



Highlights of [GAO-06-234T](#), a testimony before the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

For years, the Department of Defense (DOD) has embarked on a series of efforts to transform its business operations, including modernizing underlying information technology (business) systems. GAO has reported on inefficiencies and inadequate accountability across DOD's major business areas, resulting in billions of dollars of wasted resources annually. Of the 25 areas on GAO's 2005 list of high-risk federal programs and operations that are vulnerable to fraud, waste, abuse or mismanagement and in need of reform, 8 are DOD programs or operations, and 6 are government-wide high risk areas for which DOD shares responsibility.

The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 required DOD to satisfy several conditions relative to its approach to managing its business system modernization program, including developing an enterprise transition plan, which GAO is currently assessing. DOD also recently established a Business Transformation Agency intended to advance defense-wide business transformation.

GAO was asked to testify on DOD's business transformation, including its preliminary observations on 1) DOD's efforts to satisfy fiscal year 2005 defense authorization act requirements; 2) the Business Transformation Agency; and 3) DOD's efforts to provide the leadership, structures, and plans needed to effect transformation.

www.gao.gov/cgi-bin/getrpt?GAO-06-234T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Randy Hite at (202) 512-3429 or hiter@gao.gov.

DEFENSE MANAGEMENT

Foundational Steps Being Taken to Manage DOD Business Systems Modernization, but Much Remains to be Accomplished to Effect True Business Transformation

What GAO Found

GAO's preliminary observation based on its ongoing work is that DOD has made progress in establishing needed business system modernization management capabilities and appears to have complied with some of the act's provisions, but more needs to be done. To comply with the act's requirement that it develop a business enterprise architecture and transition plan meeting certain requirements, DOD approved Version 3.0 of its architecture and associated transition plan on September 28, 2005. GAO's work so far suggests that this version of the architecture may satisfy the conditions of the act to some extent, but not entirely. For example, while Version 3.0 includes a target architecture, as required, it does not include a current architecture. Without this element, DOD could not analyze the gaps between the two architectures—critical input to a comprehensive transition plan. In addition, the transition plan appears to include certain required information (such as milestones for major projects), but it appears to be inconsistent with the architecture in various ways, such as including some systems that are not in the target architecture and vice versa, and it does not include system performance metrics aligned with the plan's strategic goals and objectives. Finally, GAO's preliminary work suggests that DOD may have satisfied some of the act's requirements regarding the review and approval of investments in business systems, but it either has not satisfied or is still in the process of satisfying others. For example, it has delegated authority and largely established review structures and processes as required. However, some of these structures do not yet appear to be in place, and some reviews and approvals to date may not have followed the criteria in the act. GAO expects to report on these issues shortly.

DOD's Business Transformation Agency offers potential benefits relative to the department's business systems modernization efforts if the agency can be properly organized, resource, and empowered to effectively execute its roles and responsibilities and is held accountable for doing so. The agency faces several challenges, including standing up a functioning acquisition organization within a short period of time. As DOD moves forward with implementing this agency, it will be important for it to address these issues.

DOD has taken several actions intended to advance transformation, such as establishing management structures like the Business Transformation Agency, and developing the enterprise transition plan. While these steps are positive, their primary focus appears to be on business system modernization. Business transformation is much broader and encompasses planning, management, structures, and processes related to all key business areas. As DOD continues to evolve its transformation efforts, critical to successful reform are sustained leadership, structures, and a clear strategic and integrated plan that encompass all major business areas. GAO believes a chief management official, responsible for business transformation, could provide the strong and sustained executive leadership needed in this area.