

December 13, 2005



Financial Management

DoD Compliance with the
Government Performance and
Results Act of 1993
(D-2006-038)

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Acronyms

GAO	Government Accountability Office
GPRA	Government Performance and Results Act of 1993
OMB	Office of Management and Budget
NDAA	National Defense Authorization Act
QDR	Quadrennial Defense Review
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR POLICY

SUBJECT: Report on DoD Compliance with the Government Performance and Results Act of 1993 (Report No. D-2006-038)

We are providing this report for your information and use. The Under Secretary of Defense for Policy did not respond to a draft of this report; however, we considered the DoD official coordinated response from the Director for Administration and Management when preparing the final report. The complete text of the comments is in the Management Comments section of the report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. DoD nonconcurred with the finding and recommendation. As a result of management comments, we revised the Recommendation to the Under Secretary of Defense for Policy. We do not request additional comments because we intend to announce a subsequent audit after DoD issues a new strategic plan in February 2006. This audit will follow-up with the deficiencies identified in the report.

Questions should be directed to Mr. Marvin L. Peek at (703) 325-5777 or Mr. David Ramseyer at (703) 325-6120. See Appendix C for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the printed name.

Paul J. Granetto, CPA
Assistant Inspector General
Defense Financial Auditing Service

Department of Defense Office of Inspector General

Report No. D-2006-038

December 13, 2005

(Project No. D2005-D000FA-0143)

DoD Compliance with the Government Performance and Results Act of 1993

Executive Summary

Who Should Read This Report and Why? DoD officials and staff responsible for strategic and performance planning and reporting should read this report to better understand the specific purposes and unique requirements of strategic planning under Public Law 103-62, "Government Performance Results Act of 1993" (GPRA), January 5, 1993.

Background. Congress enacted GPRA to provide for the establishment of strategic planning and performance measurement in the Federal Government. Strategic plans, annual performance plans, and annual program performance reports comprise the main elements of GPRA. Together, these elements create a recurring cycle of planning, program execution, and reporting.

DoD designated its 2001 Quadrennial Defense Review report to serve as its overall strategic planning document required by GPRA. The purpose of the Quadrennial Defense Review is to determine and express the defense strategy of the United States consistent with the most recent National Security Strategy. To this end, DoD is required to conduct a comprehensive, internal examination of the defense strategy and its implications for force structure, modernization, infrastructure, and budget. At the conclusion of the review, the Secretary of Defense is required to submit a report to Congress.

Results. GPRA requires Government agencies to prepare strategic plans that incorporate specific information. DoD designated the Quadrennial Defense Review report to be its strategic plan without consideration of GPRA requirements. Specifically, the 2001 Quadrennial Defense Review report did not:

- cover all of the major functions and operations of DoD,
- include coordination with Congress and views of stakeholders,
- identify cross-agency programs and the commensurate goals that DoD is responsible for,
- include a mission statement that defined the basic purpose of DoD,
- include goals and objectives that allowed for direction and measurement,
- discuss the means and strategies to be used to meet goals and objectives,

-
- identify key external factors that could prevent achievement of goals, and
 - identify the use of program evaluations in developing the report.

The Quadrennial Defense Review report did not comply with GPRA because the report was prepared to satisfy the specific legislative requirements for a Quadrennial Defense Review rather than those of GPRA. Although a separate GPRA strategic plan would be the most effective way to satisfy the requirements of GPRA, incorporating the DoD Strategic Plan into the QDR report is acceptable if DoD satisfies the requirements of GPRA and OMB Circular A-11. Because the GPRA strategic plan did not contain all the required data, DoD senior officials lacked the information necessary to improve the efficiency and effectiveness of all DoD programs. Additionally, DoD was unable to provide the President, Office of Management and Budget, and Congress with sufficient information for measuring performance, making spending decisions, and overseeing all DoD programs. (See the Finding section of the report for the recommendation.)

Management Comments. We issued a draft of this report on September 19, 2005. The Under Secretary of Defense for Policy did not respond to the draft of this report. However, the Directorate for Administration and Management provided official DoD coordinated comments. DoD nonconcurred with the finding and recommendation. We do not agree with DoD that the Quadrennial Defense Review report satisfies the legislative requirements for a GPRA strategic plan. We do not request additional comments because we intend to announce a subsequent audit which will follow-up with the deficiencies identified in the report. We agree that the Quadrennial Defense Review report can be used as the DoD GPRA strategic plan, but the report should fulfill the legislative requirements of GPRA and subsequent implementation guidance in Office of Management and Budget Circular A-11. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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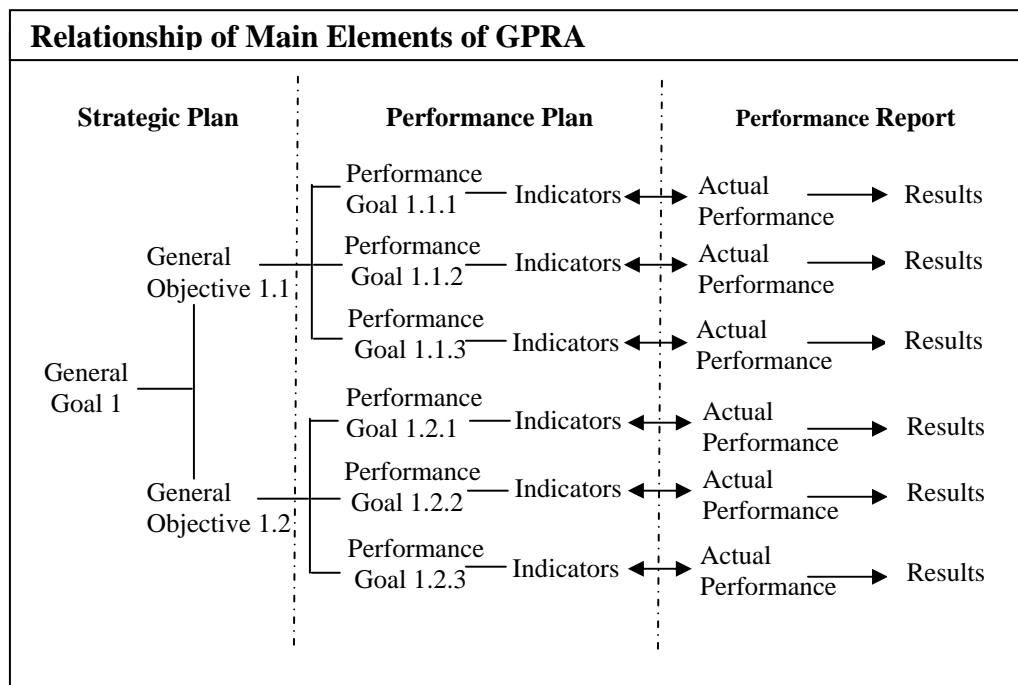
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Background

Congress enacted the Government Performance and Results Act of 1993 (GPRA) to provide for the establishment of strategic planning and performance measurement in the Federal Government. Specifically, Congress enacted GPRA to improve:

- confidence of the American people in the Federal Government,
- program performance and public accountability,
- service delivery by managers,
- Congressional decision making, and
- internal management of the Federal Government.

Strategic plans, annual performance plans, and annual program performance reports comprise the required elements of GPRA. Together, these elements create a recurring cycle of planning, program execution, and reporting. The figure below illustrates the specific relationship between the main elements of GPRA.



The strategic plan provides the framework for implementing all other parts of GPRA (for example, annual performance plans and annual program performance reports) and sets out a course of action and accomplishment over the long term. The strategic planning requirements of GPRA, as codified in section 306, title 5 United States Code (5 U.S.C. 306) require DoD to submit an updated and revised

strategic plan for program activities every 4 years. Strategic plans contain general goals and objectives (see figure on previous page). General goals define how an agency will carry out its mission over a period of time. General objectives are paired with a general goal and can be used to help assess whether the general goal was (or is being) achieved. An objective usually describes a more specific level of achievement than a general goal.

Complementing the strategic plan is the annual performance plan, which sets goals with measurable target levels of performance. The general goals and objectives in the strategic plan set the framework for developing annual performance plans (see figure on previous page). The annual program performance report compares actual performance to the annual goals using the indicators established in the annual performance plan. Together, the annual performance plan and program performance report define a course to improve the performance of Government programs and operations, and the basis for the Federal Government to manage results.

Office of Management and Budget (OMB) Circular A-11, Part 2, "Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports," provides implementation guidance for the requirements of GPRA.¹ Specifically, OMB Circular A-11 provides submission schedules, definitions of key terms used in GPRA, and instructions for preparing and submitting strategic plans, performance plans, and performance reports.

Objectives

Our overall audit objective was to determine whether DoD complied with the Government Performance and Results Act of 1993 and subsequent implementation guidance. The announced audit objective was to assess whether the DoD Strategic Plans, Performance Plans, and Performance Reports for FY 2004 and FY 2005 comply with the requirements of GPRA and subsequent implementation guidance. However, based on the deficiencies we found in the DoD Strategic Plan, we did not perform a detailed review of DoD Performance Plans and Performance Reports. See Appendix A for a discussion of the scope and methodology.

¹OMB updates Circular A-11 annually. References to OMB Circular A-11 in this report refer to the July 2001 update, which was in effect for the 2001 DoD Strategic Plan. Part 6 of subsequent updates of Circular A-11 provides guidance for preparation and submission of strategic plans, annual performance plans, and annual program performance reports.

DoD Strategic Plan Compliance with the Government Performance and Results Act of 1993

DoD used its 2001 Quadrennial Defense Review (QDR) report to serve as its overall strategic planning document required by GPRA. However, the QDR report did not comply with GPRA because the QDR report was prepared to satisfy only the specific legislative reporting requirements for a QDR. As a result, DoD senior officials lacked the information necessary to improve the efficiency and effectiveness of all DoD programs. Additionally, DoD was unable to provide the President, Congress, and OMB with sufficient information for measuring performance, making spending decisions, and overseeing all DoD programs.

DoD Strategic Plan

DoD uses its QDR report to serve as its overall strategic planning document required by GPRA.² Appendix A of the 2001 QDR report identifies the specific sections of the QDR report that DoD has determined fulfill the requirements of GPRA for strategic plans.

Public Law 106-65, “National Defense Authorization Act [NDAA] for FY 2000,” October 5, 1999, as amended and codified in 10 U.S.C. 118, requires DoD to conduct a QDR. The QDR is a comprehensive internal examination of specific elements of the defense program and policies of the United States, conducted every 4 years, with a view toward determining and establishing the defense strategy for the next 20 years.

The NDAA for FY 2000 required DoD to submit the report on the 2001 QDR to the Senate and House Committees by September 30, 2001. Subsequent QDR reports are due no later than the submission of the President’s budget in February of the year following the QDR, which happens to be the second year of the President’s term in office.

² DoD identifies the QDR report as its overall strategic planning document required by GPRA. Accordingly, references in this report to the DoD Strategic Plan refer to the QDR report.

DoD Compliance with GPRA Strategic Planning Requirements

In developing and updating a strategic plan, GPRA and OMB Circular A-11 require agencies to take specific actions and address specific elements. The 2001 DoD Strategic Plan did not comply with the GPRA and OMB strategic plan requirements as summarized below. See Appendix B for a more detailed discussion on the 2001 DoD Strategic Plan's noncompliance with GPRA and OMB requirements for strategic plans.

Major Functions and Operations. Agency strategic plans should cover the major functions and operations of the agency.

DoD Compliance. The DoD Strategic Plan covered only the Military functions and operations of DoD, excluding, for example, significant civilian and management support activities.

Congressional Coordination and View of Stakeholders. When developing and updating strategic plans, agencies should coordinate with the appropriate committees of the Senate and House of Representatives, other executive branch agencies, and key stakeholders.

DoD Compliance. DoD did not solicit and incorporate the views of key stakeholders in updating its strategic plan.

Cross-Agency Programs. Strategic plans should identify programs and activities that an agency shares responsibility with other agencies. Strategic plans should also specify the goals and objectives of the shared programs that the reporting agency is responsible for accomplishing.

DoD Compliance. The DoD Strategic Plan did not include a discussion of programs and activities that DoD participated in with other agencies or the related goals and objectives.

Mission Statement. Strategic plans should contain a comprehensive mission statement covering the major functions and operations of the agency.

DoD Compliance. The DoD Strategic Plan did not contain a comprehensive mission statement that complied with implementation guidance in OMB Circular A-11. In addition, the existing mission statement was not easily identifiable in the plan.

Goals and Objectives. Agencies should include sufficiently precise goals and objectives in their strategic plans to direct and guide agency staff and to allow for future assessment.

DoD Compliance. The general goals in the DoD Strategic Plan were limited to a bulleted list without sufficient discussion to allow for direction and guidance of DoD staff. In addition, assessment of future achievement of the goals and objectives would be challenging.

Means and Strategies. Agency strategic plans should describe the processes, skills, technologies, and various resources, commonly called means and strategies, that it will use to achieve the general goals and objectives identified in the plan.

DoD Compliance. The DoD Strategic Plan did not identify the means and strategies it will use to specifically achieve the goals and objectives discussed in the plan. Without means and strategies clearly aligned to the goals and objectives in the plan, DoD programs and activities could risk inadequate funding resources.

Relationship with Performance Plan. Agencies should note the specific link between the general goals in their strategic plan and the performance goals in their annual performance plan.

DoD Compliance. The DoD Strategic Plan did not discuss the specific relationship of the general goals with the performance goals. Without this link, Congress and DoD officials will not be able to accurately judge whether DoD is making progress toward achieving its long-term, general goals in the strategic plan.

Key External Factors. Agency strategic plans should identify those key factors, external to the agency that could significantly affect the achievement of the general goals and objectives in the plan. In addition, the strategic plans should discuss how achievement of the goals could be directly and significantly affected by the factors.

DoD Compliance. DoD did not specifically identify key external factors that could significantly affect achievement of the goals identified in the DoD Strategic Plan. In addition, DoD did not describe how goal achievement could be affected. Because external factors can invalidate assumptions that DoD initially used to develop its goals, information on these factors can be useful in setting goals and for explaining results, especially if goals are unmet, in the annual performance plans.

Program Evaluations. The strategic plan should identify results of program evaluations used to develop the plan. In addition, agencies are required to include a schedule of program evaluations that will be completed during the coverage of the strategic plan.

DoD Compliance. The DoD Strategic Plan did not identify the program evaluations that DoD used to develop the plan or a schedule for future evaluations.

Government Accountability Office Review of Strategic Plans

In 1997, Congress requested that the Government Accountability Office (GAO) conduct a review of draft strategic plans submitted by Cabinet departments and

selected agencies.³ Many of the deficiencies identified by GAO in the draft 1997 QDR report, as the DoD strategic plan, continued to exist in the 2001 QDR report. The GAO review of draft strategic plans of cabinet departments revealed that the DoD was the only agency that used an existing planning document to meet another requirement to fulfill its GPRA strategic plan requirements. Other agencies prepared documents specifically to meet the requirements of GPRA. In response to GAO's findings, DoD officials agreed that the DoD Strategic Plan could be improved in some respects. In addition, DoD officials explained that as the DoD planning processes moves forward, DoD would consider the suggestions made by GAO.

Quadrennial Defense Review Report as the DoD Strategic Plan

The noncompliance with GPRA occurred because the QDR report was prepared to satisfy the specific legislative reporting requirements for a QDR without consideration of GPRA requirements. Specifically, the QDR report was prepared to satisfy the reporting requirements of the NDAA for FY 2000, as amended and codified in 10 U.S.C. 118, and was subsequently designated as the DoD Strategic Plan.

Quadrennial Defense Review. According to the NDAA for FY 2000, the purpose of the QDR is to determine and express the defense strategy of the United States consistent with the most recent National Security Strategy. To this end, the Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, is required to conduct a comprehensive, internal examination of the defense strategy and its implications for force structure, modernization, infrastructure, and budget. The NDAA for FY 2000 also required DoD to address 13 specific issues, such as assumptions used in the review and manpower and sustainment policies required under the national defense strategy. At the conclusion of each QDR, the Secretary of Defense is required to submit a report to the Committees on Armed Services of the Senate and House, which includes the results of the review and a comprehensive discussion of the national defense strategy of the United States.

Government Performance and Results Act. Conversely, the purpose of GPRA is to improve the performance of Government programs and provide a basis for the Federal Government to manage results. In this context, the strategic plan under GPRA lays the foundation for implementing all other GPRA requirements and establishes a course of action and accomplishment over the long term. By forging a strong link between resources and performance, these plans and reports should show what is being accomplished with money that is spent. Accountability for the levels of performance actually achieved is another key feature of GPRA.

The requirements for a strategic plan in GPRA and for the QDR report have distinctly different legislative purposes that prevent the QDR report from serving as the DoD Strategic Plan as required by GPRA. As the QDR report is currently

³ GAO/NSIAD -97-219R, "The Results Act: Observations on DoD's Draft Strategic Plan," August 5, 1997.

developed, a separate document would be more effective in meeting the requirements of GPRA and OMB Circular A-11; however, DoD could use the QDR results as input for a separate GPRA strategic plan. Such a plan would sufficiently provide the information required for key stakeholders to accurately measure performance, perform effective program oversight, and make informative spending decisions regarding DoD programs.

2005 DoD Strategic Plan

The strategic plan requirements of GPRA, as amended and codified in 5 U.S.C. 306, require DoD to update and revise the strategic plan no later than four years from the date of the previous strategic plan. Because DoD issued the 2001 DoD Strategic Plan on September 30, 2001, it is required to issue a revised and updated strategic plan by September 30, 2005. However, QDR legislation, as codified in 10 U.S.C. 118, allows DoD to issue the QDR report no later than the first Monday in February, the date on which the President submits the budget to Congress for the next fiscal year, February 2006. Accordingly, if the 2005 QDR report is designated as the DoD updated Strategic Plan, it will not meet the update period required by GPRA.

We are issuing this report to provide DoD management with timely information for the 2005 DoD Strategic Plan. If left uncorrected, the deficiencies identified in the 2001 DoD Strategic Plan (which also existed in the 1997 Strategic Plan) will adversely affect the 2005 Strategic Plan. Specifically, the 2005 Strategic Plan will not comply with the requirements of GPRA and OMB Circular A-11, and related performance plans and reports based on the plan will provide the President, OMB, Congress, and DoD officials insufficient performance information for the next 4 years.

Conclusion

As a result of the DoD 2001 Strategic Plan's noncompliance with GPRA and OMB Circular A-11, DoD senior officials lacked the information necessary to improve the efficiency and effectiveness of DoD programs. In addition, the 2001 DoD Strategic Plan did not provide sufficient information to the President, OMB, and Congress for measuring performance, making spending decisions, and overseeing DoD programs because the 2001 Strategic Plan did not comply with GPRA.

The annual DoD Performance Plans and Program Performance Reports will inherently not comply with the commensurate requirements of GPRA and OMB Circular A-11 until DoD corrects the deficiencies in the DoD Strategic Plan. The strategic plan required by GPRA provides the framework for implementing all other parts of GPRA and sets out a course of action and accomplishment over the long term. Accordingly, DoD will continue to provide key stakeholders with insufficient performance information for DoD programs and activities.

Management Comments on the Finding and Audit Response

The Directorate for Administration and Management provided DoD official coordinated comments on the finding. For the full text of Directorate of Administration and Management comments, see the Management Comments section of the report.

Management Comments. The DoD coordinated comments state that the draft report improperly concludes that DoD is noncompliant with the requirements of GPRA.

Audit Response. Based on the deficiencies we found in the DoD Strategic Plan, we did not perform a detailed review of DoD compliance with all parts of GPRA. Accordingly, the report only concluded that the 2001 QDR report did not comply with GPRA.

Management Comments. Management comments stated that the report's conclusion fails to acknowledge DoD interactions with OMB on the interpretation of GPRA guidance in OMB Circular A-11 and the efforts with stakeholders on how to best implement GPRA within DoD.

Audit Response. The Director for Force Planning and QDR Support, in the Office of the Under Secretary of Defense for Policy, explained that the QDR is an internal examination of defense programs and policies; therefore, coordination outside of DoD is not a part of the QDR process.

Management Comments. Management comments stated that DoD has annually submitted the complementary GPRA performance plans and reports to provide the leadership with the tools to support performance-based decision making.

Audit Response. Annual GPRA performance plans and reports are an execution and reporting of, not a complement to, the strategic plan. As a result, deficiencies in the DoD Strategic Plan cause the annual DoD Performance Plans and Program Performance Reports to inherently provide insufficient program performance information.

Management Comments. Management comments state that the report improperly concludes that the QDR was used to satisfy the legislative requirements for the QDR rather than those of GPRA. Management explained that the DoD approach has always been that the QDR satisfies both the legislative requirement for a review of the defense strategy and the requirement for a GPRA strategic plan.

Audit Response. The Director for Force Planning and QDR Support explained that GPRA requirements were not considered during the development of the QDR report. Instead, the QDR report is developed to meet the reporting requirements of QDR legislation as implemented in the "Terms of Reference" for the QDR; neither the legislation nor the "Terms of Reference" incorporate GPRA Strategic Plan requirements.

Recommendation, Management Comments, and Audit Response

Revised Recommendation. As a result of management comments, we revised the draft recommendation to clarify our intentions for DoD to comply with the requirements for GPRA strategic plan.

We recommend that the Under Secretary of Defense for Policy develop a strategic plan (either in a separate document or using the Quadrennial Defense Review report) which follows the requirements of the Government Performance and Results Act of 1993 and subsequent implementation guidance in Office of Management and Budget Circular A-11.

Management Comments. Management did not concur with the draft recommendation. DoD believes that the use of the QDR as a vehicle for transmitting the DoD Strategic Plan is consistent with the intent of Congress. However, management acknowledges that the draft report provided useful insights into areas where they can further improve the 2005 QDR report. Management also acknowledges that there are opportunities to improve the linkage between the DoD Strategic Plan, Performance Plans, and Performance Reports to increase transparency and improve performance management.

Audit Response. Although it is our position that a separate GPRA strategic plan would best correct the deficiencies identified in the report, we agree with management that the QDR could be an appropriate vehicle for transmitting the DoD Strategic Plan. However, the QDR report would have to fulfill the legislative requirements and implementation guidance for both a QDR report and a GPRA strategic plan. Management did not demonstrate how it intends to satisfy the specific deficiencies we addressed in our report because management believes that the 2001 QDR report complies with the requirements for a GPRA strategic plan. We do not request additional comments because we intend to announce a subsequent audit which will review the new strategic plan which is scheduled to be published by the end of February 2006. This planned audit will follow-up with the deficiencies identified in the report.

Appendix A. Scope and Methodology

We reviewed the Department of Defense “Quadrennial Defense Review Report,” September 30, 2001, for compliance with Public Law 103-62, “Government Performance and Results Act of 1993,” January 5, 1993, as codified in 5 U.S.C. 306. We also reviewed the QDR report for compliance with implementation guidance provided in OMB Circular A-11, Part 2, “Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Performance Reports, July 2001. Furthermore, we examined Public Law 106-65, “National Defense Authorization Act for FY 2000,” October 5, 1999, as codified and amended in 10 U.S.C. 118 and Public Law 107-314, “Bob Stump National Defense Authorization Act for FY 2003,” December 2, 2002, as codified and amended in 10 U.S.C. 118.

The scope of the audit was limited in that we did not review the management control program. In addition, we did not review the related annual performance plans and performance reports, which were originally announced as objectives, because the deficiencies identified in the 2001 QDR report as the DoD Strategic Plan were of such a pervasive nature. We limited our audit to review only the DoD Strategic Plan for compliance with GPRA and OMB Circular A-11 so that we could provide timely information to DoD.

We interviewed personnel responsible for formulating policy for the QDR at the Office of the Under Secretary of Defense for Policy, specifically the Force Planning and QDR Support Team. We also coordinated with personnel at the Offices of the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Director, Program Analysis & Evaluation.

This audit was performed from March 2005 through August 2005 in accordance with generally accepted government auditing standards for performance audits.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Financial Management high-risk area.

Prior Coverage

No prior coverage has been conducted on DoD compliance with the Government Performance and Results Act of 1993, during the last 5 years.

Appendix B. Required Elements of a Strategic Plan

The following discusses the required elements of a strategic plan, as specifically described in GPRA, with implementation guidance from OMB Circular A-11, and the deficiencies in the 2001 DoD Strategic Plan.

Major Functions and Operations. OMB Circular A-11 requires agency strategic plans to cover the major functions and operations of the agency. Performance goals and indicators in the annual performance plan are required to cover every program activity in the Program and Financing Schedules in the Budget Appendix. Accordingly, a strategic plan should cover the program activities included in the Program and Financing Schedule in the Budget Appendix because the general goals and objectives are the basis for the performance goals and indicators in the annual performance plan.

DoD Compliance. The 2001 DoD Strategic Plan covered only the Military functions and operations of DoD; excluding, for example, significant civilian and management support activities. In addition to Army, Navy, and Air Force (Military functions), the 2001 DoD Budget identified numerous program activities that were not covered in the 2001 DoD Strategic Plan. For example, the following list illustrates activities in the 2001 DoD Operations and Maintenance Budget that were not covered in the DoD Strategic Plan:

- defense health programs;
- drug interdiction and counterdrug activities;
- overseas humanitarian, disaster, and civic aid;
- depot maintenance;
- environmental programs;
- management headquarters; and
- training and education.

Congressional Coordination and View of Stakeholders. During the development of an agency's strategic plan, the agency is required to consult with relevant Congressional committees, coordinate with other executive agencies as appropriate, and to solicit and incorporate views of key stakeholders.

DoD Compliance. The QDR is an internal examination of defense programs and policies; therefore, coordination outside of DoD is not a part of the QDR. The NDAA for FY 2000 and the Secretary of Defense determined the subject areas for review during the 2001 QDR and disseminated the areas for review to seven internal integrated project

teams through the “Terms of Reference.” The review results to be included in the QDR were determined by an internal executive working group, which was led by a special assistant to the Secretary of Defense and included the head of each of the project teams, and an internal senior-level review group, which consisted of the Secretary of Defense, the secretaries of the Military Services, the Joint Chiefs of Staff, the Under Secretaries of Defense, and the special assistant to the Secretary of Defense.

Cross-Agency Programs. Agencies are required to coordinate with other executive agencies, as appropriate, to identify any cross-agency functions, programs, or activities that should be discussed in the strategic plan. In such instances, agencies may have a shared responsibility for defining and achieving general goals and objectives in these cross-agency areas.

DoD Compliance. The 2001 DoD Strategic Plan did not identify any cross-agency functions, programs, or activities in which DoD was involved or for which it would be responsible for defining and achieving general goals and objectives. However, other agencies’ strategic plans identified DoD as participating in cross-agency programs. For example, the Department of Treasury Strategic Plan identifies DoD as a partner in “preserving the integrity of financial systems” and “managing the Government’s finances effectively.” In addition, the Department of Commerce reports that DoD (specifically the Air Force) assists its International Trade Administration with industry expertise for trade events involving aircraft sales. The 2001 DoD Strategic Plan did not identify the above cross-agency activities with the Department of Treasury or the Department of Commerce.

Mission Statement. GPRA and OMB Circular A-11, Section 2, require agency strategic plans to contain a comprehensive mission statement. The mission statement should be brief, defining the purpose of the agency, with particular focus on core programs and activities.

DoD Compliance. The mission statement as identified in the 2001 DoD Strategic Plan does not comply with the requirements of GPRA as implemented by OMB Circular A-11. The mission statement in the DoD Strategic Plan is:

The mission of the United States Armed Forces is to defend the United States; deter aggression and coercion forward in critical regions; swiftly defeat aggression in overlapping major conflicts while preserving for the President the option to call for a decisive victory in one of the conflicts—including the possibility of regime change or occupation; and conduct a limited number of smaller-scale contingency operations.

The mission statement above only addresses the U.S. Armed Forces. However, Congress established the Department of Defense to provide a comprehensive program for the future security of the United States and

integrate the administrative functions of the armed forces. In addition to military and national security functions, the purpose of DoD as codified in 50 U.S.C. 401 also provides for:

- establishment of integrated policies and procedures for the departments, agencies, and functions of the Government relating to the national security;
- eliminating unnecessary duplication, particularly in the field of research and engineering by vesting overall direction and control in the Secretary of Defense; and
- more effective, efficient, and economical administration.

Because the purpose of DoD is defined in statute, the mission statement in the strategic plan should be consistent with that purpose. The DoD Strategic Plan mission statement does not cover the functions identified above, which are among the purposes of DoD as codified in 50 U.S.C. 401.

In addition to the deficiencies identified above, the mission statement in the DoD Strategic Plan was not easily identifiable, and the strategic plan provided contradictory references to the DoD mission statement. Appendix A to the QDR report stated, “Section III, ‘Defense Strategy,’ gives the Department’s comprehensive mission statement.” However, Section III is titled “Paradigm Shift in Force Planning,” and “Defense Strategy” is found in Section II. Accordingly, the average reader of the 2001 DoD Strategic Plan would be misdirected and might not accurately identify the DoD mission statement.

Goals and Objectives. According to GPRA and OMB Circular A-11, agency strategic plans should contain one or more general goals and objectives. The general goals and objectives, which should elaborate on how the agency is carrying out its mission, often are outcome-type goals. The general goals and objectives should be sufficiently precise to direct and guide agency staff toward actions that fulfill its mission. Agencies should state general goals and objectives in a manner that allows for future determination of whether the goals were (or are being) achieved. In addition, the general goals and objectives should outline planned accomplishments and the schedule for completing them.

DoD Compliance. The 2001 DoD Strategic Plan differentiates between general goals and Defense Policy Goals. The general goals, as identified by Appendix A of the plan, are found under the section heading, “U.S. Interests and Objectives,” and are each accompanied by objectives. However, the goals and ancillary discussion are not precise enough to direct and guide DoD staff and to allow for future assessment of accomplishments, as required by OMB Circular A-11. The Defense Policy Goals are found in the 2001 DoD Strategic Plan under Section II, “Defense Strategy,” and are accompanied by sufficient discussion to direct and guide DoD staff; however, the policy goals did not include objectives as required by OMB, which assist in determining whether the goals are

being met. In addition, the general goals and objectives did not outline planned accomplishments or include a schedule for completing them.

Means and Strategies. Agency strategic plans are required to describe the processes, skills, technologies, and various resources that the agency will use to achieve the general goals and objectives (means and strategies). In addition, OMB Circular A-11 requires strategic plans to include:

- schedules for initiating or completing significant actions, and any underlying assumptions or projections;
- a brief description of steps being taken to resolve mission-critical management problems; and
- an outline of the process for communicating goals and objectives throughout the agency, and for assigning accountability to managers and staff for achievement of objectives.

DoD Compliance. The 2001 DoD Strategic Plan did not discuss the means and strategy that DoD would use to achieve the general goals and objectives included in the plan consistently and adequately. Conversely, the strategic plan included a general discussion on resources needed and strategies to transform DoD; however, the discussions were not aligned to goals identified in the plan. In addition, the 2001 DoD Strategic Plan did not include schedules for significant actions, steps DoD is taking to address management problems, and an outline of communicating and assigning accountability for goals and objectives.

Relationship with Performance Plan. GPRA and OMB Circular A-11 require agencies to note the specific link between general goals and objectives in the strategic plans and performance goals and indicators in the annual performance plans. Specifically, a strategic plan should briefly outline the type, nature, and scope of the performance goals being included in annual performance plans. In addition, the strategic plan should describe how the performance goals relate to the strategic goals and how the performance goals are used to determine strategic goal achievement.

DoD Compliance. The 2001 DoD Strategic Plan did not identify the relationship between the performance goals included in the annual performance plan and the general goals in the plan. Appendix A to the 2001 Strategic Plan merely states that the risk framework identified in the plan will be used as the framework for the goals in the DoD Performance Plans. However, this statement fails to specify the link between the general goals in the 2001 DoD Strategic Plan with the performance goals in the annual performance plans.

Key External Factors. Key factors are often called external factors because they are introduced by external forces or parties and are not of the agency's own making. The factors may be economic, demographic, social, or environmental, and they may remain stable, change within predicted rates, or vary to an unexpected degree. Achievement of goals can also depend on the action of

Congress, other Federal agencies, States, local governments, or other non-Federal entities. According to GPRA and OMB Circular A-11, agencies are required to identify those factors beyond their control that could prevent the agency from achieving the general goals and objectives in the strategic plan. If agencies cannot identify key factors, a statement of such should be included in the strategic plan.

DoD Compliance. As with the means and strategies, DoD identifies broad external factors that could adversely affect DoD as a whole, but does not identify external factors that could affect the achievement of the general goals included in the 2001 DoD Strategic Plan. OMB Circular A-11 also requires DoD to discuss the effect of being unable to achieve certain goals because of factors beyond its control. Such discussion was not included in the strategic plan.

Program Evaluations. Agencies are required to identify the results of program evaluations used to develop their strategic plans within the plan. In addition, OMB Circular A-11 requires agencies to include a schedule of program evaluations that will be completed during the coverage of the strategic plan. If program evaluations are not scheduled to be completed during the coverage of the plan, agencies are required to state such in the strategic plan.

Program evaluations are a potentially critical source of information for Congress and others in ensuring the validity and reasonableness of goals and strategies, as well as for identifying factors likely to affect performance. Such information can also be useful in explaining the results in the agency's annual performance reports including, when applicable, the reasons annual performance goals were not met and identifying appropriate strategies to meet unmet goals.

DoD Compliance. The DoD Strategic Plan did not identify program evaluations used or a schedule for future evaluations. In addition, DoD did not include a statement that program evaluations were not used in developing the plan or that future program evaluations (during the period covered by the plan) will not be conducted.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Policy
Deputy Assistant Secretary of Defense for Plans and Resources
Director, Administration and Management
Director, Program Analysis and Evaluation

Joint Staff

Director, Joint Staff

Department of the Navy

Auditor General, Department of the Navy

Department of the Army

Auditor General, Department of the Army

Department of the Air Force

Auditor General, Department of the Air Force

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member (cont'd)

House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

DoD Coordinated Comments

Final Report
Reference



ADMINISTRATION AND
MANAGEMENT

OFFICE OF THE SECRETARY OF DEFENSE
1950 DEFENSE PENTAGON
WASHINGTON, DC 20301-1950

01 DEC 2005

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Response to DoD IG Draft Proposed Report "DoD Compliance with the Government Performance and Results Act of 1993," Project No. D2005-D000FA-0143, dated September 19, 2005

Thank you for the opportunity to review and comment on the draft proposed report. Consistent with our conversation of November 17, 2005, I am forwarding the Department's official coordinated response on the proposed report, subject as above.

Since 1997, the first year the Department was required to submit a strategic plan under the Government Performance and Results Act (GPRA), the Department of Defense has consistently held that the Quadrennial Defense Review (QDR) is the Department's strategic plan and that it fulfills the strategic plan requirement of the GPRA. The Department remains committed to having the QDR serve as the strategic planning document in compliance with the GPRA, and we respectfully disagree with the report's recommendation that the Department develop a separate strategic planning document in order to comply with GPRA.

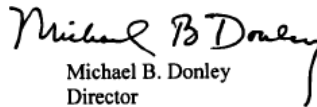
The draft proposed report improperly concludes that the Department of Defense is not in compliance with the requirements of the GPRA. This conclusion fails to acknowledge the Department's deliberate interactions with the Office of Management and Budget (OMB) since 1997 on the interpretation of the GPRA guidance in OMB Circular A-11 and the effort among stakeholders to determine how best to implement GPRA within the Department of Defense. With regard to GPRA, the Department developed a rigorous implementation process which includes the QDR as the strategic planning document. To that end, the Department, annually, has submitted the complementary GPRA performance plans and reports to provide the leadership with tools to support performance based decision making and to improve the efficiency and effectiveness of DoD programs.

In addition, the report improperly concludes that the QDR was used to satisfy the legislative requirements for the QDR rather than those of GPRA. The Department's approach has always been that the QDR satisfies both the legislative requirement for a review of the defense strategy and the requirement for a GPRA strategic plan. For example, the 2001 QDR developed not only a new defense strategy, but also a risk management framework to enable senior decision makers to better balance risks, support investment and resource allocation decisions, and measure progress in meeting defense policy goals. Further, we believe that the use of QDR as a vehicle for transmitting the Department's strategic plan is consistent with the intent of Congress. The DoD IG conclusion overlooks the Conference Committee Report for the FY2000 National Defense Authorization Act, which stated, "The conferees accept the use of the QDR and the resulting report as the Government Performance and Results Act strategic plan for DoD."

We revised
the
recommend-
ation

We acknowledge that within the QDR, there are opportunities to improve the linkages between the Department's strategic plan, performance plans and program performance reports to increase transparency and improve performance management. The draft proposed report has provided useful insights into areas we can further improve in the 2005 QDR. Particularly useful were the points made in the report on coordinating with the Congress and key interagency stakeholders, shared responsibilities with other agencies, precision in goals and objectives and the means and strategies to be used in achieving them.

We hope that we will have the opportunity to discuss these matters further to better inform your conclusions and further strengthen the Department's compliance with GPRA.


Michael B. Donley
Director

cc:
USD(P)
USD(C)
GC
Dir, PA&E

Team Members

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