GAO

U.S. Government Accountability Office

Defense Management: Action Needed to Advance Progress on Reform Efforts

GAO-24-105793
Report to Congressional Committees

October 18, 2023

Accessible Version

Why This Matters

The Department of Defense (DOD) spends billions of dollars each year to maintain key business operations intended to support its mission, including systems and processes related to the management of contracts, finances, the supply chain, support infrastructure, and weapon systems acquisition. These operations are linked to the department's ability to perform its overall mission, and we have previously identified achieving greater efficiencies in defense business operations as one of the key mission challenges facing the department.[1] In addition, DOD's approach to business transformation is among the areas identified in GAO's High-Risk report.[2] In our April 2023 High Risk update, we rated DOD's approach to business transformation as meeting our criteria for leadership commitment—an increase over our previous rating—and having an action plan; we continued to rate DOD's approach as partially meeting our criteria in capacity, monitoring, and demonstrated progress.

The William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 repealed the position of Chief Management Officer, which oversaw DOD's business operations and reform efforts. In addition, section 911 of the Act, codified at 10 U.S.C. § 125a, required DOD to take steps to reform the department to improve (1) the efficacy and efficiency of the department and (2) the ability of the department to prioritize reform efforts and assess the costs and benefits of reform.[3] It also directs DOD to develop and implement policies, guidance, and a reporting framework to measure the progress of its reform efforts. In addition, it includes a provision for us to evaluate the extent to which DOD's policies, guidance, and reporting framework will enable consistent measurement of progress in reform and prioritization of reform of the department.[4] This report examines how DOD manages and reforms its business operations, including the extent to which it has established organizations and guidance and is using data in these efforts.

Key Takeaways

- DOD is in the early stages of implementing a new approach to reforming its business operations that emphasizes aligning reform efforts with department priorities and using existing department processes to drive reform; it is too early to determine effectiveness of these efforts.

- DOD uses a centralized data analytics platform called Advana to link various DOD data sources and has established a process for using data to manage and reform its business operations through the Pulse performance management analytics suite. Some applications within Pulse are more fully developed and implemented than others, and the department's use of the applications is evolving.

- GAO recommends that DOD develop and issue guidance clarifying the requirements for using and implementing Business Health Metrics—a

suite of dashboards that enable DOD leadership to measure and monitor the performance of the department's business operations.

What changes has DOD made to its organization following the disestablishment of the Chief Management Officer?

Since the disestablishment of the Chief Management Officer (CMO) in January 2021, DOD has reestablished and updated organizations to manage and reform business operations.[5] With the disestablishment of the CMO, the Deputy Secretary of Defense also reestablished the Director of Administration and Management (DA&M).[6] In September 2021, the Deputy Secretary of Defense issued guidance that transferred a number of former CMO responsibilities to organizations throughout the department, including the DA&M, who was also designated as the Performance Improvement Officer (PIO).[7] Many of the CMO's tasks were primarily reassigned to the DA&M/PIO, the Under Secretary of Defense (Comptroller), and the Chief Information Officer. Table 1 shows select responsibilities for each official as prescribed in the Deputy Secretary of Defense's guidance.

Table 1: Select Chief Management Officer Responsibilities Received by Department of Defense (DOD) Officials

DOD official	Responsibility
Director of Administration and Management/Performance Improvement Officer	Defense reform
	Performance improvement
	Pentagon reservation management
	Defense-wide support
Under Secretary of Defense (Comptroller)	Defense business systems
	Maintain Financial Improvement and Audit Remediation Plan
Chief Information Officer	Defense business systems

Source: GAO summary of DOD memorandum. | GAO-24-105793

Under the new structure, the Deputy Secretary retains responsibility for setting reform priorities and assumes responsibility for managing department-wide business reform efforts. The DA&M/PIO was given the responsibility of supporting the Deputy Secretary's management efforts along with the majority of the former CMO's responsibilities. Further, DOD established the Performance Improvement Directorate within the Office of the DA&M (ODA&M). The Performance Improvement Directorate's responsibilities include supporting the DA&M/PIO in managing business reform. The principal staff assistants and military departments are responsible for developing and overseeing the implementation of reform efforts within their respective areas of responsibility.

What is DOD's governance structure for managing and overseeing business operations and reform efforts?

As of August 2023, DOD established a new senior governance structure for its business management and reform efforts. Previously, DOD used the Defense Business Council (DBC) to oversee the department's business operations, including reform efforts. Under a January 2022 update to the DBC's charter, the DBC was designated as DOD's governance and integration body for matters associated with management, defense reform, performance management and improvement, defense business systems, enterprise risk management, and oversight of related resources decisions. As part of the charter, the DA&M/PIO, the Under Secretary of Defense (Comptroller), and the Chief Information Officer were named tri-chairs of the council.[8]

However, in December 2022, the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 amended 10 U.S.C. § 2222 to designate the Chief Information Officer as the sole chair of the DBC.[9] Following this change, in August 2023 the Deputy Secretary of Defense established a new senior governance structure.[10] Under this new structure, the Deputy's

Management Action Group—the department's principal governance forum for management actions affecting the defense enterprise, including resource management; planning, programming, budgeting, and execution; and strategic and policy guidance—assumed responsibility for overseeing the department's Strategic Management Plan, including assessing component and enterprise-wide performance.[11] This was previously a responsibility of the Defense Business Council. To support this work, the Deputy Secretary also established a new entity—the Defense Performance Improvement Council—chaired by the DA&M/PIO. According to direction from the Deputy Secretary of Defense, this council is expected to work closely with the DBC, chaired by the CIO, and other relevant organizations.

How are reforms—including crosscutting reform efforts—initiated under DOD's new approach?

DOD's new approach to business reform focuses on a bottom-up approach to reform that emphasizes the organizations' responsibility to initiate and implement business reforms. ODA&M/PIO officials stated that this approach represents a departure from the more top-down approach used by the former CMO, which had established and managed specific department-wide reform efforts, such as improving and standardizing the department's time-to-hire measure. Under the new approach, ODA&M/PIO officials told us they facilitate rather than direct reforms that the organizations develop.

Under the new approach, the principal staff assistants and military departments develop and align their reforms with the strategic priorities established in the department's Strategic Management Plan. ODA&M/PIO officials stated that by having the principal staff assistants and military departments develop reforms that align with these priorities, ODA&M/PIO and the department overall will be better able to track the department's progress toward meeting the strategic priorities.

The department also plans to use this new approach to initiate crosscutting reforms—reforms that cut across organizational boundaries and structures. In January 2023 the DBC co-chairs issued a memo tasking DBC members to identify strategic crosscutting reform initiatives for prioritization that specifically address the reduction of risk, enable effectiveness, and crosscut the department's traditional functions. DBC members discussed their proposed initiatives during the January 2023 DBC meeting and reviewed a list of the initiatives during the February 2023 DBC meeting.

In August 2023, the Deputy Secretary of Defense approved the list of priority crosscutting initiatives.[12] The list includes some initiatives underway prior to the disestablishment of the CMO, such as efforts to improve warehouse utilization, as well as newer initiatives, such as an initiative to reform civilian talent management. The new initiatives also include some that are designed to support further reform and performance improvement efforts, including development of the department's performance management application suite, Pulse, which is discussed below.

How is DOD using existing processes as a part of its reform efforts?

DOD has taken steps to incorporate reform efforts into existing department processes, including the strategic planning process and the Planning, Programming, Budgeting, and Execution process.

Strategic planning process. DOD is working to align reform efforts with the department's Strategic Management Plan. In August 2022 DOD released its Strategic Management Plan, which is a product of its existing strategic planning process. The plan lays out the department's priority goals and provides a high-level overview of reform priorities. The plan replaced DOD's previous National

Defense Business Operation Plan, which was in place from fiscal year 2018 through fiscal year 2022.

DOD released a revised version of the Strategic Management Plan in March 2023 that centers on five strategic priorities to support the National Defense Strategy. These priorities include (1) transforming the foundation of the future force, (2) making the right technology investments, (3) strengthening resiliency and adaptability of the defense ecosystem, (4) taking care of people and cultivating the department's workforce, and (5) addressing institutional management priorities.

The Strategic Management Plan includes performance goals associated with specific priority areas, such as ensuring supply chain resilience and modernizing and consolidating DOD networks and services. Officials from the Department of the Air Force, Office of the Chief Information Officer, and Office of the Under Secretary of Defense for Personnel and Readiness told us they are using these performance goals to guide their own individual reforms as they implement the Strategic Management Plan and develop reform efforts. For example, the Office of the Under Secretary of Defense for Personnel and Readiness is engaging in talent management modernization efforts to address the strategic priority of taking care of people and cultivating the department's workforce.

According to ODA&M/PIO officials, they are working with DOD organizations to align reform efforts to applicable performance goals in the Strategic Management Plan. These efforts include ongoing engagements with those organizations and planned reviews of submissions in the fiscal year 2025 budget process.

Planning, Programming, Budgeting, and Execution process. DOD has also taken steps to build reform efforts into the department's existing Planning, Programming, Budgeting, and Execution process. For example, ODA&M/PIO partnered with the Office of the Under Secretary of Defense (Comptroller) and the Office of the Director of Cost Assessment and Performance Evaluation to issue revisions to department's Integrated Program and Budget Guidance for fiscal years 2024–2028 in order to capture additional information on reform efforts.

For the fiscal year 2025 budget process, the Under Secretary of Defense (Comptroller) and Cost Assessment and Performance Evaluation issued Integrated Program and Budget Guidance. The guidance stated that the department will continue to pursue full implementation of the department's new framework for monitoring reform efforts and providing instructions for reporting performance improvement initiatives. ODA&M/PIO officials also told us they continue to engage with Under Secretary of Defense (Comptroller) and Cost Assessment and Performance Evaluation as component inputs are received for the fiscal year 2025 budget process. This engagement is intended to help ODA&M/PIO identify opportunities for performance improvement initiatives in the department. According to those officials, full integration of the approach into the Planning, Programming, Budgeting, and Execution process will likely not occur until the fiscal year 2026 budget cycle, which will be initiated in early 2024.

What is the Performance Improvement Framework and how does it support DOD's business reform efforts?

DOD's Performance Improvement Framework was issued in October 2022 and is intended to be a guide for defining, identifying, tracking, and reporting on existing and planned reform initiatives across the department.[13] 10 U.S.C. § 125a requires DOD to establish policies, guidance, and a consistent reporting framework to measure the department's progress toward reform. These requirements include establishing categories of reform, consistent metrics, and a process for prioritization of reform activities. Our review found that the Performance Improvement Framework establishes categories of reform, and

DOD has taken steps to establish consistent metrics and a process for prioritization.

Specifically, the Performance Improvement Framework includes (1) a set of performance improvement definitions, (2) a list of covered elements of reform, (3) the governance and methodology underlying implementation, and (4) a reporting process. The four defined categories of initiatives are continuous process improvement, optimization, reform, and transformation, as shown below in table 2.

Table 2: Category Definitions in Performance Improvement Framework

Category	Definition
Continuous Process Improvement Initiatives	Initiatives that aim to enhance everyday management practices; eliminate or reduce process redundancies; streamline processes; and adjust systems within the localized authority, direction, and control of the organization's leadership.
Optimization Initiatives	Initiatives the organization's leadership undertakes to strategically divest equipment or partial or entire weapon systems, or strategically discontinue legacy acquisition programs to modernize or fund purchases in support of the department's higher priorities.
Reform Initiatives	Larger-scale and time-bounded efforts, often involving more than one DOD component, designed to remediate structural or process gaps within DOD's existing business model.
Transformation Initiatives	Initiatives that fundamentally alter DOD's business model often through reorganization; the creation of new entities, capabilities or portfolios; and the implementation of a new system or the incorporation of innovative management practices that fundamentally change the manner in which mission or enterprise functions and services are delivered.

Source: Performance Improvement Framework. | GAO-24-105793

These definitions provide DOD with categories around which to organize reform efforts and identify potential types of reform efforts. The Performance Improvement Framework also discusses the types of data to be captured as a part of the consistent reporting process. In November 2022, the DA&M/PIO issued guidance that included additional details on the data to be collected through that process, including information on costs, savings, and other accomplishments.

DOD has also taken steps to establish a process for prioritization for reform, as 10 U.S.C. § 125a requires. As discussed above, the DBC developed, and the Deputy Secretary of Defense approved, a list of priority crosscutting initiatives for the department. In addition, according to ODA&M/PIO officials, prioritization is embedded in the Planning, Programming, Budgeting, and Execution process, in which principal staff assistants and military departments identify and prioritize their performance improvement initiatives in the budget submission. These officials stated that full implementation of the Performance Improvement Framework—including consistent reporting and prioritization of reform efforts—will likely not occur until the fiscal year 2026 budget cycle.

What is Advana and how does it relate to DOD's business operations and reform efforts?

Advana is a centralized data analytics platform that links various DOD classified and unclassified analytics applications. DOD uses several applications within Advana to monitor its business operations and reform efforts. Advana was originally developed by the Under Secretary of Defense (Comptroller) and is maintained by the Chief Digital and Artificial Intelligence Office (CDAO). Advana provides DOD users with common business data, decision support analytics, and data tools. As identified in a May 2021 DOD memorandum, the department's goal for using Advana is to transform DOD into a data-driven organization.

According to CDAO officials, usage of the Advana application has grown over the last 24 to 36 months from almost 26,000 account holders in September 2021 to about 62,000 account holders in February 2023. CDAO officials also stated that, between fiscal years 2017 through 2022, DOD obligated $126.1 million on the development of the Advana platform, and that it costs approximately $59 million annually to sustain it. CDAO officials told us they anticipate this number will vary as the Advana platform continues to grow.

DOD has begun to populate and use an application suite within the Advana platform called Pulse to monitor and report on business operations and reform efforts. Pulse is a suite of applications in Advana intended to align performance improvement activities with Secretary of Defense priorities and to foster better performance decision-making. ODA&M/PIO officials stated that DOD organizations will use Pulse as their primary performance management application within Advana once it is fully implemented. DOD is in the process of developing Pulse applications and populating them with data. Pulse contains several applications, including:

- **Business Health Metrics** is a suite of dashboards that enable DOD leadership to measure the performance of core business functions that support the department.

- **Strategic Priority Metrics** connects authoritative data to the strategic priorities and objectives outlined in the DOD Strategic Management Plan.

- **Performance Improvement Initiative Reporting Data Input Tool** is designed to centrally collect, manage, and report on performance improvement initiatives pursuant to requirements in accordance with the Performance Improvement Framework.

- **Secretary of Defense/Deputy Secretary of Defense Priorities Dashboard** are still under development and will be part of the Pulse application suite once complete to provide DOD leadership with high-level business operations performance information.

How does DOD use Advana to manage reform efforts?

DOD organizations will also be able to report on reform efforts using a Performance Improvement Initiative Reporting Data Input Tool within Pulse. The tool allows DOD organizations to report on reform efforts based on metrics listed in the Performance Improvement Framework, including aligning their reform efforts with department-level performance improvement initiatives and budget information.

ODA&M/PIO officials stated that to establish a baseline of efforts across the department, they used DOD organizations' responses to a December 2022 data request. The principal staff assistants and the components entered these data into Pulse to measure and manage reform efforts. When we observed a demonstration of Pulse, we found that the data to measure reform efforts in the application were not complete because they included only some baseline values for DOD's reform efforts, such as data on the actual costs of initiatives for fiscal year 2022 and estimated costs for fiscal year 2023. According to ODA&M/PIO and CDAO officials, DOD organizations will begin measuring against these values as more data are entered into Pulse in fiscal year 2024 in preparation for the fiscal year 2025 budget cycle to determine if their reform efforts are translating into progress.[14] Specifically, once this fiscal year 2025 budget cycle data are entered into Pulse, ODA&M/PIO and CDAO officials stated that DOD organizations will be able to fully monitor and compare the previous costs and performance estimates with actual costs and performance results. According to officials, this will allow DOD to use Pulse to more fully manage its reform efforts.

How does DOD use Advana to manage its business operations?

The Business Health Metrics application within Advana is currently used by DOD organizations to provide senior DOD leaders, including the Deputy Secretary, with an overview of how the department's business operations are performing. ODA&M/PIO officials stated that DOD organizations use this application to monitor their operations that function as part of enterprise-wide business operations. The Business Health Metrics are divided into six focus areas with metrics associated with each area, as shown below in table 3.

Table 3: Business Health Metrics

Focus areas	Metrics
Financials	Military Department Budgetary Resource Management
	Defense-wide Budgetary Resource Management
	Operation and Maintenance and Revolving Fund Indicators and Warnings
	Revolving Funds
	Financial Statement Audit
People	Military/Civilian Personnel Readiness
	Quality of Life
	Safety
	Security
Programs	Major Defense Acquisition Program and Other Adaptive Acquisition Framework Pathways
	Capability Portfolio Management
	Vendors
	Operations & Sustainment
	Security Cooperation Programs
Operational Health	Strategic Readiness
	Global Force Management
	Combatant Command Resources and Performance
Digital Modernization	Cybersecurity
	Data
	Command, Control and Communications
	Information Technology Infrastructure
	Digital Workforce
Logistics and Mission Support	Supply Chain Operations
	Industrial Base
	Installations
	Energy and Environment

Source: GAO summary of Department of Defense documents. | GAO-24-105793

What steps is DOD taking to ensure data are used to make management decisions to reform its business operations?

DOD has taken steps to ensure that the data collected and aligned to metrics are used to make management decisions to reform its business operations. However, DOD is not consistently using the data to monitor the status of reform efforts, which is a key practice for successfully addressing high-risk areas such as DOD's reform of its business operations.[15] To assess DOD's use of data in reforming its business operations, we randomly selected the following metrics within DOD's Business Health Metrics:

- **Defense-wide Budgetary Resource Management**. DOD uses this metric to assist the monthly budget execution review process and management of the Operation and Maintenance, Defense-Wide resources, which are budgeted and executed across various DOD organizations.

- **Vendors.** DOD uses this metric to sort and filter sustainment data by vendor information, and to highlight current sustainment issues or opportunities for

the Under Secretary of Defense for Acquisition and Sustainment senior leadership's attention.[16]

- **Data.** DOD uses this metric as a part of it its Digital Modernization Strategy to monitor progress and make adjustments related to the department's strategic goals, priorities, and resources, and is used in conjunction with other Business Health Metrics to monitor the department's progress and health across all lines of effort.

We found that DOD is currently using the three selected metrics to monitor and adjust programs, consistent with key practices related to the use of data.[17] DOD uses each of these three metrics to monitor changes within the department over time. The metrics provide senior leaders, including the Deputy Secretary, a dashboard of real time data regarding business operations and performance. For example, according to CDAO officials, the Deputy Secretary reviews the Data metric monthly to monitor department-wide progress across all lines of effort. Further, according to CDAO officials, the department uses the Data metric to make adjustments in its departmental priorities and resources to support progress toward its strategic goals.

We also found that the DOD organizations use all three selected metrics to inform management decisions. For example, DOD organizations use the selected Defense-wide Budgetary Resource Management metric to monitor budget execution rates throughout the fiscal year, as well as to address any unforeseen contingencies that may arise during the year of execution.

However, we found that DOD is not consistently applying key practices to successfully address high-risk areas related to the use of data.[18] For example, DOD does not have a monitoring plan to help leaders determine whether corrective actions that they take related to business reform are sustainable or effective. Specifically, we found that there is no plan in place to monitor the three selected metrics that we reviewed to help DOD leadership track and independently validate the effectiveness and sustainability of their actions related to these metrics.

We have reported that agencies can use key practices related to the use of data to make various types of management decisions to improve programs and results, including several practices that can enhance or facilitate the use of performance information. We have also noted the role data play in reform efforts and addressing high-risk issues. Specifically, a monitoring plan can help agency leaders track and independently validate the effectiveness and sustainability of corrective actions.[19]

DOD does not have guidance that clearly explains how to use Business Health Metrics in the management and reform of the DOD business operations. According to ODA&M/PIO officials, there is no guidance related to how organizations are required to use Business Health Metrics because the application is still in its early stages of implementation. However, CDAO officials stated that guidance related to the implementation and monitoring the status of reform efforts would be helpful.

These officials also stated that they are evaluating Business Health Metrics and Strategic Priority Metrics applications to ensure that the metrics and applications meet the needs of the organizations to manage and report on their priorities. According to CDAO officials, some organizations have told CDAO that it is not clear how they are supposed to use the Business Health Metrics. The CDAO officials also told us they are currently assisting the organizations to shift from using the metrics solely as tools to input and track data to using them as management and capability tools to help guide management decisions and enhance and determine the overall health of their organizations. However,

without guidance on how to use Business Health Metrics to manage and reform DOD business operations, DOD cannot ensure that its reform data collected by metrics are being used effectively to help manage department-wide reform efforts.

Is the department's approach to reform working?	Given that DOD is in the early stages of establishing its approach to reform, it is too early to determine whether the new approach is working (i.e., whether it is resulting in effective reform and transformation initiatives tied directly to the agency's strategic management priorities). As noted above, the recently released list of crosscutting initiatives reflects a mix of new reform efforts and some that were underway prior to the dissolution of the CMO. However, the department continues to lay the groundwork for its reform efforts, including through further development of Pulse.

According to ODA&M/PIO officials, DOD used the reform information reported in the fiscal year 2024 defense budget overview to meet the annual reform reporting requirements established in 10 U.S.C. § 125a. The overview identifies 29 ongoing reform efforts across the department. These include 19 continuous process improvement initiatives, six optimization initiatives, one reform initiative, and three transformation initiatives. However, the examples of reform and transformation efforts are limited and suggest that crosscutting reforms may be limited under the new model. For example, a single principal staff assistant submitted the one reform initiative, and a single military department submitted three transformation initiatives, which were not crosscutting—in other words, they did not cut across organizational boundaries outside of the military department. Moreover, a January 2023 memo from the DBC co-chairs also noted that the response rate to the data call for performance improvement initiatives was low.

ODA&M/PIO officials noted that there were other issues in the data they received from DOD organizations in response to their November 2022 request for data to support the report to Congress. Specifically, the officials stated that the DOD organizations' reported initiatives did not align with Strategic Management Plan objectives as they expected. For example, ODA&M/PIO officials told us that one of the submitting organizations provided a reform related to recruitment. However, when they submitted the reform, they did not align it with the strategic priority of taking care of people and cultivating the department's workforce. The officials further stated that they are early in the process of gathering these data and that it will take multiple data requests to ensure that reported initiatives align properly. ODA&M/PIO officials also stated that they plan to engage with individuals within the DOD organizations who are directly responsible for reforms to better ensure they understand the Strategic Management Plan and Performance Improvement Framework and accordingly understand how their reforms fit into both.

It is also too early to determine the effect of recent changes to the department's senior governance bodies. The Deputy's Management Action Groups' assumption of responsibility for the Strategic Management Plan potentially increases focus on the plan, which plays an important role in the department's reform efforts. However, it remains to be seen how, specifically, the newly established Defense Performance Improvement Council and the existing Defense Business Council will coordinate in supporting these efforts.

ODA&M/PIO officials also said it will take time to fully implement their new approach to business reform. These officials told us that full integration into the Planning, Programming, Budgeting, and Execution process and implementation of the Performance Improvement Framework will likely not occur until the fiscal year 2026 budget cycle, which will be initiated in early 2024. Our past work on leading practices for agency reforms and reorganizations found that

organizational changes can occur over several years and must be carefully and closely managed.[20] GAO will continue to monitor DOD's business reform efforts and assess the extent to which it is achieving the department's goals.

Conclusions

DOD has made progress in developing and implementing its new approach to its business reform. By issuing a consistent reporting framework and realigning former CMO responsibilities to other organizations, DOD is now better positioned to develop and track reform efforts. However, the department is in the early stages of implementing its new approach to reform and is still laying the groundwork for the path forward, including through recent revisions to the department's governance structure for reform and continued development of the processes and systems to support its new approach. As a result, it is too early to determine whether the new approach is working.

DOD has also taken steps to ensure data and metrics are used to inform management decisions to improve its business reform efforts. CDAO officials stated that they are evaluating Business Health Metrics and Strategic Management Plan initiatives to ensure that the tools meet the needs of the organizations to manage and report on their priorities. However, without guidance on how to use Business Health Metrics, DOD cannot ensure that its reform metrics are being used effectively to help manage department-wide reform efforts.

Recommendation for Executive Action

The Secretary of Defense should ensure that the Director of Administration and Management and the Chief Digital and Artificial Intelligence Officer develop and issue guidance clarifying the requirements for using Business Health Metrics in accordance with best practices related to the use of data to effectively help manage department-wide reform efforts.

Agency Comments

We provided a draft of this report to DOD for review and comment. In written comments on the report, reproduced in appendix I, DOD concurred with our recommendation. In technical comments on the report, DOD officials disagreed with our characterization of DOD's new approach as being bottom-up rather than top-down. For example, they noted that the heads of DOD components are responsible for directing performance improvement initiatives within their components and that the Deputy Secretary of Defense also leads initiatives within the department. We acknowledge that the heads of DOD components serve as senior leaders for their respective organization's performance improvement efforts. Nevertheless, we also believe our characterization is appropriate in light of the difference between DOD's new approach, which largely depends on individual components proposing reform initiatives to senior governance bodies within the department, and the approach used under the former CMO position.

How GAO Did This Study

To conduct this work, we reviewed documents regarding department-wide business reform efforts, including information provided in DOD's Strategic Management Plan, and interviewed officials from selected DOD organizations. The selected organizations were the Departments of the Army, Navy, and Air Force as well as the Offices of the Under Secretary of Defense for Personnel and Readiness, Under Secretary of Defense (Comptroller), Under Secretary of Defense for Acquisition and Sustainment, Chief Information Officer, and Director of Administration and Management. We selected these organizations due to their responsibility for DOD's business operations.

We also assessed the extent to which DOD's Performance Improvement Framework addresses statutory requirements and the extent to which the department has taken necessary steps to implement the framework. In addition, we randomly selected three of the department's stated business health metrics and used a structured questionnaire to gain the views of knowledgeable officials on data quality controls related to these metrics, and to determine how the metrics are used.

We conducted this performance audit from February 2022 to October 2023 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.

List of Committees	The Honorable Jack Reed Chairman The Honorable Roger Wicker Ranking Member Committee on Armed Services United States Senate
	The Honorable Jon Tester Chair The Honorable Susan Collins Ranking Member Subcommittee on Defense Committee on Appropriations United States Senate
	The Honorable Mike Rogers Chairman The Honorable Adam Smith Ranking Member Committee on Armed Services House of Representatives
	The Honorable Ken Calvert Chair The Honorable Betty McCollum Ranking Member Subcommittee on Defense Committee on Appropriations House of Representatives

McDonough, Philip McIntyre, Lillian Ofili, Michael Silver, Thomas Twambly, and Sarah Veale.

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OFFICE OF THE DIRECTOR OF ADMINISTRATION AND MANAGEMENT
1950 DEFENSE PENTAGON
WASHINGTON, DC 20301-1950

September 25, 2023

Ms. Elizabeth A. Field
Director
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Field,

This is the Department of Defense (DoD) response to the GAO Draft Report GAO-24-105793 " Defense Management: Action Needed to Advance Progress on Reform Efforts" dated August 25, 2023 (GAO Code 105793). The DoD concurs with the Government Accountability Office (GAO) recommendation (Tab A). Additionally, the DoD is recommending edits to the Draft Report for technical accuracy (Tab B).

Thank you for your continued cooperation and dialogue toward our common goal of improving Department of Defense. Should you have any questions, please contact my Action Officer, Rick Roberts at 703-545-4686 or richard.j.roberts3.civ@mail.mil.

Sincerely,

Silvana Rubino-Hallman, Ph.D
Deputy, Performance Improvement Officer
and Evaluation Officer of the Department of Defense

Attachment: As stated

Endnotes

[1]GAO, *Department of Defense: Actions Needed to Address Five Key Mission Challenges*, GAO-17-369 (Washington, D.C.: June 13, 2017).

[2]GAO, *High Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20 2023).

[3]Pub. L. No. 116-283, § 911 (2021). While 10 U.S.C. § 125a refers to "reform," DOD has adopted the term "performance improvement," with "reform" as one type of performance improvement effort. GAO has traditionally used "reform" to refer to this concept, and consistent with 10 U.S.C. § 125a, we generally do so within this report, except in cases where using "performance improvement" is more appropriate, such as when discussing DOD's Performance Improvement Framework.

[4]In response to this provision, we provided an interim briefing in July 2023 to the House Armed Services Committee, Senate Armed Services Committee, Defense Subcommittee of the House Committee on Appropriations, and Defense Subcommittee of the Senate Committee on Appropriations. The content of that briefing is reflected in this report.

[5]For purposes of this report, DOD organizations include the three military departments (Army, Navy, and Air Force); organizations that received significant responsibilities with the dissolution of the Chief Management Officer (the Offices of the Director of Administration and Management, the Under Secretary of Defense (Comptroller), and the DOD Chief Information Officer); other principal staff assistants who are responsible for overseeing aspects of DOD's business operations (the Under Secretary of Defense for Personnel and Readiness and the Under Secretary of Defense for Acquisition and Sustainment); and the Office of the Director of Cost Assessment and Program Evaluation, which has historically had a significant role in reform.

[6]Deputy Secretary of Defense Memorandum, *Re-establishment of the Assistant to the Secretary of Defense for Intelligence Oversight and the Director of Administration and Management* (Jan. 11, 2021).

[7]Deputy Secretary of Defense Memorandum, *Disestablishment of the Chief Management Officer, Realignment of Functions and Responsibilities, and Related Issues* (Sept. 1, 2021). Due to the DA&M's additional role as PIO, we use DA&M/PIO to refer to this official, and ODA&M/PIO to refer to the Office of the DA&M/PIO. The Government Performance and Results Act (GPRA) Modernization Act of 2010, along with related Office of Management and Budget Guidance, established and defined performance management responsibilities for agency officials in key management roles, including the PIO and deputy PIO. *See* Pub. L. No. 111-352 (2011), OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (Aug. 11, 2023), and OMB Memorandum M-11-31, *Delivering an Efficient, Effective, and Accountable Government* (Aug. 17, 2011). Among other things, the PIO is responsible for advising on goal setting and measurement and reviewing progress toward agency priority goals. For more information on agencies' implementation of performance management leadership roles, see GAO, *Managing for Results: Agencies Have Elevated Performance Management Leadership Roles, but Additional Training is Needed*, GAO-13-356 (Washington, D.C.: Apr. 16, 2013).

[8]Department of Defense, *Defense Business Council Charter* (Jan. 18, 2022).

[9]Pub. L. No. 117-263 § 902 (2022).

[10]Deputy Secretary of Defense Memorandum, *Governance Structure for Deputy Secretary Managed Processes* (Aug. 8, 2023).

[11]Department of Defense Directive 5105.79, *DOD Senior Governance Framework* (Nov. 8, 2021).

[12]Deputy Secretary of Defense Memorandum, *Department of Defense Fiscal Year 2023-2024 Priority Cross-Cutting Performance Improvement Initiatives* (Aug. 4, 2023).

[13]Deputy Secretary of Defense Memorandum, *Department of Defense (DOD) Performance Improvement Framework and Implementation* (Oct. 4, 2022).

[14]According to Office of the Under Secretary of Defense (Comptroller) officials, the pre-decisional budget formulation data for the upcoming President's Budget are not included in Pulse, but rather in DOD's Planning, Programming, Budgeting, and Execution system, Next Generation Resource Management System. Therefore, Pulse and Next Generation Resource Management System data provide the full picture of developing initiatives prior to budget submission, while Pulse data alone can provide a comprehensive account of approved initiatives that are in budget execution.

[15]GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, GAO-22-105184 (Washington, D.C.: Mar. 3, 2022).

[16]A vendor is an individual, partnership, corporation, or other activity that sells property, goods, or services. A vendor may supply a government contractor. Vendors may or may not be manufacturers that produce the product or service they sell.

[17]GAO, *Evidence-Based Policy Making: Practices to Help Manage and Assess the Results of Federal Efforts,* GAO-23-105460 (Washington, D.C., July 12, 2023).

[18]GAO-22-105184. DOD's approach to business transformation is among the areas identified in GAO's High-Risk List. For additional information, see GAO-23-106203.

[19]GAO-22-105184 and GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018).

[20]GAO-18-427.