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General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-272663

January 31, 1997

The Honorable William S. Cohen
The Secretary of Defense

Dear Mr. Secretary:

The Government Performance and Results Act of 1993 (GPRA) (P. L. 103-62) requires agencies, including the Department of Defense (DOD), to clearly define their missions, set goals, link activities and resources to goals, measure performance, and report on their accomplishments. GPRA requires our office to report on the implementation of GPRA by federal agencies. As part of this governmentwide effort, we are reviewing DOD's implementation efforts. The purpose of this letter is to share with you some preliminary observations and to elicit your views on these observations. To that end, we would appreciate receiving a response from you or your designee to the questions at the end of this letter by February 28, 1997.

BACKGROUND

GPRA requires federal agencies to develop (1) strategic plans by September 30, 1997, (2) annual performance plans for fiscal year 1999 and beyond, and (3) annual performance reports beginning March 31, 2000. The act provides criteria for the information required in these plans and reports. For example, strategic plans must include information, such as mission statements and general goals and objectives that are oriented towards outcomes; performance plans must include measurable performance goals, where feasible, and the indicators for measuring performance; and performance reports must compare actual performance with performance goals and explain what needs to be done when goals are not met.

In crafting GPRA, Congress sought to fundamentally shift the focus of federal management and oversight from staffing and activity levels to outcomes or results of federal programs. The Senate and House reports on the GPRA legislation anticipated that GPRA would be institutionalized and practiced at all organizational levels throughout the federal government. Establishing clear

organizational hierarchies of goals and performance measures can help.¹ In its guidance on GPRA implementation, the Chief Financial Officers Council has advised agencies that to comply with the spirit and intent of GPRA, the goals and measures used at lower organizational levels should be linked with the agency's strategic goals.²

In making these linkages, organizations try to ensure that the goals and performance measures for each organizational level are tied to those at successive levels and ultimately to the organization's overall strategic goals. Several organizations implementing management reforms similar to GPRA have indicated that without clear, hierarchically linked goals and performance measures, managers and staff throughout the organization lack straightforward roadmaps showing how their work contributes to attaining organizationwide strategic goals. Moreover, organizations that are not achieving their goals might not know why these goals were not met and what changes are needed to improve performance. The Under Secretary of Defense (Comptroller) is the person responsible for overseeing the implementation of GPRA within DOD.

According to DOD officials, DOD plans to integrate GPRA into its Planning, Programming, and Budgeting System (PPBS). DOD officials assigned GPRA responsibilities in the areas of strategic planning, program analysis, program evaluation, and budgeting believe that strategic planning, goal setting, and performance measurement are accomplished through the PPBS. For example, although they did not provide us documentation, DOD officials told us that DOD (1) translates planning documents into planning and programming guidance that is published annually; (2) uses, during the normal course of the PPBS programming phase, performance measurement data to evaluate programs through which it will try to achieve its most critical goals, and (3) ensures, during the budgeting phase of the PPBS, that performance targets and plans are achievable within budgeted resources. In discussing their intent to integrate GPRA into PPBS, however, the officials also told us that DOD may need to make a better effort at linking its goals in a hierarchical structure.

The Senate's report on the GPRA legislation stated that past efforts at comprehensive management reform, such as PPBS, were less than satisfactory. Also, the Commission on Roles and Missions of the Armed Forces reported, in May 1995, that (1) the PPBS phases operate semi-autonomously rather than

¹Executive Guide Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 16, 1996)

²Implementation of the Government Performance and Results Act (GPRA), (Chief Financial Officers Council, GPRA Implementation Committee, May 1995). The Chief Financial Officers Council is comprised of the chief financial officers and deputy chief financial officers of the largest federal agencies and senior officials of the Office of Management and Budget and the Department of the Treasury. The Council's role is to improve financial management in the federal government.

supportively, (2) guidance to the services and other DOD components tends to lack specificity and be late, and (3) major program decisions are often delayed until the end of the budget development phase. The Commission recommended that the Secretary of Defense assign a high priority to restructuring the PPBS so that major issues are decided before the program and budget development processes begin.

SUMMARY OF OBSERVATIONS

The implementation of GPRA within DOD is in its initial stages and many implementation strategies and key approaches need to be developed. However, recognizing this, DOD has made progress at various organizational levels in implementing GPRA or strategic planning and performance measurement initiatives consistent with GPRA. At the department level, DOD has developed strategic goals and objectives and is refining a set of performance measures to meet the planning requirements of GPRA. Some subordinate DOD organizations, building on their experience as GPRA pilots, are developing or improving strategic planning and performance measurement systems; some other defense organizations are developing or improving such systems as well.

However, our work suggests and DOD officials agree that DOD's effectiveness in implementing the requirements of GPRA may be improved by better hierarchical linking of goals and performance measures. For example, we recently examined the degree to which DOD's logistics strategic plan provides an integrated logistics roadmap for the department to support its warfighting strategy. We found that while the services' strategic plans and initiatives generally support implementation of the DOD plan, their goals, objectives, and strategies are not always directly linked. DOD indicated that it will ensure that the next edition of the DOD Logistics Strategic Plan includes specific guidance to require the services to link their goals to DOD's. This is important because, without this goal alignment, DOD may have difficulty meeting its departmentwide logistics goals, which are to reduce logistics response time, develop a seamless logistics system, and streamline the logistics infrastructure.

Our recent work also found that DOD's strategic information resources planning effort does not appear to link its information resources management systems development with recent initiatives focusing on consolidating or privatizing various areas of logistics operations. If not linked, DOD could end up spending millions of dollars on systems designed to support functions that it might not plan to do or in organizations that might be eliminated. However, DOD stated that it is addressing these concerns by preparing a new logistics business systems strategy.

Our review of DOD's ongoing GPRA implementation efforts suggests that hierarchically linked goals and measures will be crucial for success. DOD must ensure the services implement GPRA at their level and provide goals that link

DOD's department strategic goals with those of lower level components. Some of the officials assigned GPRA liaison responsibilities told us they did not know what, if anything, they should be doing to promote GPRA principles within their organizations.

PROGRESS ACHIEVED IN IMPLEMENTING GPRA

Various organizational levels within DOD have made progress on strategic planning and developing performance measures--key elements of successful GPRA implementation. DOD has developed its agency level mission statement and GPRA strategic goals and objectives, which it calls "corporate" goals. DOD's mission statement and corporate goals were included in the current Defense Planning Guidance.

In addition, DOD has developed a preliminary set of performance measures for the corporate goals. However, DOD has stated that many of its outcomes are unmeasurable because it annually prepares for its mission--national security--unlike other agencies that execute their missions every year. Where it thought feasible, DOD developed proposed performance measures to gauge progress toward achieving its goals (for example, developing the average age of selected weapon systems for the goal of providing the best and most advanced weapons)

Where it did not think that meaningful, objective, and quantifiable performance measures were feasible, DOD developed a proposed set of descriptive statements of the characteristics of a successful program and quantitative progress indicators to use in evaluating whether progress is made in achieving its goals (for example, the goal of sustaining and adapting security alliances, enhancing coalition warfighting, and forging military relationships).³ Office of the Secretary of Defense (OSD) officials said that these goals, objectives, and proposed measures could be changed or further refined during Office of Management and Budget reviews of agencies' proposed strategic and performance plans, or during internal deliberations.

In addition to the overall agency-level effort, some subordinate DOD organizations, such as the Air Combat Command and the Defense Commissary Agency, which served as GPRA pilot projects for performance planning and reporting, are building on their pilot experiences in implementing GPRA in their

³The act allows agencies to use this alternative form of performance assessment provided they consult with the Office of Management and Budget (OMB). DOD is currently consulting with OMB to reach agreement on the performance measures and descriptive statements and indicators to be included in DOD's fiscal year 1999 annual performance plan

own organizations.⁴ Others, such as the Defense Information Systems Agency and the National Imagery and Mapping Agency (formerly the Defense Mapping Agency) are independently developing these processes under management reform initiatives independent of, but generally consistent with, GPRA.

Of the seven DOD GPRA pilots, five either planned to or had already developed, a hierarchy of performance goals. Officials from the Air Force's Air Combat Command told us that one of the lessons learned was the importance of having the command's vision, mission, goals, and objectives cascade from the top to the bottom of the organization to ensure the command was moving in the same direction. According to the command's officials, each of the lower-level units participating in the pilot built its own goals, objectives, and mission statement that were responsive to the command's goals, objectives, and mission statement. An official from the Defense Commissary Agency said that the agency adopted the Air Combat Command's model for its strategic planning approach. It developed five agency goals and then developed cascading goals for its regions and stores.

We also discussed performance-oriented management systems with selected agencies that are not participating in the GPRA pilot program. Some of these agencies—for example, the Defense Special Weapons Agency, the Defense Information Services Agency, and the National Imagery and Mapping Agency—also developed a hierarchy of goals with their subordinate units that were preparing business plans that supported their overall strategic goals and objectives. For example, the National Imagery and Mapping Agency holds monthly meetings with business unit leaders and headquarters staff assigned to monitor goal achievement for the purpose of determining the status of meeting annual goals and objectives outlined in its strategic plan.

THE NEXT STEP: ESTABLISHING A CORPORATE HIERARCHY OF GOALS AND MEASURES

The next critical step is for DOD to link its corporate goals with the goals of its components. These hierarchically linked goals are especially important at DOD because its components are often larger than other federal agencies. However, our work indicates that DOD has yet to require the direct linkage of components' goals to corporate goals.

⁴GPRA required OMB to designate pilot projects in performance measurement for fiscal years 1994, 1995, and 1996. Pilots were to undertake the preparation of performance plans and performance reports and to use a strategic plan when preparing performance plans during 1 or more years of the pilot period. There were seven DOD pilots: the Air Combat Command; the Army Audit Agency, the Army Research Laboratory, the Office of the Commander-in-Chief, Atlantic Fleet - Carrier Battle Group, the U.S. Corps of Engineers - Civil Works, the Defense Commissary Agency, and the Defense Logistics Agency.

For example, DOD-level planning for logistics and that of the services could be improved. As we reported in December 1996, DOD's Executive Steering Group, responsible for directing implementation of its logistics strategic plan, assessing progress, setting priorities, and developing plan updates, needs to focus on improving the services' logistics strategic plans to ensure that their individual goals and strategies link to DOD's plan.⁵ We found that the services' goals, objectives, and strategies could better support DOD's plan.

We also recently reported that many of the problems troubling DOD's information resources management system for logistics might have been prevented or limited had DOD employed a strategic information resources planning effort beforehand.⁶ Such planning would have more closely aligned information resources management goals with recent DOD initiatives focusing on consolidating or privatizing various areas of logistics operations. We pointed out that without such linkage, DOD may end up spending millions of dollars on systems for functions that may later be privatized or organizations that may later be eliminated.

Our work suggests that an absence of hierarchically linked goals and measures could affect other program areas as well. Although OSD established points of contact for GPRA implementation,⁷ according to DOD officials, OSD has not required the services and other DOD components to develop goals and performance measures in support of the DOD corporate goals beyond what may be developed as part of the PPBS. The points of contact for the services indicated that they were not issuing guidance to their subordinate units because they had no indication from OSD that GPRA requires anything other than department-level plans, goals and indicators. Officials from one of these subordinate units, however, expressed concerns that they will receive an "eleventh hour" call to implement GPRA that they will not be able to meet.

At a recent GPRA points of contact meeting, several officials said that they found DOD's corporate goals to be too broad for their organization to readily align their activities in support of those goals. These officials believed that establishing lower level goals (i.e., goals beneath those of the corporate level) would have more relevance for many subordinate level activities and would help them move toward implementing GPRA principles. They also indicated

⁵Logistics Planning: Opportunities for Enhancing DOD's Logistics Strategic Plan (GAO/NSIAD-97-28, Dec 18, 1996)

⁶Defense IRM: Critical Risks Facing New Materiel Management Strategy (GAO/AIMD-96-109, Sept 6, 1996).

⁷The Office of the Secretary of Defense, Office of the Comptroller, is responsible for overseeing implementation of GPRA within DOD. The Comptroller established a working group known as the DOD GPRA Points of Contact to serve as conduits for GPRA information between DOD and its respective organizations.

that (1) lower level goals should be developed where they do not currently exist and (2) in cases where they already exist, they should be clearly identified as lower level goals that support DOD's corporate goals. Otherwise, subordinate organizational levels may not use them.

During our fieldwork, officials from the Atlantic Fleet GPRA pilot agreed that the Fleet's goals were only remotely connected to one of DOD's corporate goals--to provide a flexible, ready military structure. One official added that he created subgoals based on his impressions of what might fill the void when he attempted to link the Fleet's performance goals and measures with DOD's corporate goals.

QUESTIONS

To help facilitate our legislative oversight responsibilities and in light of our observations, we would appreciate your response to the following questions:

- What specific guidance do you plan to issue to the Secretaries of the Army, the Navy, and the Air Force and directors of defense agencies on how to link the services' and agencies' goals and budgets to DOD's GPRA corporate goals and when do you plan to issue it?
- If you do not plan to issue guidance, how will you ensure that services' and agencies' goals and budgets are linked to DOD's GPRA corporate goals?
- How do you intend for the Under Secretary of Defense (Comptroller)--the person responsible for overseeing the implementation of GPRA in DOD--to monitor and assist subordinate DOD organizations in developing goals and performance measures that support those of the next higher level within DOD?
- How do you intend to use GPRA goals and performance measures in the development of budget requests on behalf of subordinate organizations?
- Where goals and measures already exist at some lower organizational levels, how do you intend for the Under Secretary of Defense (Comptroller) to ensure that they are identified and adjusted, as necessary, to conform with this hierarchy?

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We look forward to working with the Department as it proceeds with its implementation of GPRA. We are sending copies of the letter to the congressional committees of jurisdiction; the Secretaries of the Army, Navy, and

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Air Force; and the Director of DLA. Your response to our inquiry will also be provided the same congressional distribution. If you or your designee have any questions, please contact Ken Knouse, at (202) 512-9280, or Chris Mihm, at (202) 512-3236.

Sincerely yours,


David R. Warren
Director, Defense Management Issues


L. Nye Stevens
Director, Federal Management
and Workforce Issue

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