

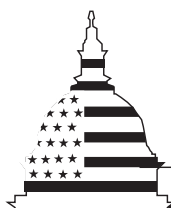
GAO

Report to the Chairman, Committee on
Armed Services, House of
Representatives

August 1999

DEFENSE INFRASTRUCTURE

Improved Performance Measures Would Enhance Defense Reform Initiative



G A O

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United States General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-282781

August 4, 1999

The Honorable Floyd D. Spence
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

The Defense Reform Initiative (DRI) represents an important set of actions aimed at improving the effectiveness and efficiency of the Department of Defense's (DOD) business operations. This letter responds to your request for information to supplement our recently issued report on the DRI effort.¹ As you requested, we are providing additional information on the performance measures DOD has in place to track the progress of the DRI. Specifically, this report addresses (1) types of performance measures used to track progress toward achieving DRI program goals, (2) opportunities to add or improve on existing performance measures, and (3) performance measurement limitations. Where appropriate, we have updated the status of individual initiatives included in the DRI. As agreed with your office, this report only focuses on initiatives originally included in the DRI program. Further information on our scope and methodology are included in appendix I.

In general, DOD uses two types of performance measures to help gauge DRI progress—output and outcome measures.² Output measures provide status information about an initiative or program in terms of completing an action in a specified time frame. Outcome-oriented measures show results or outcomes related to an initiative or program in terms of its effectiveness, efficiency, and/or impact.

Results in Brief

Currently, DRI initiatives are assessed largely through output performance measures that provide an indication of the status of implementation. As DOD continues its efforts to reform its business processes, opportunities

¹ Defense Reform Initiative: Organization, Status, and Challenges (GAO/NSIAD-99-87, Apr. 21, 1999).

² The Results Act (P.L. 103-62) defines outcome measures as an assessment of the results of a program activity compared to its intended purpose; it defines output measure as the tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner.

exist to increase the emphasis on outcome measures that would help it better assess results of the initiatives individually and collectively. However, credible financial and other performance data needed to establish more outcome-oriented measures are not available in some areas. The fact that DOD does not have adequate cost systems continues to impair its ability to develop reliable cost-based performance measures.

This report contains a recommendation for DOD to develop outcome-oriented performance measures for the DRI.

Background

In November 1997, DOD announced the DRI as a major effort to reduce infrastructure costs and improve business operations. The DRI was undertaken to help implement the goals of the May 1997 Quadrennial Defense Review (QDR). The QDR assessed DOD's force mix, budget levels, missions, and support structures, and subsequently provided the foundation for DOD's strategic plan for purposes of compliance with the Government Performance and Results Act.³ Among other things, the strategic plan called for DOD to shift about \$20 billion from operation and maintenance accounts to weapons systems modernization accounts by fiscal year 2003.⁴ DOD expects the DRI to reduce infrastructure costs to help achieve this shift in funding.

The DRI, as announced in November 1997, included a variety of initiatives that were expected to help achieve infrastructure reductions and business process improvements. These initiatives were grouped under four major areas or pillars:

- adopting best business practices to reengineer business and support operations,
- expanding the use of competition between the public and private sectors to improve performance and reduce the cost of commercial-type activities and depot maintenance,

³ The Results Act requires federal agencies to set strategic goals, measure performance, and report on the degree to which goals are met. Its intent is to focus agencies on results, service delivery, and program outcomes. It is expected to provide the Congress and other decisionmakers with objective information on the relative effectiveness and efficiency of federal programs.

⁴ As savings occur or are anticipated, DOD expects the military services and defense agencies to apply them to other internal needs during the annual budgeting process and incorporate them into the Future Years Defense Program.

- eliminating facilities that are no longer needed and/or drain resources, and
- reorganizing and reducing the size of DOD headquarters organizations so they focus on corporate-level tasks.

Since the DRI was announced, DOD has expanded the scope of the reform effort. In March 1999, DOD announced that several additional initiatives would be brought under the umbrella of the DRI, including acquisition, financial management, and logistics reform efforts, as well as some initiatives that were less related to business process reforms.

To determine if the DRI is achieving its stated goals of reducing infrastructure and improving business processes, DOD needs performance information to assess DRI progress. This assessment is consistent with the requirements of the Results Act, which calls for DOD, as well as other federal agencies, to improve program effectiveness, accountability, and public confidence by focusing on the outcome achieved from the resources expended. For the DRI, goals and performance measures were set for some initiatives in the DRI Report or in supplemental management directives from the Deputy Secretary of Defense.⁵ In addition, DOD's Fiscal Year 2000 Performance Plan establishes performance measures for several DRI initiatives as well as broader performance measures that support goals of the QDR.⁶

As noted, DOD generally uses two types of performance measures to help gauge DRI progress—output and outcome measures. Output measures provide status information about an initiative or program in terms of completing an action in a specified time frame. For example, an output measure could show if an organizational change was completed on time or if a quantifiable goal, such as privatizing a specified number of housing units, had been completed by a specified date. Outcome-oriented measures show results or outcomes related to an initiative or program in terms of its effectiveness, efficiency, and/or impact. For example, an outcome measure could show how processing time had been reduced, customer service had

⁵ These supplemental management directives are called Defense Reform Initiative Directives (DRID). As of April 1999, the Deputy Secretary of Defense had issued 49 DRIDs.

⁶ The Results Act requires agencies to develop annual performance plans. DOD's most recent plan is included as appendix J in the February 1999 edition of the Secretary's Annual Report to the Congress. We currently have a separate review underway examining DOD's Fiscal Year 2000 Performance Plan as part of a governmentwide review of how well such plans meet Results Act requirements. That report is expected to be completed this summer.

been improved, or savings had been realized from particular initiatives or groups of initiatives. In addition, most programs or initiatives have some form of associated cost consequences that can be directly or indirectly measured and considered in assessing outcomes.

Both types of measures are appropriate for assessing performance. While implementation of the Results Act has caused agencies to increase emphasis on developing outcome measures, output measures are still needed to assess how initiatives or groups of initiatives are progressing toward given goals.

Opportunities to Improve DRI Performance Measures

Initiatives initially included under the DRI umbrella are in various stages of progress, ranging from early implementation to completion. Most of the initiatives have output performance measures, which largely focus on implementation progress or status, rather than results or outcome measures. However, opportunities exist under individual DRI pillars for increased focus on outcome-oriented measures. Observations on performance measures for individual initiatives are summarized below and outlined more fully by individual initiatives in appendix II. Recent GAO reports related to individual initiatives are listed by DRI pillar in appendix III.

Pillar I—Adopting Best Business Practices

Performance measures have been established for six of the seven initiatives in this pillar and are under development for the seventh. As shown in table 1, the measures for three of the initiatives are strictly output-oriented while the other three have a combination of output and outcome measures.

Table 1: Performance Measures for Pillar I Initiatives

DRI initiative	Performance measures	
	Output	Outcome
Paper-free contracting	•	
Electronic malls		
Purchase cards	•	
Prime vendors	•	•
Total asset visibility	•	
Travel system reengineering	•	•
Household good transportation	•	•

Output measures generally indicate progress toward a specific numerical goal. For example, the measure for purchase cards, which are essentially government credit cards, shows the percentage of eligible transactions carried out using the card. Outcome-oriented measures, on the other hand, attempt to capture impact, or at least aspects of it. For example, the Defense Logistics Agency (DLA), which administers the prime vendor⁷ program, has embedded measures for response times and fill rates into its contracts with the private-sector vendors who supply inventory under this program. The only initiative for which no formal measures have been established is electronic malls. Electronic malls are virtual one-stop shops in which DOD customers can buy parts and supplies over the Internet. The malls provide access to electronic catalogs as well as to government contracts. Although DOD is tracking progress toward integrating the malls that DLA and the services have established into a single site, measures focusing on various aspects of the malls' operations are still under development. Preliminary measures, all of which are output-oriented, are now undergoing review within the Office of the Secretary of the Defense (OSD).

There are opportunities to add to or improve on existing performance measures, and where feasible, additional measures could be developed for initiatives under this first pillar. First, the output-oriented measures DOD uses for several of the initiatives do not, by their nature, indicate what impact these initiatives are having on improving operations. For example, paperless contracting is supposed to help DOD acquire and pay for goods

⁷ Prime vendors are contractors that buy inventory items from a variety of suppliers, store them in commercial warehouses, and ship them to customers as needed.

faster and at lower cost. Yet no outcome-oriented measures exist to show how paper-free contracting is contributing to this goal. Second, the existing measures do not provide a means for determining the impact of individual initiatives on broader-based goals contained in DOD's Performance Plan. For example, the Performance Plan calls for reducing supply inventories and points to the prime vendor program as one of six methods expected to help achieve these reductions. DOD's measures for the prime vendor program, however, will not enable DOD to determine how this program is contributing to reductions in inventory levels.

Further, data limitations may hamper efforts to assess progress in implementing some of the initiatives under this pillar. For example, the measures that have been established for Total Asset Visibility (TAV) do not account for key elements of this initiative, making it difficult to precisely determine the progress of this effort. Areas not measured include the tracking of requisitions, assets in process and in transit, and the improvement of logistics management within theaters of operation. Moreover, the data used to calculate the measures that do exist suffer from several problems. These problems include inconsistencies among the services in establishing baselines for measurement and the lack of information on the timeliness and accuracy of the data that is captured. Our recent TAV report recommended that DOD establish outcome-oriented goals and performance measures for all relevant components of the initiative to help address these shortcomings.⁸ These measures should be closely linked to improvement targets in documents such as DOD's Performance Plan and its Logistics Strategic Plan. In addition, unless substantive improvements are made to the accuracy of the systems' data used to support TAV, it will be difficult to reliably measure TAV implementation.⁹

Pillar II—Streamlining Through Competition

Existing performance measures for both A-76 competitions and depot maintenance competitions, the two initiatives under this pillar, are output oriented in that they measure progress against a given numerical goal (see table 2).

⁸ See Defense Inventory: DOD Could Improve Total Asset Visibility With Results Act Framework (GAO/NSIAD-99-40, Apr. 12, 1999).

⁹ See DOD Financial Management: More Reliable Information Key to Assuring Accountability and Managing Defense Operations More Efficiently (GAO/T-AIMD/NSIAD-99-145, Apr. 14, 1999).

Table 2: Performance Measures for Pillar II Initiatives

DRI initiative	Performance measures	
	Output	Outcome
A-76 competitions	•	
Depot maintenance competitions	•	

For A-76, DOD has set targets for the number of positions to be subjected each year to the competitions, and it is tracking progress against those targets. These targets, which have continued to evolve and increase over the last 2 years, have been included in DOD’s Fiscal Year 2000 Performance Plan. For depot maintenance, DOD is also tracking adherence to a given target or, more appropriately, a contracting-out ceiling. The depot maintenance ceiling was set by 10 U.S.C. 2466, which states that not more than 50 percent of funds made available in a fiscal year to a military department or defense agency for depot-level repair and maintenance can be used to contract for performance by nonfederal personnel. DOD tracks the extent to which it is complying with this requirement. Unlike the A-76 program, however, depot maintenance competitions are not included in the DOD Performance Plan.

DOD could establish outcome-oriented measures for this pillar. For A-76, DOD could benefit by supplementing its current measure with one that provides a clearer indication of success. Specifically, a more telling measure would be the amount of long-term savings resulting from the competitions. Although DOD maintains estimates of projected savings, we have identified various shortcomings in these estimates with DOD not having a basis for tracking long-term savings. Given DOD’s long-standing problems of putting in place a reliable method of accumulating the cost information necessary to provide a baseline for measuring savings, DOD will doubtless face challenges in developing more accurate savings estimates. Nonetheless, given that about \$11 billion in savings anticipated from A-76 competitions are being built in to future years’ budgets, such a measure would seem essential; otherwise, DOD will not be able to determine whether the program is meeting expectations and, if it is not, whether mid-course corrections and budget adjustments are needed.

To accurately track savings associated with the A-76 competitions, DOD will have to improve the quality of data in its Commercial Activities Management Information System (CAMIS). We recently reported that DOD could not rely on the CAMIS database to provide accurate and

complete data necessary to track program outcome and savings.¹⁰ DOD has recognized the limitations in the CAMIS data and has established a working group composed of military service and major defense agency representatives to improve the accuracy and completeness of the system. DOD expects to have system improvements implemented by the fall of 1999.

With respect to depot maintenance competitions, the Air Force pointed out that it expects to save about \$3.6 billion over the next 7 to 15 years as a result of three recent public-private competitions. Because the Air Force anticipates that these savings will be reflected in future years budgets, it is important that it establish mechanisms for tracking and reporting on the savings that are actually achieved. This will give the Air Force information to assess the impact of the competitions and determine if its savings projections are being achieved.

Our prior reporting on depot maintenance issues also suggests two additional output-oriented measures, which could be beneficial. One is a measure that assesses DOD's progress in increasing the competitiveness of its depot-maintenance contracts. In a 1998 report, we pointed out that 91 percent of the depot maintenance contracts we reviewed were awarded non-competitively, mostly to the original equipment manufacturers.¹¹ We concluded that, as DOD continues to pursue contracting out maintenance to the full extent allowed by law, the Department needs to use competitively awarded depot maintenance contracts to ensure the best value.

A second potential performance measure—maximum potential capacity—is drawn from our previous reporting on this issue, where we noted that that this measure could be used to provide a clearer measure of excess capacity.¹² In our 1997 depot maintenance testimony, we stated that while a maximum potential capacity utilization of between 75 percent and 85 percent is generally considered an efficient operating level, DOD depots

¹⁰See DOD Competitive Sourcing: Results of Recent Competitions (GAO/NSIAD-99-44, Feb. 23, 1999).

¹¹See Defense Depot Maintenance: Contracting Approaches Should Address Workload Characteristics (GAO/NSIAD-98-130, Jun. 15, 1998).

¹²We noted that DOD had normally measured excess capacity by an analysis that constrained facility and equipment availability by the availability of trained personnel and the organization of work stations, assuming an 8-hour workday, for 5 days a week. See Defense Depot Maintenance: Uncertainties and Challenges DOD Faces in Restructuring Its Depot Maintenance Program (GAO/T-NSIAD-97-112, May 1, 1997).

had a projected maximum capacity utilization of about 50 percent for 1999. Operating at lower utilization levels leads to higher costs. Moreover, maximum capacity utilization is germane to the outsourcing question because, as DOD seeks to contract out the maximum extent of depot work allowed, it siphons off work that could be used to help DOD more fully utilize its assets. Using information on excess capacity as part of the outsourcing decision could provide insights into the extent and type of work best suited for outsourcing as well as help DOD monitor the impact of competition on depot maintenance utilization. Historically, while DOD has had information on depot capacity, its approach to measuring it has been limited. For example, its calculations have generally assumed that depot equipment will be operated for only one 8-hour shift daily, 5 days a week. In contrast, a maximum potential capacity performance measure allows for the expanded use of industrial assets through longer workdays and/or additional shifts. It also does not limit capacity measurement to the availability of trained personnel, as DOD's measure does. Such a measure, used in conjunction with other measures of capacity, such as the one DOD has traditionally used, would give DOD a more complete picture of its depot maintenance capacity.

Pillar III—Eliminating Unneeded Infrastructure

Performance measures are in place for six of the eight initiatives under this pillar. Four of the initiatives for which measures have been established are relying solely on output-oriented measures. The other two initiatives have a mix of output- and outcome-oriented measures.

Table 3: Performance Measures for Pillar III Initiatives

DRI initiative	Performance measures	
	Output	Outcome
Base closures	•	
Defense Information Systems Agency (DISA) consolidations	•	•
Eliminating Defense Finance and Accounting Service (DFAS) locations		
Consolidation of research, development, test, and evaluation facilities		
Demolition of excess structures	•	
Regional energy demonstrations	•	•
Utilities privatization	•	
Housing privatization	•	

As stated under previous pillars, output-oriented measures typically indicate progress toward a specific numerical goal. For example, the measures for base closures include the reduction in excess acreage and reductions in plant replacement value. Similarly, the measure for demolition tracks the amount of square footage demolished. The initiatives that have outcome-oriented measures are DISA consolidations and regional energy demonstrations. In DISA's case, measures directly affected by consolidation-related improvements have been incorporated into DISA's performance contract, which sets forth goals and measures by which DOD will assess DISA's performance. The measures address costs and productivity, work load and capacity issues, and quality of service. In the case of regional energy demonstrations, DOD tracked the extent to which new purchasing approaches affected energy costs and conservation methods reduced energy consumption.

As for the initiatives that do not yet have performance measures—eliminating DFAS operating locations and consolidating research, development, test, and evaluation facilities—it is unclear what measures DOD will use. DFAS completed a study intended to serve as the basis for eliminating DFAS operating locations, but it is still awaiting DOD approval. Similarly, DOD is still working on a consolidation plan for the research, development, test, and evaluation facilities, making discussion of formalized measures premature. DOD's Performance Plan, however, does contain a broader performance indicator that will likely apply to the consolidation of these facilities. This indicator calls for reductions in the acquisition work force, of which research, development, test, and evaluation personnel are a part.

As we have stated in previous pillars, output-oriented measures are clearly useful in tracking progress on a given initiative. However, they provide a less clear basis for assessing impact of the initiatives than would be available using outcome-oriented measures such as those that might indicate whether utility-related costs have been reduced through privatization, or to what extent housing privatization is helping DOD meet its goal of eliminating inadequate housing for service personnel.

Pillar IV—Changing the Organization

The DRI called for about 40 specific organizational changes to help meet the goals of this pillar. Many of the changes have involved transferring responsibility for certain functions from one organization to another, while others have involved establishing new positions and organizations. The DRI also called for specific staff reductions in the various organizations

throughout DOD, generally over a period of several years. These reductions include a 33-percent decrease in OSD staff; a 29-percent decrease in the Joint Staff and associated activities; a 7-percent reduction in unified command personnel; a 36-percent decrease in DOD field activities and other operating organizations reporting to OSD; and a 10-percent decrease in all other headquarters organizations, including the headquarters of the military departments and their major commands. The single largest staffing reduction, however, is to occur in the defense agencies. The DRI called for reducing their combined staff of nearly 130,000 personnel by 21 percent.

Each of these changes generally involve fewer implementing actions than initiatives under the other pillars. Generally, the changes can be measured by whether they have been completed and by the increases and/or decreases in personnel assigned to a particular organization. In general, almost all of the changes under this pillar have been carried out or are under way. The organizational changes are being carried out through two primary approaches. In the first approach, a number of the changes were put in motion via DRI directives that were issued shortly after the DRI report was issued. Of the 49 DRI directives issued, more than two-thirds have dealt with organizational changes. In the other approach, budget-related decisions were issued directing specific changes. According to DOD documents, most of these changes were carried out in fiscal year 1998.

The specific staffing reductions are to be met through a number of approaches. As appendix II shows, these approaches include transferring personnel to other organizations and returning to the services military personnel who had been detailed to other organizations, such as the Joint Staff. They also include eliminating positions through measures such as early-out incentives, outsourcing, and cutting positions that were already vacant. The largest staffing cuts at the defense agencies, however, are expected to be achieved in conjunction with other DRI initiatives (such as A-76 competitions), according to officials at the three agencies we examined.¹³ Since most organizations have several years to carry out the reductions, most reductions have not yet been completed. According to DOD officials and documents, however, the affected organizations have

¹³ Defense Logistics Agency, Defense Information Systems Agency, and Defense Finance and Accounting Service.

planned for the reductions and expect to meet the goals by the given deadlines.

Conclusions

The DRI effort represents an important set of actions aimed at improving the effectiveness and efficiency of DOD's business operations. Currently, performance measures associated with the DRI initiatives emphasize status or output in 14 of the 17 initiatives under the three pillars that focus on reforming business processes and achieving infrastructure reductions. Without greater use of outcome measures, DOD will not be able to systematically assess the initiatives' impact on service improvement and cost reduction. Many of the initiatives transferring responsibility for certain functions from one organization to another, under the fourth pillar discussed in this report, have already been implemented. Others initiatives under this latter pillar involve personnel reductions planned to occur by the end of fiscal year 2003.

Although we did not review each of the initiatives in depth, our work did identify opportunities to improve on the use of outcome measures under first three pillars addressed in this report. For example, under pillar I, we noted that no measures exist to indicate how paperless contracting is contributing to the goal of helping DOD acquire and pay for goods faster and at lower cost or how the prime vendor program is contributing to reductions in DOD's inventory levels. Likewise, under pillar II, we noted that DOD lacks performance measures which would identify the amount of long-term savings resulting from competitive sourcing, a key uncertainty about this program. Also, under pillar III, we noted that while the housing privatization initiative has a numeric goal for number of units to be privatized, no outcome measures were identified, such as tracking the contribution of this initiative to eliminating inadequate housing.

While output measures are often necessary to track progress of the initiatives, outcome measures are needed to determine if the initiatives have accomplished desired service improvements or cost reduction goals. As DOD continues its efforts to reform its business processes, DOD could better assess results of the initiatives individually and collectively by increasing its emphasis on outcome measures. DOD's ability to do this could be limited in some areas by the lack of credible financial and other management information.

Recommendation

We recommend that the Secretary of Defense incorporate additional outcome oriented measures for initiatives under each of the three DRI pillars that focus on reforming business processes and achieving infrastructure reductions.

Agency Comments

In commenting on a draft of this report, DOD agreed to continue working on the development of outcome-based measures where appropriate. It noted that it had formed a Results Act Working Group that would review DOD's performance goals for fiscal year 2001, verify the Results Act methodology, and collect and report data on results achieved for resources expended. It also pointed out that the Defense Reform Office has initiated a review to determine appropriate performance metrics for other reform initiatives. DOD's comments are included in their entirety as appendix IV.

We are sending copies of this report to the Honorable William S. Cohen, Secretary of Defense; the Honorable F. W. Peters, Secretary of the Air Force; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; Lt. Gen. Henry T. Glisson, Director, Defense Logistics Agency; the Honorable Jacob J. Lew, Director, Office of Management and Budget; and interested congressional committees and members. We will also make copies available to others upon request. GAO points of contact concerning this report and other key contributors are listed in appendix V.

Sincerely yours,



David R. Warren, Director
Defense Management Issues

Contents

Letter	1
Appendix I Objectives, Scope, and Methodology	16
Appendix II Defense Reform Initiative Performance Measures	18
Appendix III GAO Products Related to Initiatives Under Individual DRI Pillars	34
Appendix IV Comments From the Department of Defense	37
Appendix V GAO Contacts and Staff Acknowledgments	39
Tables	
Table 1: Performance Measures for Pillar I Initiatives	5
Table 2: Performance Measures for Pillar II Initiatives	7
Table 3: Performance Measures for Pillar III Initiatives	9
Table II.1: Performance Measures for Adopting Best Business Practices	19
Table II.2: Performance Measures for Streamlining Through Competition	23

Table II.3: Performance Measures for Eliminating Unneeded Infrastructure	25
Table II.4: Status of Organizational Changes	29

Abbreviations

ASD	Assistant Secretary of Defense
CAMIS	Commercial Activities Management Information System
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DOD	Department of Defense
DRI	Defense Reform Initiative
DRID	Defense Reform Initiative Directive
OSD	Office of the Secretary of Defense
QDR	Quadrennial Defense Review
TAV	Total Asset Visibility
USD	Under Secretary of Defense

Objectives, Scope, and Methodology

The Chairman, House Committee on Armed Services asked us to supplement the information in our recently issued report on the Department of Defense's (DOD) Defense Reform Initiative (DRI).¹ Specifically, the Committee asked us to review the types of performance measures DOD has in place to monitor the progress and success of the DRI. Our objectives were to provide additional information and observations on (1) types of performance measures being used to track progress toward achieving DRI program goals, (2) opportunities to add or improve on existing performance measures, and (3) performance measurement limitations. Where appropriate, we updated the status information on individual initiatives included in our earlier report to the Subcommittee on Readiness. As agreed with your staff, we focused on the initiatives originally included in the DRI program, not those subsequently added as reflected in DOD's March 1999 program update.

To identify performance measures used by DOD organizations to measure the progress of individual initiatives included in the DRI, we met with and/or conducted telephone interviews with representatives from the Office of the Secretary of Defense (OSD), the military services, and Defense agencies that are responsible for implementing specific initiatives. During these discussions we obtained updated information on the status of the initiatives, and we identified and discussed the performance measures DOD used to monitor their implementation. We reviewed documentation related to specific initiatives and discussed the likelihood that they will meet implementation schedules called for in the DRI Report. We also requested information about the savings expected for each initiative.

We categorized the performance measures being used into two groups—output and outcome measures—using criteria promulgated by the Government Performance and Results Act. After reviewing the types of measures DOD has in place for the DRI, we made observations on how the measures could be improved. Our observations were based primarily on findings from other related GAO work that addressed elements of the DRI and/or that specifically addressed the topic of performance measurement.

To identify limitations with the quality of data DOD has available to support performance measurement, we relied on our prior work related to specific initiatives or aspects of the DRI. Over the past several years, we have issued numerous reports and testimonies that address this issue.

¹ Defense Reform Initiative: Organization, Status, and Challenges (GAO/NSIAD-99-87, Apr. 21, 1999).

During our work, we interviewed officials in OSD, including representatives of the Under Secretary of Defense (Acquisition and Technology), the Under Secretary of Defense (Comptroller), and the Director of the DRI Office. We also met with two DOD-wide cross-functional teams (the Task Force for Reengineering Initiatives and the Paperless Contracting Working Level Team) located in Washington, D.C., and we conducted work at the DOD Purchase Card Joint Program Management Office in Falls Church, Virginia; the Defense Travel System Project Management Office in Arlington, Virginia; Army Headquarters, Air Force Headquarters, Navy Headquarters, and Marine Corps Headquarters in Washington, D.C.; Defense Finance and Accounting Service Headquarters, Arlington, Virginia; Defense Information Systems Agency Headquarters, Arlington, Virginia; Defense Logistics Agency Headquarters, Fort Belvoir, Virginia; Air Force Materiel Command Headquarters, Wright-Patterson Air Force Base, Ohio; Army Materiel Command Headquarters, Arlington, Virginia; Naval Facilities Engineering Command and Naval Sea Systems Command, Arlington, Virginia; Naval Supply Systems Command, Mechanicsburg, Pennsylvania; and the Army Installation Service Activity, Rock Island, Illinois.

We performed our work from June 1998 through May 1999 in accordance with generally accepted auditing standards.

Defense Reform Initiative Performance Measures

The following tables provide details on the specific measures used for each initiative. The initiatives are grouped by the four areas, or pillars, in the DRI Report. The first three tables correspond to three of these pillars: “Adopting Best Business Practices,” “Streamlining Through Competition,” and “Eliminating Unneeded Infrastructure.” They identify the performance measures used and provide the status of each initiative. The fourth table corresponds to the final DRI pillar, “Changing the Organization.” Since this last pillar focuses on organizational changes and staffing reductions rather than on specific initiatives, the table does not include information on performance measures. It simply lists the changes that were called for and provides the status of each change.

Adopting Best Business Practices

Under this pillar, the DRI Report sets forth a number of reengineering initiatives that are intended to apply best business practices to certain DOD business processes. These initiatives involve converting specific DOD business operations, such as contracting and bill paying, to electronically-based processes; using the private sector to a greater extent to help DOD better manage its inventory; providing total visibility of DOD equipment, supplies, and spare parts; overhauling how official travel by DOD personnel is managed; and improving the process for moving military personnel and their families. DOD believes these initiatives will improve efficiencies and save money and better position DOD to respond to the demands of today’s environment. Moreover, they are expected to improve DOD’s ability to serve its various constituents, such as the warfighters. As shown in table II.1, the DRI Report set specific goals and deadlines for many of these initiatives. It did not provide corresponding savings targets, but the report said savings could be achieved as processes increasingly become more efficient and effective.

**Appendix II
Defense Reform Initiative Performance
Measures**

Table II.1: Performance Measures for Adopting Best Business Practices

Initiatives	DRI goals/ objectives	Performance measures		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
Paperless contracting	Make all aspects of the major weapons systems contracting process paperless by Jan. 1, 2000, through increased application of computer technology.	The DOD Performance Plan sets percentage paper-free goals for major categories of the contracting process: purchase requests, funding documents, solicitations, awards/modifications, receipts, and payments/invoices. Also, the plan has goals for percent of total acquisition transactions that are conducted electronically. The initiative is also expected to contribute to reducing acquisition cycle time, logistics response time and the acquisition work force, all of which are measures in DOD's Performance Plan.	Paperless contracting is included as part of a measure that tracks DOD's progress toward meeting the National Partnership for Reinventing Government goal of reducing paper transactions by 50 percent by FY 2000.	The percentage paperless goals are output-oriented and track DOD's efforts to implement a paperless contracting process. The broader-based measures in the Performance Plan, such as logistics response time, attempt to show outcomes but do not isolate how individual initiatives, such as paperless contracting, will affect the overall measure.	Available information indicates that DOD will not meet the deadline. An integrated process team was established to plan and coordinate work in the services and defense agencies and to track progress. However, establishing a standard process, interfacing the different data systems, and coordinating complementary efforts among the many offices involved are difficult, time-consuming tasks.
Electronic malls	Expand use of electronic malls. Allow for on-line payment with purchase cards by July 1998. Use purchase cards for all electronic mall purchases by Jan. 1, 2000.	None	The program manager has developed a preliminary set of measures that are now being reviewed by OSD. These measures focus on things such as availability of items, the extent of sales through the malls, and various technical aspects of the program.	The preliminary measures are output-oriented. Although these measures have yet to be approved, DOD is also tracking progress toward having a single DOD-wide mall.	DLA and the services established several electronic malls that allow on-line purchases from suppliers. DOD, however, is integrating most of these sites into a single, DOD-wide mall in accordance with congressional direction (P.L. 105-261). DOD's Chief Information Officer reported to the Congress in April 1999 that this integration would be completed by October 2000.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Performance measures

Initiatives	DRI goals/ objectives	Results Act measures	Other measures	Observations on performance measures	Status of initiatives
Purchase cards	By FY 2000, buy 90 percent of goods and services costing \$2,500 or less using the purchase card.	DOD's Performance Plans states the same 90-percent goal as mentioned in the DRI Report. Purchase cards are also cited as DOD's primary means of achieving paperless contracting for small purchases.	None	This measure is output-oriented and tracks the percentage of eligible transactions carried out using the card.	Use of these cards has steadily increased. By mid-1998, DOD had reached about 85 percent usage. However, in FY 1998, DOD increased the size of the universe of transactions, affecting DOD's ability to meet the 90-percent usage goal before FY 2000. DOD will have to reengineer certain processes. DOD is also exploring benefits and risks of increasing the dollar limit to \$10,000 or \$25,000.
Prime vendors	Increase use of prime vendors (private-sector providers who help store, distribute, and manage inventory) for all items managed by Defense Logistics Agency (DLA). Have prime vendor contracts for one category of those items—facility maintenance supplies—available for all installations in the U.S. by Jan. 1, 1999.	None. The prime vendor program, however, is one of several efforts that are expected to contribute to another Results Act measure stated in DOD's Performance Plan: reduction in supply inventories.	DLA is tracking how much the military services are using the prime vendor contracts established by DLA. DLA also has performance measures, such as response times and fill rates, embedded in its prime-vendor contracts.	DLA is using output and outcome-oriented measures to gauge the success of the program. DLA, however, is not tracking how the prime vendor program is contributing to reductions in supply inventories, except in a few isolated cases.	DOD expects the services to increase prime-vendor purchases in all categories of DLA-managed items. While DLA has had success with certain categories of items, progress to date has been limited for facility maintenance items. Although contracts have been established, the services have not fully embraced the program for these types of items. DLA is now working with the services to overcome this problem.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Performance measures

Initiatives	DRI goals/ objectives	Results Act measures	Other measures	Observations on performance measures	Status of initiatives
Total asset visibility (TAV)	Make in-theater TAV fully operational in 2000. TAV is considered a key part of achieving just-in-time logistics, and DOD has committed to providing total asset visibility (TAV) departmentwide.	DOD's Performance Plan establishes the goal to make 90 percent of DOD's worldwide inventory visible and accessible to integrated material managers by FY 2000.	None	The measures are output-oriented. They are insufficient, however, to fully gauge the progress and success of this initiative. Key elements, such as visibility of in-transit items, are not being tracked. The data underlying the measures that do exist suffer from several problems.	DOD is unlikely to meet its 2000 goal. Because of the problems with the measures, there is insufficient data to precisely determine how well TAV is progressing.
Travel system reengineering	Implement new system for official DOD travel by October 2000.	None	DOD has established a savings goal of \$481 million between FY 1999-FY 2006. This goal was based on the value of increased productivity expected. The Defense Travel System Project Office is tracking 28 cost elements to gauge these savings.	The measure is outcome-oriented. However, as the new system is tested at additional sites, savings estimates will likely have to be revised. Also, since most of the savings estimates are based on productivity improvements, they generally reflect time DOD personnel will save in preparing and processing travel documents. DOD, however, does not expect this increased productivity to have much of an impact on the budget or manpower needs.	DOD awarded the initial contract serving one of 18 regions in the U.S. in the spring of 1998. Full implementation throughout DOD is not expected until 2001. However, there may be delays because of the difficulty involved in implementing the new system in the 17 other regions, which encompass millions of DOD employees.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Performance measures

Initiatives	DRI goals/ objectives	Results Act measures	Other measures	Observations on performance measures	Status of initiatives
Household goods transportation	Reengineer processes for moving military personnel and their families.	None	Measures being used in pilot projects that are testing new approaches include customer satisfaction, the amount of loss and damage claims, and small business participation.	Several of the measures, which we identified during our review of two pilot projects, are outcome-oriented. Our reviews found, however, that several weaknesses existed in the methodologies DOD used to support the measures. These weaknesses along with data weaknesses precluded us from validating the results that were available.	Four pilot projects are planned or under way to test different approaches for improving the household goods program. The optimum approach has yet to be determined. Plans for evaluating the success of each option are still evolving. Impact on small businesses remains a contentious issue.

Streamlining Through Competition

Under this pillar, the DRI Report called for an aggressive program of subjecting commercial-type activities now conducted by the government to the competitive forces of the marketplace. These efforts are to be administered through the A-76 process, a procedure established through Office of Management and Budget Circular A-76 that specifies how competitions between the government and the private sector are to be conducted. In addition, the DRI called for DOD to continue to subject depot maintenance work to competition and contract out to the full extent allowed by law. Depot maintenance workloads performed in-house and valued at more than \$3 million are not subject to Circular A-76; instead, they are subject to the competition requirements of 10 U.S.C. 2469.

DOD believes that subjecting functions to competition with the private sector sharpens performance and leads to better value. Moreover, it believes A-76 competitions in particular, regardless of who wins, can achieve significant savings. Of the various initiatives set forth in the DRI, DOD expects its A-76 competitions to provide one of the biggest sources of savings.¹ DOD has \$11 billion in funding for readiness and modernization

¹ We agree that competitive sourcing can produce savings; however, we have expressed uncertainties about the magnitude of short-term savings from these competitions. See [DOD Competitive Sourcing: Questions About Goals, Pace, and Risks of Key Reform Initiative](#) (GAO/NSIAD-99-46, Feb. 22, 1999).

**Appendix II
Defense Reform Initiative Performance
Measures**

programs that are depending on the successful implementation of the A-76 program. Table II.2 outlines the performance measures and status of these initiatives.

Table II.2: Performance Measures for Streamlining Through Competition

Initiatives	DRI goals/ objectives	Performance measures		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
A-76 competitions	Subject 229,000 positions to A-76 competitions by FY 2005.	The DOD Performance Plan measure is the number of positions subject to A-76 competition studies. The goal is for DOD to subject 52,000 positions to A-76 competitions in FY 1999 and 53,400 in FY 2000.	DOD is projecting \$11 billion in cumulative savings between FY 1997 and 2005, and more than \$3 billion in savings each year thereafter.	This output-oriented measure tracks DOD's efforts to announce and start A-76 competitions. It does not provide DOD managers with information about the costs, personnel reductions, additional contractual obligations, and long-term savings associated with the results of the studies. Without this information, DOD will not have a complete picture of the impact of the program. In particular, it will not have adequate information to determine if the program is producing the projected \$11 billion in savings being incorporated into future years' budget plans.	Much uncertainty exists over whether DOD will meet its goals. There are already indications that the services and defense agencies are having troubles launching and completing the studies according to DOD's timetable. There has been limited planning to validate viability of study targets and fully identify investment costs.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Performance measures

Initiatives	DRI goals/ objectives	Performance measures		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
Depot maintenance competitions	Continue to subject depot maintenance to competition and contract out to the full extent allowed by law. Under a 1998 law, DOD can increase the amount of depot maintenance work it contracts out to 50 percent of funds spent on depot maintenance.	None	DOD and the services track the percentage of depot maintenance contracted out to ensure compliance with law.	This output-oriented measure tracks DOD's compliance with current legislation. It does not provide DOD managers a means to assess infrastructure reduction or business process improvements.	DOD recently reported to Congress that the public and private allocation for depot maintenance work in FY 1998 was 57.7 percent and 42.3 percent, respectively. Also, recent competitions for workloads at the closing San Antonio and Sacramento depots resulted in awards to the public sector; each award used a private sector partner(s).

Eliminating Unneeded Infrastructure

Under this pillar, the DRI Report called for shrinking the size of DOD's infrastructure. To accomplish this, the report laid out a four-pronged strategy: eliminate entire installations through base-closure rounds in 2001 and 2005; privatize housing and utilities; demolish unneeded structures; and consolidate, restructure, and regionalize activities to achieve economies of scale. DOD believes these steps will help generate savings that could be diverted to modernization. It also believes that, through privatization, the private sector will recapitalize aging facilities that DOD cannot afford to upgrade on its own. The DRI established goals and deadlines for several initiatives in this pillar. Table II.3 outlines these initiatives. Although the DRI did not set specific savings targets for most initiatives in this pillar, it did lay out potential savings from additional base closures. According to DOD's most recent estimate, two additional rounds would generate savings of \$3.4 billion annually once closures and realignments are completed and the costs of these actions are offset by savings. The magnitude of these potential savings places base closures alongside A-76 competitions as one of the largest single sources of savings among the DRI initiatives.

**Appendix II
Defense Reform Initiative Performance
Measures**

Table II.3: Performance Measures for Eliminating Unneeded Infrastructure

Initiatives	DRI goals/ objectives	Performance measure		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
Base closures	Hold additional rounds in 2001 and 2005.	DOD's Performance Plan contains a measure for assessing reduction in excess acreage.	DOD has traditionally measured base closures in terms of reductions in plant replacement value or percent of major domestic bases. However, each of these measures has significant limitations. Plant replacement values, in addition to not being calculated on a consistent basis between the military services, give little information on excess capacity. Additionally, the services vary in terms of what is considered a major base, and bases vary considerably in size.	These measures provides limited status information. If additional rounds are approved, other measures will probably need to be developed to track savings.	Congress has not authorized additional base-closure rounds. Congressional concerns about prior rounds have produced reluctance to approve additional rounds.
Defense Information Systems Agency (DISA) consolidations	Reduce number of data centers from 16 to 6.	None	Measures directly affected by consolidation-related improvements have been built into DISA's performance contract with the Defense Management Council. The measures address costs and productivity, work load and capacity issues, and quality of service. Further, DISA is tracking the consolidation effort through various other measures.	The measures in the performance contract are outcome-oriented. Additional measures used by DISA provide both output and outcome information.	DISA expects to have its revised structure in place by FY 2000. The consolidation effort also involves reengineering activities and establishing 23 regional centers using existing infrastructure.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Initiatives	DRI goals/ objectives	Performance measure		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
Defense Finance and Accounting Service (DFAS) location eliminations	Reduce number of operating locations by 8.	None	Until a study of operating locations is approved by DOD and provided to the Congress, we cannot determine what performance measures will be established for this initiative.	DOD has not established an overall measure for this initiative. DFAS is responsible for implementing the initiative and reporting progress to DOD.	DFAS has not yet begun to eliminate operating locations. Although DFAS has already estimated that it will have excess capacity of 34 percent by FY 2003, the study that will serve as the basis for the eliminations is still pending. Last fall, section 914 of the FY 99 Defense Authorization Act added new requirements for DFAS to incorporate into the study. The study, including the response to section 914, was to be completed by Jan. 15, 1999. As of June 30, 1999, study results were being reviewed internally.
Consolidation of research and development, test and evaluation facilities	No goals or deadlines given.	None. The DOD Performance Plan does, however, contain a performance indicator calling for reductions in the acquisition work force. Since personnel from the research, development, test, and evaluation facilities are part of this work force, the consolidations will likely contribute to these reductions.	None	No overall performance indicator was established. However, DOD has developed a cost-based management tool that contains a series of financial and non-financial measures. These measures are designed to provide improved data on costs and other data associated with operating DOD's research, development, test, and evaluation facilities. Future use of this tool is uncertain.	DOD is developing a plan for restructuring these facilities in accordance with section 912(c) of the Fiscal Year 1998 Defense Authorization Act. The study is not yet completed, and it is uncertain when it will be finalized. No large-scale consolidations, however, are likely to take place outside of base-closure rounds.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Initiatives	DRI goals/ objectives	Performance measure		Observations on performance measures	Status of initiatives
		Results Act measures	Other measures		
Demolition of excess structures	Demolish and dispose of 80 million square feet of excess space at military facilities. Each service has specific goals dictating the amount of square footage to be demolished, with completion dates ranging from years 2000 to 2003.	DOD's Performance Plan contains the following measures: 1. Cumulative square feet demolished. 2. Cost per cumulative square foot demolished. It also refers to DRI goals for demolishing 80 million square feet by FY 2003.	None	The measures are output-oriented.	All services are expected to reach overall goals. OSD is encouraging the services to identify more sites for demolition. Good progress attributed to management attention and funding being earmarked for demolitions.
Regional energy demonstrations	Develop plan for demonstration projects to test new ways of purchasing and managing DOD's energy needs by June 1, 1998.	None	The Defense Energy Support Center tracked the impact of using new purchasing methods on energy costs and installation management hours for two demonstration projects. In a third project, the center helped the military services with efforts to reduce energy consumption. The measures for this project were the number of energy-saving performance contracts awarded and decreases in overall energy costs.	The measures are output- and outcome-oriented. The outcome-oriented measures provide information on the impact of switching to alternative methods of purchasing energy and employing measures to reduce energy consumption.	Three demonstration projects have been completed. The projects identified areas for further study, more effective ways to purchase fuel, and opportunities to reduce energy consumption. The center is also working with the services on utilities privatization efforts.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Initiatives	DRI goals/ objectives	Performance measure			Status of initiatives
		Results Act measures	Other measures	Observations on performance measures	
Utilities privatization	Privatize all utilities by Jan. 1, 2000. Because of difficulties surrounding this initiative, the deadline has been extended to Sept. 30, 2003. However, the number of utilities to consider for privatization was increased from about 1,700 to almost 2,400 systems.	None	DOD is tracking the status of actions on each utility system. The services are also tracking up-front costs and various other output-related measures. Finally, economic analyses are to be conducted to determine whether the long-term economic benefit of privatizing each utility outweighs the long-term cost. Once the studies are completed, DOD expects to have a better view of the potential overall savings.	The measures are output-oriented. Although the economic analyses will provide estimates of the economic impact of the privatizations, it is unclear as to what extent DOD and the services plan to follow up to determine whether those savings actually occur.	DOD will not meet the original DRI goal. Since the original report was issued, DOD has privatized only a few systems. The initiative is complex, time-consuming, and expensive.
Housing privatization	Privatize: 3,500 units by FY 1998; 15,000 units by FY 1999; and 30,000 by FY 2000. Eliminate all inadequate housing by 2010. DRI II reduced goals: 1,000 units in FY 1998; 13,000 units in FY 1999; and 30,000 by FY 2000.	None	DOD is tracking the number of housing units privatized, the number of housing units planned for privatization and the time frames in which those privatizations are to occur. DOD reports this information quarterly to the House and Senate Appropriation Committees.	The measures are output-oriented. They do not provide insights into outcomes, such as whether the privatizations are helping DOD meet its goal of eliminating all inadequate housing by 2010. Also, data used to report progress may be more indicative of units under contract than units completed and occupied.	The services will not meet the original DRI goals. The initiative is complex and time-consuming. Housing privatizations continue to be of great interest to top military leaders and the Congress because of their potential impact on the quality of life for service personnel.

Changing the Organization

Under this pillar, the DRI Report called for a series of reorganizations, reductions, and other organizational adjustments. These changes were primarily directed at OSD; defense agencies, field activities, and other support organizations; and the unified commands and Joint Chiefs of Staff offices. Table II.4 outlines these changes. According to the DRI Report, the idea behind the changes is to (1) ensure that OSD focuses on core,

**Appendix II
Defense Reform Initiative Performance
Measures**

corporate-level tasks rather than getting involved in program management and day-to-day management of subordinate activities; (2) strengthen OSD's focus on long-term strategic, program, and financial planning; and (3) weed out unnecessary overlap, complexity, and redundancy. Further, as part of these changes, the DRI called for flatter, more streamlined headquarters throughout DOD. DOD hopes these changes will better position the Department to carry out its mission and make for better, more streamlined decision-making. Also, the DRI stated that these changes could result in savings. The expectation for savings, however, is secondary to the primary goal of fashioning a more responsive, less bureaucratic organization.

Table II.4: Status of Organizational Changes

Organizational change	Status
Create new organizations and positions	
Establish Defense Management Council	Completed
Reduce number of boards and committees	Completed
Negotiate performance contracts with defense agencies	Certain contracts completed according to specified deadlines; others drafted and undergoing review, also in accordance with direction.
Establish a Threat Reduction and Treaty Compliance Agency	Agency established and called the Defense Treat Reduction Agency. Physical consolidation of the activities comprising the new agency ongoing.
Establish a Chancellor for Education and Professional Development (to be assigned to the National Defense University)	Completed, but organizationally assigned instead to the DOD Human Resources Activity.
Restructure Director of Military Support	Ongoing. Office established and concept of operations drafted. Operational capability expected by January 2000.
Improving OSD support to the Secretary	
Policy Secretariat	
Go from four assistant secretaries of Defense to three: Assistant Secretary of Defense (ASD) (International Security Affairs), ASD (Strategy and Threat Reduction), and ASD (Special Operations and Humanitarian Assistance)	Completed, but the decision was made to retain the ASD (Special Operations/Low-Intensity Conflict) instead of establishing the ASD (Special Operations and Humanitarian Assistance).
Transfer responsibility for programming guidance portion of the Defense Planning Guidance from ASD (Strategy & Requirements) to Director, Program Analysis and Evaluation, Under Secretary of Defense (USD) (Comptroller)	Completed
Transfer space policy functions from USD (Acquisition and Technology) to USD (Policy)	Transfers were completed, but personnel were transferred to Command, Control, Communications, and Intelligence secretariat instead after a mid-course correction.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Organizational change	Status
Devolve responsibility for managing technical development and acquisition programs and activities concerned with space systems and space integration to military departments and other DOD activities responsible for managing these programs	Completed
Transfer the Net Assessment Directorate to the National Defense University	Completed
Transfer the National Security Education Program Directorate to the National Defense University	Completed
Transfer the Secretary of Defense Strategic Studies Group and the Secretary of Defense Fellows Program Support Staff to the National Defense University	Completed
Transfer USD (Policy) Humanitarian Assistance and Humanitarian Demining program management functions to the Defense Security Assistance Agency	Completed. Name changed to Defense Security Cooperation Agency.
Open the Drug Demand Reduction functions of the DOD Counter-drug Program to competition with private-sector providers	Competitions are under way.
Command, Control, Communications, and Intelligence Secretariat	
Disestablish ASD (Command, Control, Communications and Intelligence); transfer intelligence functions to newly established ASD (Intelligence); transfer command, control, communications, and acquisition functions to USD (Acquisition and Technology); and realign personnel and resources of C4I Integration Support Activity	Canceled
Transfer the U.S. Nuclear Command and Control System Support staff from OSD to Commander, Strategic Command	Completed
Integrate DOD Polygraph Institute, Personnel Security Research Center, and DOD Security Institute within Defense Investigative Service and rename as Defense Security Service	Completed
Acquisition and Technology Secretariat	
Realign internal structure of office of USD (Acquisition and Technology) to strengthen Director of Defense Research and Engineering	Plans for realignment completed. Changes pending.
Transfer program management functions formerly conducted by Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs to Defense Threat Reduction and Treaty Compliance Agency and the Army	Legal restrictions prevented changes from being carried out as originally envisioned, resulting in a mid-course correction: Oversight of chemical/biological and nuclear matters remains in OSD/Acquisition and Technology. Implementation and operations are the responsibility of the new threat reduction agency. Chemical demilitarization responsibilities have been transferred to the Army, except for the Alternative Technology Program.
Transfer USD (Acquisition and Technology) international armaments cooperation program management activities to Defense Security Assistance Agency (now known as the Defense Security Cooperation Agency)	Canceled

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Organizational change	Status
Transfer management of Defense Acquisition University and Defense Systems Management College to National Defense University, with oversight by new chancellor of education	Canceled. Defense Acquisition University and its associated resources will continue to reside in the Defense Logistics Agency.
Transfer USD (Acquisition and Technology) electronic commerce functions and associated resources to the Defense Logistics Agency and create a combined Defense Logistics Agency/Defense Information Systems Agency Electronic Commerce Program Office	Completed
Transfer oversight of Defense Technical Information Center to Defense Information Systems Agency	Completed
Conduct study to determine whether additional efficiencies can be gained by opening up Defense Technical Information Center functions to competition with the private sector	Completed. No additional efficiencies identified.
Personnel and Readiness Secretariat	
Transfer Health Care program management functions from ASD (Health Affairs) to a DOD field activity	Completed. These functions were combined with the Defense Medical Programs Activity and the Tricare Support Office to establish the Tricare Management Activity.
Transfer all administrative and operating support for the USD (Personnel & Readiness) advisory groups to the DOD Human Resources Activity	Completed
Transfer oversight of Defense Commissary Agency to secretaries of military departments	Congressionally directed revisions: agency is to continue to be managed and funded through OSD. Day-to-day management of the agency, however, has been devolved to the Commissary Operating Board, composed of representatives of the secretaries of the military departments.
Finance Secretariat	
Transfer Overseas Military Banking Operations to the Defense Finance and Accounting Service	Completed
Transfer Defense Property Accountability implementation to the Defense Logistics Agency	Completed
Disestablish the Plans and Programs Analysis Support Center and realign its functions and resources to Director, Program Analysis and Evaluation, USD (Policy), and USD (Acquisition and Technology)	Completed
Other OSD staff offices or organizations that report to OSD	
Transfer Directorate for Freedom of Information and Security Review from ASD (Public Affairs) to Washington Headquarters Service	Completed
Expand the scope of American Forces Information Service activities that could be opened to competition with private-sector providers	In process. Competitions to be held in accordance with Office of Management and Budget Circular A-76.
Transfer Defense Privacy Office from Director, Administration and Management, OSD, to Washington Headquarters Service	Completed
OSD, Joint Chiefs of Staff, and Combatant Command Staff Relationships	
Joint Staff, and Chairman-controlled activities	
Restructure Joint Staff to eliminate redundancy with OSD:	(See below)

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Organizational change	Status
J-1: Divest responsibility for quality of life and social issues but keep responsibility for Joint Manpower System, Joint Staff personnel programs, and Joint Duty Assignment Management Information System	Completed
J-5: Eliminate coordination on technology transfer issues	Completed
J-8 and USD (Comptroller): Establish joint Contingency Operations Costs Working Group to provide single source for project costs of military operations	Completed
Transfer 5 of 9 chairman-controlled activities to combatant commands, services or joint agencies	Transfers to occur through 2003.
Eliminate unnecessary physical controls in Joint Chiefs of Staff spaces in the Pentagon	Completed
Headquarters of the combatant commands	
Reduce combatant command headquarters by about 1,000 billets. The functions associated with those billets will be eliminated, consolidated, or assigned to other organizations.	Reductions to occur through 2003.
Transfer about 600 personnel from chairman-controlled activities to the combatant commands	Transfers to occur through 2003.
Reduce the combatant commands' Joint Intelligence Centers by 400 billets, or about 10 percent	Reductions to occur through 2003.
Specific numerical goals	
OSD and associated activities personnel will be reduced 33 percent from FY 1996 levels by May 1999	OSD expected to reach target by end of FY 1999.
Defense agency personnel will be reduced 21 percent over 5 years	Defense agencies we spoke with (Defense Logistics Agency, Defense Information Systems Agency, and Defense Finance and Accounting Service) foresaw no problems meeting goal.
Personnel in DOD field activities and other operating organizations reporting to OSD will be reduced 36 percent over 2 years.	Plans call for meeting targets by deadline.
The Joint Staff and associated activities personnel will be reduced 29 percent from FY 1996 levels by the end of FY 2003	Plans call for meeting targets by deadline.
All other headquarters elements, including the headquarters of the military departments and their major commands, will be reduced 10 percent from their fiscal year 1998 levels by the end of FY 2003	Plans call for meeting targets by deadline.
The headquarters of the combatant commands will be reduced by 7 percent by the end of FY 2003	Plans call for meeting targets by deadline.
Miscellaneous DRI directives involving reorganizations	
Establishment of OSD Human Resources Transition Program to help DOD avoid involuntary separations resulting from the DRI	Completed
For counter-drug personnel, transfer from USD (Policy) to services all centrally managed civilian personnel end strength and full-time equivalent authority	Completed
DOD components to plan for DRI realignments	Completed
Air Force to establish joint DOD Computer Forensics Laboratory and Training Program	Lab achieved initial operating capability July 1, 1998, but related efforts ongoing.

(continued)

**Appendix II
Defense Reform Initiative Performance
Measures**

Organizational change	Status
Evaluate whether certain joint activities could be transferred to the combatant commands	Completed
Realign DOD Spectrum Management Responsibilities	Completed
Funding for DOD Spectrum Management Responsibilities	Completed

GAO Products Related to Initiatives Under Individual DRI Pillars

Pillar: Adopting Best Business Practices

Defense Transportation: Progress of MTMC Pilot (GAO/NSIAD-99-130R, Apr. 15, 1999).

Defense Inventory: DOD Could Improve Total Asset Visibility With Results Act Framework (GAO/NSIAD-99-40, Apr. 12, 1999).

Defense Transportation: Efforts to Improve DOD's Personal Property Program (GAO/T-NSIAD-99-106, Mar. 18, 1999).

Best Practices: Elements Critical to Successfully Reducing Unneeded RDT&E Infrastructure (GAO/NSIAD/RCED-98-23, Jan. 8, 1998).

Inventory Management: Greater Use of Best Practices Could Reduce DOD's Logistics Costs (GAO/T-NSIAD-97-214, July 24, 1997).

Defense Transportation: Reengineering the DOD Personal Property Program (GAO/NSIAD-97-49, Nov. 27, 1996).

Defense Transportation: The Army's Hunter Pilot Project to Outsource Relocation Services (GAO/NSIAD-98-149, June 10, 1998).

Managing Technology: Best Practices Can Improve Performance and Produce Results (GAO/T-AIMD-97-38, Jan. 31, 1997).

Pillar: Streamlining Through Competition

Defense Reform Initiative: Progress, Opportunities, and Challenges (GAO/T-NSIAD-99-95, Mar. 2, 1999).

Force Structure: A-76 Not Applicable to Air Force 38th Engineering Installation Wing Plan (GAO/NSIAD-99-73, Feb. 26, 1999).

DOD Competitive Sourcing: Results of Recent Competitions (GAO/NSIAD-99-44, Feb. 23, 1999).

DOD Competitive Sourcing: Questions About Goals, Pace, and Risks of Key Reform Initiative (GAO/NSIAD-99-46, Feb. 22, 1999).

Defense Depot Maintenance: Public and Private Sector Workload Distribution Reporting Can Be Further Improved (GAO/NSIAD-98-175, July 23, 1998).

Defense Depot Maintenance: Contracting Approaches Should Address Workload Characteristics (GAO/NSIAD-98-130, June 15, 1998).

Defense Outsourcing: Better Data Needed to Support Overhead Rates for A-76 Studies (GAO/NSIAD-98-62, Feb. 27, 1998).

Defense Depot Maintenance: Uncertainties and Challenges DOD Faces in Restructuring Its Depot Maintenance Program (GAO/T-NSIAD-97-112, May 1, 1997).

Defense Outsourcing: Challenges Facing DOD As It Attempts to Save Billions In Infrastructure Costs (GAO/T-NSIAD-97-110, Mar. 12, 1997).

Base Operations: Challenges Confronting DOD As It Renews Emphasis on Outsourcing (GAO/NSIAD-97-86, Mar. 11, 1997).

Air Force Depot Maintenance: Privatization-in-Place Plans Are Costly While Excess Capacity Exists (GAO/NSIAD-97-13, Dec. 31, 1996).

**Pillar: Eliminating
Unneeded
Infrastructure**

Military Bases: Status of Prior Base Realignment and Closure Rounds (GAO/NSIAD-99-36, Dec. 11, 1998).

Military Bases: Review of DOD's 1998 Report on Base Realignment and Closure (GAO/NSIAD-99-17, Nov. 13, 1998).

Military Bases: Lessons Learned From Prior Base Closure Rounds (GAO/NSIAD-97-151, July 25, 1997).

Military Housing: Privatization Off to a Slow Start and Continued Management Attention Needed (GAO/NSIAD-98-178), July 17, 1998).

Defense Infrastructure: Demolition of Unneeded Buildings Can Help Avoid Operating Costs (GAO/NSIAD-97-125, May 13, 1997).

Military Bases: Cost to Maintain Inactive Ammunition Plants and Closed Bases Could Be Reduced (GAO/NSIAD-97-56, Feb. 20, 1997).

DOD Infrastructure: DOD's Planned Finance and Accounting Infrastructure Is Not Well Justified (GAO/NSIAD-95-127, Sept. 18, 1995).

DOD Infrastructure: DOD Is Opening Unneeded Finance and Accounting Offices (GAO/NSIAD-96-113, Apr. 14, 1996).

Defense Infrastructure: Budget Estimates for 1996-2001 Offer Little Savings for Modernization (GAO/NSIAD-96-131, Apr. 4, 1996).

Defense Budget: Observations on Infrastructure Activities (GAO/NSIAD-97-127BR, Apr. 4, 1997).

Pillar: Changing the Organization

Defense Headquarters: Status of Efforts to Reduce Headquarters Personnel (GAO/NSIAD-99-45, Feb. 17, 1999).

Quadrennial Defense Review: Some Personnel Cuts and Associated Savings May Not Be Achieved (GAO/NSIAD-98-100, Apr. 30, 1998).

Defense Headquarters: Total Personnel and Costs Are Significantly Higher Than Reported to Congress (GAO/NSIAD-98-25, Oct. 30, 1997).

Comments From the Department of Defense



DIRECTOR
DEFENSE REFORM

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14 JUL 1999

Mr. David R. Warren, Director
Defense Management Issues
National Security and International Affairs Division
US General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INFRASTRUCTURE: Improved Performance Measures Would Enhance Defense Reform Initiative," dated May 28, 1999 (GAO Code 709404/OSD Case 1834).

Overall, the Department of Defense does not take exceptions regarding the report. In addition, the Department notes that:

The draft report recommends that the Secretary of Defense incorporate additional outcome oriented measures for initiatives under each of the three Defense Reform Initiative pillars that focus on reforming business processes and achieving infrastructure reductions.

- The Department agreed to continue working on development of outcome based measures in those areas that are appropriate for this application.
- A Government Performance and Results Act (GPRA) Working Group (WG) has been formed:
 1. to review performance goals for FY2001,
 2. to verify methodology, and
 3. to collect and report data on results achieved for resources expended.
- The Defense Reform Office (DRO) has initiated a review to determine appropriate performance metrics for additional initiatives not included in the Department wide GRPA Plan. The DRO is represented on the GPRA WG to coordinate both activities.
- The Department recognizes the GAO position that estimates may not be considered effective outcome measurements, in some cases.

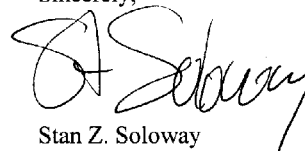


Appendix IV
Comments From the Department of Defense

- Conflicting views regarding maximum capacity criteria are adequately addressed in the report.

Thank you for the opportunity to review this report and to address these issues. Your staff has been helpful and cooperative in the conduct of this review. We look forward to release of the final report.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Soloway". The signature is written in a cursive style with a large initial "S".

Stan Z. Soloway

GAO Contacts and Staff Acknowledgments

GAO Contacts

David Warren, (202) 512-8412
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Acknowledgments

In addition to those named above, Cheryl Andrew, Bruce Fairbairn, James Fuquay, Johnetta Gatlin-Brown, Fred Naas, and Jeanne Willke made key contributions to this report.

Appendix V
GAO Contacts and Staff Acknowledgments

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