



DOD Transformation: Accountability Opportunities and Challenges

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Trends and Dynamics

U.S. GOVERNMENT
ACCOUNTABILITY
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TRENDS
AFFECTING GOVERNMENT
AND SOCIETY

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**STRATEGIC
PLAN**
2022-2027
*Serving Congress
and the Nation*

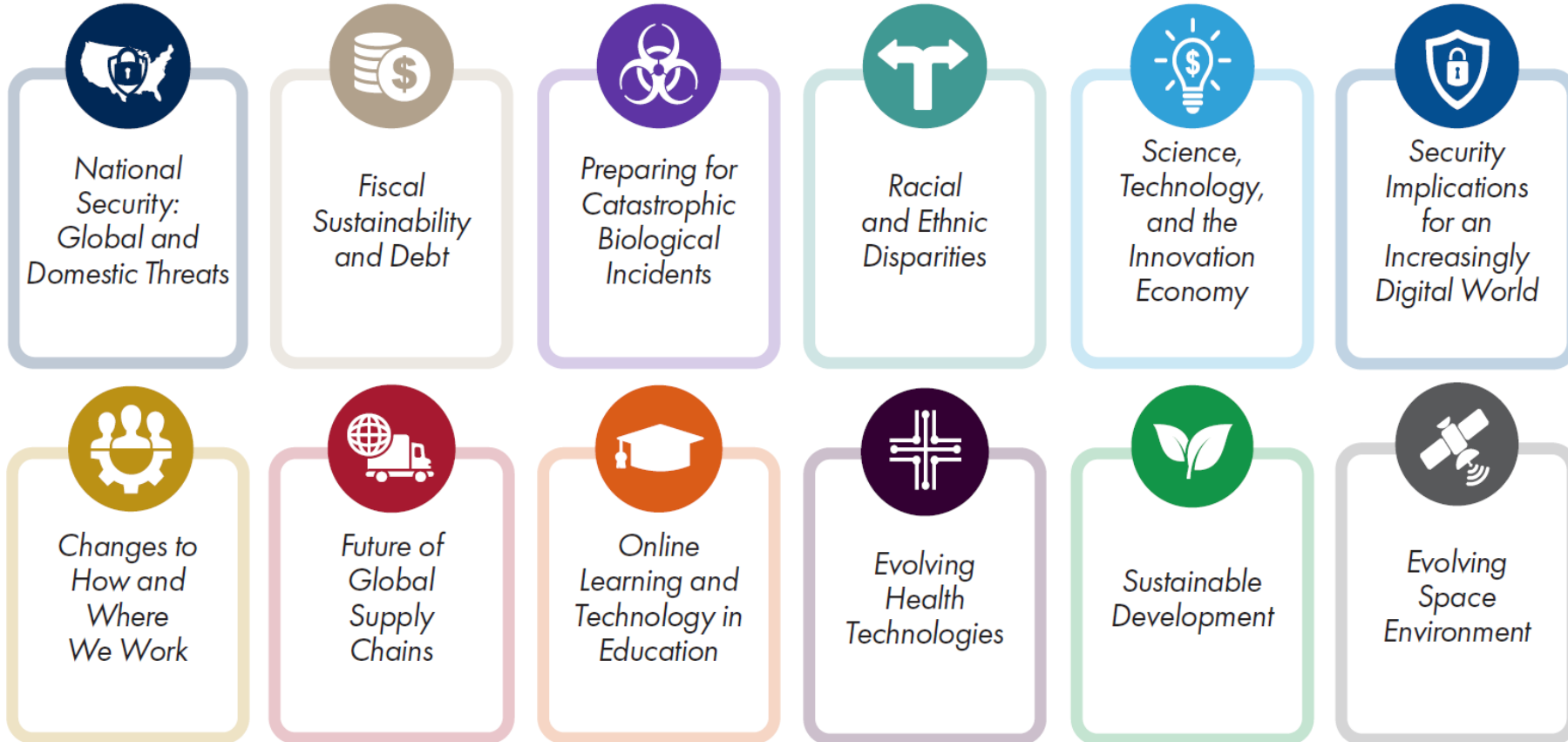
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**KEY
EFFORTS**
2022-2027
*Serving Congress
and the Nation*



GAO Strategic Plan: Trends Affecting Government and Society



The image features a photograph of the United States Capitol building in Washington, D.C., showing its iconic dome and neoclassical facade with columns. The building is partially obscured by several overlapping, semi-transparent blue and white geometric shapes, including elongated ovals and a large circle. The large blue circle on the right contains the title text.

Fiscal Sustainability and Debt

Current and Projected Levels of Federal Debt Held by the Public

Percentage of gross domestic product

250%

200

150

100

50

0

1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020 2030 2040 2050

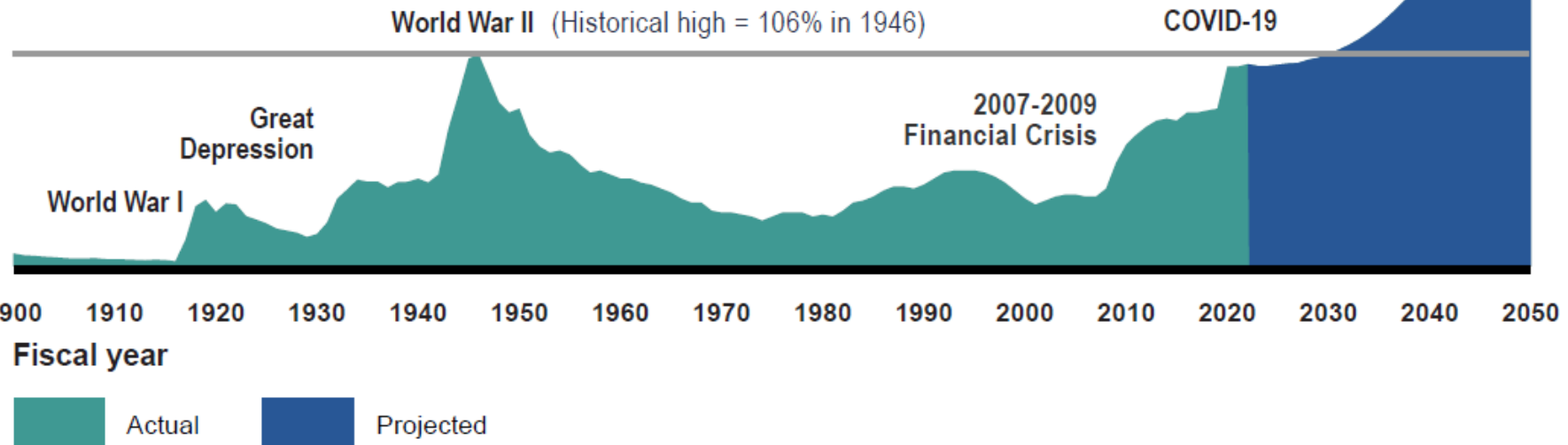
Fiscal year



Actual

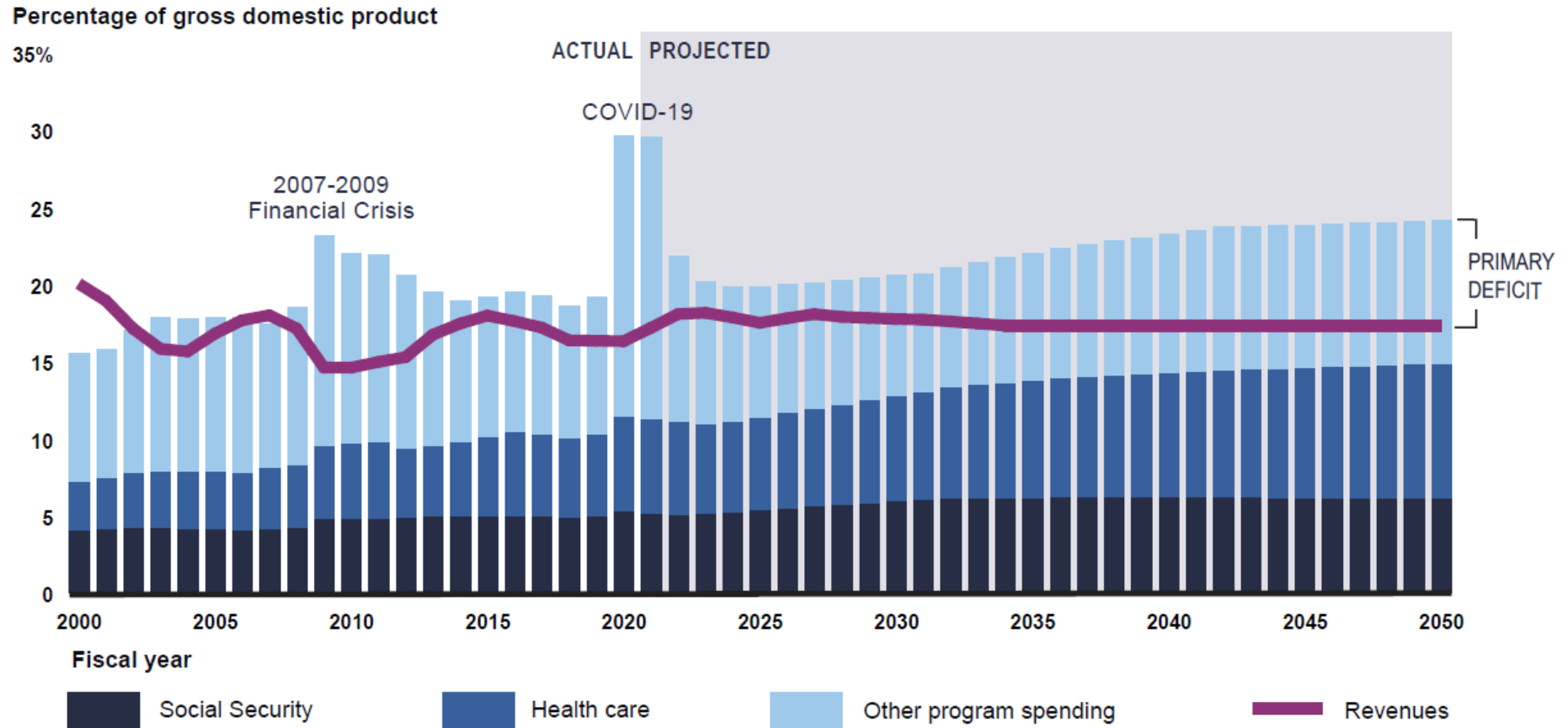


Projected



Source: GAO analysis of Congressional Budget Office historical data and GAO simulation. | GAO-22-105376

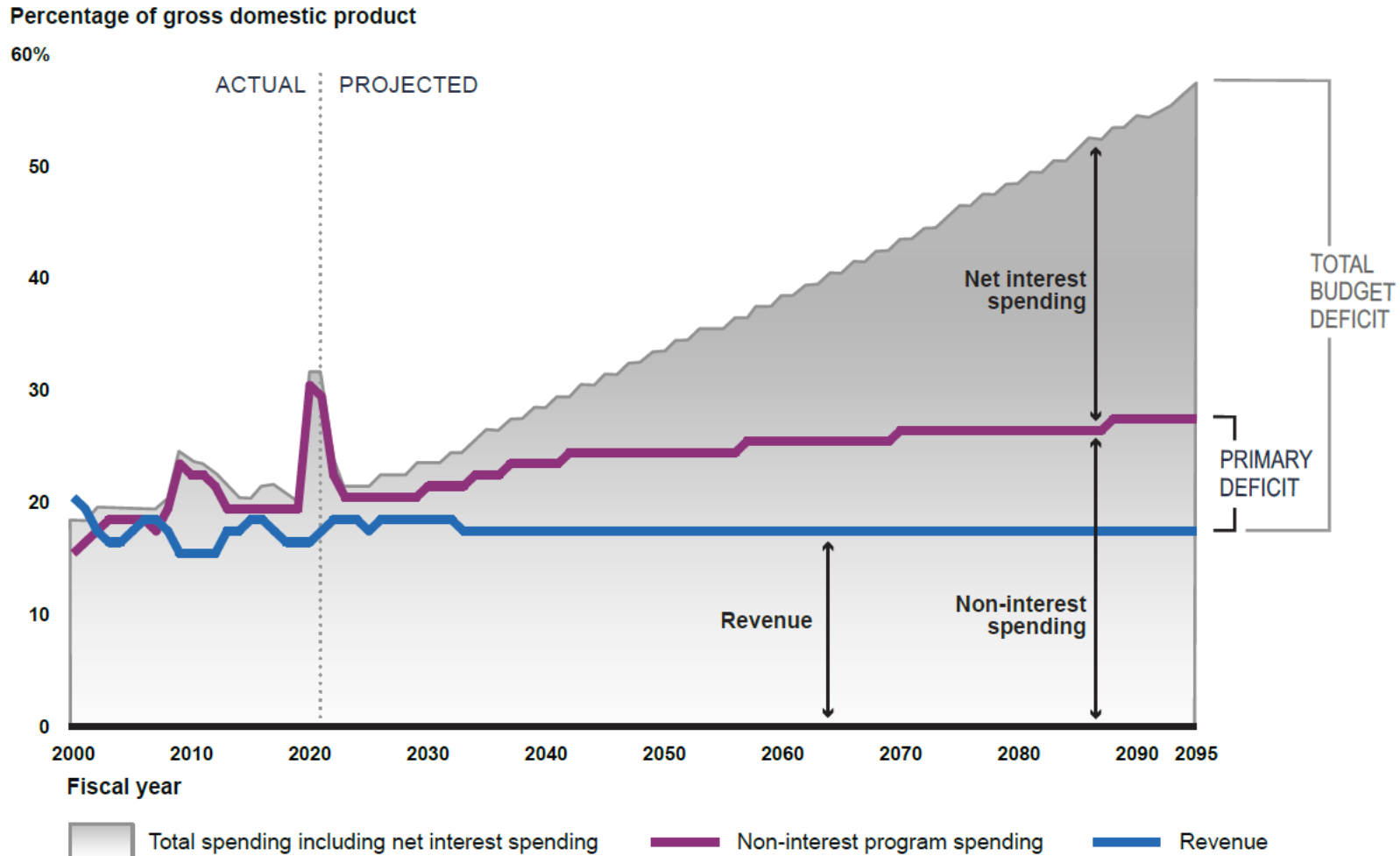
Social Security and Health Care Spending Drive Future Primary Deficits



Source: Congressional Budget Office data and GAO simulation. | GAO-22-105376

Notes: Our simulation assumes that starting in 2032, total revenue will remain constant at 17.3 percent of GDP, the 50-year historical average as of 2021. Our simulation assumes that spending for Social Security and Medicare continues as scheduled even after their trust funds are exhausted.

Net Interest Spending Projected to Increase

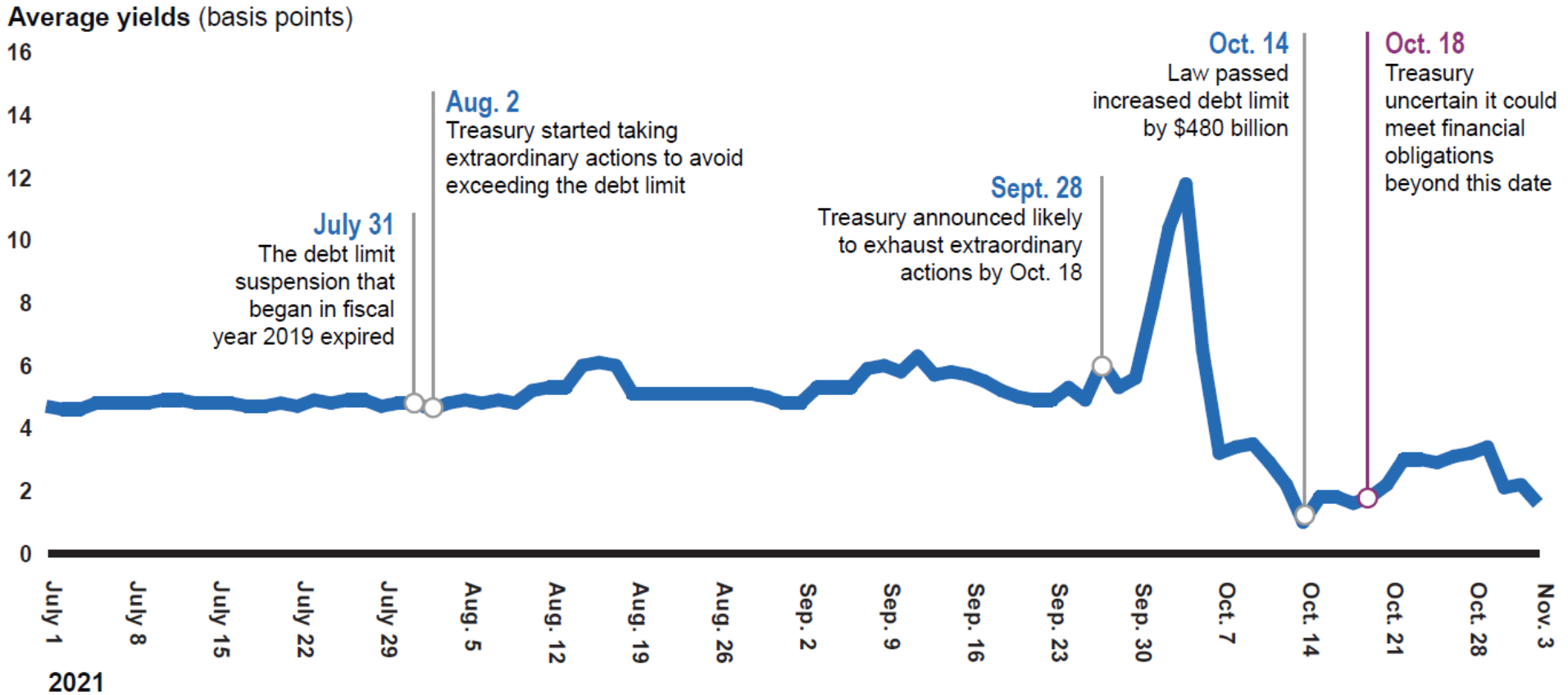


Source: GAO analysis of Congressional Budget Office historical data and GAO simulation. | GAO-22-105376

Note: Our simulation incorporates CBO's long-term nominal interest rate projection for the first 30 years and then we hold that rate constant through the end of our 75-year simulation period. As of March 2021, CBO's year 30 interest rate is 4.6 percent.

Debt Limit Impasses Disrupt Treasury Markets and Increase Interest Costs

Average Secondary Market Yields on Treasury Bills Maturing in Oct.-Nov. 2021



Source: GAO analysis of Bloomberg data. | GAO-22-105376

The image features a photograph of the United States Capitol building in Washington, D.C., viewed from a low angle looking up at the dome. The building is white with a prominent portico supported by columns. An American flag flies on a tall pole in front of the dome. The scene is overlaid with several decorative elements: a large, semi-transparent blue circle on the right side containing the title text; several diagonal, semi-transparent blue brushstroke-like shapes; and a white diagonal line that bisects the image from the bottom left to the top right.

DOD Financial Management and Broader Context

DOD's Financial Management Strategy: Stakeholders

Military and Civilian Senior Leaders



"I have real-time data and analytics to drive rapid mission-critical decisions with tradeoff analysis."

Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, Office of the Under Secretary of Defense Principal Staff Assistants, and Leaders across the Military Departments, and Defense Agencies

Resource Managers, Cost Analysts, and Budget Analysts



"I have visibility into operating costs and can effectively advise decision makers to achieve greater efficiencies."

"I have end-to-end budget to execution line of sight that optimizes every dollar while meeting mission requirements."

Program Managers, Division Chiefs, Team Leads, Deputy Executives, Program Analysts, Budget Analysts, and Data Scientists

Accountants and Financial Operations Analysts



"I can identify early trends that help me fix root cause transactional problems to eliminate financial statement reconciliation issues upfront."

"I can match obligations and invoices, close contracts, post de-obligations, and make unused funds available."

Accountants, Financial Operations Analysts, FM Systems Engineers, Financial Compliance Experts, and Data Scientists

Warfighters in the "Trenches"



"I have confidence moving into combat operations that my troops are armed and prepared for victory."

"My real-time inventory data enables me to predict precise re-order timeframes to minimize operational risk."

Troops in Combat and Combat Support

Auditors and Contractors



"I can verify my client's financial statements with smaller samples and perform the audit faster and with fewer accountants - enabling repurposing of funds for the mission."

"I can now implement Commercial Off the Shelf (COTS) affordably and quickly with a standard configuration."

External Auditors and Management Consultants

Congress, OMB, GAO, and American Taxpayers



"I understand the costs and performance of DoD to ensure that my taxpayer dollar is providing value."

"I have full transparency into DoD's compliance with laws, regulations and policies."

Congress, Government Accountability Office, Office of Management and Budget, Inspector General, and the American Public

GAO Work Examples



DOD Food Costs & Requirements

The services were not tracking key metrics and cost information that could be used to improve DOD's food program. DOD concurred with our recommendation to better define metrics, and improve tracking of cost information.



Subsidies for Privatized Housing Projects

DOD's calculations of subsidies for privatized housing projects were causing some projects to be overpaid and some projects to be underpaid. We recommended a fix to the legislation which Congress adopted so this problem will not happen going forward.

GAO Work Examples



Consolidating Commissaries/Exchanges

We recommended that DOD re-do its cost/benefit analysis on consolidating commissaries and exchanges. When DOD redid the analysis, it reversed the decision to consolidate, resulting in over \$600 million in cost avoidance.



PFAS Environmental Liability

Per- and polyfluoroalkyl substances contamination of drinking water in and around military installations poses a significant financial liability for DOD. We recommended that DOD report more transparent information to Congress about the extent of these costs, which will be key for holding the department accountable. DOD concurred with our recommendation.

GAO Work Examples



Deferred Facility Maintenance

DOD does not fully account for the costs of sustaining facilities that exceed their expected lifespans, likely underestimating its annual funding requirements. We found that DOD has a deferred maintenance backlog for its facilities of at least \$137 billion. We identified ways for DOD to better track and assess the risk posed by this backlog. DOD concurred with most of our recommendations.



F-35 Sustainment Affordability

We found that DOD could reduce F-35 sustainment costs by hundreds of millions, or even billions, of dollars by developing a strategic approach to operate and support the F-35. DOD generally concurred with our recommendations and Congress took steps to limit the quantity of F-35s procured by the military services beginning in fiscal year 2029 based on their ability to achieve affordability cost targets.

GAO Work Examples



Cost Baselines for Reforming Business Operations

Our High Risk Area on DOD's Business Transformation has tracked progress in DOD's establishing valid and reliable cost baselines. DOD's analytical tool, Advana, could help decision makers track its reforms. We are currently reviewing DOD's use of that data in decision making, especially in light of the elimination of the Chief Management Officer position.



GAO's High-Risk List

- Key governmentwide areas
 - The nation's cybersecurity
 - Management of IT acquisitions and operations
 - Strategic human capital management
- 5 longstanding areas on GAO's high-risk list
 - DOD Business Systems Modernization
 - DOD's Approach to Business Transformation
 - DOD Weapon Systems Acquisition
 - DOD Contract Management
 - DOD Financial Management



DOD Financial Management

High-Risk List Criteria

GAO uses five criteria to assess progress in addressing high-risk areas



DOD Financial Management: High-Risk Criteria (as of March 2021)

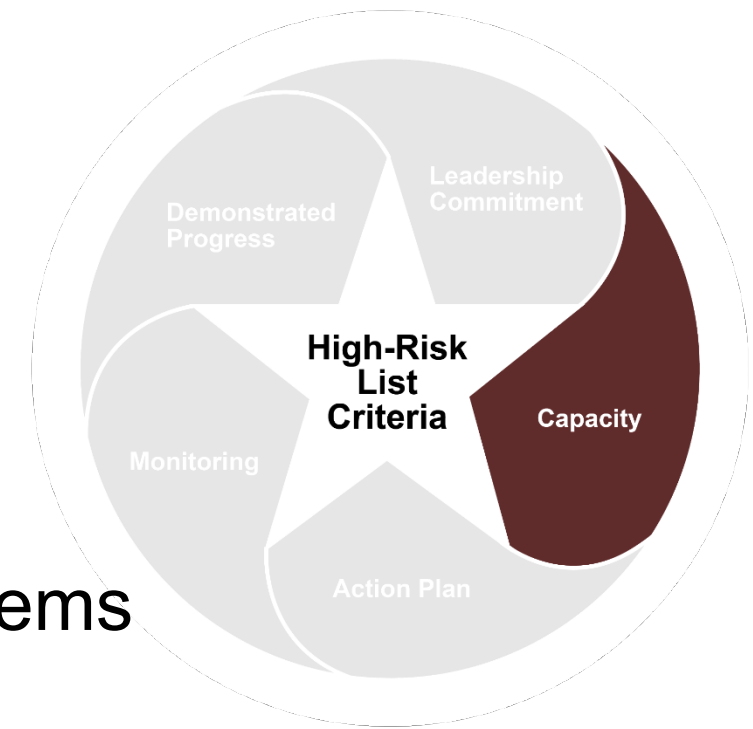


Criteria 1: Leadership Commitment

- Tone at the top
- Support for financial audits
- Continued and sustained focus (esp. internal controls and modernizing systems)



Criteria 2: Agency Capacity



- Shift from legacy financial management systems
- Direct hire authority
- Measures for tracking progress and costs
- Accuracy of financial reporting
- Tracking and implementing workforce efforts

Criteria 3: Action Plan

- Prioritization of audit remediation efforts
- Opportunities to strengthen action plans



Criteria 4: Monitoring Efforts

- Component roadmaps toward clean opinion
- Inconsistencies in roadmaps
- Performance metrics and measurable goals needed



Criteria 5: Demonstrated Progress

- Completed fourth entity-wide audit
- Material weaknesses remain
- Rate of remediation





Q&A



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