



Highlights of [GAO-05-381](#), a report to congressional requesters

DOD BUSINESS SYSTEMS MODERNIZATION

Billions Being Invested without Adequate Oversight

Why GAO Did This Study

Despite its significant investment in business systems, the Department of Defense (DOD) continues to have long-standing financial and business management problems that preclude the department from producing reliable and timely information for making decisions and for accurately reporting on its billions of dollars of assets. GAO was asked to (1) identify DOD's fiscal year 2005 estimated funding for its business systems and (2) determine whether DOD has effective control and accountability over its business systems modernization investments.

What GAO Recommends

GAO makes four recommendations to DOD: (1) review the reclassified systems to determine how these should be properly reported, (2) review the reported business systems inventory so systems are defined in accordance with the definition specified in the fiscal year 2005 defense authorization act, (3) develop and implement a comprehensive plan that addresses GAO's previous recommendations related to the business enterprise architecture and the control and accountability over business systems investments, and (4) submit the plan to the congressional defense committees.

DOD concurred with the recommendations and described efforts to address them.

www.gao.gov/cgi-bin/getrpt?GAO-05-381.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-9095 or Keith A. Rhodes at (202) 512-6412.

What GAO Found

DOD's business and financial management weaknesses have resulted in billions of dollars wasted annually in a time of increasing fiscal constraint. These weaknesses continue despite DOD requesting over \$13 billion in fiscal year 2005—about \$6 billion less than in fiscal year 2004—to operate, maintain, and modernize its existing duplicative business systems. The difference is more a reclassification of systems rather than an actual spending reduction. Some of the reclassifications appeared reasonable and others were questionable due to inconsistent information. At the same time, DOD reported an increase in the number of business systems to 4,150 as of February 2005—an increase of about 1,900 systems since April 2003. The duplicative and stovepiped nature of DOD's systems environment is illustrated by the numerous systems in the same business area. For example, DOD reported that it has over 2,000 logistics systems—an increase of approximately 255 percent since April 2003.

DOD still does not have an effective departmentwide management structure for controlling business systems investments. Furthermore, DOD is not in compliance with the National Defense Authorization Act for Fiscal Year 2003, which requires the DOD Comptroller to determine that system improvements with obligations exceeding \$1 million meet the criteria specified in the act. Based on limited information provided by DOD, system improvements totaling about \$243 million of obligations over \$1 million were not reviewed by the DOD Comptroller in fiscal year 2004. Cumulatively, based upon DOD's reported data, system improvements totaling about \$651 million of obligations over \$1 million were not reviewed by the DOD Comptroller before obligations were made since passage of the 2003 act.

DOD Business Systems with Obligations in Excess of \$1 Million for Modernizations Not Submitted to the DOD Comptroller (Dollars in Millions)

Component	Fiscal year 2003	Fiscal year 2004	Total
Army	\$78	\$40	\$118
Navy	62	93	\$155
Air Force	53	79	\$132
Defense Logistics Agency	168	10	\$178
TRICARE	6	17	\$23
U.S. Transportation Command	1	1	\$2
Defense Finance and Accounting Service	40	3	\$43
Total	\$408	\$243	\$651

Source: GAO analysis of DOD reported information.

The 2005 defense authorization act directed that DOD put in place a management structure to improve the control and accountability over business systems investments by placing more responsibility with the domains. At the same time, each military service has its own investment review process. Absent an integrated management structure that clearly defines the relationship of the domains and the military services, DOD will be at risk that the parochialism contributing to the current problems will continue.