GAO-15-10](#) (Washington, D.C.: Jan. 21, 2015); *Defense Efficiencies: Action Needed to Improve Evaluation of Initiatives*, [GAO-14-134](#) (Washington, D.C.: Jan. 17, 2014); *Defense Management: Opportunities Exist to Improve Information Used in Monitoring Status of Efficiency Initiatives*, [GAO-13-105R](#) (Washington, D.C.: Dec. 4, 2012); *Defense Headquarters: Further Efforts to Examine Resource Needs and Improve Data Could Provide Additional Opportunities for Cost Savings*, [GAO-12-345](#) (Washington, D.C.: Mar. 21, 2012); and *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011).

¹⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-740G](#) (Washington, D.C.: Sept. 10, 2014).

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense

**Appendix II: Comments from the Department
of Defense**



OFFICE OF THE CHIEF MANAGEMENT OFFICER
9010 DEFENSE PENTAGON
WASHINGTON, DC 20301-9010

August 24, 2018

Ms. Elizabeth Field
Acting Director, Defense Capabilities Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Elizabeth,

This is the Department of Defense (DoD) response to the United States Government Accountability Office (GAO) Draft Report, GAO-18-592, "DEFENSE MANAGEMENT: DoD Needs to Address Inefficiencies and Implement Reform across its Defense Agencies and DoD Field Activities," dated July 23, 2018 (GAO Code 102263).

The Department appreciates the opportunity to respond to your draft report and agrees with your assessment that the recently established Chief Management Officer (CMO) of the DoD can and will achieve further efficiencies in the management of the Defense Agencies and DoD Field Activities. We concur with the report's recommendations and provide the enclosed official written comments for inclusion in the report.

In addition to the CMO statutory responsibilities established in the National Defense Authorization Act (NDAA) for Fiscal Year 2018, and codified at title 10, U.S. Code, section 132a, the Secretary of Defense assigned the CMO the mission of managing enterprise business operations and shared services of the DoD. Furthermore, the NDAA for Fiscal Year 2019: gives the CMO additional specific authorities; substantially rewrites the requirements of section 192(c); and addresses the findings and recommendations in the GAO report.

My staff has separately provided technical corrections to enhance the accuracy of the draft report. The Department is on track to achieve substantial savings in the DoD "Fourth Estate" through our reform team efforts and CMO emphasis on strong management practices, integrated processes, and best value business investments. We look forward to continued cooperation and dialog. Should you have any questions, please contact Mr. Tedd Ogren at 703-614-3874 or theodore.p.ogren.civ@mail.mil.

Sincerely,

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John H. Gibson, II
Chief Management Officer

Enclosure: As stated

GAO DRAFT REPORT DATED JULY 23, 2018
GAO-18-592 (GAO CODE 102263)

**“DEFENSE MANAGEMENT: DOD NEEDS TO ADDRESS INEFFICIENCIES AND
IMPLEMENT REFORM ACROSS ITS DEFENSE AGENCIES AND DOD FIELD
ACTIVITIES”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: The Secretary of Defense (SecDef) should ensure the Chief Management Officer (CMO) develops internal guidance that defines the requirements and provides clear direction for conducting and recording reviews of the Defense Agencies and DoD Field Activities in response to Title 10 U.S.C. Section 192(c). This guidance, which could be similar to the guidance that exists for the assessments of combat support agencies, should reflect the key elements of quality evaluations.

DoD RESPONSE: Concur. The National Defense Authorization Act for Fiscal Year 2019 (NDAA FY19) expands and revises the requirements of Section 192(c) of title 10, United States Code (U.S.C.), and when combined with recent SecDef and Deputy Secretary of Defense (DepSecDef) guidance and the active leadership of the Defense Reform agenda under the CMO, will reshape how the CMO fulfills them. After NDAA FY18 established the CMO position, the SecDef issued direction on February 1, 2018 that, among other things, directed the CMO serve as the Performance Improvement Officer with responsibility for managing the enterprise business operations and shared services of the Department. On July 12, 2018, the SecDef directed the DepSecDef to provide amplifying guidance to CMO on implementing the newly assigned responsibilities. This guidance is currently under development. Section 923 of the NDAA FY19 substantially increases and clarifies CMO authorities and directs the CMO to review and report on the efficiency and effectiveness of each Defense Agency and DoD Field Activity every four years. Given the unprecedented nature and significant increase in the scope of these new statutory duties, Departmental discussions and organizational planning are well underway to determine how best to implement the mandated CMO responsibilities. The CMO has assigned the Deputy CMO (DCMO) as the “CMO for the Fourth Estate,” defined for this purpose as the 27 Defense Agencies and DoD Field Activities and other select entities outside the Military Departments and Combatant Commands. Further, the SecDef, DepSecDef, and CMO are continuing to assess how the CMO’s organization will support these enlarged responsibilities and authorities in order to continue to improve and build upon the DoD’s continuous fulfillment of Section 192(c).

RECOMMENDATION 2: The SecDef should ensure the CMO, through the Human Resources (HR) Management Reform Team, requires that all human resources providers adopt consistent Time-to-Hire measures as one process for assessing performance.

DoD RESPONSE: Concur. One of the HR Management Reform Team projects is “Hiring Improvement,” which tracks average Time-to-Hire performance metrics and plans to add a quality measure in the near future. Their future “HR Service Delivery” project has an objective to standardize HR services, performance measures, fees, processes, and certification for those services across the Department, including within the Defense Agencies and DoD Field Activities.

RECOMMENDATION 3: The SecDef should ensure that the CMO, through the HR Management Reform Team, identifies timeframes and deliverables for identifying and adopting optimal IT solutions for human resources and fully assessing, identifying, and implementing the most effective and efficient means of HR service delivery.

DoD RESPONSE: Concur. In addition to the actions noted in the response to Recommendation 2, the HR Management Reform Team is developing specific initiatives to leverage evolving DoD business systems to reduce HR transaction times, cost, and errors. It should be noted that HR Shared Services are most effective and efficient when strategy is emphasized over structure. Centralization for its own sake is a model that industry has moved away from in favor of a more adaptive and agile hybrid model of service that is responsive to strategic needs of the organization. Thus, an optimized hybrid HR management model should reflect centralized and highly standardized policies and transactional processes, with decentralized knowledge intensive, local processes for responsive implementation/execution. This approach meets the definition of effective, efficient, and economical under Section 191 of Title 10, U.S.C. The DoD HR IT Reform initiative targets improvement consistent with this GAO recommendation.

RECOMMENDATION 4: The SecDef should ensure the CMO, through the HR Management Reform Team, collects information on the overhead costs charged by all DoD HR service providers to assist in determining the most effective, economical, and efficient model of HR service delivery within the Department.

DoD RESPONSE: Concur. While comprehensively collecting and analyzing overhead costs is presently beyond the HR Management Reform Team's mission capacity, the CMO will partner with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, to leverage CMO data management initiatives and cost accounting processes to better understand HR costs, allocate them more efficiently, and thereby enhance the architecture of DoD HR service provisions. Specifically, in FY19, DoD will establish a steering committee consisting of stakeholders from across the Department, including the HR Management Reform Team, to develop a cost decision framework and then collect and analyze associated HR Department-wide operating costs. It should be noted that while a percentage fee for overhead costs is levied on the Defense Agencies and DoD Field Activities HR Shared Service customers, it is a percentage overhead cost for the specific service provided, not a duplicative cost per employee. Actual cost is dependent on multiple factors, including location, availability of shared spaces, and other potential costs or efficiencies. Centralizing these costs would not lead to a cost avoidance or diversion of overhead costs to higher priority needs, and DoD acknowledges that a more comprehensive review of these charges is warranted.

RECOMMENDATION 5. The SecDef should ensure that the CMO routinely and comprehensively monitors and evaluates ongoing efficiency initiatives within the Department, including those related to the reform teams. This monitoring should establish baselines from which to measure progress, periodically reviewing progress made, and evaluating results.

DoD RESPONSE: Concur. The Department routinely records the results of its efficiency initiatives in financial decisions, policy guidance, and appropriate reviews and reports. Those results are monitored by the appropriate senior officials, governance bodies, and their respective staffs. To more coherently monitor the activities and findings of the nine DoD Management

**Appendix II: Comments from the Department
of Defense**

Reform Teams, the Department is developing a more institutionalized method to follow up on recommendations, changes, and performance outcomes. The CMO will issue a charter that directs the Reform Management Group (RMG) to reform and align business functions of the Department. Simultaneously, mechanisms are being put in place to measure, track, and evaluate the progress of these reforms. Currently, DoD has a weekly tracking process for RMG Reform Team initiatives, which will expand to cover other DoD Components through the upcoming FY20-24 program review. The most recent Defense Planning Guidance requires DoD Components to report efficiency savings in their Program Objective Memorandum submissions. The Department, through the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with Washington Headquarters Services, Financial Management Directorate, is publishing technical fiscal guidance to DoD Components on how to report and track reforms within their program and budget submissions.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Elizabeth Field, (202) 512-2775 or FieldE1@gao.gov

Staff Acknowledgments

In addition to the contact named above, Margaret Best (Assistant Director), Miranda Cohen, Alexandra Gonzalez, Amanda Manning, Richard Powelson, Suzanne Perkins, Andrew Stavisky, Amie Lesser, Sarah Veale, and Cheryl Weissman made key contributions to this report.

Appendix IV: Accessible Data

Agency Comment Letter

Accessible Text for Comments from the Department of Defense

Page 1

August 24, 2018

Ms. Elizabeth Field

Acting Director, Defense Capabilities Management

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

Dear Elizabeth,

This is the Department of Defense (DoD) response to the United States Government Accountability Office (GAO) Draft Report, GAO-18-592, "DEFENSE MANAGEMENT: DoD Needs to Address Inefficiencies and Implement Reform across its Defense Agencies and DoD Field Activities," dated July 23, 2018 (GAO Code 102263).

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In addition to the CMO statutory responsibilities established in the National Defense Authorization Act (NDAA) for Fiscal Year 2018, and codified at title 10, U.S. Code, section 132a, the Secretary of Defense assigned the CMO the mission of managing enterprise business

operations and shared services of the DoD. Furthermore, the NDAA for Fiscal Year 2019: gives the CMO additional specific authorities; substantially rewrites the requirements of section 192(c); and addresses the findings and recommendations in the GAO report.

My staff has separately provided technical corrections to enhance the accuracy of the draft report. The Department is on track to achieve substantial savings in the DoD "Fourth Estate" through our reform team efforts and CMO emphasis on strong management practices, integrated processes, and best value business investments. We look forward to continued cooperation and dialog. Should you have any questions, please contact Mr. Tedd Ogren at 703-614-3874 or theodore.p.ogren.civ@mail.mil.

Sincerely,

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John H. Gibson, II

Chief Management Officer

Enclosure: As stated

Page 2

GAO DRAFT REPORT DATED JULY 23, 2018 GAO-18-592 (GAO CODE 102263)

“DEFENSE MANAGEMENT: DOD NEEDS TO ADDRESS INEFFICIENCIES AND IMPLEMENT REFORM ACROSS ITS DEFENSE AGENCIES AND DOD FIELD ACTIVITIES”

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The Secretary of Defense (SecDef) should ensure the Chief Management Officer (CMO) develops internal guidance that defines the requirements and provides clear direction for conducting and recording reviews of the Defense Agencies and DoD Field Activities in response to Title 10 U.S.C. Section 192(c). This guidance, which could be similar to the guidance that exists for the assessments of combat support agencies, should reflect the key elements of quality evaluations.

DoD RESPONSE: Concur. The National Defense Authorization Act for Fiscal Year 2019 (NDAA FY19) expands and revises the requirements of Section 192(c) of title 10, United States Code (U.S.C.), and when combined with recent SecDef and Deputy Secretary of Defense (DepSecDef) guidance and the active leadership of the Defense Reform agenda under the CMO, will reshape how the CMO fulfills them. After NDAA FY18 established the CMO position, the SecDef issued direction on February 1, 2018 that, among other things, directed the CMO serve as the Performance Improvement Officer with responsibility for managing the enterprise business operations and shared services of the Department. On July 12, 2018, the SecDef directed the DepSecDef to provide amplifying guidance to CMO on implementing the newly assigned responsibilities. This guidance is currently under development. Section 923 of the NDAA FY19 substantially increases and clarifies CMO authorities and directs the CMO to review and report on the efficiency and effectiveness of each Defense Agency and DoD Field Activity every four years. Given the unprecedented nature and significant increase in the scope of these new statutory duties, Departmental discussions and organizational planning are well underway to determine how best to implement the mandated CMO responsibilities. The CMO has assigned the Deputy CMO (DCMO) as the “CMO for the Fourth Estate,” defined for this purpose as the 27 Defense Agencies and DoD Field Activities and other select entities outside the Military Departments and Combatant Commands. Further, the SecDef, DepSecDef, and CMO are continuing to assess how the CMO’s organization will support these enlarged responsibilities and authorities in order to continue to improve and build upon the DoD’s continuous fulfillment of Section 192(c).

RECOMMENDATION 2: The SecDef should ensure the CMO, through the Human Resources (HR) Management Reform Team, requires that all human resources providers adopt consistent Time-to-Hire measures as one process for assessing performance.

DoD RESPONSE: Concur. One of the HR Management Reform Team projects is "Hiring Improvement," which tracks average Time-to-Hire performance metrics and plans to add a quality measure in the near future. Their future "HR Service Delivery" project has an objective to standardize HR services, performance measures, fees, processes, and certification for those services across the Department, including within the Defense Agencies and DoD Field Activities.

Page 3

RECOMMENDATION 3: The SecDef should ensure that the CMO, through the HR Management Reform Team, identifies timeframes and deliverables for identifying and adopting optimal IT solutions for human resources and fully assessing, identifying, and implementing the most effective and efficient means of HR service delivery.

DoD RESPONSE: Concur. In addition to the actions noted in the response to Recommendation 2, the HR Management Reform Team is developing specific initiatives to leverage evolving DoD business systems to reduce HR transaction times, cost, and errors. It should be noted that HR Shared Services are most effective and efficient when strategy is emphasized over structure. Centralization for its own sake is a model that industry has moved away from in favor of a more adaptive and agile hybrid model of service that is responsive to strategic needs of the organization. Thus, an optimized hybrid HR management model should reflect centralized and highly standardized policies and transactional processes, with decentralized knowledge intensive, local processes for responsive implementation/execution. This approach meets the definition of effective, efficient, and economical under Section 191 of Title 10, U.S.C. The DoD HR IT Reform initiative targets improvement consistent with this GAO recommendation.

RECOMMENDATION 4: The SecDef should ensure the CMO, through the HR Management Reform Team, collects information on the overhead costs charged by all DoD HR service providers to assist in determining the most effective, economical, and efficient model of HR service delivery within the Department.

DoD RESPONSE: Concur. While comprehensively collecting and analyzing overhead costs is presently beyond the HR Management Reform Team's mission capacity, the CMO will partner with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, to leverage CMO data management initiatives and cost accounting processes to better understand HR costs, allocate them more efficiently, and thereby enhance the architecture of DoD HR service provisions. Specifically, in FY19, DoD will establish a steering committee consisting of stakeholders from across the Department, including the HR Management Reform Team, to develop a cost decision framework and then collect and analyze associated HR Department-wide operating costs. It should be noted that while a percentage fee for overhead costs is levied on the Defense Agencies and DoD Field Activities HR Shared Service customers, it is a percentage overhead cost for the specific service provided, not a duplicative cost per employee. Actual cost is dependent on multiple factors, including location, availability of shared spaces, and other potential costs or efficiencies. Centralizing these costs would not lead to a cost avoidance or diversion of overhead costs to higher priority needs, and DoD acknowledges that a more comprehensive review of these charges is warranted.

RECOMMENDATION 5. The SecDef should ensure that the CMO routinely and comprehensively monitors and evaluates ongoing efficiency initiatives within the Department, including those related to the reform teams. This monitoring should establish baselines from which to measure progress, periodically reviewing progress made, and evaluating results.

DoD RESPONSE: Concur. The Department routinely records the results of its efficiency initiatives in financial decisions, policy guidance, and appropriate reviews and reports. Those results are monitored by the appropriate senior officials, governance bodies, and their respective staffs. To more coherently monitor the activities and findings of the nine DoD Management

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Reform Teams, the Department is developing a more institutionalized method to follow up on recommendations, changes, and performance outcomes. The CMO will issue a charter that directs the Reform Management Group (RMG) to reform and align business functions of the Department. Simultaneously, mechanisms are being put in place to measure, track, and evaluate the progress of these reforms. Currently, DoD has a weekly tracking process for RMG Reform Team initiatives,

which will expand to cover other DoD Components through the upcoming FY20-24 program review. The most recent Defense Planning Guidance requires DoD Components to report efficiency savings in their Program Objective Memorandum submissions. The Department, through the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, in coordination with Washington Headquarters Services, Financial Management Directorate, is publishing technical fiscal guidance to DoD Components on how to report and track reforms within their program and budget submissions.

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