



Highlights of [GAO-07-538](#), a report to congressional committees

BUSINESS SYSTEMS MODERNIZATION

DOD Needs to Fully Define Policies and Procedures for Institutionally Managing Investments

Why GAO Did This Study

In 1995, GAO first designated the Department of Defense's (DOD) business systems modernization program as "high-risk," and continues to do so today. In 2004, Congress passed legislation reflecting prior GAO recommendations for DOD to adopt a corporate approach to information technology (IT) business system investment management. To support GAO's legislative mandate to review DOD's efforts, GAO assessed whether the department's corporate investment management approach comports with relevant federal guidance. In doing so, GAO applied its IT Investment Management framework and associated methodology, focusing on the framework's stages related to the investment management provisions of the Clinger-Cohen Act of 1996.

What GAO Recommends

GAO recommends that DOD fully define the project and portfolio management policies and procedures discussed in GAO's framework. DOD agreed with GAO's overall conclusions and partially agreed with five of GAO's recommendations. However, DOD disagreed with the remaining four recommendations, stating that the department is, among other things, already meeting the intent of these recommendations. GAO does not agree; its recommendations focus on fully defining policies and procedures that satisfy key practices in its framework.

www.gao.gov/cgi-bin/getrpt?GAO-07-538. To view the full product, including the scope and methodology, click on the link above. For more information, contact Randolph C. Hite at (202) 512-3439 or hiter@gao.gov.

What GAO Found

DOD has established the management structures needed to effectively manage its business system investments, but it has not fully defined many of the related policies and procedures that GAO's IT Investment Management framework defines. Specifically, the department has defined four of nine practices that call for project-level policies and procedures, and one of the five practices that call for portfolio-level policies and procedures (see below). For example, DOD has established an enterprisewide IT investment board responsible for defining and implementing its business system investment governance process, documented policies and procedures for ensuring that systems support ongoing and future business needs, developed procedures for identifying and collecting information about these systems to support investment selection and control, and assigned responsibility to an individual or a group for managing the development and modification of the business system portfolio selection criteria. However, DOD has not fully documented business system investment policies and procedures for directing investment board operations, selecting new investments, reselecting ongoing investments, integrating the investment funding and the investment selection processes, and developing and maintaining a complete business system investment portfolio(s).

Regarding project-level investment management practices, DOD officials said that these are performed at the component level, and that departmental policies and procedures established for overseeing components' execution of these practices are sufficient. For portfolio-level practices, however, these officials stated that they intend to improve departmental policies and procedures for business system investments by, for example, establishing a single governance structure, but plans or time frames for doing so have not been established. Until DOD fully defines departmentwide policies and procedures for both individual projects and portfolios of projects, it risks selecting and controlling these business system investments in an inconsistent, incomplete, and ad hoc manner, which in turn reduces the chances that these investments will meet mission needs in the most cost-effective manner.

Policies and Procedures for Project-Level and Portfolio-Level Management

Stage 2: Building the investment foundation		Stage 3: Developing a complete investment portfolio	
	Key practices executed		Key practices executed
Instituting the investment board	1/2	Defining the portfolio criteria	1/2
Meeting business needs	1/1	Creating the portfolio	0/1
Selecting an investment	0/3	Evaluating the portfolio	0/1
Providing investment oversight	0/1	Conducting postimplementation reviews	0/1
Capturing investment information	2/2		
Overall	4/9		1/5

Source: GAO.