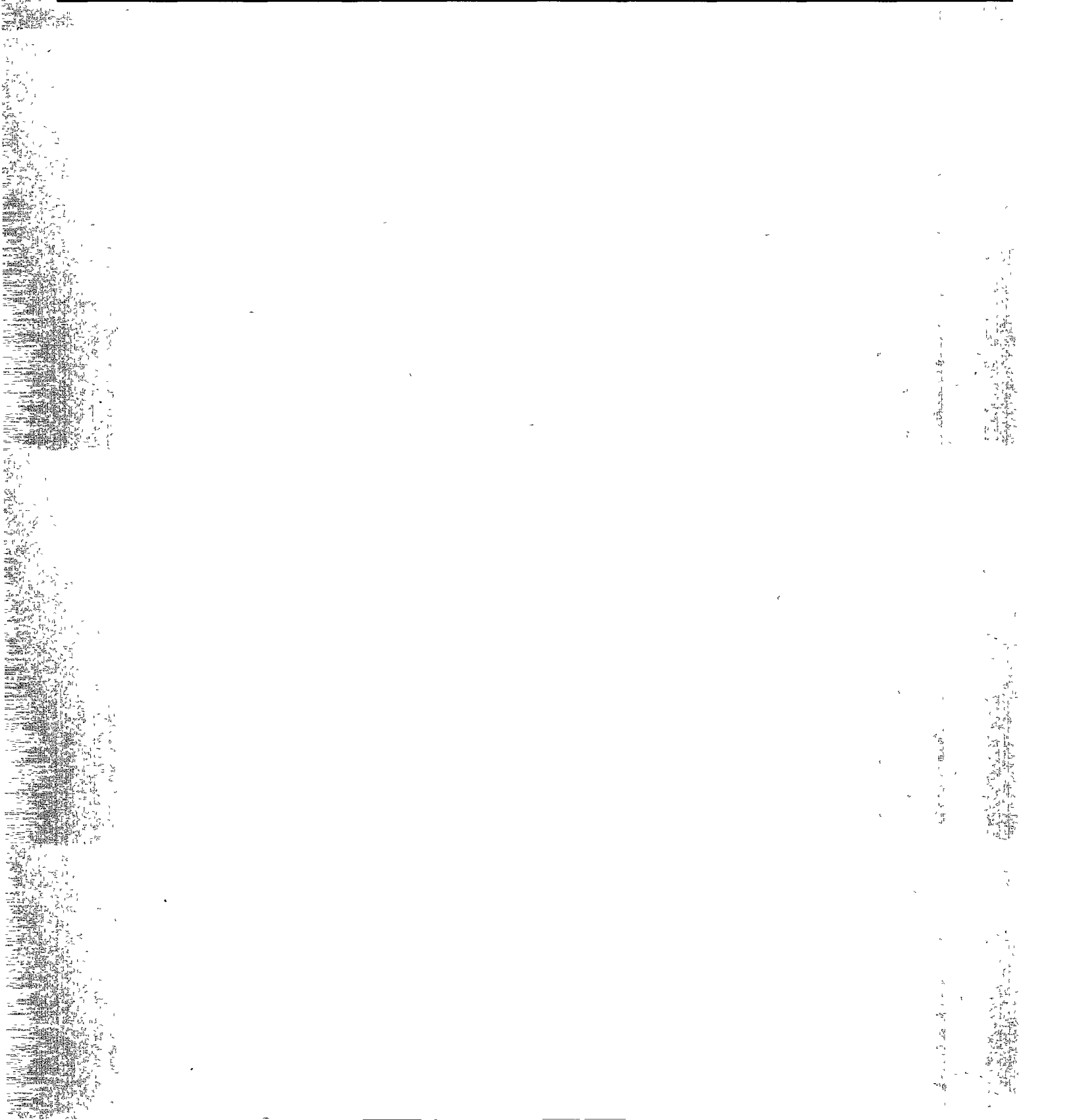
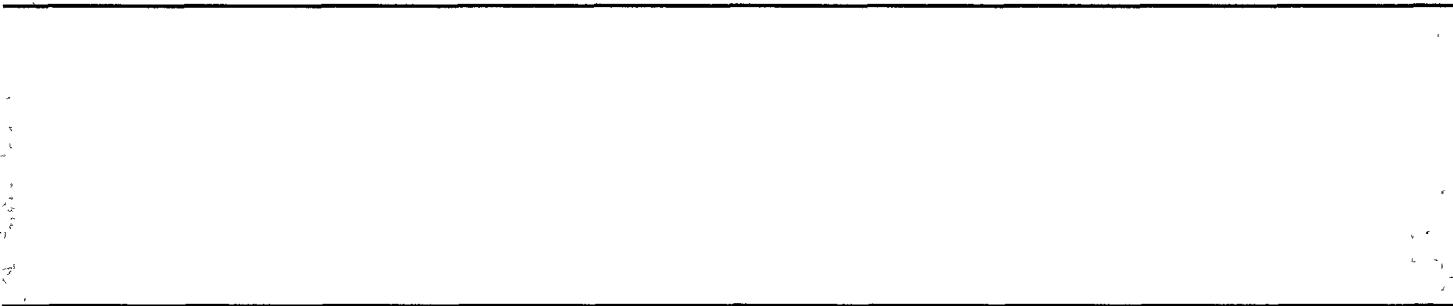

GAONational Security and International
Affairs Division

June 1997**Defense Management
Issue Area Plan****Fiscal Years 1997-99**



Foreword

As the investigative arm of Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose waste, fraud, abuse, and mismanagement in federal programs; help Congress target budget reductions; assess financial information management; and alert Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own when information is unavailable elsewhere.

To ensure that GAO's resources are directed toward the most important issues facing Congress, each of GAO's 33 issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

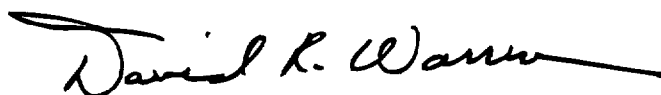
Defense managers face many challenges as they strive to streamline operations, particularly those associated with the Department of Defense (DOD) logistics-related business activities, while continuing to accomplish their required missions. DOD business activities refer to operations and infrastructure support functions such as depot maintenance, the purchase of parts and supplies for inventory, storage and disposal, and transportation. These activities will absorb a major share of DOD's budget for fiscal year 1997—perhaps as much as \$80 billion. To fund acquisitions for weapon systems modernization, DOD is seeking a reduction of \$20 billion annually in these kinds of costs. Initiatives to achieve DOD's reduction objective include privatization, acquisition reform, technology insertion, organizational streamlining and consolidation, management process reengineering, base and facility closures, personnel reductions, inventory reductions, and private sector use of facilities.

GAO's overall objectives for Defense Management issues are to improve the management and operational effectiveness and efficiency of DOD's business activities and facilities and to support congressional needs regarding high interest programs such as environmental cleanup and compliance. Our focus will be on the implementation and effectiveness of DOD's cost reduction initiatives. Principal issues to be examined in the Defense Management area include

- inventory management practices and efforts to reduce inventory levels;
- depot maintenance excess capacity costs and workload allocations between the public and private sector;
- opportunities to streamline and improve the efficiency and effectiveness of defense transportation systems and processes;
- the transition of former military bases to civilian use;
- DOD's environmental compliance and cleanup efforts; and
- financial and information management systems and processes.

In the pages that follow, we describe our objectives and planned work on these issues.

Because unanticipated events may affect this plan, GAO's planning process allows for updating and flexibility to respond to new emerging issues. If you have any questions or suggestions about this plan, please call me at (202) 512-8412.



David R. Warren
Director, Defense Management Issues

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Table I: Key Issues

Issue	Significance
<p>Business Activities and Facilities Management: Is DOD effectively and efficiently managing its logistics support operations and other business activities and facilities to include effectively reducing operating and infrastructure costs?</p>	<p>Infrastructure costs accounted for \$152 billion (59 percent) of DOD's fiscal year 1997 budget. DOD expects to achieve an annual budget savings of \$20 billion in operational support and infrastructure costs to fund planned weapons procurement. The savings are expected to result from base closures, privatization initiatives, acquisition reforms, organizational streamlining, and consolidations, management process reengineering, and inventory reductions. To date, the expected savings from these initiatives have fallen short of DOD budget plans and expectations. If these initiatives are not fully successful, DOD will need to consider delaying or canceling planned weapons acquisitions and/or reducing its force structure. Fully achieving these savings may be difficult without another legislated round of base closures similar to those previously authorized.</p>
<p>High Interest Programs: Is DOD's management of high interest programs effective and efficient?</p>	<p>DOD has a number of programs underway that are of high interest to Congress and the public. These programs are generally costly and include things such as environmental cleanup and compliance and chemical weapons disposal. Despite their importance, these programs have historically experienced significant cost growth and schedule delays, and often have not achieved their original objectives. In addition, DOD's implementation of Government Performance Review Act requirements is also an area of high interest and could significantly impact DOD operations.</p>

Table I: Key Issues

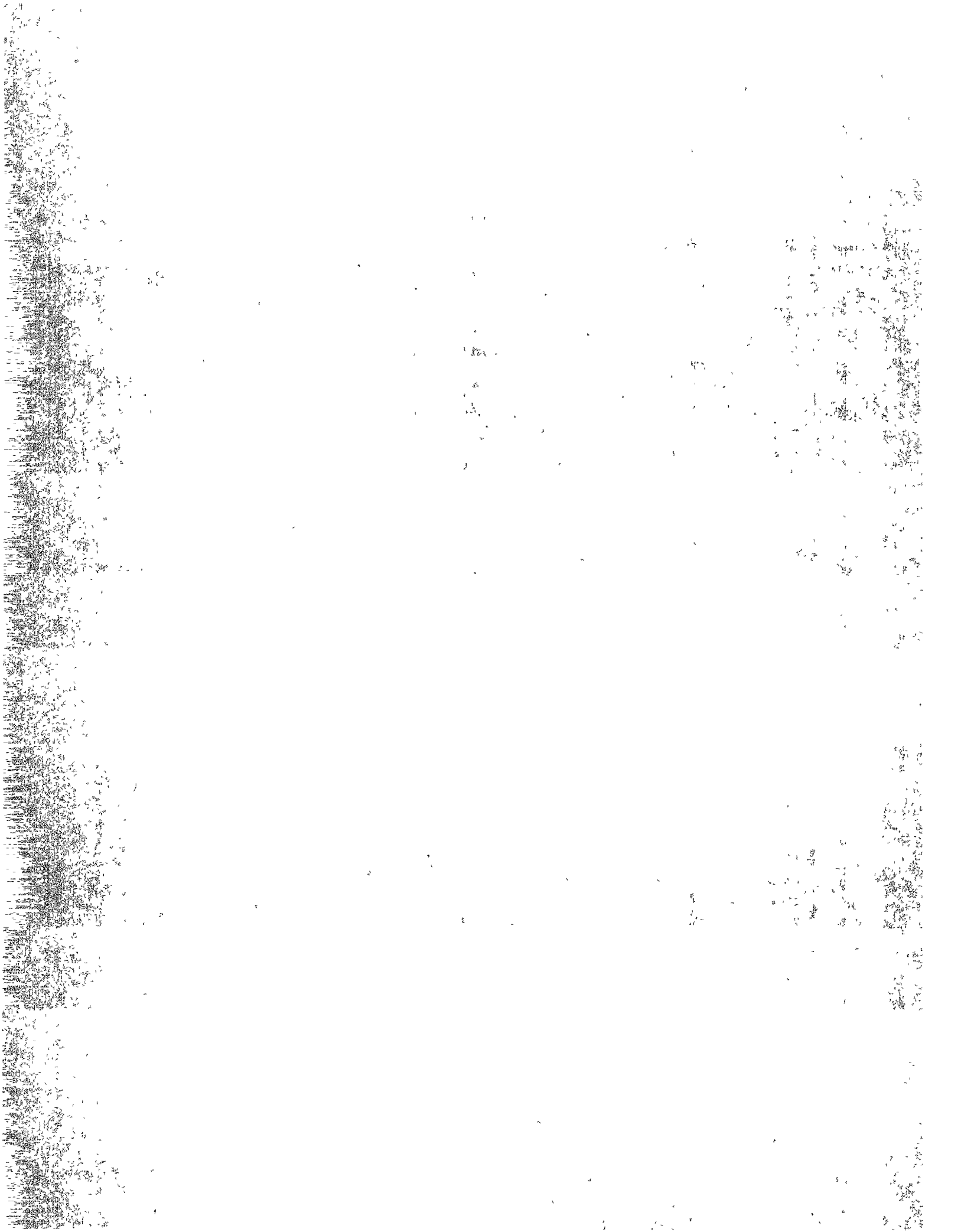
Objectives	Focus of work
Identify opportunities to reduce infrastructure costs through outsourcing, reengineering, streamlining, consolidating, or eliminating infrastructure activities and functions	DOD initiatives for reducing infrastructure costs
Determine the impact of recommendations by the Quadrennial Defense Review on DOD's infrastructure costs and business activities.	DOD efforts to downsize infrastructure activities and functions in line with the force structure
Assess whether DOD is effectively managing privatization and outsourcing.	Infrastructure activities that are costly, duplicative, or managed inefficiently
Evaluate actions by DOD to reduce accumulation of costly and excessive inventories	DOD strategy and plans for privatizing or outsourcing non-core functions
Identify opportunities for consolidating depot maintenance workloads and reducing high maintenance costs	Implementation of privatization and outsourcing initiatives
Assess opportunities to streamline DOD's transportation organizations and systems	DOD inventory requirements determination
Evaluate internal controls over property disposal operations	DOD plans to reduce costly excess depot maintenance capacity
Determine whether DOD is efficiently and effectively managing high risk/interest programs	Implementation, costs, and savings of base closures
Evaluate DOD's implementation of the Government Performance and Review Act	DOD management of contractor-furnished equipment and property
Determine whether DOD is efficiently and effectively managing high risk/interest programs	DOD efforts related to environmental compliance and cleanup
Evaluate DOD's implementation of the Government Performance and Review Act	DOD programs to dispose of chemical weapons and related materials
	Management of the National Defense Stockpile
	DOD plans and actions to implement the Government Performance and Review Act

Table II: Planned Major Work

Issue	Planned major job starts
Business Activities and Facilities Management	Management of Mothballed Facilities
	Management of Government Furnished Property Provided to Contractors/Grantees
	BRAC Implementation
	Management of Government-Owned Contractor-Operated Facilities
	Excess On-Order Material
	Primary Inventory Control Activities (PICA)/Secondary Inventory Control Activities (SICA)
	Initiatives to Reduce Repair Leadtime
	War Reserve Stock Requirements
	DOD Efforts to Reduce Navy Ship Maintenance Infrastructure and Facilities
	Commercial Contracting Practices for Depot Maintenance Privatization
	Reengineering Efforts at Public Depots
	Army/MTMC Efforts to Outsource Personal Property Programs
	U S Transportation Command and Information Systems Infrastructure
	Management and Privatization of DRMS Operations
	Impact of Quadrennial Review Recommendations on DOD Business Activities
Service and Defense Working Capital Funds and Prices	
Reengineering Strategy to Reduce Finance and Accounting Structure and Network	
High Interest Programs	Opportunities to Control Environmental Quality Expenditures
	DOD Environmental Compliance Management
	DOD Cleanup Prioritization and Cost
	Implementation of GPRA Initiatives

Table III: GAO Contacts

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