Maximizing DOD's Potential to Achieve Greater Efficiencies and Improve Business Operations

DOD Performance Symposium

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Comptroller General of the United States

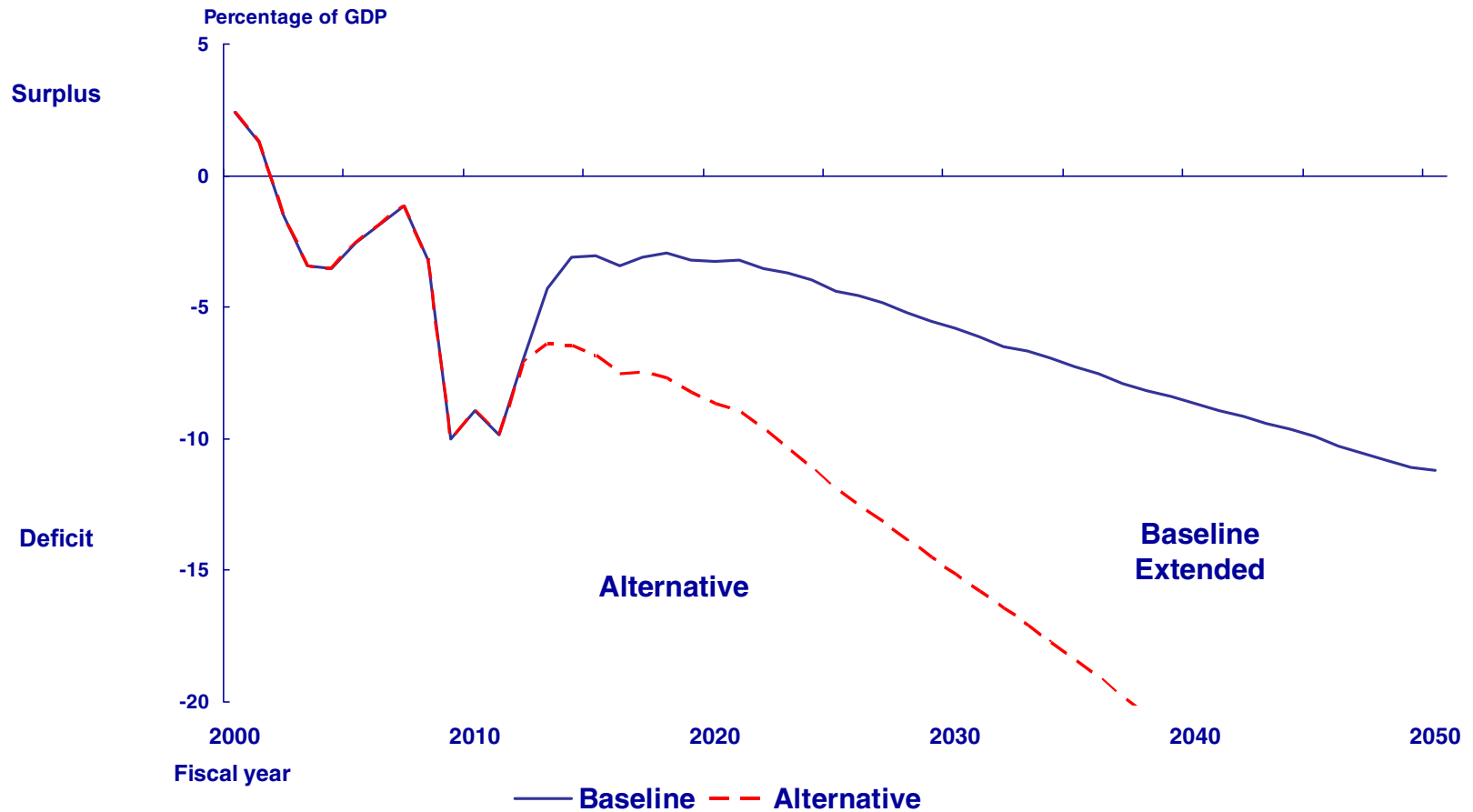U.S. Government Accountability Office

Overview

- Long Term Fiscal Projections

- GPRA Modernization Act Goals

- Overlap, Fragmentation, and Duplication

- GAO's High-Risk List – An Update
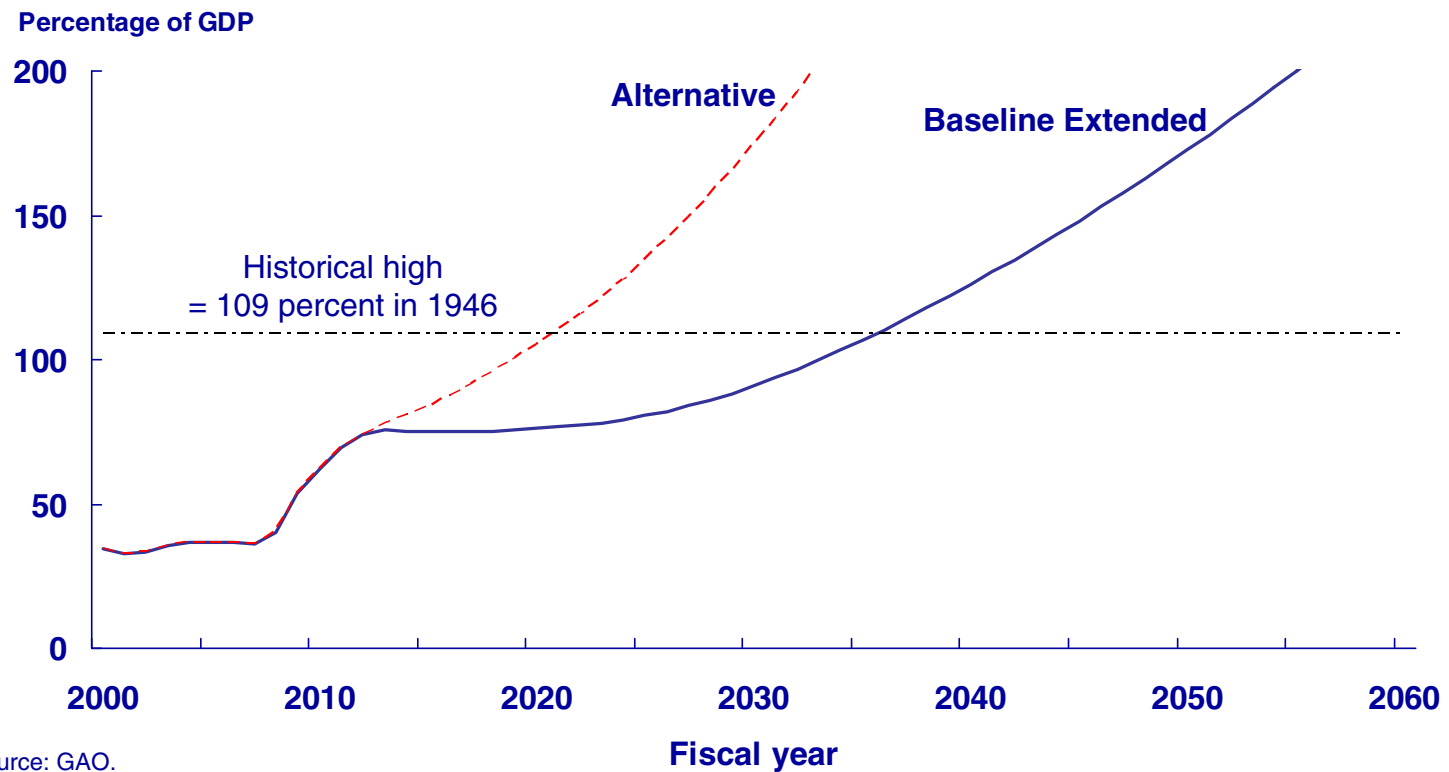
Long Term Fiscal Projections

Federal Budget Trends under Different Fiscal Policy Simulations

Percentage of GDP

Surplus

Deficit

Alternative

Baseline Extended

——— Baseline – – – Alternative

Fiscal year

2000   2010   2020   2030   2040   2050

Source: GAO.
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's assumptions for Medicare.

Debt Held by the Public under Two Fiscal Policy Simulations

Percentage of GDP

Alternative

Baseline Extended
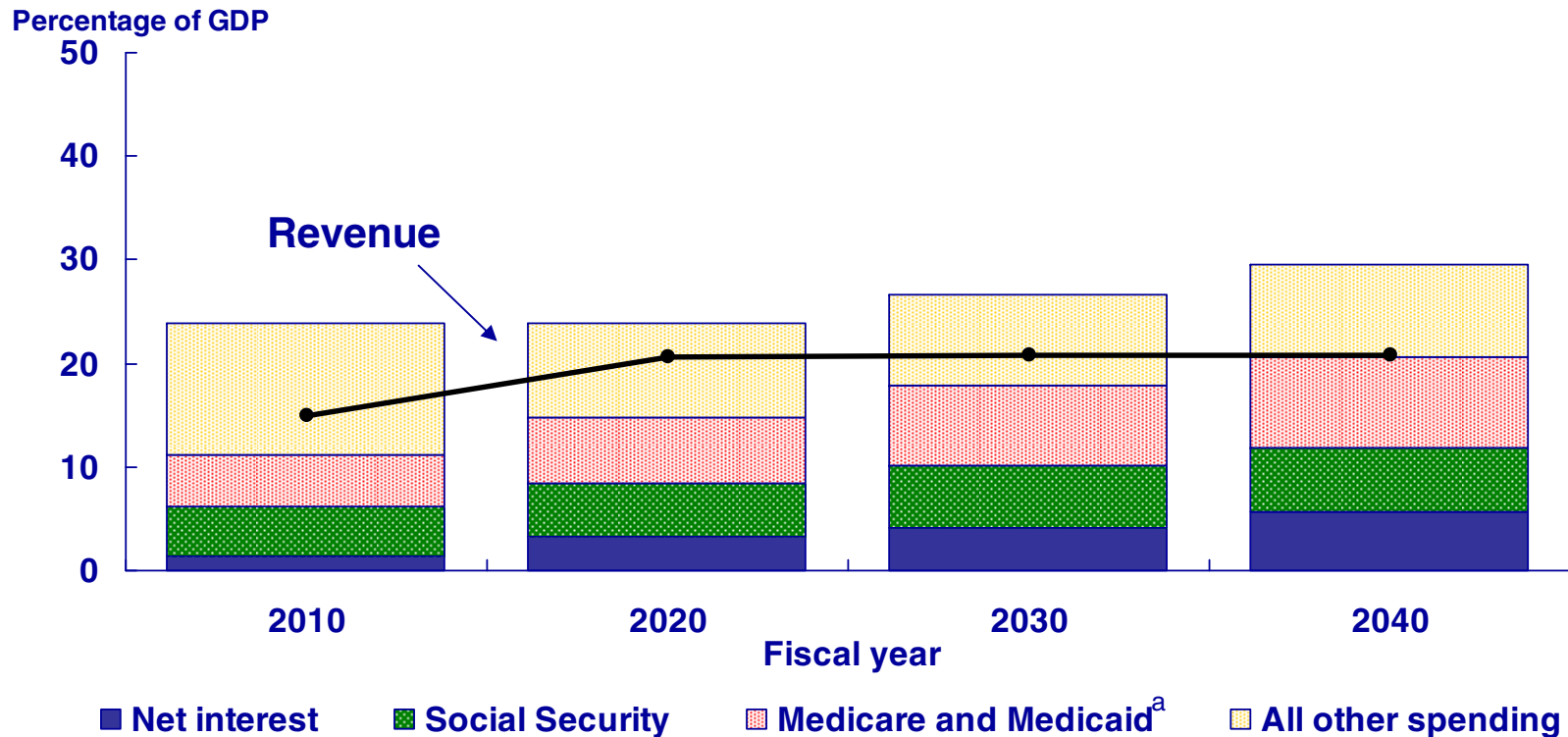
Historical high
= 109 percent in 1946

Fiscal year

Source: GAO.
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and the Trustees' and CMS Actuary's alternative assumptions for Medicare.

Potential Fiscal Outcomes
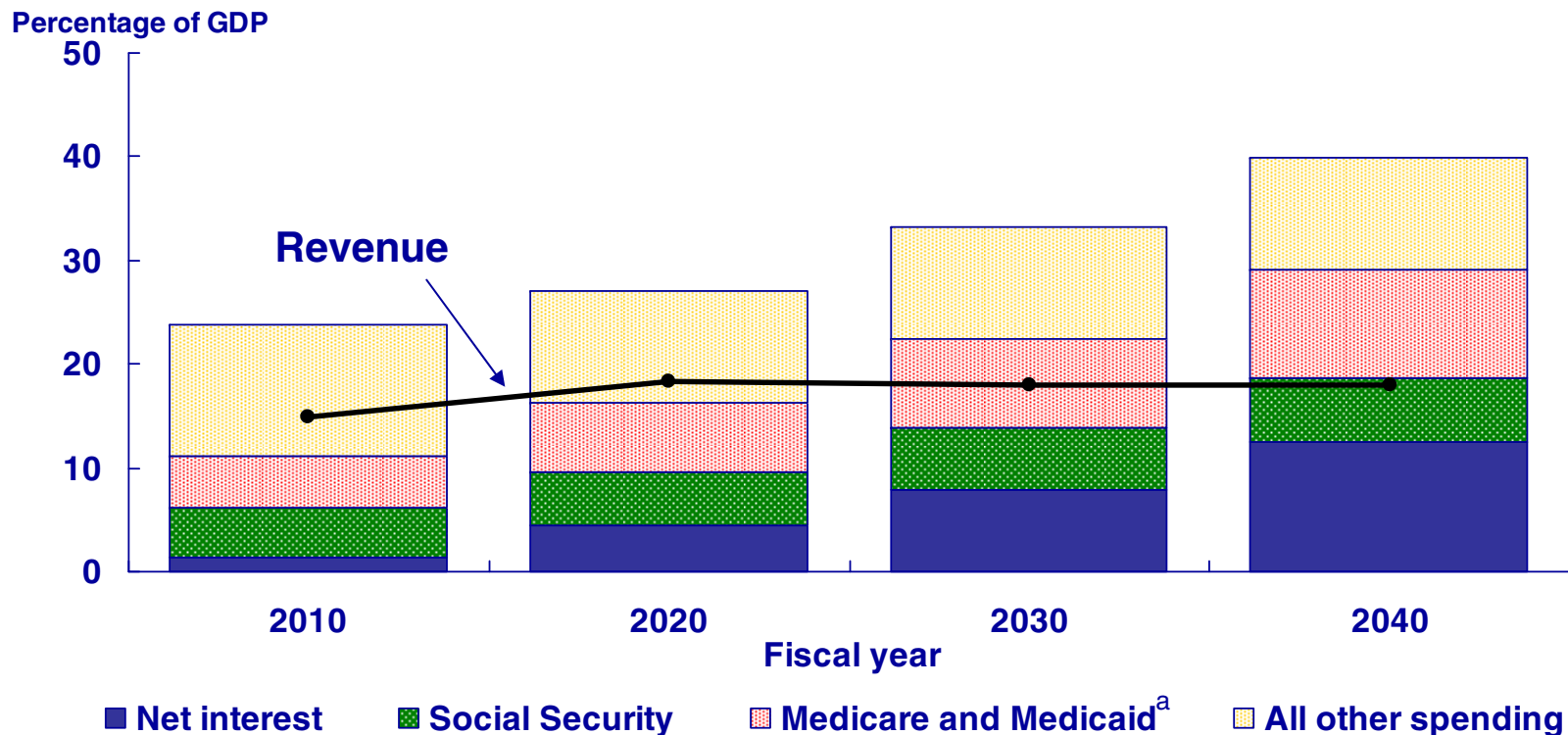## Revenues and Composition of Spending under Baseline Extended Simulation

Source: GAO.
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and Medicare.
[a]This also includes spending for insurance exchange subsidies and CHIP.

Potential Fiscal Outcomes
Revenues and Composition of Spending under Alternative Simulation

Percentage of GDP

Revenue

Legend: Net interest, Social Security, Medicare and Medicaid[a], All other spending
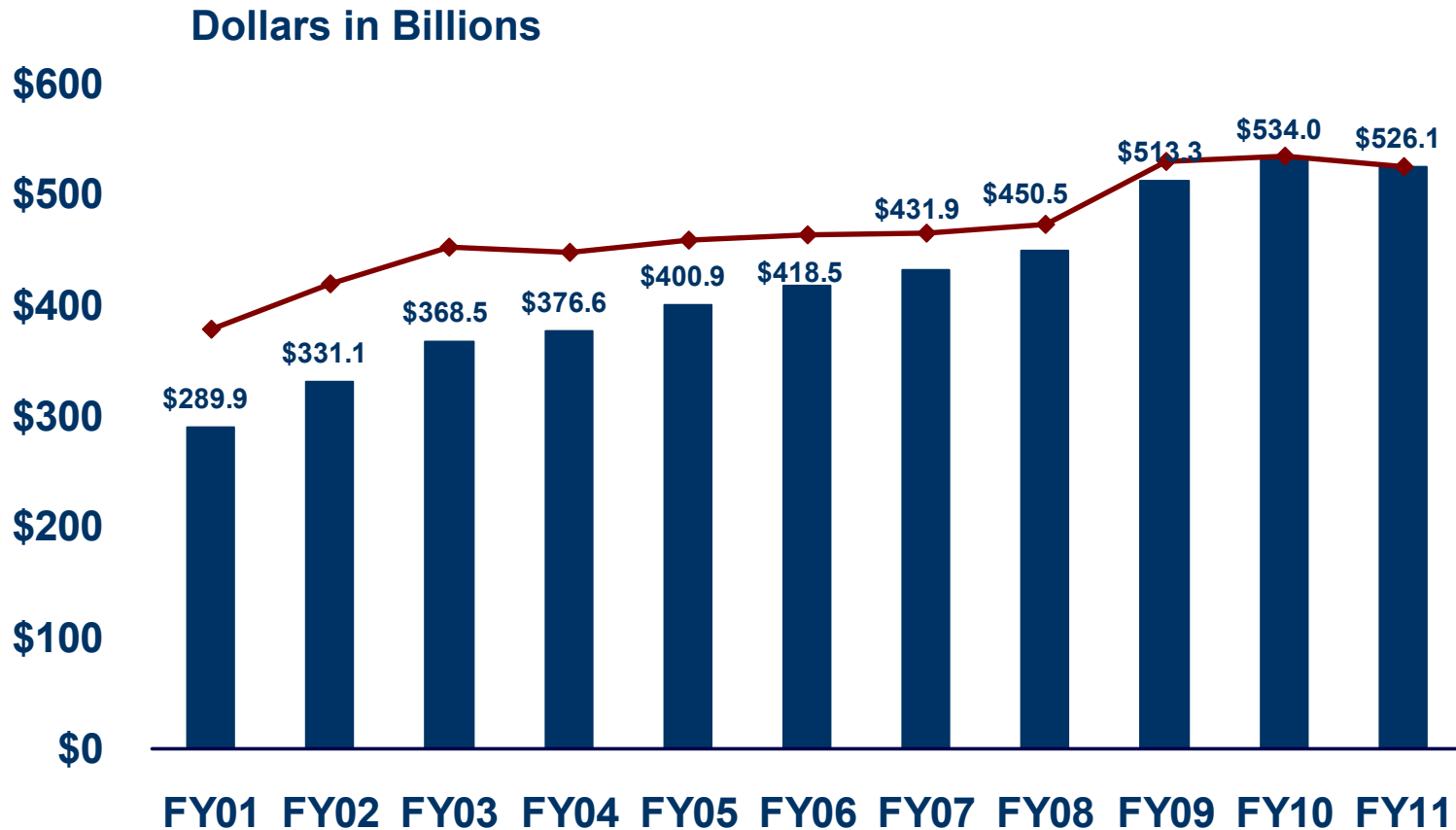
Fiscal year: 2010, 2020, 2030, 2040

Source: GAO.
Note: Data are from GAO's January 2011 simulations based on the Trustees' assumptions for Social Security and CMS Actuary's alternative assumption for Medicare.
[a]This also includes spending for insurance exchange subsidies and CHIP.

DOD Budget Authority FY 2001-2011 (Excluding Contingency Operations)

Dollars in Billions

Note: bars reflect nominal dollars, line reflects constant FY11 dollars.
Source: DOD.

DOD's Fiscal Situation

DOD faces fiscal pressures as it attempts to balance competing demands from within. For example:

- While overall costs are declining as forces redeploy from Iraq, ongoing operations will still continue to require substantial amounts of resources.

- Extended military operations have taken a toll on readiness, and rebuilding our force will entail significant costs.

- Personnel and health care costs are increasing.

- Growth in cost to acquire and operate weapon systems remains a significant problem.

Building on DOD's Ongoing Efforts to Identify Efficiencies

- DOD is becoming more focused on identifying efficiencies and potential cost savings.

  - In May 2010, Secretary Gates directed DOD to undertake a departmentwide initiative to assess how it is staffed, organized, and operated with the overarching goal of significantly reducing excess overhead costs and reinvesting these savings in sustaining the current force structure and modernizing its weapons portfolio.

  - In January 2011, the Secretary announced the results --- projected savings of about $154 billion over 5 years that will be integrated into DOD's budget beginning in fiscal year 2012.

  - Also, as part of its fiscal year 2012 budget request, DOD identified $78 billion in savings that could be reduced from its topline over a 5 year period beginning in fiscal year 2012. Of this amount, DOD stated about $54 billion came from the Secretary's efficiency initiative.

- In April 2011, President Obama set a goal of cutting $400 billion from national security spending over the next 12 years.

- To support this goal and build on the Secretary's initiative, it will require DOD to
  - reexamine the need for programs and activities, including making tough choices to adjust or terminate those that are outmoded or not performing;
  - set priorities and allocate resources accordingly;
  - adopt sound business practices; and
  - eliminate inefficient ways of doing business, particularly in core functions and processes.

GPRA Modernization Act Goals

GPRA Modernization Act Goals

- Adopting a more coordinated and crosscutting approach to achieving common goals

- Addressing weaknesses in major management functions

- Ensuring performance information is both useful and used in decision making

- Instilling sustained leadership commitment and accountability for achieving results

- Engaging Congress in identifying management and performance issues to address

Coordinated and Crosscutting Approaches to Achieve Common Goals

- The act requires OMB, in coordination with agencies, to:

  - Develop long-term, outcome-oriented goals for a limited number of crosscutting policy areas
  - Provide information annually on how these crosscutting goals will be achieved

- Effective implementation of these requirements could help inform reexamination or restructuring efforts.

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Addressing Weaknesses in Major Management Functions

- Agencies need more effective management capabilities to better implement programs and policies.

- The act requires OMB to develop goals to improve management functions across the government, including in the following areas:

  - Financial management

  - Human capital

  - Information technology

  - Procurement and acquisition

  - Real property

Ensuring Performance Information is Useful and Used

- To ensure performance information will be both useful and used, it must meet various users' needs for completeness, accuracy, validity, timeliness, and ease of use.

- The act has several requirements that could help meet these needs:

  - Agencies to disclose more information on the accuracy and validity of their performance data, such as data sources

  - Quarterly, rather than annual, reporting for priority goals

  - Information to be posted on a governmentwide website

Ensuring Performance Information is Useful and Used

- To ensure that federal officials have the knowledge and skills necessary to use the information they are gathering, the act requires OPM to:

  - Identify key skills and competencies needed to carry out performance management activities

  - Incorporate those skills and competencies into relevant position classifications and agency training

Sustained Leadership Commitment and Accountability for Results

- The act creates several new leadership structures and responsibilities aimed at sustaining attention on improvement efforts:

  - At the agency level, a Chief Operating Officer and Performance Improvement Officer at each agency

  - A governmentwide Performance Improvement Council to assist in carrying out the governmentwide performance and reporting requirements of the act

  - Quarterly reviews for the governmentwide and agency priority goals that involve top leadership

Engaging Congress

- The act significantly enhances requirements for agencies to consult with Congress when establishing or adjusting governmentwide and agency goals.

  - OMB and agencies are to consult with relevant committees, obtaining majority and minority views, about proposed goals at least once every 2 years

  - In addition, OMB and agencies are to describe how they incorporated congressional input into their goals

GAO's Role in Evaluating Implementation of the GPRA Modernization Act

- The act includes provisions requiring GAO to evaluate implementation over time:

    - By June 2013, GAO is to report on implementation of the act's planning and reporting requirements at both the governmentwide and agency levels.

    - By September 2015 and 2017, GAO is to evaluate how performance management is being used by federal agencies to improve their results.

    - Also by September 2015 and 2017—and every 4 years thereafter—GAO is to evaluate implementation of the federal government priority goals and performance plans, and related reporting requirements.

Overlap, Fragmentation and Duplication

GAO Reporting on Overlap, Fragmentation and Duplication in Federal Programs
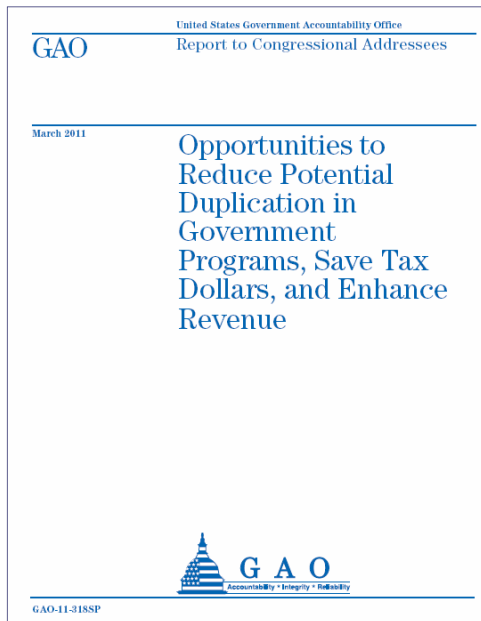
- Section 21 of P.L. 111-139, enacted in February 2010, required that the Comptroller General:

  - conduct routine investigations to identify programs, agencies, offices, and initiatives with duplicative goals and activities within Departments and government-wide, and

  - report annually to Congress on the findings, including the cost of such duplication and with recommendations for consolidation and elimination to reduce duplication.

Methodology for 2011 report (GAO-11-318SP)

GAO drew on a variety of sources to identify potential areas of focus.

GAO	External Sources
• Over 200 reports that highlight the potential for duplication, overlap, or fragmentation • Major cost saving opportunities identified on GAO Web site • GAO High-Risk series • Previous GAO work on government restructuring and reorganization	• OMB's Program Assessment Rating Tool (PART) • President's Budget Terminations, Reductions, and Savings list • CBO Budget Options • Academia, public policy organizations, think tanks

Summary of 2011 report (GAO-11-318SP)

United States Government Accountability Office

Report to Congressional Addressees

GAO

March 2011

Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue

G A O
Accountability * Integrity * Reliability

GAO-11-318SP

- 34 areas where agencies, offices, or initiatives have similar or overlapping objectives or provide similar services to the same populations; or where government missions are fragmented across multiple agencies or programs.

- 47 additional areas describing other opportunities for agencies or Congress to consider taking action that could either reduce the cost of government operations or enhance revenue collections for the Treasury.

- Depending on the extent of actions taken, these savings and revenues could collectively result in tens of billions of dollars in annual savings.

Examples of DOD-Related Duplication and Cost Savings or Revenue Enhancement Issues

Duplication, Overlap, or Fragmentation	Cost Savings or Revenue Enhancement
• Military medical command structures • Counter-IED Efforts • Intelligence, Surveillance, and Reconnaissance Capabilities • Warfighter Urgent Needs Processes • Tactical Wheeled Vehicles Purchases • Prepositioning Programs • Business System Modernization Efforts	• Assessing Costs and Benefits of Overseas Military Presence Options • Developing a Total Compensation Approach to Manage Growth in Military Personnel Costs • Opportunities to Better Manage DOD's Spare Parts Inventory and Weapons Systems Acquisition • Improving the Cost-Effectiveness of Sustaining Weapon Systems • Improving Corrosion Prevention and Control Practices

GAO High Risk List-An Update

2011 High-Risk Update (GAO-11-278)

2011 List – 30 areas total

- One DOD-specific area removed
  - Personnel Security Clearances

- Seven DOD-specific areas related to business operations
  - Management Approach to Business Transformation
  - Business Systems Modernization
  - Support Infrastructure Management (Narrowed in Scope)
  - Financial Management
  - Supply Chain Management
  - Weapon Systems Acquisition
  - Contract Management

Removing High-Risk Designations

- Five criteria for determining whether a high-risk area can be removed:

    - Demonstrated top leadership commitment to addressing the problems

    - Capacity (people and resources)

    - Corrective action plan

    - Demonstrated progress that is sustainable

    - A program to monitor corrective measures

Closing Thoughts

- The nation is facing the daunting challenges of recovering from a serious recession while facing serious long-term fiscal challenges that simulations show –absent significant policy changes– growing deficits accumulating to an unsustainable increase in debt.

- In this fiscal environment, DOD cannot afford to miss opportunities to address inefficiencies in its key business areas as well as across the Department.

- In many areas, some of which I have outlined today, DOD can achieve tangible and sustainable outcomes that will ultimately provide better support to the warfighter and free up resources for higher priority needs.

- To do so, it will take strong leadership, sound plans, valid performance metrics and reliable data to measure progress, and tough choices to alter course if programs aren't performing.

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On the Web

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