U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

March 28, 2019

The Honorable Patrick M. Shanahan
Acting Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, D.C. 20301-1000

Priority Open Recommendations: Department of Defense

Dear Mr. Secretary:

The purpose of this letter is to provide an update on the overall status of the Department of Defense's (DOD) implementation of GAO's recommendations and to call the Department's continued attention to areas where open recommendations should be given high priority.

Many of the recommendations in this letter directly address key DOD challenges—such as rebuilding readiness, mitigating cyber threats, and controlling costs—that significantly affect the department's ability to accomplish its mission. Fully implementing these recommendations will assist DOD in addressing these and other challenges.

In November 2018 we reported that on a government-wide basis, 77 percent of the recommendations we had made 4 years earlier had been implemented.[1] As of February 21, 2019, DOD's recommendation implementation rate was 67 percent.[2] At that time, DOD had 984 open unclassified recommendations.[3]

Last April we sent the Department a letter discussing 85 of these open recommendations that we believe should be given high priority. Since our April 2018 letter, DOD has implemented 17

[1] GAO, *Performance and Accountability Report: Fiscal Year 2018*, ***GAO-19-1SP*** (Washington, D.C.: Nov. 15, 2018).

[2] We measure the percentage rate of recommendations implemented 4 years subsequent to a given fiscal year's recommendations. Thus, DOD's implementation rate represents the percentage of recommendations from fiscal year 2014 GAO unclassified and sensitive (e.g., For Official Use Only) products that DOD had implemented as of February 21, 2019. It does not include classified recommendations.

[3] In addition, as of February 21, 2019, DOD had 36 open recommendations that were included in sensitive (e.g., For Official Use Only) GAO reports, bringing the total number of open recommendations to 1,020. We do not publish recommendations from sensitive products on our website. DOD and GAO differ as to how many unclassified recommendations remain open. As of February 21, 2019, DOD reported 624 open unclassified recommendations from GAO. According to DOD officials, DOD closes a recommendation when it non-concurs or has determined that its planned corrective actions have been completed and meet the recommendation's intent. We do not close a recommendation until (1) we obtain information and supporting documentation indicating that the recommendation has been implemented or actions have been taken that essentially meet the recommendation's intent, or (2) circumstances have changed and the recommendation is no longer valid; or in our professional judgment, sufficient time has passed and the agency is unlikely to implement the recommendation.

of our 85 priority recommendations. Implementing these recommendations places DOD in a better position to accomplish its mission in an efficient and effective manner.

We ask for DOD's continued attention to the remaining 67 open priority recommendations identified in the 2018 letter.[4] We are also adding 21 new recommendations to our previously highlighted areas of focus related to the Army's requirements development process, the reliability of the F-35 aircraft, F-35 sustainment, cybersecurity training, adoption of cybersecurity best practices, the transfer of the administration of military treatment facilities to the Defense Health Agency, defense real property, and the financial oversight of DOD's use of overhead fees charged to foreign government purchasers.

In addition, we are highlighting a new issue area focused on **building DOD's capacity to drive enterprise-wide business reform**, intended to support DOD's goal of reforming its business operations to build greater performance and affordability. This area includes 3 new recommendations related to department-wide collaboration and to the implementation of initiatives from DOD's cross-functional business reform teams.

This brings the total number of priority recommendations for DOD to 91 (see enclosure I for the list of these recommendations). The 91 fall into the following nine major areas:

1. **Acquisitions and Contract Management**. We have 20 priority recommendations in this area. Our latest analysis of DOD's portfolio of major defense acquisition programs found that it consists of 86 programs, with an estimated total cost of $1.66 trillion—an increase of $54.7 billion since our last analysis in 2017.[5] Programs have performed better than their predecessors in staying within budget estimates; however, most programs continue to proceed without the key knowledge essential to good acquisition outcomes.

   For example, over the years since we reported on testing and reliability shortfalls affecting the Ford-class aircraft carrier program in 2013, the Navy continued to encounter delays in development and construction. While these delays resulted in a delay in ship delivery, the Navy maintained an overlap between integrated and operational testing. The Navy accepted delivery of the lead ship in the class CVN 78 in May 2017—more than 2 years late, at a cost of more than $2 billion greater than was estimated, with a number of persistent reliability and performance shortfalls. Still, as of October 2018, the CVN 78 schedule showed that integrated testing would continue after the start of initial operational test and evaluation. DOD decisions related to this program have superseded the applicability of our previous priority recommendation in our September 2013 report, *Ford-Class Carriers: Lead Ship Testing and*

[4] Since our April 2018 letter, we have closed 1 priority recommendation as unimplemented related to integrated testing of Ford-class carriers because the recommendation is no longer applicable, as explained later in this letter. In addition, we are removing the priority designation from an additional 2 recommendations related to the Army's strategic sourcing efforts for information technology that appeared in our 2018 letter. These 2 recommendations will remain open until DOD takes appropriate action; however, they were bundled with a broad priority recommendation for the Army to conduct a comprehensive analysis of its information technology (IT) services spending. We have closed that recommendation as implemented, and the remaining 2 recommendations, on their own, are not among our highest priorities.

[5] Our assessment of DOD's portfolio does not include the cost of the Ballistic Missile Defense System (BMDS), as the program and its elements lack acquisition program baselines needed to support our assessment of cost and schedule changes. Although the Missile Defense Agency is required to establish and maintain baselines for certain elements of the BMDS, these are not the same as those typically developed for major defense acquisition programs. *See* 10 U.S.C. §§ 225, 2435.

Reliability Shortfalls Will Limit Initial Fleet Capabilities (GAO-13-396), that DOD update its test plan for the lead ship in the program. Therefore, we have closed that recommendation as unimplemented.

As the Navy prepares for the biggest increase in its fleet size in more than 30 years, the Navy has an opportunity to improve the way in which it buys ships, to adopt a more disciplined approach, and to avoid past difficulties. These opportunities are detailed in our June 2018 report *Navy Shipbuilding: Past Performance Provides Valuable Lessons for Future Investments* (GAO-18-238SP). Specifically, Navy ships have routinely cost more and taken longer to build than expected. For example, on its lead ships, the Navy has experienced a total of $8 billion in cost growth and years of schedule delays from classes built during the past 10 years, and many of these ships were provided to the fleet with less capability and poorer quality than expected. We have 3 open priority recommendations related to Navy and Coast Guard shipbuilding that address some of these challenges. We also have 3 open recommendations related to completing comprehensive cost estimates and stabilizing program baselines for Missile Defense and ensuring that reliability and maintainability requirements are met within the F-35 program. Implementing these recommendations will better position DOD to achieve good cost and performance outcomes in these acquisition programs.

DOD has tried to overcome its legacy of negative cost and schedule outcomes among its major defense acquisition programs by requiring extensive documentation to support program strategies and plans, as well as other information. Over time, this has resulted in a bloated, time-consuming, and cumbersome process. We have 1 priority recommendation aimed at helping to improve DOD's milestone decisions by finding the right balance between providing effective oversight and meeting the competing demands that such a process places on program management.

Another factor that contributes to negative acquisition outcomes is poorly developed requirements. In June 2017 we made 1 recommendation that the Secretary of the Army conduct a comprehensive assessment to better understand the resources necessary for the requirements development process and to determine the extent to which the workforce shortfalls can be addressed given other funding priorities. Since the issuance of that report, the Army announced the creation of a new high-level organization, Army Futures Command, which is focused on requirements development. Hence, the recommendation we made in June 2017 is even more relevant, and we are elevating it to a new priority recommendation.

Further, unlike leading private-sector companies GAO has reviewed that avoid focusing on incremental innovation at the expense of maintaining their technological edge, DOD emphasizes lower-risk technology investments that support near-term requirements, at the expense of investing in higher-risk innovative technologies that are not linked to a specific requirement. Specifically, DOD leadership does not provide guidance on or assess the mix of these lower- and higher-risk technology investments. As a result, officials reported that DOD labs struggle to find the right balance between these investment areas. The department plans to invest more than $13 billion in technology development activities in fiscal year 2019. As DOD finalizes the roles and responsibilities for its new Under Secretary of Defense for Research and Engineering, it is uniquely positioned to rethink its policies that govern technology development. We have 5 priority recommendations to ensure that DOD is positioned to counter both near- and far-term threats and to more comprehensively implement leading practices for managing science and technology programs.

Moreover, in fiscal years 2013 through 2017 DOD obligated about $300 billion on contracts for goods and services annually. In 2017 DOD obligated about $157 billion—or just under half of its total contract obligations—on contracted services. We have made 5 priority recommendations related to how DOD plans for and manages contracted services to better position DOD leaders to make informed and strategic decisions regarding the acquisition of services.

Since 2002 DOD has spent billions of dollars on operational contract support (OCS) during operations in Iraq and Afghanistan, and it anticipates continuing its heavy reliance on contractors to support ongoing and future operations. The National Defense Authorization Act for Fiscal Year 2019 required the department to submit an annual report measuring OCS capability to support current and anticipated wartime missions of the armed forces. We have 1 priority recommendation that the department improve its planning for the use of OCS and efforts to collect lessons learned so that they may be incorporated into guidance on how to integrate OCS throughout institutional and operational processes. Implementing this recommendation would help better position DOD to address any key gaps or shortfalls in its efforts to integrate OCS lessons learned in doctrine, policy, and training. We also made 1 priority recommendation in December 2015 that the department develop guidance to vet foreign vendors to ensure that it is not contracting with prohibited organizations.

2. **Readiness**. We have 17 priority recommendations in this area. Providing for the military forces needed to deter war and to protect the security of the United States is a fundamental mission of the department, and DOD has made the sustainment of ready forces a priority for meeting mission needs. However, more than a decade of sustaining operations in Iraq and Afghanistan and responding to other global commitments has exacted a significant toll on the military forces. DOD has reported that the ability of the military forces to rebuild capacity and capability is hindered by continued, and in some cases increased, demand for some forces, and this demand has had a negative effect on military readiness. The military services have attributed their persistently low reported readiness levels to various factors, such as Army emerging demands, Army end strength reductions, and Navy maintenance challenges.

   We made 3 priority recommendations in 2016 that military departments establish relevant goals to guide readiness rebuilding, including developing a strategy for implementing the goals and metrics for measuring progress, and identify the factors that may affect these efforts. We also made 2 priority recommendations that DOD validate the military departments' readiness rebuilding goals, strategies, and metrics, and that it evaluate the overall readiness recovery efforts against agreed-upon goals. DOD has since made significant progress toward developing a Readiness Recovery Framework. To fully implement these recommendations, DOD's Readiness Recovery Framework needs to specifically include (a) complete readiness goals and a comprehensive strategy for achieving the goals; (b) metrics for measuring progress at specific milestones; (c) an identification of external factors that may affect recovery plans and potential mitigations; and (d) plans for department-level oversight of service readiness recovery plans to evaluate the effectiveness of readiness recovery efforts.

   The Navy is confronted with acute readiness challenges in the wake of four significant mishaps at sea in 2017, which resulted in the loss of 17 sailors' lives and hundreds of millions of dollars in damage to its ships. We made 9 priority recommendations from 2015 through 2017 to address the primary readiness issues facing the Navy, including that the Navy assess the risks associated with overseas basing, reassess sailor workload and the factors used to size ship crews, and manage investments to modernize and improve the efficiency of

the Naval shipyards. To fully implement these recommendations the Navy should, among other actions, (a) assess the long-term costs and risks to the Navy's fleet associated with its increasing reliance on overseas homeporting to meet presence requirements; (b) conduct a reassessment of the Navy's standard workweek, and make any necessary adjustments; (c) identify personnel needs and costs associated with the planned larger Navy fleet size; and (d) develop a comprehensive plan for shipyard capital investment, with appropriate management reviews, and report regularly to Congress and other stakeholders on progress and cost.

Further, DOD is facing significant challenges in sustaining critical aviation systems that could hinder its ability to simultaneously support today's military operations and maintain the capability to meet future defense requirements. In particular, we made 3 priority recommendations to address sustainment challenges for the F-35 Lightning II aircraft that could affect warfighter readiness, including that DOD revise its sustainment plans and that it take actions to better position itself to enter into long-term performance-based sustainment contracts. To fully implement these recommendations DOD needs to, among other things: revise sustainment plans to ensure that they include the key requirements and funding needed to fully implement the F-35 sustainment strategy; and to ensure that it has sufficient knowledge of the actual costs of sustainment and technical characteristics of the aircraft before entering into performance-based contracts.

3. **Building Capacity to Drive Enterprise-Wide Business Reform.** We have 3 priority recommendations in this area, which are intended to support DOD's goal of reforming its business operations to achieve greater performance and affordability. This is a new area of focus in our letter, given the renewed emphasis on DOD business reform and continued budgetary pressures. DOD spends billions of dollars each year to maintain key enterprise business operations intended to support the warfighter, including systems and processes related to the management of contracts, finances, the supply chain, and support infrastructure. However, we have reported for years that weaknesses in these business operations result in billions of dollars being wasted, reduced efficiencies, ineffective performance, inadequate accountability, and lack of transparency.

   In the past year DOD leadership has demonstrated a commitment to tackling these challenges through an enterprise-wide business reform effort.
   - First, in its 2018 National Defense Strategy DOD highlighted reform of the department's business practices as one of its top three strategic goals. That strategy was supplemented by a National Defense Business Operations Plan, issued in May 2018, which outlines specific objectives, timeframes, and performance metrics for the department's business reform effort.
   - Second, pursuant to the National Defense Authorization Act for Fiscal Year 2017, DOD established its new Chief Management Officer (CMO) position. The CMO's responsibilities include serving as the chief management officer of DOD, with the mission of managing enterprise business operations and shared services of the department, and exercising authority, direction, and control over designated defense agencies and DOD field activities that provide shared business services for the department.
   - Third, DOD continued to implement nine cross-functional teams, charged with identifying and implementing initiatives to reform key business functions and to move the department toward a consolidated, enterprise-wide service delivery model. The department also established a Reform Management Group to monitor these business

reform teams. Taken as a whole, these efforts have the potential to help transform the department in important ways to reduce costs and increase efficiency.

However, we have identified a number of underlying challenges that could hinder the department's ability to achieve its ambitious reform goals. In February 2018 we reported that DOD had not implemented a number of requirements in section 911 of the National Defense Authorization Act for Fiscal Year 2017 designed to support the department's effort to strengthen collaboration, such as issuing an organizational strategy that, among other things, improves the way in which DOD integrates the expertise and capacities of its functional components for effective and efficient achievement of cross-functional objectives and outputs. Because the department's business reform effort is cross-functional in nature and intended to promote greater department-wide integration, DOD's delay in implementing these requirements threatens that effort. For example, some of the department's business reform team members stated that they would have benefited from the training on cross-functional teams called for under the National Defense Authorization Act for Fiscal Year 2017, but that the department has not yet provided it.

In January 2019 we reported that, although some of these cross-functional business reform teams had made progress, DOD had not established a process for identifying and prioritizing available funding for implementing the initiatives planned by the teams. According to Office of the Chief Management Officer (OCMO) officials, the department had initially planned to use available funding from the OCMO or the savings generated by the initiatives to fund the development and implementation of other initiatives. However, these officials have since recognized that funding is needed, and they are in the early stages of developing an approach to acquire it.

To address the following 3 priority recommendations, DOD should:

- revise its draft organizational strategy to address how the department will promote and achieve a collaborative culture, as required under section 911 of the National Defense Authorization Act for Fiscal Year 2017;

- obtain input from key stakeholders during the development of the organizational strategy; and

- establish a process for identifying and prioritizing available funding to develop and implement initiatives from the cross-functional business reform teams.

In March 2019, we also reported that DOD had not resolved a number of outstanding questions related to the CMO's authority within the department.[6] For example, the department had not clarified how the CMO will exercise its authority under section 132a of Title 10, U.S. Code to direct the secretaries of the military departments and the heads of all other elements of the department with regard to matters for which the CMO has responsibility. Given the importance of the CMO to the overall business reform effort, we believe that the department should place a priority on resolving these outstanding questions.

[6] GAO, *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position.* GAO-19-199 (Washington, D.C.: Mar. 14, 2019).

4. **Defense Headquarters.** We have 4 priority recommendations in this area. Our body of work has found that since fiscal year 2001, authorized military and civilian positions have significantly increased within DOD headquarters organizations, although the size of some of these organizations had leveled off or begun to decline through fiscal year 2013. DOD's plans for future reductions are ongoing, and the extent to which its initiatives will be fully implemented and result in meaningful savings remains unclear. For example, in September 2018 we found that DOD had not fully met requirements of the National Defense Authorization Act for Fiscal Year 2016[7] to implement a plan to achieve not less than $10 billion in cost savings from the headquarters, administrative, and support activities of the department from fiscal year 2015 through fiscal year 2019.[8] We also found that DOD does not have a reliable cost estimate to support the savings it had reported. DOD has also increasingly relied on contractors to perform headquarters functions, but their identification and inclusion in headquarters reporting is incomplete.

   We made 2 priority recommendations for DOD to collect better cost information on its functions within headquarters organizations, and 2 priority recommendations for DOD to determine and conduct regular assessments of headquarters requirements. To fully implement these recommendations, DOD should improve data related to headquarters requirements and efficiency initiatives, to help ensure that it achieves planned efficiencies and realizes meaningful savings.

   The department took steps to close one key priority recommendation to set a baseline for headquarters-reduction efforts and track reductions against the baselines to provide reliable accounting of savings and reporting to Congress. Specifically, to support the fiscal year 2018 budget request, DOD added 53 program element codes in the Future Years Defense Program that align with its definition of headquarters-related spending and established a clearly defined and consistently applied baseline for management headquarters activities as we recommended. Further, in May 2018 DOD reported that this re-baselining effort established both an authoritative management headquarters manpower and an operating cost baseline for the purposes of reporting and tracking. DOD also reported that measuring the workforce baseline was an essential foundational step in determining the overall headquarters costs. These efforts by the department are consistent with the intent of this recommendation.

5. **Health Care**. We have 8 priority recommendations in this area. DOD spends tens of billions of dollars annually on health care for servicemembers, retirees, and their families, but the department faces challenges in overseeing those costs. For example, in its fiscal year 2018 Agency Financial Report DOD reported spending approximately $23.3 billion on the purchased care option of TRICARE, and it reported improper payments—that is, payments that were made in an incorrect amount or should not have been made at all—of only about $91.2 million, an error rate of 0.4 percent. However, our previous work based on the fiscal year 2013 improper payment rate indicates that DOD's error rate was likely understated

[7] Pub. L. No. 114-92, § 346 (2015).

[8] GAO, *Defense Efficiency Initiatives: Observations on DOD's Reported Reductions to Its Headquarters and Administrative Activities,* GAO-18-688R (Washington, D.C.: Sep. 24, 2018).

because the methodology did not include medical reviews, which Medicare does use in its improper payment measurement methodologies.

Without a robust measure of improper payment rates in the TRICARE program, DOD cannot effectively identify root causes and take steps to address practices that contribute to improper payments and excess spending. We made 2 priority recommendations that DOD implement a more comprehensive TRICARE improper payment measurement methodology and, based on the results, develop more robust corrective action plans. To fully implement these recommendations, DOD should better assess and address the full extent of improper payments in the TRICARE program through medical record reviews.

In September 2015 we reported that nearly 2 years after the creation of the Defense Health Agency, DOD had made progress toward completing its implementation, but that it had not fully addressed issues related to establishing personnel requirements, identifying cost savings, and establishing performance measures. We made 3 priority recommendations that DOD take steps to improve its assessment and validation of personnel requirements for the Defense Health Agency workforce in order to provide decision makers with appropriate and more complete information on the continuing management and oversight of the agency. To fully implement these recommendations, DOD should finalize its process for overall personnel management and continue to refine its Medical Education and Training and Public Health shared services.

Further, in October 2018 we reported that DOD's implementation plan to transfer the administration of military treatment facilities from the military departments to the Defense Health Agency addressed requirements of the National Defense Authorization Act for Fiscal Year 2017. However, we found that DOD's plan has two weaknesses: (1) DOD excluded 16 operational readiness and installation-specific medical functions from the planned transfer to the Defense Health Agency, and (2) DOD's plans to achieve the stated goal of reducing headquarters-level personnel, including contractor personnel, by 10 percent are unclear. According to the National Defense Authorization Act for Fiscal Year 2017, DOD's implementation plan had to include certain elements, such as DOD's efforts to eliminate duplicative activities and how implementing section 1073c of title 10, U.S. Code, will reduce headquarters-level military, civilian, and contractor personnel of activities within the Military Health System.[9]

We made 3 priority recommendations that may help to better position DOD to reduce or better manage duplication and improve efficiencies as it transfers the administration of the military treatment facilities to the Defense Health Agency. To fully implement these recommendations, DOD should define and analyze the 16 operational readiness and installation-specific medical functions for duplication, validate headquarters-level personnel requirements, and identify the least costly mix of personnel.

6. **Cybersecurity**. We have 6 priority recommendations in this area. As our November 2018 report on Weapon Systems Cybersecurity found, DOD faces mounting challenges in protecting its weapon systems from increasingly sophisticated cyber threats.[10] Although we

[9] National Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, § 702(d)(2)(B), (D) (2016).

[10] GAO, *Weapon Systems Cybersecurity: DOD Just Beginning to Grapple with Scale of Vulnerabilities,* GAO-19-128 (Washington, D.C.: Oct. 9, 2018)

and others have warned of cyber risks for decades, DOD did not begin to prioritize weapon system cyber security until recently. Additionally, recent breaches of government networks and systems underscore the urgent need for effective implementation of information security controls at federal agencies, including DOD.

Cyber threats to U.S. national and economic security are increasing in frequency, scale, sophistication, and severity of impact. DOD's 2013 *Strategy for Homeland Defense and Defense Support of Civil Authorities* states that DOD must be prepared to defend the homeland and support civil authorities in all domains—including cyberspace—and recognizes that the department plays a crucial role in supporting a national effort to confront cyber threats to critical infrastructure.[11] However, in April 2016 we reported that DOD guidance does not clarify the roles and responsibilities of key DOD entities—such as DOD components, the supported command, and the dual-status commander—that may be called upon to support a cyber incident.

We made 1 priority recommendation that DOD issue or update guidance that clarifies these roles and responsibilities. To fully implement this recommendation, DOD should clarify roles and responsibilities of key DOD entities that may be called upon to support a cyber incident.

Developing and maintaining a trained cyber mission force is imperative to DOD's ability to achieve its missions in the connected world within which it operates. According to the 2015 *Department of Defense Cyber Strategy*, DOD will, among other things, focus on ensuring that its Cyber Mission Force (CMF) is trained and ready to operate using the capabilities and architectures needed to conduct cyber operations.[12] However, in November 2018 we reported that while DOD has taken steps to shift its focus from *building* a trained CMF to *maintaining* this force, the department has not taken key actions to ensure that it is poised to maintain CMF training.[13] Specifically, the military services have not developed plans that include time frames for validating all phase two foundational training courses, or that comprehensively assess their training requirements.

We made 4 priority recommendations to the military department secretaries and the Commandant of the Marine Corps, but we summarized them as one recommendation in the enclosure—that is, to coordinate with U.S. Cyber Command to develop plans that comprehensively assess and identify specific CMF training requirements for all phases of training in order to maintain the appropriate sizing and deployment of personnel across CMF teams. To fully implement this recommendation, each service should develop a comprehensive plan that would help it better manage the number of personnel who need to be rotated into the CMF teams, and would provide situational awareness of the number of personnel from other services who could attend its courses in any given year.

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[11] Department of Defense, *Strategy for Homeland Defense and Defense Support of Civil Authorities* (February 2013).

[12] Department of Defense, *The Department of Defense Cyber Strategy* (April 2015) (hereinafter cited as the *DOD Cyber Strategy*). This strategy was recently superseded by the *2018 Department of Defense Cyber Strategy*.

[13] GAO, *DOD Training: U.S. Cyber Command and Services Should Take Actions to Maintain a Trained Cyber Mission Force,* GAO-19-142SU (Washington, D.C.: Nov. 6, 2018). This report was first issued in November 2018 as a sensitive report. We issued a public version of this report with the same recommendations in March 2019. The public version of this report appears in enclosure I of this letter.

Our February 2018 report contains 1 priority recommendation that, if implemented, would enable DOD to better support the adoption of cybersecurity best practices among entities within the Defense Industrial Base. Specifically, as a sector-specific agency, DOD should focus attention on the recommendation to consult with respective sector partners, such as the Defense Industrial Base Coordinating Council and the National Institute of Standards and Technology (NIST), as appropriate, to develop methods for determining the level and type of adoption by entities across its respective sectors of NIST's Framework for Improving Critical Infrastructure Cybersecurity. At the time of our review DOD officials stated that, due to the voluntary nature of the framework, they did not have a mechanism to assess overall use. A more comprehensive understanding of the framework's use by sector entities is necessary if DOD, along with other entities, wants to ensure that its facilitation efforts are successful and determine whether organizations are realizing positive results by adopting the framework.

In September 2018 we closed as implemented 4 priority recommendations associated with our 2014 report focused on DOD's planning for continuity of operations in a degraded environment. According to DOD's continuity office, the department took these actions, in part, because the former Secretary of Defense had communicated to the office that DOD's ability to maintain continuity under any condition—to include a degraded cyber environment—was important. While we applaud the department for taking action on these recommendations, the actions did not reflect that the department has institutionalized solutions to address the findings in the report. We believe that it is important for Department leadership to continue to communicate the high priority of this topic and express the importance of institutionalizing planning and preparation activities across the department and at all echelons.

7. **Support Infrastructure.** We have 14 priority recommendations in this area. DOD manages a global real property portfolio that consisted of about 586,000 facilities, with an estimated replacement value of almost $1.2 trillion, at the end of fiscal year 2017. This portfolio includes support infrastructure that is critical to maintaining military readiness, and the cost to build and maintain it represents a significant financial commitment. DOD has faced long-standing challenges in managing its portfolio of facilities, particularly with respect to data quality, reducing excess infrastructure, and aligning its infrastructure capacity relative to its planned force structure.

   In November 2018 we made 6 priority recommendations of actions the department should take to improve the accuracy and completeness of its inventory of real property assets. Three of the recommendations included requiring the military departments to monitor the processes used for recording real property information and to remediate any identified deficiencies. The other three recommendations included actions the Under Secretary of Defense for Acquisition and Sustainment should take, including defining the data elements that are most significant for decision-making, coordinating on corrective action plans to remediate discrepancies in significant data elements, and developing a strategy that identifies and addresses risks to data quality and information accessibility. Implementing these 6 priority recommendations will help to improve data quality so that DOD has accurate and complete information to use for management decisions about its real property.

   We made 1 priority recommendation in 2016 that the department should look for opportunities to relocate DOD organizations then residing in leased space to installations that may have underutilized space due to force structure reductions or other indicators of potentially available space, where such relocation was cost-effective and did not interfere with the installation's ongoing military mission. As of December 2017 DOD was pursuing an effort to standardize and consolidate leases that may provide opportunities for it to reduce its

reliance on leased space. In September 2018 DOD reported that this effort was still underway; as of December 2018, however, DOD had not provided an updated status of its efforts to implement this recommendation. To fully implement it, DOD needs to finalize its efforts to standardize and consolidate its leases. When this effort is completed and if it is expanded, DOD may have opportunities to reduce its leased space at a department-wide level.

We have reported that the Base Realignment and Closure (BRAC) process was fundamentally sound. However, in March and April of 2013 and February 2016, we found that DOD's implementation of BRAC 2005 at times had limited its ability to estimate costs, potential liabilities, and savings, as well as to achieve desired outcomes. We made 7 priority recommendations to improve aspects of the BRAC recommendation development and implementation processes. These included: 1) improving the process for identifying requirements for military construction; 2) ensuring that information technology requirements have been identified; 3) ensuring that all anticipated BRAC implementation costs—such as relocating military personnel and equipment—are considered; 4) limiting the practice of bundling multiple actions into single BRAC recommendations; 5) establishing targets for eliminating excess capacity for any future BRAC; 6) consistently capturing complete information on costs associated with alternatively financed projects; and 7) developing baseline cost data for any future consolidation of training. Our 7 priority recommendations, if implemented, will help improve initial cost estimates and provide a means for evaluating the effectiveness of any future BRAC process toward reducing excess capacity.

8. **Financial Management**. We have 17 priority recommendations in this area. DOD's consolidated, department-wide, full financial statement audit for fiscal year 2018 was completed last fall. The DOD Office of Inspector General issued a disclaimer of opinion on the department-wide financial statements due to 20 material weaknesses identified at the consolidated and component levels. These material weaknesses include areas such as reconciling fund balances with the Department of the Treasury, internal controls over general property, plant and equipment, and lack of supporting documentation for beginning balances. We encourage the department to continue its efforts to address both the material weaknesses identified by the Inspector General and our recommendations in this area.

   Another material weakness reported by the DOD component independent public accountants is that there are billions of dollars of unsupported journal vouchers (JV)—that is, accounting entries to record corrections or adjustments to a business transaction—within DOD's accounting systems. While the use of JVs is a common accounting practice, unsupported JVs prevent auditors from assessing the validity of accounting entries and limit DOD management's ability to rely on accounting system data when making management and resource decisions. The Defense Finance and Accounting Service and the Department of the Army (Army) created a journal voucher working group to address the issue at Army, but the working group's analyses were incomplete in that they were performed on only a small percentage of the total number of unsupported JVs as of March 2017.

   In addition, the working group will be unable to determine how many more corrective action plans will be needed to resolve the unsupported JV issue until the root cause analyses are complete. Further, the working group's monitoring of corrective action plan implementation does not include a methodology that sufficiently identifies the progress made toward fully addressing the issue of unsupported JVs, or the extent to which each implemented corrective action plan has reduced unsupported JVs.

We made 2 priority recommendations to the Army to ensure that the entire population of unsupported JVs is identified and analyzed; and to develop metrics that sufficiently monitor the extent to which the working group has identified root causes, and determine the extent to which unsupported JVs are being reduced based on the implemented corrective actions. The Army concurred with our recommendations and we will monitor its implementation.

In February 2017 we reported on DOD's efforts to remediate audit readiness deficiencies and made 6 priority recommendations to the Army, Air Force, and DOD to improve their ability to track and monitor the remediation of the findings and recommendations from financial audits. Remediation helps address deficiencies that negatively affect DOD's audit readiness and its ability to make sound mission and operational decisions. To fully implement these recommendations, the Army and Air Force need to develop or enhance their policies and procedures related to tracking and monitoring the status of audit recommendations. DOD needs to obtain corrective action plan summaries from the military services; use those summaries to prepare a consolidated summary; and develop and implement a centralized monitoring and reporting process for corrective action plans related to critical capabilities.

In 2012 the House Armed Services Committee Panel on Defense Financial Management and Auditability Reform (the Panel) made numerous recommendations to DOD that touch on some of the most critical challenges DOD faces in achieving lasting financial management improvements and financial statement audit readiness.[14] DOD's effective implementation of these recommendations is essential. We made 1 priority recommendation in September 2015, for DOD to reconsider the status of the Panel recommendations that DOD had classified as met, but that we determined were partially met, and to take the necessary action to reasonably ensure that these recommendations would be fully met. DOD has since addressed two of the three Panel recommendations that we had classified as partially met.

The third Panel recommendation that we considered to be partially met was that of including objective and measurable criteria regarding Financial Improvement and Audit Readiness (FIAR)-related goals in its senior personnel performance plans and evaluations, and rewarding or holding officials accountable for performance on these goals. DOD has stated that it has updated senior executive service performance plans with FIAR-related goals and has provided tools to improve the ability to track performance over time. However, DOD needs to continue to look for methods to evaluate executives based on their performance for FIAR-related goals in senior personnel performance plans.

While DOD's $1.2 billion in estimated improper payments represents a small portion of the $151 billion in government-wide estimated improper payments reported for fiscal year 2018, the reported estimates of DOD's improper payments cannot be relied upon, because DOD's long-standing and pervasive financial management weaknesses preclude the department from validating the accuracy and completeness of its payment transaction populations. We have 6 remaining priority recommendations for DOD to help ensure that improper payment estimating and reporting and recovery audits fully comply with applicable statutory requirements and Office of Management and Budget (OMB) guidance.

To fully implement these remaining recommendations, DOD needs to take action to improve its estimations of improper payments, establish corrective action plans that fully comply with

[14] House Armed Services Committee Panel on Defense Financial Management and Auditability Reform, *Findings and Recommendations* (Washington, D.C: Jan. 24, 2012).

law and OMB implementation guidance, and implement and monitor procedures for recovery audits. Until DOD takes action to correct the deficiencies we found related to identifying, estimating, reducing, recovering, and reporting improper payments, it remains at risk of continuing to make improper payments and potentially wasting funds.

Moreover, in July 2018 we reported on DOD's financial oversight of its use of overhead fees charged to foreign government purchasers to help cover the costs of its Foreign Military Sales (FMS) program. We made 2 priority recommendations to DOD to improve the reliability of the data it obtains from DOD components on their use of these funds. To fully implement these recommendations, DOD needs to ensure that the Defense Security Cooperation Agency takes steps to work with DOD components, as appropriate, to collect reliable data on all DOD components' use of FMS administrative and contract administration services funds, including actual execution data, at an appropriate level of detail.

9. **Preventing Sexual Harassment.** We have 2 priority recommendations in this area. Unwanted sexual behaviors in the military—including sexual harassment, sexual assault, and domestic violence involving sexual assault—undermine core values, unit cohesion, combat readiness, and public goodwill. Recent studies suggest that these behaviors are part of a "continuum of harm," which DOD defines as a range of interconnected, inappropriate behaviors that are connected to the occurrence of sexual assault and that support an environment that tolerates these behaviors.

   Our work over the years has found weaknesses in DOD's approach to instituting effective policies and programs on sexual harassment. In 2011, we found, among other things, that DOD did not have assurance that individuals in positions of leadership were being held accountable for promoting, supporting, and enforcing the department's sexual harassment prevention policies and programs. We also found that DOD had limited oversight of these policies and programs. We recommended that DOD take actions to improve leadership accountability and to develop an oversight framework for sexual harassment. DOD subsequently stated that it planned to develop an oversight framework and that this framework, among other things, would set standards for holding leaders accountable. However, DOD has not corrected these weaknesses in leadership accountability and oversight.

In addition to these priority recommendations, in March 2019, we issued our biennial update to our high-risk program, which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.[15] Our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. DOD currently bears some responsibility for many of the areas we have designated as high risk. A number of these high-risk areas pertain to the priority recommendations in this letter.[16]

[15] GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP (Washington, D.C.: Mar. 6, 2019).

[16] A full discussion of these high-risk areas can be found on the following pages of our 2019 high-risk report: pp. 143 for DOD Weapon Systems Acquisition; pp. 147 for DOD Financial Management; pp. 158 for DOD Support Infrastructure Management; pp. 163 for DOD Approach to Business Transformation; and pp. 227 for DOD Contract Management.

Several government-wide high-risk areas also have direct implications for DOD and its operations, including (1) the government-wide personnel security clearance process, (2) ensuring the cybersecurity of the nation, (3) improving management of IT acquisitions and operations, (4) strategic human capital management, and (5) managing federal real property.

We are requesting that DOD pay particular attention to the important government-wide matter of personnel security clearances, which we added to the High-Risk List in January 2018. The National Defense Authorization Act for Fiscal Year 2018 included provisions that will result in the transfer of background investigation functions from the National Background Investigations Bureau (NBIB) to DOD for certain DOD personnel.[17] Further, in June 2018, the President's Reform Plan and Reorganization Recommendations articulated plans to transfer the NBIB background investigation function to DOD, and senior DOD officials told us that the administration plans to issue an Executive Order regarding the transfer.

In our March 2019 *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, we found that the executive branch agencies leading security clearance reform, including DOD, had met our high-risk criteria for leadership commitment and partially met our criteria for capacity, monitoring, and demonstrated progress; but DOD had not met the criterion for action plan. As such, and based on two reports we issued in 2017, we are highlighting key actions that will be important for DOD to take as it assumes new responsibilities in this critical area.[18] In particular, DOD needs to prioritize the transfer of background investigations from NBIB to DOD, in coordination with Office of Personnel Management and Office of the Director of National Intelligence, to ensure that it has the appropriate information sharing procedures, security measures, resources, plans, and milestones in place to do so.

Additionally, we previously recommended that NBIB establish goals for increasing total investigator capacity and develop a strategic workforce plan to meet the current and future demand for investigations. While these recommendations were made to the Director of NBIB, we are tracking this area as high risk and ask that DOD give consideration to these actions as it prepares to assume investigative responsibilities from NBIB (see enclosure II).

We urge the Department's attention to the topics and recommendations outlined in this letter. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, OMB, and the leadership and staff in agencies, including DOD.

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Copies of this letter are being sent to the Director of the Office of Management and Budget and appropriate congressional committees; the Committees on Appropriations, Budget, and Homeland Security and Governmental Affairs, the United States Senate; and the Committees on Appropriations, Budget, and Oversight and Reform, House of Representatives. In addition, the letter will be available at no charge on the GAO website at http://www.gao.gov.

[17] *See* Pub. L. No. 115-91, § 925(a)-(d) (2017).

[18] GAO, *Personnel Security Clearances: Additional Actions Needed to Ensure Quality, Address Timeliness, and Reduce Investigation Backlog*, GAO-18-29 (Washington, D.C.: Dec. 12, 2017); GAO, *Personnel Security Clearances: Plans Needed to Fully Implement and Oversee Continuous Evaluation of Clearance Holders*, GAO-18-117 (Washington, D.C.: Nov. 21, 2017).

I appreciate DOD's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Cathleen A. Berrick, Managing Director, Defense Capabilities and Management, at berrickc@gao.gov or 202-512-3404. Our teams will continue to coordinate with DOD staff on all of the 984 open recommendations, as well as those additional recommendations in the high-risk areas for which DOD has a leading role. Thank you for the Department's attention to these matters.

Sincerely yours,

Gene L. Dodaro
Comptroller General
of the United States

Enclosures - 2

cc: The Honorable Mick Mulvaney, Director, OMB
The Honorable Dr. Mark Esper, Secretary of the Army
The Honorable Heather Wilson, Secretary of the Air Force
The Honorable Richard Spencer, Secretary of the Navy
General Robert Neller, Commandant of the Marine Corps
The Honorable Ellen Lord, Under Secretary of Defense for Acquisition and Sustainment
The Honorable Dr. Michael Griffin, Under Secretary of Defense for Research and Engineering
The Honorable James Stewart, Under Secretary of Defense for Personnel and Readiness
The Honorable David Norquist, Under Secretary of Defense, Comptroller
The Honorable John Rood, Under Secretary of Defense for Policy
The Honorable Lisa Hershman, Acting Chief Management Officer
The Honorable Michael Rhodes, Director of Administration and Management
The Honorable Thomas McCaffery, Acting Assistant Secretary of Defense for Health Affairs
The Honorable John Whitley, Assistant Secretary of the Army, Financial Management and Comptroller
Lieutenant General Samuel Greaves, Director, Missile Defense Agency
Lieutenant General Charles Hooper, Director, Defense Security Cooperation Agency
Vice Admiral Mathias Winter, Program Executive Officer, F-35 Lightning II Joint Program Office

Enclosure I: Priority Open Recommendations to the Department of Defense (DOD)

1. Acquisition and Contract Management

Ford-Class Aircraft Carrier: Follow-on Ships Need More Frequent and Accurate Cost Estimates to Avoid Pitfalls of Lead Ship, GAO-17-575. Washington, D.C.: June 13, 2017.

Recommendation: The program office should prepare cost summary and funding summary sections for each individual ship in the class as part of the Selected Acquisition Reports for the overall Ford-class program.

Action needed: DOD disagreed with our recommendation, stating that it currently provides progress reports to Congress on costs for the first two ships in the class, known as CVN 78 and CVN 79. While true, the Selected Acquisition Reports represent the primary means for DOD to report on program status. Grouping average unit costs for all Ford-class ships obscures individual ship cost growth and does not provide Congress with an adequate level of insight to monitor this nearly $60 billion program. Our recommendation would ensure that Congress receives insight into the costs of each existing and planned Ford-class ship.

To fully implement this recommendation, Selected Acquisition Reports should include cost information on individual ships.

High-Risk area: DOD Weapon Systems Acquisition

Director: Shelby Oakley
Contact information: oakleys@gao.gov, (202) 512-7052

Navy and Coast Guard Shipbuilding: Navy Should Reconsider Approach to Warranties for Correcting Construction Defects, GAO-16-71. Washington, D.C.: Mar. 3, 2016.

Recommendation: To improve the use of warranties and guarantees in Navy shipbuilding, the Secretary of the Defense should direct the Secretary of the Navy, for future ship construction contracts, to determine whether or not a warranty, as provided in the Federal Acquisition Regulation, provides value; and to document the costs, benefits, and other factors used to make this decision. To inform this determination, the Navy should begin differentiating the government's and shipbuilder's respective responsibilities for defects, and should track the costs to correct all defects after ship delivery.

Action needed: DOD agreed to study policy changes with regard to warranties, but disagreed that additional cost data were needed to inform these decisions, and questioned whether warranties are suitable for ship acquisitions. In February 2017, a Navy-funded study found that the Navy had no policy to collect data, and that the little data available were not useful for determining when warranties are suitable. In response to the study, the Navy agreed that by December 2017 it would make some policy and contractual changes to collect data, but it continued to maintain that warranties are likely not suitable for ship contracts.

In January 2018 the Navy issued guidance to help contracting officers determine when and how to use a warranty or guaranty, but the Navy has collected only one warranty cost proposal from

one shipbuilder for a contract for a single ship, and, going forward, Navy officials stated that they do not have plans to systemically collect such data.

To fully implement this recommendation, the Navy needs to collect additional data in order to determine cases in which warranties could contribute to improvements in the cost and quality of Navy ships.

High-Risk area: DOD Weapon Systems Acquisition

Director: Shelby Oakley
Contact information: oakleys@gao.gov, (202) 512-7052

Navy Shipbuilding: Policy Changes Needed to Improve the Post-Delivery Process and Ship Quality, GAO-17-418. Washington, D.C.: July 13, 2017.

Recommendation: The Secretary of Defense should direct the Secretary of the Navy to revise the Navy's ship delivery policy to clarify what types of deficiencies need to be corrected and what mission capability (including the levels of quality and capability) must be achieved (1) at delivery and (2) when the ship is provided to the fleet (at the obligation work limiting date). In doing so, the Navy should clearly define what constitutes a complete ship and when that should be achieved.

Action needed: DOD disagreed with our recommendation, preferring to maintain the status quo in its policy and procedures. However, by doing so, DOD is missing important opportunities to improve the quality of its ships, and it risks continuing to provide ships to the fleet with significant quality problems. The Navy also disagreed with our focus on its ship delivery policy, known as OPNAVINST 4700.8K. However, Navy acquisition officials confirmed that this is the primary policy that governs the post-delivery process for ships. The current policy emphasizes that ships should be defect-free and mission-capable, but it lacks clarity regarding what defects should be corrected, and by when.

By not establishing a clear and comprehensive quality standard, ships are at risk of being delivered to the fleet incomplete and with defects. In the National Defense Authorization Act for Fiscal Year 2019, Congress amended section 7301 of Title 10, U.S. Code, to define battle force ships as those commissioned United States Ship warships that are capable of contributing to combat operations or United States Naval Ships that contribute directly to Navy warfighting or support missions. However, DOD and the Navy can do more to ensure that the Navy achieves the results that are highlighted in the policy. To do this, the Navy should fully implement our recommendation by revising its policy to clearly define what constitutes a complete ship and when that should be achieved.

High-Risk area: DOD Weapon Systems Acquisition

Director: Shelby Oakley
Contact information: oakleys@gao.gov, (202) 512-7052

Missile Defense: Opportunity to Refocus on Strengthening Acquisition Management, GAO-13-432. Washington, D.C.: Apr. 26, 2013.

Recommendations: The Secretary of Defense should direct the Missile Defense Agency's Director to take the following actions:

(1) Include in its resource baseline cost estimates all life-cycle costs, specifically the operations and support costs, from the military services, in order to provide decision makers with the full costs of ballistic missile defense systems; and
(2) Stabilize the acquisition baselines so that meaningful comparisons can be made over time to support oversight of those acquisitions.

Action needed: DOD partially concurred with our recommendation that decision makers should have insight into full life-cycle costs of the Missile Defense Agency's ballistic programs. However, as of November 2018, the Missile Defense Agency was still not including the military services' operation and sustainment costs—which are part of the full life-cycle costs—in the resource baselines it reports in the Ballistic Missile Defense System Accountability Report each fiscal year. Missile Defense Agency officials contend that these annual reports are not the appropriate forum for reporting this information, stating rather that establishing joint cost estimates for operations and sustainment costs with the military services could be a potential means for providing decision makers insight into the full life-cycle costs of programs. To date, the Missile Defense Agency has completed three joint cost estimates with both the Army and the Navy for various programs; however, these joint cost estimates were completed after most of the key decisions had been made for the programs. In addition, not all of the Missile Defense Agency's programs currently have a joint cost estimate. Therefore, we believe that the Missile Defense Agency has not yet demonstrated that it is providing decision makers with information to enable determinations that are based on a comprehensive understanding of the depth and breadth of each program's full life-cycle costs.

To fully implement this recommendation, DOD should require the Missile Defense Agency to include the military services' operations and support costs as a part of the baseline cost estimates contained in the Ballistic Missile Defense System Accountability Report delivered to Congress each fiscal year.

DOD concurred with our recommendation to stabilize the Missile Defense Agency's acquisition baselines but noted the agency's need to adjust baselines in response to evolving requirements and threats—both of which are beyond the agency's control. Further, DOD highlighted that the Missile Defense Agency Director's authority to make adjustments to the baselines is within departmental guidelines. Our recommendation, however, is not designed to limit the Director's authority to adjust baselines or to prevent baseline adjustments as appropriate. Rather, our recommendation is designed to address traceability issues we have found with the agency's baselines, which are within its control. Specifically, for the Missile Defense Agency to be able to effectively report longer-term progress of its programs and provide the necessary transparency to Congress, it is critical that the agency stabilize its baselines so that once set, any revisions can be tracked over time. As of November 2018, we had not seen any indication that the agency was working to implement this recommendation. For example, in 2016, the Missile Defense Agency Director made significant changes to the Targets and Countermeasures Program's baseline such that the unit costs for some targets are no longer evident.

To fully implement our recommendation, DOD should require the Missile Defense Agency to stabilize its baselines and clearly track any revisions.

High-risk area: DOD Weapon Systems Acquisition

Director: Cristina T. Chaplain
Contact information: chaplainc@gao.gov, (202) 512-4859

F-35 Joint Strike Fighter: Development Is Nearly Complete, but Deficiencies Found in Testing Need to Be Resolved, GAO-18-321. Washington, D.C.: June 5, 2018.

Recommendation: The Secretary of Defense should direct the F-35 program office to identify what steps are needed to ensure that the F-35 meets reliability and maintainability requirements before each variant reaches maturity, and update the Reliability and Maintainability Improvement Program with these steps.

Action needed: DOD concurred with our recommendation. However, according to a DOD official, as of August 2018 the F-35 program office had not identified any new steps it planned to take to ensure that all of the reliability and maintainability metrics are met by each aircraft variant's maturity.

To fully implement the recommendation, the program office needs to identify what additional steps are needed and document these in its Reliability and Maintainability Improvement Program. Until the program identifies and documents these steps, it is unlikely that the each F-35 variant will meet its reliability and maintainability requirements. Given that the program's long-term affordability is already in question, ensuring that the aircraft is reliable by each variant's planned maturity is paramount.

High-Risk area: DOD Weapon Systems Acquisition

Director: Michael J. Sullivan
Contact information: sullivanm@gao.gov, (202) 512-4851

Acquisition Reform: DOD Should Streamline Its Decision-Making Process for Weapon Systems to Reduce Inefficiencies, GAO-15-192. Washington, D.C.: Feb. 24, 2015.

Recommendation: The Secretary of Defense should direct the Under Secretary of Defense for Acquisition, Technology, and Logistics,[19] in collaboration with the military service acquisition executives, program executive officers, and program managers, to select several current or new major defense acquisition programs to pilot, on a broader scale, different approaches for streamlining the entire milestone decision process to provide only the most essential information to decision makers.

Action needed: DOD concurred with this recommendation, but as of July 2018 it had identified only two programs, the Navy's Next Generation Jammer Low-Band and Next Generation Jammer Mid-Band, to pilot more streamlined approaches for providing only the most essential information to decision makers. To fully implement the recommendation, the Air Force and Army should also designate programs to pilot more streamlined approaches.

High-Risk area: DOD Weapon Systems Acquisition

[19] The priority recommendation from this report was directed to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)). Pursuant to the National Defense Authorization Act for Fiscal Year 2017, effective February 1, 2018, DOD restructured the USD(AT&L). Pub. L. No. 114-328 § 901 (2016) (codified at 10 U.S.C. §§ 133a and 133b). The position has been divided into the Under Secretary of Defense for Acquisition and Sustainment and the Under Secretary of Defense for Research and Engineering.

Director: Michael J. Sullivan
Contact information: sullivanm@gao.gov, (202) 512-4841

Army Weapon Systems Requirements: Need to Address Workforce Shortfalls to Make Necessary Improvements, GAO-17-568. Washington, D.C.: June 22, 2017.

Recommendation: The Secretary of the Army should conduct a comprehensive assessment to better understand the resources necessary for the requirements development process and determine the extent to which the shortfalls can be addressed given other funding priorities.

Action needed: The Army concurred with our recommendation. In 2018 Army officials told GAO that the Army planned to implement this recommendation. However, they stated that implementation would not occur until 2019, after the new Army Futures Command—which will lead Army modernization efforts—is fully operational. Key requirements development entities, such as the Army Capabilities Integration Center and the Capability Development and Integration Directorates are expected to transfer from the Army Training and Doctrine Command to the new Futures Command. Officials stated that when the command is established, the U.S. Army Manpower Analysis Agency will work with Training and Doctrine Command and the Army Futures Command to evaluate the capabilities development workforce.

To fully implement this recommendation, the Army will need to ensure that the assessment fully considers the newly created Army Futures Command requirements development workforce in addition to any other resources that are necessary for the Army's requirements development process. A comprehensive assessment is critical to ensuring that the Army's requirements development workforce is robust enough to manage the increase in development of new capabilities that the Army expects from Army Futures Command. Doing so will help deliver necessary capabilities to the warfighter more efficiently.

High-Risk area: DOD Weapon Systems Acquisition

Director: Marie A. Mak
Contact information: makm@gao.gov, (202) 512-4841

Defense Science and Technology: Adopting Best Practices Can Improve Innovation Investments and Management, GAO-17-499. Washington, D.C.: June 29, 2017.

Recommendations:

(1) To ensure that DOD is positioned to counter both near- and far-term threats, consistent with its science and technology framework, the Secretary of Defense should direct the new Under Secretary of Defense for Research and Engineering to annually define the mix of incremental and disruptive innovation investments for each military department.
(2) To ensure that DOD is positioned to counter both near- and far-term threats, consistent with its science and technology framework, the Secretary of Defense should direct the new Under Secretary of Defense for Research and Engineering to annually assess whether that mix is achieved.
(3) To ensure that DOD is positioned to more comprehensively implement leading practices for managing science and technology programs, the Secretary of Defense should direct the new Under Secretary of Defense for Research and Engineering to define, in policy or

guidance, a science and technology management framework that includes emphasizing greater use of existing flexibilities to more quickly initiate and discontinue projects to respond to the rapid pace of innovation.

(4) To ensure that DOD is positioned to more comprehensively implement leading practices for managing science and technology programs, the Secretary of Defense should direct the new Under Secretary of Defense for Research and Engineering to define, in policy or guidance, a science and technology management framework that includes incorporating acquisition stakeholders into technology development programs to ensure that they are relevant to customers.

(5) To ensure that DOD is positioned to more comprehensively implement leading practices for managing science and technology programs, the Secretary of Defense should direct the new Under Secretary of Defense for Research and Engineering to define, in policy or guidance, a science and technology management framework that includes promoting advanced prototyping of disruptive technologies within the labs so that the science and technology community can prove that these technologies work to generate demand from future acquisition programs.

Action needed: DOD disagreed with all five recommendations, stating that it is premature to get ahead of the Secretary of Defense's final decisions on the role of the new Under Secretary of Defense for Research and Engineering. In July 2018 DOD issued a memorandum finalizing the organizational structures, and roles and responsibilities for the new Under Secretary. We maintain that, as DOD finalizes these roles and responsibilities, it is appropriate and timely for the Secretary of Defense to ensure that the new Under Secretary be responsible for implementing our recommendations. To implement these recommendations, the Secretary of Defense should ensure that the new Under Secretary make this a priority and take significant actions.

High-Risk area: DOD Weapon Systems Acquisition

Director: Michael J. Sullivan
Contact information: sullivanm@gao.gov, (202) 512-4841

DOD Service Acquisition: Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements, GAO-16-119. Washington, D.C.: Feb. 18, 2016.

Recommendations:

(1) To ensure that senior leadership within the Office of the Secretary of Defense and the military departments are better positioned to make informed decisions regarding the volume and type of services that should be acquired over the future year defense program, the Secretary of the Navy should revise the Navy's programming guidance to collect information that is already available on how contracted services will be used to meet requirements beyond the budget year.

(2) To ensure that senior leadership within the Office of the Secretary of Defense and the military departments are better positioned to make informed decisions regarding the volume and type of services that should be acquired over the future year defense program, the Secretary of the Air Force should revise the Air Force's programming guidance to collect information that is already available on how contracted services will be used to meet requirements beyond the budget year.

(3) To ensure the military departments' efforts to integrate services into the programming process and senior service managers' efforts to develop forecasts on service contract spending provide the department with consistent data, the Secretary of Defense should establish a mechanism, such as a working group of key stakeholders—which could include officials from the programming, budgeting, and requirements communities as well as the military departments' senior services managers—to coordinate these efforts.

Action needed: DOD partially concurred with our three recommendations. Regarding the first two recommendations, DOD noted that while its guidance will continue to direct the efficient use of contracted services, the volatility of requirements and each budget cycle constrain the department's ability to accurately quantify service contract requirements beyond the budget year. DOD did not provide a specific reason as to why it partially concurred with our other recommendation.

To fully implement these recommendations, DOD should ensure that senior leaders are better positioned to make informed decisions. The Secretary of the Army has implemented our recommendation to revise the Army's program guidance, but the Secretaries of the Navy and Air Force have not done so. A DOD official noted that the department is assessing ways to include its projected spending on services in its future year defense program. Effective in October 2021, the National Defense Authorization Act for Fiscal Year 2019 required that DOD include certain information on amounts requested for services contracts in the future year defense program.

High-Risk area: DOD Contract Management

Director: Timothy J. DiNapoli
Contact information: dinapolit@gao.gov, (202) 512-3665

Defense Contracted Services: DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards, GAO-17-482. Washington, D.C.: Aug. 31, 2017.

Recommendations:

(1) To help foster strategic decision making and improvements in the acquisition of services, the Under Secretary of Defense for Acquisition, Technology, and Logistics[20] should, as part of its effort to update the January 2016 instruction, reassess the roles, responsibilities, authorities, and organizational placement of key leadership positions, including functional domain experts, senior services managers, and component level leads.[21]

(2) To help foster strategic decision making and improvements in the acquisition of services, the Under Secretary of Defense for Acquisition, Technology, and Logistics should, as part of its effort to update the January 2016 instruction, clarify the purpose and timing of

[20] The priority recommendations from this report were directed to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)). Pursuant to the National Defense Authorization Act for Fiscal Year 2017, effective February 1, 2018, DOD restructured the USD(AT&L). Pub. L. No. 114-328 § 901 (2016) (codified at 10 U.S.C. §§ 133a and 133b). The position has been divided into the Under Secretary of Defense for Acquisition and Sustainment and the Under Secretary of Defense for Research and Engineering.

[21] Department of Defense Instruction 5000.74, *Defense Acquisition of Services* (January 5, 2016) (incorporating change 2, effective Aug. 31, 2018).

the Services Requirements Review Board process to better align it with DOD's programming and budgeting processes.

Action needed: DOD concurred with both of our recommendations. To fully implement these recommendations, DOD should ensure that its ongoing effort to revise the January 2016 instruction more clearly defines key leadership roles and the purpose and timing of the Services Requirements Review Board. According to a DOD official, DOD hopes to complete its revision process in the first half of 2019.

High-Risk area: DOD Contract Management

Director: Timothy J. DiNapoli
Contact information: dinapolit@gao.gov, (202) 512-3665

Operational Contract Support: Actions Needed to Enhance the Collection, Integration, and Sharing of Lessons Learned, GAO-15-243. Washington, D.C.: Mar. 16, 2015.

Recommendation: The Secretary of Defense should direct the Secretaries of the Navy and Air Force to include the services' roles and responsibilities to collect operational contract support issues in comprehensive service-specific guidance on how the Navy, Marine Corps, and Air Force should integrate operational contract support.

Action needed: DOD concurred with our recommendation. To fully implement this recommendation, DOD should improve DOD's lessons learned efforts through the collection of operational contract support issues. According to senior DOD officials, as of November 2018, the department was in the process of making revisions to DOD Instruction 3020.41, which will detail the roles and responsibilities of the services in collecting lessons learned on operational contract support issues. Once the revisions to DOD guidance are completed, which officials estimate will occur in the fall of 2019, the military services will be postured to include this new guidance in their respective regulations and guidance documents.

High-Risk area: DOD Contract Management

Director: Cary Russell
Contact information: russellc@gao.gov, (202) 512-5431

Operational Contract Support: Additional Actions Needed to Manage, Account for, and Vet Defense Contractors in Africa, GAO-16-105. Washington, D.C.: Dec. 17, 2015.

Recommendation: The Secretary of Defense should develop guidance that clarifies the conditions under which combatant commands should have a foreign vendor vetting process or cell in place to determine whether potential vendors actively support any terrorist, criminal, or other sanctioned organizations.

Action needed: DOD concurred with our recommendation. DOD established a foreign vendor vetting working group in January 2017 to, among other things, develop guidance that will define foreign vendor vetting as a distinct function and provide combatant commanders with guidance on addressing the risks associated with relying on commercial vendors. As of December 2018, the working group was still in the process of making key decisions regarding the details the

guidance should entail. To fully implement this recommendation, DOD should improve its efforts to vet foreign vendors by developing vendor vetting guidance.

High-Risk area: DOD Contract Management

Director: Cary Russell
Contact information: russellc@gao.gov, (202) 512-5431

2. Readiness

Military Readiness: DOD's Readiness Rebuilding Efforts May Be at Risk without a Comprehensive Plan, GAO-16-841. Washington, D.C.: Sept. 7, 2016.

Recommendations: The Secretary of Defense should direct the Secretaries of the Air Force, Army, and Navy to:

(1) Establish comprehensive readiness rebuilding goals to guide readiness rebuilding efforts and a strategy for implementing identified goals, to include resources needed to implement the strategy.
(2) Develop metrics for measuring interim progress at specific milestones against identified goals for all military services.
(3) Identify external factors that may impact readiness recovery plans, including how they influence the underlying assumptions to ensure that readiness rebuilding goals are achievable within established time frames. This should include, but not be limited to, an evaluation of the impact of assumptions about budget, maintenance timeframes, and training that underpin the military services' readiness recovery plans.

The Secretary of Defense should also:

(4) Validate the military service-established readiness rebuilding goals, strategies for achieving the goals, and metrics for measuring progress, and revise as appropriate; and
(5) Develop a method to evaluate the department's readiness recovery efforts against the agreed-upon goals through objective measurement and systematic analysis.

Action needed: DOD generally concurred with our five recommendations. As of October 2018, DOD had made significant progress toward these recommendations by taking steps to develop a readiness recovery framework. Specifically, DOD had identified key readiness issues, actions to address them, and metrics by which to assess progress toward readiness recovery goals. To fully implement these recommendations, DOD should ensure that the military services' actions, metrics, and milestones clearly align with readiness recovery goals, and should regularly monitor and evaluate progress toward the goals.

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Navy Force Structure: Sustainable Plan and Comprehensive Assessment Needed to Mitigate Long-Term Risks to Ships Assigned to Overseas Homeports, GAO-15-329. Washington, D.C.: May 29, 2015.

Recommendations: The Secretary of Defense should direct the Secretary of the Navy to:

(1) Develop and implement a sustainable operational schedule for all ships homeported overseas.
(2) Develop a comprehensive assessment of the long-term costs and risks to the Navy's surface and amphibious fleet associated with its increasing reliance on overseas homeporting to meet presence requirements, make any necessary adjustments to its overseas presence based on this assessment, and reassess these risks when making future overseas homeporting decisions and developing future strategic laydown plans.

Action needed: DOD concurred with both of our recommendations. However, the Navy has not implemented sustainable operational schedules for its ships in all overseas homeport locations, nor has it comprehensively assessed the long-term costs and risks associated with overseas homeporting. To fully implement these recommendations, the Navy should implement sustainable operational schedules for all of its ships homeported overseas and complete a comprehensive assessment of this deployment model.

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Navy Force Structure: Actions Needed to Ensure Proper Size and Composition of Ship Crews, GAO-17-413. Washington, D.C.: May 18, 2017.

Recommendations: The Under Secretary of Defense for Personnel and Readiness should direct the Secretary of the Navy to:
(1) Conduct a comprehensive reassessment of the Navy standard workweek and make any necessary adjustments.
(2) Update guidance to require examination of in-port workload and identify the manpower necessary to execute in-port workload for all surface ship classes.
(3) Develop criteria and update guidance for reassessing the factors used to calculate manpower requirements periodically or when conditions change.
(4) Identify personnel needs and costs associated with the planned larger Navy fleet size, including consideration of the updated manpower factors and requirements.

Action needed: DOD concurred with our four recommendations. The Navy is conducting studies and has proposed revisions to guidance that address our recommendations, but it has not yet fully implemented them.

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Naval Shipyards: Actions Needed to Improve Poor Conditions That Affect Operations, GAO-17-548. Washington, D.C.: Sept. 12, 2017.

Recommendations: The Secretary of the Navy should:
(1) Develop a comprehensive plan for shipyard capital investment that establishes the desired goal for the shipyards' condition and capabilities; an estimate of the full costs to implement the plan, addressing all relevant requirements, external risk factors, and associated planning costs; and metrics for assessing progress toward meeting the goal that include measuring the effectiveness of capital investments.

(2) Conduct regular management reviews that include all relevant stakeholders to oversee implementation of the plan, review metrics, assess the progress made toward the goal, and make adjustments, as necessary, to ensure that the goal is attained.
(3) Provide regular reporting to key decision makers and Congress on the progress the shipyards are making to meet the goal of the comprehensive plan, along with any challenges that hinder that progress, such as cost. This may include reporting on progress to reduce their facilities restoration and modernization backlogs, improve the condition and configuration of the shipyards, and recapitalize capital equipment.

Action needed: DOD concurred with our three recommendations. As of October 2018 the Navy had taken steps to address these recommendations. Specifically, the Naval Sea Systems Command produced a Shipyard Infrastructure Optimization Plan, which it presented to Congress in February 2018, that is intended to guide their overhaul and improvement of the Navy shipyards. This plan includes some of the elements needed to address the first recommendation, such as outlining the desired goal and providing an estimate of the costs and risks to implementing the Plan. However, the Plan did not include metrics for assessing progress, which officials have said will be added during a second phase in fiscal year 2019. To fully implement this recommendation, the Plan will need to fully incorporate all the elements, including developing metrics to measure progress toward its goals and measuring the effectiveness of investments. GAO is beginning an engagement that will examine the optimization plan in more detail.

To address the second recommendation, in June 2018 the Navy issued NAVSEA Notice 5450, which created a program office responsible for planning, developing, scheduling, budgeting, and sustaining the replacement of shipyard facilities and equipment. This action begins to address the second recommendation, though additional steps (such as identifying all relevant stakeholders, holding meetings, and reviewing oversight metrics), must still be taken.

Navy officials stated in October 2018 that the Shipyard Infrastructure Optimization Plan, along with the creation of the Readiness Reform and Oversight Council, addressed the third recommendation. While this council does appear to involve some of the key stakeholders who should be receiving regular reporting, the Navy has already made clear that it sees the shipyard optimization process as a 20-year effort. Given that, regular reporting on progress cannot be achieved with a single disclosure at the beginning of the effort. To fully implement the recommendation, both Congress and DOD decision-makers need to receive regular updates on the progress of the optimization plan, and while it is possible that the newly created shipyard program office will be able to provide such reporting, that organization is still being developed and, as yet, no progress reporting has yet begun.

Director: Diana Maurer
Contact information: maurerd@gao.gov, (202) 512-9627

F-35 Aircraft Sustainment: DOD Needs to Address Challenges Affecting Readiness and Cost Transparency, GAO-18-75. Washington, D.C.: Oct. 26, 2017.

Recommendations: The Under Secretary of Defense for Acquisition, Technology, and Logistics,[22] in coordination with the F-35 Program Executive Officer, should take the following actions:

(1) Revise sustainment plans to ensure that they include the key requirements and decision points needed to fully implement the F-35 sustainment strategy and aligned funding plans to meet those requirements.
(2) Re-examine the metrics that it will use to hold the contractor accountable under the fixed-price, performance-based contracts to ensure that such metrics are objectively measurable, are fully reflective of processes over which the contractor has control, and drive desired behaviors by all stakeholders.
(3) Prior to entering into multi-year, fixed-price, performance-based contracts, ensure that DOD has sufficient knowledge of the actual costs of sustainment and technical characteristics of the aircraft after baseline development is complete and the system reaches maturity.

Action needed: DOD concurred with these recommendations. According to officials from the Office of the Under Secretary of Defense for Acquisition and Sustainment, as of October 2018 DOD was updating sustainment and budget plans with the goal of increasing F-35 aircraft availability and reducing sustainment costs, and was working to improve the quality of DOD's actual F-35 cost data. Officials also stated that DOD re-examines sustainment metrics annually and had initiated a new fee for delivery of supply chain performance metrics directly under the contractor's control. However, the key metrics being used by the F-35 program to incentivize the contractor remain a concern, as they are not fully reflective of processes over which the contractor has control. We will continue to monitor DOD's efforts in each of these areas. To fully implement the first recommendation, DOD needs to ensure that the revisions to its plans, when completed, include all key requirements necessary to implement its sustainment strategy and that future budgets over DOD's 2020 – 2024 Future Years Defense Program are aligned to support those requirements. To fully implement the second and third recommendations, prior to entering into performance-based contracts DOD needs to ensure that the key metrics it will use to hold the contractor accountable are objectively measurable and fully reflective of processes over which the contractor has control, and that DOD has sufficient knowledge of the actual costs of sustainment and technical characteristics of the aircraft after baseline development is complete and the system reaches maturity.

Director: Cary Russell
Contact information: russellc@gao.gov, (202) 512-5431

3. Building Capacity to Drive Enterprise-wide Business Reform

Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration, GAO-18-194. Washington, D.C.: Feb. 28, 2018.

[22] The priority recommendations from this report were directed to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)). Pursuant to the National Defense Authorization Act for Fiscal Year 2017, effective February 1, 2018, DOD restructured the USD(AT&L). Pub. L. No. 114-328 § 901 (2016) (codified at 10 U.S.C. §§ 133a and 133b). The position has been divided into the Under Secretary of Defense for Acquisition and Sustainment and the Under Secretary of Defense for Research and Engineering.

Recommendation: The Secretary of Defense should ensure that the Chief Management Officer:

(1) In DOD's revisions to the draft organizational strategy, addresses how the department will promote and achieve a collaborative culture, as required under section 911 of the National Defense Authorization Act for Fiscal Year 2017.
(2) Obtains stakeholder input on the development of the organizational strategy from key stakeholders, including the Secretary of Defense, the military departments, the combatant commands, and defense agencies.

Action needed: DOD concurred with these recommendations. Officials from the Office of the Chief Management Officer (OCMO) stated that the department is taking steps to address these recommendations. To address the first recommendation, OCMO revised its draft organizational strategy to identify potential action steps for the department that align with each of the nine leading practices for mergers and organizational transformations that we have identified in our prior work. OCMO's revisions appear to meet the intent of our recommendation. However, DOD had not issued the final organizational strategy as of December 2018. To fully implement this recommendation and to position itself to collaborate better as the department reforms its business practices, DOD needs to issue the final organizational strategy with these revisions.

To address the second recommendation, the CMO plans to coordinate the review and approval of the draft organizational strategy across components within the department, but as of December 2018 it had not provided documentation to demonstrate that DOD had done so. To fully implement this recommendation, DOD needs to demonstrate that the department sought and incorporated input, as appropriate, from stakeholders across the department, including the Secretary of Defense, military departments, combatant commands, and defense agencies, prior to the issuance of the final organizational strategy.

High-Risk area: DOD Approach to Business Transformation

Director: Elizabeth Field
Contact Information: fielde1@gao.gov, (202) 512-2775

Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams, GAO-19-165. Washington, D.C.: Jan. 17, 2019.

Recommendation: The Secretary of Defense should ensure that the Chief Management Officer establishes a process for identifying and prioritizing available funding to develop and implement initiatives from the cross-functional reform teams.

Action needed: DOD concurred with this recommendation. To implement this recommendation, DOD needs to establish a clear process for the cross-functional business reform teams to obtain the funding they require to develop and implement their reform initiatives.

High-Risk area: DOD Approach to Business Transformation

Director: Elizabeth Field
Contact Information: fielde1@gao.gov, (202) 512-2775

4. Defense Headquarters

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.

Recommendation: The Secretary of Defense should direct the Director of Administration and Management to specify how contractors performing headquarters functions will be identified and included in reporting.

Action needed: Our recommendation was one element of a broader recommendation with which DOD partially concurred. DOD stated that it had submitted a plan to the congressional defense committees in November 2011 for its Inventory of Contracts for Services (Inventory) that established both near-term and long-term actions needed to improve overall visibility and accountability of all contracted services, including those performed in support of major DOD headquarters activities. This plan and subsequent guidance issued in December 2011 described the steps being taken to account for the level of effort of contracted support, based on the activity requiring the contracted service. DOD noted that aligning contract support with the requiring activity, as opposed to the contracting activity, will ensure that the department can reflect contractor full-time equivalents based on direct labor hours collected from contractors supporting major DOD headquarters activities. Since that time, DOD has taken steps to consolidate systems across the military departments and define roles and responsibilities of the office responsible for managing the Inventory reporting process. However, issues with collecting and using common data remain, and as of December 2018 DOD had not identified an approach to include contractors as part of its DOD headquarters reporting. To fully implement this recommendation, DOD should improve its ability to identify how many headquarters personnel it has, to include contractors.

High-Risk area: DOD Approach to Business Transformation

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Defense Headquarters: Improved Data Needed to Better Identify Streamlining and Cost Savings Opportunities by Function, GAO-16-286. Washington, D.C.: June 30, 2016.

Recommendation: The Secretary of Defense should collect reliable information on the costs associated with functions within headquarters organizations—through revisions to the existing Inherently Governmental Commercial Activities inventory, or another method—in order to provide detailed information for use in estimating resources associated with specific headquarters functions, and in making decisions, monitoring performance, and allocating resources.

Action needed: DOD concurred with our recommendation and has taken some steps to address it. For example, DOD has included the obligation authority and personnel authorizations associated with major headquarters activities into its Future Years Defense Program. In addition, the department is examining ways to use other manpower, financial, and programming systems, including the Inherently Governmental Commercial Activities inventory, to develop an ability to estimate resources associated with headquarters functions. These assessments were expected to be completed by fiscal year 2019. However, as of December

2018, DOD had not finalized the definition of headquarters in its instruction guiding headquarters—DOD Instruction 5100.73.[23] To fully implement this recommendation, DOD should complete the assessments of the inventory and take action in response to them and should update its guidance so that it will be better positioned to allocate resources.

High-Risk area: DOD Approach to Business Transformation

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Defense Headquarters: DOD Needs to Periodically Review and Improve Visibility of Combatant Commands' Resources, GAO-13-293. Washington, D.C.: May 15, 2013.

Recommendation: The Secretary of Defense should conduct comprehensive, periodic evaluations of whether the combatant commands are sized and structured to efficiently meet assigned missions.

Action needed: DOD did not concur with our recommendation, stating that the combatant commands had already been reduced during previous budget and efficiency reviews. The department also noted that any periodic review of the combatant commands' size and structure must include a review of assigned missions, and that a requirement for a mission review was not appropriate for inclusion in the commands' guiding instruction on personnel requirements. We acknowledged and described several actions taken by DOD to manage the growth in personnel and costs at the combatant commands, including establishing personnel baselines and identifying personnel reductions.

However, the department's response does not fully explain why there should not be a requirement for periodic reviews to ensure that the resources meet constantly evolving missions, and we continue to believe that institutionalizing a periodic evaluation of all authorized positions would help to systematically align manpower with missions and add rigor to the requirements determination process. To fully implement our recommendation, DOD should ensure that headquarters organizations are properly sized to meet assigned missions.

High-Risk area: DOD Approach to Business Transformation

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

Defense Headquarters: DOD Needs to Reassess Personnel Requirements for the Office of Secretary of Defense, Joint Staff, and Military Service Secretariats, GAO-15-10. Washington, D.C.: Jan. 21, 2015.

[23] Department of Defense Instruction 5100.73, *Major DOD Headquarters Activities* (Dec. 1, 2007) (incorporating change 2, June 12, 2012).

Recommendation: The Secretary of Defense should conduct systematic determinations of personnel requirements for the Office of the Secretary of Defense, Joint Staff, and the military service secretariats and staffs.

Action needed: DOD partially concurred with our recommendation, stating that it will continue to use the processes and prioritization that are part of the Planning, Programming, Budgeting, and Execution process, and will also investigate other methods for aligning personnel to missions and priorities. However, as of December 2018 DOD had not provided documentation enabling us to determine that a systematic determination of workforce requirements within these organizations had taken place. To fully implement this recommendation, DOD should determine requirements so that it can identify opportunities for the more efficient use of resources. DOD should also provide documentation supporting its assertion that it had reviewed its headquarters management structure and would monitor the results of its efforts through its existing Planning, Programming, Budgeting, and Execution process, and that this review and monitoring constituted a requirements-based approach.

High-Risk area: DOD Approach to Business Transformation

Director: John Pendleton
Contact information: pendletonj@gao.gov, (202) 512-3489

5. Health Care

Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews, GAO-15-269. Washington, D.C.: Feb. 18, 2015.

Recommendations: The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs to:

(1) Implement a more comprehensive TRICARE improper payment measurement methodology that includes medical record reviews, as done in other parts of its existing post payment claims review programs; and
(2) Once a more comprehensive improper payment methodology is implemented, develop more robust corrective action plans that address underlying causes of improper payments, as determined by the medical record reviews.

Action needed: DOD concurred with our two recommendations. To fully implement these recommendations, DOD should better assess and address the full extent of improper payments in the TRICARE program through medical record reviews. In June 2017 the Defense Health Agency awarded a contract for TRICARE claims review services, including medical record reviews. As of November 2018 the agency expected to include payment error results from medical record reviews in its improper payment calculation for fiscal year 2019 in the agency's annual financial report. Once a methodology for estimating improper payments that includes medical record reviews is implemented, DOD should be able to develop more robust corrective action plans to address the underlying causes of improper payments. These corrective action plans should be included in the agency's improper payment rate reporting.

Director: Debra Draper
Contact information: draperd@gao.gov, (202) 512-7114

Defense Health Care Reform: Actions Needed to Help Ensure Defense Health Agency Maintains Implementation Progress, GAO-15-759. Washington, D.C.: Sept. 10, 2015.

Recommendations: The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs to:

(1) Develop a comprehensive requirements assessment process that accounts for needed future skills through the consideration of potential organizational changes and helps ensure appropriate consideration of workforce composition through the determination of the final status of military personnel within the Defense Health Agency.
(2) Develop a plan for reassessing and revalidating personnel requirements as the missions and needs of the Defense Health Agency evolve over time.
(3) Determine the future of the Public Health and Medical Education and Training shared services either by identifying common functions to consolidate to achieve cost savings or by developing a justification for the transfer of these functions from the military services to the Defense Health Agency that is not premised on cost savings.

Action needed: DOD concurred with two of our recommendations, and partially concurred with our recommendation that it develop a plan for reassessing and revalidating personnel requirements as the missions and needs of the Defense Health Agency evolve over time.

Regarding the first and second recommendations, DOD stated that it had issued temporary guidance, expiring in January 2016, which established processes for manpower and organization changes to the Defense Health Agency (DHA). In October 2018 a senior DHA official stated that the DHA was developing an overall personnel management process to be documented in a Procedural Instruction. According to the official, this document will address not only the DHA headquarters but also military treatment facilities, which DOD plans to transfer from the military departments to the DHA by October 1, 2021. Regarding the third recommendation, DOD has taken some steps to implement this action. Specifically, DOD provided documentation as of October 2018 that it was assessing business case analyses for potential product lines within the Public Health shared service. Within the Medical Education and Training shared service, DOD has identified one new product line that has not yet resulted in cost savings. To fully implement these recommendations, DOD should finalize its process for overall personnel management and continue to refine its Medical Education and Training and Public Health shared services.

Director: Brenda S. Farrell
Contact information: farrellb@gao.gov, (202) 512-3604

Defense Health Care: DOD Should Demonstrate How Its Plan to Transfer the Administration of Military Treatment Facilities Will Improve Efficiency, GAO-19-53. Washington, D.C.: Oct. 30, 2018.

Recommendations: The Secretary of Defense should ensure that:

(1) The Assistant Secretary of Defense for Health Affairs, in coordination with Director of the DHA and the Surgeons General of the military departments, define and analyze the 16 operational readiness and installation-specific medical functions currently excluded from transfer to the DHA to determine whether opportunities exist to reduce or better manage duplicative functions and improve efficiencies in the administration of the military treatment facilities.

(2) The Assistant Secretary of Defense for Health Affairs, in coordination with DHA Assistant Director for Health Care Administration and the secretaries of the military departments, validate headquarters-level personnel requirements to determine that they are established at the minimum levels necessary—per DOD guidance—to accomplish missions and achieve objectives before transferring authority, direction, and control of the military treatment facilities to the DHA for the third phase.

(3) The Assistant Secretary of Defense for Health Affairs, in coordination with DHA Assistant Director for Health Care Administration and the secretaries of the military departments, conduct a comprehensive review to identify the least costly mix—per DOD guidance—of military, civilian, and contractors needed to meet validated requirements—that is, to perform the functions identified at the DHA headquarters and intermediate management organizations and at the military departments' headquarters and intermediate commands. Additionally, this comprehensive review should be completed before transferring authority, direction, and control of the military treatment facilities to the DHA for the third phase.

Action needed: DOD concurred with all three of our recommendations. To fully implement these recommendations, DOD should define and analyze the 16 operational readiness and installation-specific medical functions for duplication, validate headquarters-level personnel requirements, and identify the least costly mix of personnel. When concurring with our recommendations, DOD stated that it was taking steps to analyze the 16 functions and personnel requirements.

Director: Brenda S. Farrell
Contact information: farrellb@gao.gov, (202) 512-3604

6. Cybersecurity

Civil Support: DOD Needs to Clarify Its Roles and Responsibilities for Defense Support of Civil Authorities during Cyber Incidents, GAO-16-332. Washington, D.C.: Apr. 4, 2016.

Recommendation: The Secretary of Defense should direct the Under Secretary of Defense for Policy in coordination with the Chairman of the Joint Chiefs of Staff to issue or update guidance that clarifies roles and responsibilities for relevant entities and officials—including the DOD components, supported and supporting commands, and dual-status commander—to support civil authorities as needed in a cyber incident.

Action needed: DOD concurred with our recommendation. To fully implement this recommendation, DOD should clarify roles and responsibilities of key DOD entities that may be called upon to support a cyber incident. From 2017 through 2018 DOD issued new guidance documents and updated its Joint Publication on Cyberspace Operations. Further, DOD officials told us they are drafting instructions that will assign responsibilities and describe the procedures for providing defense support to cyber incident response, including the use of dual-status commanders. However, DOD's existing guidance still does not clearly identify the supported and supporting command relationships, nor does it clearly define the role of the dual-status commanders, leading to uncertainty with regard to which entities should provide support to civil authorities in the event of a significant cyber incident.

Director: Joseph Kirschbaum
Contact information: kirschbaumj@gao.gov, (202) 512-9971

DOD Training: U.S. Cyber Command and Services Should Take Actions to Maintain a Trained Cyber Mission Force, GAO-19-362. Washington, D.C.: Mar. 6, 2019.

Recommendation: The secretaries of the military departments and the Commandant of the Marine Corps should coordinate with CYBERCOM to develop plans that comprehensively assess and identify specific Cyber Mission Force (CMF) training requirements for all phases of training in order to maintain the appropriate sizing and deployment of personnel across CMF teams.[24]

Action needed: DOD concurred with each of these four recommendations to the services. To fully implement this recommendation, each military service should develop a comprehensive plan that would help the services better manage the number of personnel who need to be rotated into the CMF teams and that would provide situational awareness of the number of personnel from other services who could attend their courses in any given year.

Director: Joseph Kirschbaum
Contact information: kirschbaumj@gao.gov, (202) 512-9971

Critical Infrastructure Protection: Additional Actions Are Essential for Assessing Cybersecurity Framework Adoption, GAO-18-211. Washington, D.C.: Feb. 15, 2018.

Recommendation: The Secretary of Defense should take steps to consult with respective sector partner(s), such as the sector coordinating council (SCC), Department of Homeland Security (DHS), and National Institute of Standards and Technology (NIST), as appropriate, to develop methods for determining the level and type of framework adoption by entities across their respective sector.

Action needed: DOD concurred with our recommendation. In September 2018, DOD stated that it would be working with the DHS, SCC and NIST to develop methods for determining the level and type of framework adoption. DOD's timeframe for completion was estimated to be in December 2019. To fully implement this recommendation, DOD will need to continue its efforts to more comprehensively understand the framework's use by entities to ensure that the department's facilitation efforts are successful and determine whether organizations are realizing positive results by adopting the framework.

High-Risk area: Ensuring the Cybersecurity of the Nation.

Director: Nick Marinos
Contact Information: marinosn@gao.gov, (202) 512-9342

7. Support Infrastructure

[24] GAO first made these recommendations to DOD in a sensitive report that was issued in November 2018. GAO, *DOD Training: U.S. Cyber Command and Services Should Take Actions to Maintain a Trained Cyber Mission Force,* GAO-19-142SU (Washington, D.C.: Nov. 6, 2018).

Defense Real Property: DOD Needs to Take Additional Actions to Improve Management of Its Inventory Data, GAO-19-73. Washington, D.C.: Nov. 13, 2018

Recommendations:

(1) The Secretary of the Army should require monitoring of its processes used for recording all required real property information—to include evaluating on an ongoing basis whether or to what extent these activities are being carried out—and remediating any identified deficiencies.

(2) The Secretary of the Navy should require monitoring of the Navy and Marine Corps processes used for recording all required real property information—to include evaluating on an ongoing basis whether or to what extent these activities are being carried out—and remediating any identified deficiencies.

(3) The Secretary of the Air Force should require monitoring of its processes used for recording all required real property information—to include evaluating on an ongoing basis whether or to what extent these activities are being carried out—and remediating any identified deficiencies.

(4) The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in collaboration with the military services, defines and documents which data elements within the RPAD submissions are most significant for decision-making.

(5) The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in collaboration with the military services, coordinates on corrective action plans to remediate discrepancies in significant data elements in its real property data system that are identified by the Office of the Secretary of Defense's verification and validation tool.

(6) The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in collaboration with the military services, develops a strategy that identifies and addresses risks to data quality and information accessibility. At a minimum, this strategy should establish time frames and performance metrics for addressing risks related to (1) unfilled real property positions, (2) lack of a department-wide approach to improving its data, and (3) implementation of the Office of the Secretary of Defense's expanded data platform.

Action needed: DOD concurred with the first five recommendations and partially concurred with the sixth recommendation. Regarding the first three recommendations, the military services will need to require monitoring of their processes for recording all required real property data and remediating any identified deficiencies. To fully implement the fourth and fifth recommendations, the Under Secretary of Defense for Acquisition and Sustainment would need to identify data elements most significant for decision-making and work with the military services to develop corrective actions plans to remediate identified discrepancies in data. DOD partially concurred with our sixth recommendation and stated that it plans to collaborate with the military services on separate service strategies that reflect each military service's operating environment. However, to fully implement this recommendation, DOD would need to develop one department-wide strategy to improve data quality and information accessibility that addresses unfilled real property positions, lack of a department-wide approach to improving its data, and the implementation of the Office of the Secretary of Defense's expanded data platform.

High-Risk area: DOD Support Infrastructure Management

Director: Elizabeth Field

Contact information: fielde1@gao.gov, (202) 512-2775

Defense Infrastructure: More Accurate Data Would Allow DOD to Improve the Tracking, Management, and Security of Its Leased Facilities, GAO-16-101. Washington, D.C.: Mar. 15, 2016.

Recommendation: The Secretary of Defense should direct the secretaries of the military departments to require that their departments look for opportunities to relocate DOD organizations in leased space to installations that may have underutilized space because of force structure reductions or other indicators of potentially available space, where such relocation is cost-effective and does not interfere with the installation's ongoing military mission.

Action needed: Although DOD did not concur with our recommendation, as of December 2017 DOD was pursuing an effort to standardize and consolidate leases that might provide opportunities for DOD to reduce its reliance on leased space. According to an official from the Office of the Secretary of Defense, the effort's initial emphasis is on 176 leased facilities located within 35 miles of DOD-owned facilities that had underutilized or excess space and are up for renewal over the next 5 years. The official stated that the effort will include the development of criteria for reviewing these leases, including a cost-benefit analysis of whether it is feasible to relocate a function in leased space to existing space on an installation. Alternatively, if it is determined that the function cannot be moved, DOD will review whether to consolidate the lease to appropriately size the space to the function's requirement, according to the official. In September 2018 DOD reported that this effort was still underway, but as of December 2018, DOD had not provided an updated status of its efforts to implement this recommendation. To fully implement this recommendation, DOD needs to finalize its efforts to standardize and consolidate its leases. When this effort is completed and if it is expanded, DOD may have opportunities to reduce its leased space at a DOD-wide level.

High-Risk area: DOD Support Infrastructure Management

Director: Elizabeth Field
Contact information: fielde1@gao.gov, (202) 512-2775

Military Bases: Opportunities Exist to Improve Future Base Realignment and Closure Rounds, GAO-13-149. Washington, D.C: Mar. 7, 2013.

Defense Infrastructure: Improved Guidance Needed for Estimating Alternatively Financed Project Liabilities, GAO-13-337. Washington, D.C: Apr. 18, 2013.

Military Base Realignments and Closures: More Guidance and Information Needed to Take Advantage of Opportunities to Consolidate Training, GAO-16-45. Washington, D.C.: Feb. 18, 2016.

Recommendations: The Department of Defense should improve its efforts in support of any future Base Realignments and Closures (BRAC) round that Congress may authorize. The Secretary of Defense should take the following seven actions:

(1) Improve the process for fully identifying recommendation-specific military construction requirements and ensuring that those requirements are entered into the Cost of Base

Realignment Actions (COBRA) model and are not understated in implementation cost estimates (GAO-13-149).
(2) Ensure that information technology requirements associated with proposed BRAC recommendations that are heavily reliant on such technology have been identified to the extent required to accomplish the associated mission (GAO-13-149).
(3) Ensure that all anticipated BRAC implementation costs—such as relocating personnel and equipment—are considered and included in the COBRA model when comparing alternatives and generating cost estimates (GAO-13-149).
(4) Limit the practice of bundling multiple stand-alone realignments or closures into single recommendations (GAO-13-149).
(5) Establish targets for eliminating excess capacity for any future BRAC (GAO-13-149).
(6) Consistently capture complete information on costs associated with alternatively financed projects in the model (GAO-13-337).
(7) Develop baseline cost data for any future consolidation of training (GAO-16-45).

Action needed: DOD did not fully concur with our seven recommendations. However, in January 2017 DOD officials agreed to take additional action to better forecast the initial costs inputted into COBRA that are related to military construction, information technology, relocating military personnel positions and equipment, and alternatively financed projects, and they have already taken some steps to do so, in support of any future BRAC round. As indicated in a January 2017 letter to GAO, DOD stated that it had established a Joint Process Action Team to develop and update a cost model for stationing actions and for use in future BRAC rounds. Officials did not agree that liabilities from alternatively financed projects need to be consistently captured in the COBRA model, stating that it is difficult to estimate these costs. GAO's recommendation was intended to be implemented when DOD submits its recommendations to the commission on any future BRAC round. As of December 2018 Congress had not authorized another round of BRAC.

To fully implement these recommendations, DOD should improve information upon which to make any future BRAC process decisions, and should ensure that goals are implemented and progress monitored. As we have stated in our prior reports, DOD's process for conducting its BRAC 2005 analysis was generally logical and reasoned. We believe that the process remains fundamentally sound. However, we continue to believe that our recommendations would improve the information available to decision makers during the BRAC process, would help improve initial cost estimates, and would provide a means for evaluating the effectiveness of any future BRAC process toward reducing excess infrastructure. In December 2018 a DOD official noted that, as indicated in DOD's January 2017 letter mentioned above, the DOD cost model will incorporate those recommendations with which DOD agreed either initially or later. The official noted that the model is undergoing a variety of different reviews and other aspects of development. He stated that DOD's goal is to begin formal user testing in 2019, depending on the availability of funding and other aspects of the review processes.

High-Risk area: DOD Support Infrastructure Management

Director: Diana Maurer
Contact information: maurerd@gao.gov, (202) 512-9627

8. Financial Management

DOD Financial Management: Additional Actions Needed to Complete the Army's Analyses of Unsupported Accounting Entries for Its General Fund, GAO-18-27. Washington, D.C.: Oct. 20, 2017.

Recommendations:
The Assistant Secretary of the Army, Financial Management and Comptroller, should:

(1) Ensure that the Working Group identifies and analyzes the full population of manual unsupported journal vouchers (JV) at the transaction level and in Defense Departmental Reporting System-Audited Financial Statements and determines the root causes for these JVs.
(2) Work with Defense Finance and Accounting Service to enhance the monthly JV metrics report or develop another method to sufficiently monitor the extent to which the Working Group has identified the root causes of unsupported JVs and to determine the extent to which unsupported JVs are being reduced based on the implemented corrective actions.

Action needed: The Department of the Army concurred with our two recommendations. To fully implement these recommendations, the Army should identify and analyze the full population of manual unsupported JVs and determine the root causes for these JVs and work with the Defense Finance and Accounting Service (DFAS) to enhance the JV metrics. Alternatively, the Army should develop another method to sufficiently monitor the extent to which the root causes of unsupported JVs are being identified and the extent to which the unsupported JVs are being reduced. The Assistant Secretary of the Army, Financial Management and Comptroller (ASA (FM&C)) with DFAS began implementing recommendation 1 in April 2017 by establishing a journal voucher review initiative as part of the Business Mission Area Champions project. This project was established as a supplemental senior leader oversight program to the Journal Voucher Working Group. The Business Mission Area Champions initiative establishes a schedule for a monthly sample evaluation to determine applicable support, align adjustments to a root cause, and document any newly identified root causes. The initial JV review schedule, which incorporates all applicable Army-allocated and Department of Defense-allocated appropriations, is targeted to be completed by June 2018. According to Army officials, at a time when additional resources become available or at the conclusion of the review cycle in fiscal year 2018, ASA(FM&C) along with DFAS would develop a plan to incorporate further adjustments into the monthly evaluations. As of August 2018, Army informed us that the actions to address our recommendations were still underway.

High-Risk area: DOD Financial Management

Director: Asif Khan
Contact information: khana@gao.gov, (202) 512-9869

DOD Financial Management: Significant Efforts Still Needed for Remediating Audit Readiness Deficiencies, GAO-17-85. Washington, D.C.: Feb. 9, 2017.

Recommendations:

(1) The Secretary of the Army should direct the Accountability and Audit Readiness Directorate under the Assistant Secretary of the Army, Financial Management and Comptroller, to enhance the directorate's policies and procedures for (a) tracking and prioritizing all financial management-related audit findings and recommendations under its purview; and (b) developing and monitoring corrective action plans for all such recommendations so that they include sufficient details, such as the criteria used to

prioritize the corrective action plans, the recommended corrective action plan elements, and the process for monitoring and documenting the progress and status of corrective action plans.

(2) The Secretary of the Air Force should design and document a comprehensive process to ensure that the complete universe of all financial management-related findings and recommendations from all audit sources is identified and tracked.

(3) The Secretary of the Air Force should update the Air Force's written policies and procedures for prioritizing financial management-related audit findings and recommendations from all audit sources and for developing and monitoring corrective action plans so that they include sufficient details. These procedures should include the process to be followed for prioritizing the financial management-related findings and recommendations from audit sources; the guidance for developing corrective action plans for all financial management-related audit findings and recommendations from all audit sources to include complete details, including the elements recommended by the Implementation Guide for OMB Circular A-123; and the process for monitoring the status of the corrective action plans for all financial management-related audit findings and recommendations from all audit sources, including the documentation to support any corrective actions taken, as recommended by the Implementation Guide for OMB Circular A-123.

(4) The Secretary of Defense should direct the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force to prepare and submit to the Under Secretary of Defense (Comptroller), on at least a bimonthly basis for availability at the Financial Improvement and Audit Readiness Governance Board meetings, a summary of key information included in the corrective action plans that at a minimum contains the data elements recommended by the Implementation Guide for OMB Circular A-123 for each corrective action plan related to critical capabilities for achieving audit readiness.

(5) The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to prepare a consolidated corrective action plan management summary on a bimonthly basis that includes the data elements referred to above on the status of all corrective action plans related to critical capabilities for the military services and for the service providers and other defense organizations.

(6) The Under Secretary of Defense (Comptroller) should develop and implement a centralized monitoring and reporting process that at a minimum (1) captures department-wide information on the military services' and other defense organizations' corrective action plans related to critical capabilities, including the standard data elements recommended in the Implementation Guide for OMB Circular A-123; and (2) maintains up-to-date information on the status of these corrective action plans.

Action needed: The Army and Air Force concurred with our first three recommendations. In addition, the Under Secretary of Defense (Comptroller) concurred with our one recommendation to direct the military services to provide summaries of corrective action plan information, and partially concurred with the other two recommendations to prepare a consolidated corrective action plan management summary on a bimonthly basis and to develop and implement a centralized monitoring and reporting process.

To fully implement these recommendations, the Army and Air Force need to develop or enhance their policies and procedures related to tracking and monitoring the status of audit recommendations, and DOD needs to obtain corrective action plan summaries from the military services, use those summaries to prepare a consolidated summary, and develop and implement a centralized monitoring and reporting process for corrective action plans related to critical capabilities. We received documentation from the Army and DOD; however it was not sufficient

to close the respective recommendations. We received documentation from the Air Force in October 2018 and are in the process of assessing whether the actions taken are sufficient to close the related recommendations.

High-Risk area: DOD Financial Management

Director: Asif Khan
Contact information: khana@gao.gov, (202) 512-9869

DOD Financial Management: Continued Actions Needed to Address Congressional Committee Panel Recommendations, GAO-15-463. Washington, D.C.: Sept. 28, 2015.

Recommendation: The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to implement the GAO recommendation to reconsider the status of three 2012 Congressional Committee Panel recommendations that it determined to be met but that GAO determined to be only partially met.

Action needed: DOD concurred with our recommendation. DOD has subsequently taken corrective actions to address two of the Panel's recommendations that GAO determined to be only partially met. To fully implement this recommendation, DOD should ensure that it has taken all of the needed actions to meet the remaining Panel recommendation for which DOD and GAO differed as to the status. DOD needs to continue to look for methods to reward executives based on their evaluated performance for Financial Improvement and Audit Readiness-related goals in Senior Executive Service performance plans. The actions were in process as of October 2018.

High-Risk area: DOD Financial Management

Director: Asif Khan
Contact information: khana@gao.gov, (202) 512-9869

DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements, GAO-13-227. Washington, D.C.: May 13, 2013.

Recommendations: The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to take the following six remaining actions:

With regard to estimating improper payments:

(1) Establish and implement key quality assurance procedures, such as reconciliations, to ensure the completeness and accuracy of the sampled populations.

With regard to reducing improper payments, establish procedures that produce corrective action plans that:

(2) Comply fully with the Improper Payments Elimination and Recovery Act and Office of Management and Budget implementation guidance, including, at a minimum, holding individuals responsible for implementing corrective actions and monitoring the status of the corrective actions.
(3) Are in accordance with best practices, such as those recommended by the Chief Financial Officers Council, and include (1) measuring the progress made toward

remediating root causes, and (2) communicating to agency leaders and key stakeholders the progress made toward remediating the root causes of improper payments.

With regard to implementing recovery audits:

(4) Monitor the implementation of the revised Financial Management Regulation chapter on recovery audits to ensure that the components either develop recovery audits or demonstrate that it is not cost effective to do so.
(5) Develop and submit to the Office of Management and Budget for approval a payment recapture audit plan that fully complies with Office of Management and Budget guidance.
(6) With regard to reporting, design and implement procedures to ensure that the department's annual improper payment and recovery audit reporting is complete, accurate, and in compliance with the Improper Payments Elimination and Recovery Act and Office of Management and Budget guidance.

Action needed: DOD concurred with our recommendations. As of August 2017 DOD officials stated that the department would continue its work with DFAS to reconcile outlays. In September 2017, the Deputy Chief Financial Officer recommended the establishment of a steering committee to provide oversight and drive compliance with the Improper Payments Elimination and Recovery Act and working groups to determine root causes and develop effective written corrective action plans. To fully implement these recommendations, DOD should ensure that improper payment estimating, reporting, and recovery audits fully comply with applicable legal requirements and Office of Management and Budget guidance. DOD also needs to continue its efforts to reconcile the outlays for its payment programs with the outlays as reported on its Statement of Budgetary Resources to ensure that the populations from which improper payment testing is done are accurate and complete. The actions were in process as of October 2018.

High-Risk area: DOD Financial Management

Director: Asif Khan
Contact information: khana@gao.gov, (202) 512-9869

Foreign Military Sales: Financial Oversight of the Use of Overhead Funds Needs Strengthening, GAO-18-553. Washington, D.C.: July 30, 2018.

Recommendations: The Secretary of Defense should ensure that the Director of the Defense Security Cooperation Agency (DSCA) takes steps to work with Defense Finance and Accounting Service —DSCA's financial service provider—and other DOD components, as appropriate, to improve the reliability of the data DSCA obtains on all DOD components' use of:

(1) Foreign Military Sales (FMS) administrative funds, including actual execution data, at an appropriate level of detail, such as by object class.
(2) Contract administration services (CAS) funds, including actual execution data, at an appropriate level of detail, such as by object class.

Action needed: DOD concurred with both recommendations. To fully implement the first recommendation, DOD needs to ensure that DSCA collects reliable data on all DOD components' use of FMS administrative funds, including actual execution data, at an appropriate level of detail. To fully implement the second recommendation, DOD needs

to ensure that DSCA collects reliable data on all DOD components' use of FMS CAS funds, including actual execution data, at an appropriate level of detail. As of December 2018, we have not received an update from DOD on the status of its efforts to implement these recommendations.

High-Risk area: DOD Financial Management

Managing Director: Tom Melito
Contact information: melitot@gao.gov, (202) 512-9601

9. Preventing Sexual Harassment

Preventing Sexual Harassment: DOD Needs Greater Leadership Commitment and an Oversight Framework, GAO-11-809. Washington, D.C.: Sept. 21, 2011.

Recommendations: The Under Secretary of Defense for Personnel and Readiness should take the following actions:

(1) Develop a strategy for holding individuals in positions of leadership accountable for promoting, supporting, and enforcing the department's sexual harassment policies and programs.
(2) Ensure that the Office of Diversity Management and Equal Opportunity develops and aggressively implements an oversight framework to help guide the department's efforts. At a minimum, such a framework should contain long-term goals, objectives, and milestones; strategies to accomplish goals; criteria for measuring progress; and results-oriented performance measures to assess the effectiveness of the department's sexual harassment policies and programs. Such a framework should also identify and include a plan for ensuring that adequate resources are available to carry out the office's oversight responsibilities.

Action needed: DOD concurred with both priority recommendations. In 2014 DOD directed the military services to develop a sexual harassment oversight framework that, among other things, provides standards for holding leaders accountable for promoting, supporting, and enforcing policies, plans, and programs. We found recently, however, that DOD had not developed a strategy, as we had recommended, and the services had not fully implemented an oversight framework. To fully implement these recommendations, DOD needs to emphasize leadership, oversight, and accountability in its efforts to prevent and respond to incidents of sexual harassment.

Director: Brenda S. Farrell
Contact information: farrellb@gao.gov, (202) 512-3604

Enclosure II: High-Risk Area of Government-wide Personnel Security Clearance Process

In January 2018 we added the government-wide personnel security clearance process to our High-Risk List. A high-quality and timely government-wide personnel security clearance process is essential to minimize the risks of unauthorized disclosures of classified information and to help ensure that information about individuals with criminal histories or other questionable behavior is identified and assessed. As of October 1, 2017, the latest date for which data are available, approximately 4 million government and contractor employees, at nearly 80 executive branch agencies, were eligible to hold a personnel security clearance.

We reported that the executive branch has been unable to process personnel security clearances in a timely manner. This has contributed to a significant backlog of background investigations at the National Background Investigations Bureau (NBIB)—the entity within the Office of Personnel Management (OPM) with responsibility for conducting personnel background investigations—that totaled approximately 565,000 cases as reported by NBIB officials in February 2019. Moreover, for fiscal year 2018, the government-wide average for the fastest 90 percent of initial secret clearance investigations ranged from 126 days to 162 days. Investigations for the fastest 90 percent of initial top secret clearances ranged from 318 days to 345 days. In both areas, these time frames significantly exceeded established timeliness objectives.

We issued two reports on personnel security clearances in 2017, and we made 12 recommendations to the Office of the Director of National Intelligence and NBIB designed to strengthen the personnel security clearance process. However, following the enactment of the National Defense Authorization Act for Fiscal Year 2018, background investigation functions and resources are set to transition to DOD for certain DOD personnel, and the President's Reform Plan and Reorganization Recommendations highlight a plan for background investigations conducted by NBIB to transition to DOD. As such, and based on our recent work, we are highlighting key actions that will be important for DOD to take as it prepares to assume new responsibilities in this critical area.

In addition, in our 2019 High-Risk Update, we assessed the government-wide personnel security clearance process against our high-risk criteria and reiterated key actions and outcomes that relevant agencies need to achieve to be removed from the High-Risk List. DOD needs to prioritize the transfer of background investigations from NBIB to DOD, ensuring that it has the appropriate resources, plans, and milestones in place to do so. This would include developing a comprehensive strategic workforce plan—including the appropriate mix of federal employees and contractor personnel for completing background investigations—that will enable the department to complete background investigations that meet quality standards within established timeliness goals.

Action needed: We did not have recommendations directed to DOD in our recent reports; however, it will be important for the department to prioritize the transfer of background investigations from NBIB and implement the following as it takes on certain background investigation functions for its own personnel and potentially for personnel government-wide:

- **Ensure that it has the appropriate resources, plans, and milestones.**
    - Identify the resources needed to implement initiatives of the security clearance reform effort within established time frames.

- Prepare a comprehensive strategic workforce plan that focuses on what workforce and organizational needs and changes will enable the department to meet the current and future demand for its services.[25]
- Identify the appropriate mix of federal employees and contractor personnel for completing background investigations within established timeliness goals.
- Coordinate with the Director of NBIB to develop a plan, including goals and milestones, to prevent an increase in the investigation backlog during the transfer of investigation functions from NBIB to DOD.
- Prioritize the development and security of the National Background Investigation Services to support the background investigation function.
- Coordinate with the Director of NBIB to develop a plan to transfer contracted investigative resources to DOD.
- Collaborate with the Directors of OPM and NBIB to identify and resolve any vulnerabilities associated with connecting DOD's National Background Investigation Services with OPM's legacy systems.
- Take steps to develop the necessary measures to ensure the quality of its background investigations in the absence of government-wide performance metrics to measure the quality of background investigations.
- Assist the Director of National Intelligence (DNI) in developing a government-wide plan, including goals and interim milestones, to meet timeliness objectives for initial personnel security clearance investigations and adjudications.
- Assist the DNI in conducting an evidence-based review of the investigation and adjudication timeliness objectives for completing the fastest 90 percent of initial secret and initial top secret security clearances, and adjust the objectives if appropriate.
- Assist the DNI in conducting an evidence-based review of the timeliness goal of 195 days for completing the fastest 90 percent of periodic reinvestigations and the associated goals for the different phases of periodic reinvestigations, and adjust the goal if appropriate.

- **Report and demonstrate progress.**
  - Report to congressional committees annually on the timeliness of personnel security clearance initiations, investigations, and adjudications; the number of initial investigations and periodic reinvestigations initiated and adjudicated, and carried over from prior fiscal years, by each authorized investigative and adjudicative agency; and recommendations to improve timeliness and efficiency, as required by the National Defense Authorization Act for Fiscal Year 2018.
  - Report to congressional committees quarterly on DOD's progress related to the transfer, as well as the status of the investigations backlog, the backlog's impact on mission and resources, and any resources planned to transition from NBIB to DOD, as required by the National Defense Authorization Act for Fiscal Year 2018.
  - Report to congressional committees on the resource and workforce requirements necessary for implementing the transfer to DOD, including matters related to the investigative capacity needs that will be required to complete the mission, as directed by Senate Report 115-262.

[25] Similarly, in the context of the transfer of certain functions related to background investigations for DOD personnel, the National Defense Authorization Act for Fiscal Year 2018 required DOD to conduct a comprehensive assessment of workforce requirements for both DOD and NBIB, synchronized to its plan for the transition, including a forecast of workforce needs across the current future-years defense plan. Pub. L. No. 115-91, § 925(d)(3).

High-Risk area: Government-wide Personnel Security Clearance Process

Director: Brenda S. Farrell
Contact Information: farrellb@gao.gov, (202) 512-3604

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