



## Testimony

Before the Subcommittee on  
Cybersecurity, Information Technology,  
and Government Innovation, House of  
Representatives

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# DEFENSE MANAGEMENT

## DOD Challenges with Travel Programs and Business Process Reforms

Statement of Elizabeth Field, Director, Defense  
Capabilities and Management

# GAO Highlights

Highlights of [GAO-23-106945](#), a testimony before the Subcommittee on Cybersecurity, Information Technology, and Government Innovation, House of Representatives

## Why GAO Did This Study

DOD spends billions of dollars each year to maintain and operate business processes and programs intended to support the warfighter, including DTS—the system used to manage travel by DOD personnel.

This testimony summarizes GAO's past work related to challenges in DOD's management of its defense travel program as well as broader business processes. Specifically, this testimony (1) summarizes GAO's prior work evaluating DOD's efforts to implement DTS and limit improper payments made via DTS; (2) highlights three key high-risk areas related to DOD's efforts to transform business operations, such as its travel pay program; and (3) discusses leading practices that GAO has identified to help agencies and Congress assess agency reform efforts.

## What GAO Recommends

In prior work on which this testimony is based, GAO has recommended actions to help DOD improve key aspects of its travel management and business processes. While DOD has implemented many of these recommendations, taking action to implement the remaining recommendations would help DOD strengthen its department-wide business processes and the systems used to support those processes.

View [GAO-23-106945](#). For more information, contact Elizabeth Field at (202) 512-2775 or [FieldE1@gao.gov](mailto:FieldE1@gao.gov).

July 18, 2023

## DEFENSE MANAGEMENT

### DOD Challenges with Travel Programs and Business Process Reforms

#### What GAO Found

The Department of Defense (DOD) has faced challenges managing the Defense Travel System (DTS), its primary system to process most travel payments for service members and civilian personnel. Going back almost two decades, GAO has reported on problems with DTS and DOD's travel pay program. Specifically:

- In 2006, GAO reported on a lack of reliable estimates for the cost savings expected from implementing DTS, functional flaws such as improperly displaying flight information, and that DOD was struggling to effectively integrate DTS with other business systems.
- In 2019, GAO reported that DOD could do more to reduce improper payments—those that should not have been made or were paid in an incorrect amount—in its defense travel program. Some of the issues that GAO identified in 2019 were tied to DTS limitations. For example, officials responsible for reviewing and approving travel vouchers could not view receipts that travelers had submitted.
- In 2021, GAO reported that DOD officials were not consistently confirming whether travelers were staying in on-base lodging in accordance with established policy, and mistakenly reimbursed those who chose off-base lodging—another potential instance of improper payments.

While DOD has implemented most of GAO's related recommendations, DOD's Office of Inspector General recently reported that DOD was not in compliance with requirements for reporting improper payments for the 12th consecutive year, including as a result of issues associated with the DOD travel pay program. Defense officials also have stated that DTS is inefficient.

DOD has been working since 2017 to modernize and improve travel within the department and, in 2018, announced a reform initiative to replace DTS with a new system. However, after awarding a contract for up to \$374 million to develop the new system, called MyTravel, and requiring some DOD organizations to begin using it, DOD reversed that decision, raising questions about its ability to effectively implement business process reforms.

GAO's High-Risk List has maintained a long-standing focus on three key areas for DOD's business operations: (1) DOD's approach to business transformation, (2) DOD business systems modernization, and (3) DOD financial management. GAO's work in these areas has identified deficiencies that contribute to DOD's difficulties in improving business operations—including replacing older systems, such as DTS. For example, GAO found that DOD has stalled in developing an action plan for business systems modernization even though the department has been unable to receive an audit opinion on its financial statements.

In reviewing DOD's attempt to overhaul DTS, Congress and the department could look to a set of leading practices that GAO identified in 2018 to help guide assessments of agency reform efforts. These leading practices cover four broad categories—(1) goals and outcomes of reforms, (2) process for developing reforms, (3) implementation of the reforms, and (4) strategic management of the federal workforce—and offer a roadmap for learning from DOD's reform initiative.

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Chairwoman Mace, Ranking Member Connolly, and Members of the Subcommittee:

Thank you for the opportunity to discuss our work regarding the Department of Defense's (DOD) challenges in managing its travel program and in implementing business process reforms. DOD has struggled for decades to develop and implement a standard, department-wide travel system that operates efficiently and effectively.

In past reports and testimony statements, we have found that the Defense Travel System (DTS)—the department's primary system to process travel payments<sup>1</sup>—experienced several functional problems and likely did not produce the annual net savings estimated by the department.<sup>2</sup> In addition, both we and the Department of Defense's Office of Inspector General have reported on problems with improper payments in DOD's travel pay program.<sup>3</sup> For example, in 2021, we found that DOD could save millions of dollars if it addressed improper payments associated with travelers staying in off-base lodging, rather than on-base lodging, as required.<sup>4</sup>

In recent years, DOD has sought to overhaul DTS. Specifically, in 2017 the department established a cross-functional team, charged with implementing a travel system that would be reliable, cost effective, adaptable, auditable, and compliant with DOD accounting and disbursing

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<sup>1</sup>DOD travel payments are made to active and reserve or guard service members and civilian employees, and they cover travel for both temporary duty and permanent change of station. In fiscal year 2018, DTS payments accounted for approximately 83 percent of total DOD travel payments.

<sup>2</sup>GAO, *Defense Travel: DOD Should Strengthen Its Ongoing Actions to Reduce Improper Travel Payments*, GAO-19-530 (Washington, D.C.: Aug. 15, 2019); *Defense Travel System: Implementation Challenges Remain*, GAO-09-577 (Washington, D.C.: June 30, 2009); *Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain*, GAO-06-980 (Washington, D.C.: Sept. 26, 2006); *DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges*, GAO-06-18 (Washington, D.C.: Jan. 18, 2006); and *DOD Business Transformation: Preliminary Observations on the Defense Travel System*, GAO-05-998T (Washington, D.C.: Sept. 29, 2005). For a full list of related GAO products, please see the last part of this statement.

<sup>3</sup>Department of Defense, Office of Inspector General Report No. DODIG-2023-075, *Audit of the Department of Defense's FY 2022 Compliance with Payment Integrity Information Act Requirements* (May 22, 2023).

<sup>4</sup>GAO, *Military Lodging: DOD Should Provide Congress with More Information on Army's Privatization and Better Guidance to the Military Services*, GAO-21-214 (Washington, D.C.: June 8, 2021).

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policy.<sup>5</sup> The result was MyTravel, a new system developed to replace DTS under a sole-source contract with a total value of up to \$374 million.<sup>6</sup> However, in May 2023, after some DOD components had begun using MyTravel, the Under Secretary of Defense for Personnel and Readiness announced that the department had ended the effort and would cease all MyTravel operations by September 2023.<sup>7</sup>

GAO has not conducted audit work to date on the Defense Travel Modernization Initiative or the specific circumstances surrounding the development and repeal of the MyTravel program. However, we have examined other department efforts to reform core business processes, and highlighted risks and challenges with business process reform. In conducting such work, we have identified suggested actions and leading practices that can guide DOD and other federal agencies as they seek to transform their business operations and assess reform efforts.

My testimony today provides information on challenges in DOD's implementation of defense travel management, as well as broader business process reform efforts. Specifically, I will (1) summarize our prior work evaluating DOD's efforts to implement DTS and limit improper payments made via DTS; (2) highlight three key high-risk areas related to DOD's efforts to transform business operations, such as its travel pay program; and (3) identify leading practices that GAO has identified to help agencies and Congress assess agency-reform efforts.

This statement is based on our body of work issued from 2005 through 2023 addressing DOD travel and business process reforms. To perform the work upon which this testimony is based, we reviewed DOD documentation, analyzed DOD data, interviewed DOD officials, and assessed DOD's efforts against relevant criteria. More detailed information on our objectives, scope, and methodology for that work can be found in the issued reports listed at the end of this statement.

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<sup>5</sup>Deputy Secretary of Defense Memorandum, *Establishment of Cross-Functional Team to Improve Travel within the Department* (June 2, 2017). Cross-functional teams rely on individuals with different types of expertise to work toward a common, well-defined goal, and are thought to deliver better and faster solutions to complex and fast-moving problems.

<sup>6</sup>If not otherwise specified, all dollar amounts throughout this statement are in then-year dollars and not adjusted for the purposes of this statement.

<sup>7</sup>Under Secretary of Defense (Personnel and Readiness) Memorandum, *Repeal of Mandatory Use of MyTravel* (May 24, 2023).

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We conducted the work on which this testimony is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## DOD Has Taken Steps to Address Problems with DTS and Its Travel Pay Program, but Challenges Remain

DTS was intended to reduce DOD's annual travel costs by more than \$50 million, but this savings estimate was not based on reliable information. Further, the implementation of DTS was problematic—particularly in the area of testing key functionality to ensure that the system would work as intended. DOD's travel pay program has consistently been found to have significant improper payments, and some of those can be attributed to DTS. Also, DOD personnel may have been inappropriately reimbursed for staying in off-base lodging when policy required on-base lodging to be used. Partly to address these issues, DOD began pursuing a new travel system called MyTravel in 2017, but ended this effort in 2023.

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## DTS Was Intended to Create Efficiencies, but Reported Savings Were Questionable and Implementation Was Problematic

As we reported in 2006, the development of DTS began in 1993, when the National Performance Review—an initiative to review how government programs could operate more efficiently and effectively—recommended an overhaul of DOD's existing travel system. DOD established a program management office in 1995 for the transition to DTS. After the use of competitive procedures, the department awarded a firm fixed-price, performance-based services contract in 1998 for a travel system and the provision of travel services for approximately 11,000 sites

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worldwide. The estimated cost for the contract was approximately \$264 million.<sup>8</sup>

We further reported that an operational assessment of DTS was conducted from October to December 2000 at an Air Force base. The assessment identified slower than anticipated processing time for travel orders and vouchers. In response, the Under Secretary of Defense (Comptroller) and the Deputy Under Secretary of Defense (Acquisition, Technology and Logistics) issued a joint memorandum directing a functional and technical assessment of DTS, including any future contract actions that would be necessary.<sup>9</sup> In July 2001, DOD approved proceeding with DTS.

We also reported that in 2002, DOD designated DTS as a “major automated information system,” and designated the Defense Finance and Accounting Service as the lead component for the program.<sup>10</sup> DOD completed an economic analysis of the DTS transition in 2003, predicting \$56.4 million in annual net savings.<sup>11</sup>

However, in 2006, we reported that this estimate of annual net savings was highly questionable. We found that the estimate was not based on

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<sup>8</sup>GAO, *DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges*, GAO-06-18 (Washington, D.C.: Jan. 18, 2006). We reported in January 2006 that, as of September 2005, DOD had estimated a total cost of development and production for DTS of approximately \$474 million—\$264 million in contractor costs and \$210 million in DOD internal costs.

<sup>9</sup>In 2018, DOD restructured its Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics into two organizations: the Office of the Under Secretary of Defense for Acquisition and Sustainment, and the Office of the Under Secretary of Defense for Research and Engineering.

<sup>10</sup>At the time of our 2006 report, a “major automated information system” was a system for which the DOD component head estimated that (1) program costs in any single year will exceed \$32 million in fiscal year 2000 constant dollars, (2) total program costs will exceed \$126 million in fiscal year 2000 constant dollars, or (3) total life-cycle costs will exceed \$378 million in fiscal year 2000 constant dollars. GAO, *Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain*, GAO-06-980 (Washington, D.C.: Sept. 26, 2006). In 2004, responsibility for policies and procedures related to management of commercial travel throughout DOD transferred to the Office of the Under Secretary of Defense (Personnel and Readiness).

<sup>11</sup>These estimates were reported in fiscal year 2003 dollars.

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reliable information and was not prepared in accordance with guidance prescribed by DOD and the Office of Management and Budget.<sup>12</sup>

We also reported that the development and implementation of DTS were problematic.<sup>13</sup> For example,

- DOD identified critical flaws in the system after it was deployed, resulting in significant implementation delays. These flaws included DTS not displaying accurate flight and airfare information, which could have led to higher travel costs.
- Deployment of DTS was more than 4 years behind schedule in 2006, and DOD was struggling to effectively integrate DTS with other DOD business systems.
- DOD continued to experience functional problems with DTS, resulting from weaknesses in requirements management and system testing. These included deficiencies in its ability to display flight information or to display flights that complied with certain requirements for U.S. government-funded air travel.<sup>14</sup>

Based on these findings, GAO made 14 recommendations to DOD, including that it provide reasonable assurance that DTS system requirements had been adequately tested, that system functions were properly operating prior to software deployment, and that flight information in DTS was improved. Of these 14 recommendations, 10 were implemented by DOD.

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<sup>12</sup>GAO-06-980. We stated that both sets of guidance required that an economic analysis be based on facts and data and be explicit about the underlying assumptions used to arrive at estimates of future benefits and costs.

<sup>13</sup>GAO-05-998T, GAO-06-18.

<sup>14</sup>GAO-06-980; GAO-06-18.

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## Improper Payments Have Been Associated with Problems with DOD's Travel Pay Program and DTS

In August 2019, we reported on improper payments in DOD's travel pay program, some of which may be tied to problems with DTS.<sup>15</sup> Improper payments are a long-standing, significant problem in the federal government estimated to total about \$247 billion government-wide for fiscal year 2022.<sup>16</sup> Improper payments refer to payments that should not have been made or were made in an incorrect amount.

In our 2019 report, we noted that an example of an improper travel payment is claiming an expense amount that was automatically generated by DTS during the booking process, rather than the actual expense amount. Other errors included duplicate paid vouchers, incorrectly paid mileage, lodging expenses paid twice, and expenses that do not match receipts. According to DOD data, the average annual

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<sup>15</sup>GAO-19-530. An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service that was not received (except where such payments were authorized by law), and any payment that does not account for credit for applicable discounts. At the time of our 2019 report, Office of Management and Budget (OMB) guidance also provided that when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment. OMB guidance was updated in 2021, including to identify this category as an unknown payment, rather than an improper payment. OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement* (Mar. 5, 2021). However, statutorily required executive agency estimates of improper payments still must treat unknown payments as improper. According to DOD's Agency Financial Report, payments identified as improper do not always represent a monetary loss. For instance, an otherwise legitimate payment that lacks sufficient supporting documentation or approval is reported as improper but is not considered a monetary loss if documentation or approval is subsequently provided. Monetary loss is an amount that should not have been paid and could be recovered.

<sup>16</sup>We reported in June 2023 that cumulative executive agency improper payment estimates have totaled almost \$2.4 trillion since fiscal year 2003. GAO, *Improper Payments: Programs Reporting Reductions Had Taken Corrective Actions That Shared Common Features*, GAO-23-106585 (Washington, D.C.: June 30, 2023).



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amount of DOD improper travel payments in fiscal year 2016 through fiscal year 2018 was about \$322 million (5.3 percent).<sup>17</sup>

We found in 2019 that, while DOD had taken steps to remediate improper travel payments, there were gaps in its approach.<sup>18</sup> Specifically,

- DOD developed a Remediation Plan to reduce improper travel payments and formed a committee to monitor implementation of the plan at 10 DOD components. However, DOD selected these 10 components based on the size of their total travel payments and did not take into account the rate of improper payments of the components. As such, DOD's approach did not sufficiently manage risk because it may have excluded components that were experiencing a high frequency of improper travel payments.
- Only four of the nine components that responded to a survey we conducted as part of our audit had completed all of the remediation plan's requirements, in part because of a lack of milestones in the plan and ineffective monitoring for required actions. As a result, DOD did not have reasonable assurance that its actions were sufficient. In some cases, DOD component officials told us they were unaware of DOD's effort to reduce improper travel payments, indicating that DOD's plan was not being effectively communicated throughout the department.
- DOD had mechanisms to identify errors leading to improper travel payments and had developed some corrective-action plans to address the errors. However, the mechanisms did not clearly identify the root causes of those errors—largely due to a misunderstanding within the department of the concept of root cause. Further, the corrective-action plans did not consider the cost effectiveness of addressing the root causes of the improper

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<sup>17</sup>In 2019, we reported that DOD spent an average of \$6.1 billion annually on DTS travel payments in fiscal years 2016 through 2018, according to DOD data. The Defense Financial and Accounting Service calculated that of the DTS improper payments, the department incurred an estimated \$205 million loss (1.6 percent of total DTS travel payments) to the government for fiscal years 2017 and 2018. DOD's travel pay program has been consistently designated as a program with significant improper payments, and in May 2023 the DOD Inspector General reported that DOD's travel pay program was not in compliance with applicable requirements related to improper payments for the 12th consecutive year. DODIG-23-075.

<sup>18</sup>GAO-19-530.

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travel payments, which we found in some cases required costly changes to DTS.<sup>19</sup>

While many of the errors leading to improper travel payments that we identified in our 2019 report related to user error, some reflected problems with DTS. For example,

- A feature of DTS called “Trip Workbook” was used by travelers to upload and attach receipts to vouchers, according to DOD officials. However, Trip Workbook was not visible to approving officials when they processed the voucher for approval and payment. As a result, vouchers were being approved without the required receipts, because approving officials could not determine whether the receipts had been attached.
- Data availability issues affected DOD’s ability to calculate improper payment rates. Specifically, although DOD had complete data on travel payments for fiscal year 2017, a DTS data failure caused an irrecoverable loss of supporting travel documentation for more than 3 months of that year. As a result, according to DOD documentation, the estimated improper payment amount for fiscal year 2017 was based on less than 9 months of data.

We made five recommendations to DOD to address the issues that we identified in our 2019 report, including that DOD consider data on improper payment rates in its remediation approach, define the term root cause, and consider cost effectiveness in deciding how to address improper payments. Within 6 months after we issued our report, DOD took actions to implement all of our recommendations.

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## Weaknesses in DOD’s Lodging Program Also Led to Improper Travel Payments

In June 2021, as part of a review of DOD’s lodging program, we identified an additional problem with improper payments in DOD’s travel program.<sup>20</sup> Specifically, we found that DOD officials responsible for reviewing travel reimbursements were not consistently confirming whether travelers were staying in on-base lodging facilities in accordance with established policy.

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<sup>19</sup>Appendix C to OMB Circular A-123 defines root cause as something that would directly lead to an improper payment and, if corrected, would prevent the improper payment.

<sup>20</sup>GAO, *Military Lodging: DOD Should Provide Congress with More Information on Army’s Privatization and Better Guidance to the Military Services*, GAO-21-214 (Washington, D.C.: June 8, 2021).

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DOD officials noted that this resulted in travelers sometimes being inappropriately reimbursed for off-base stays. When travelers are reimbursed for stays in off-base lodging and they should have stayed in on-base lodging, this results in an improper payment and a monetary loss to the government.

In a 2019 report, the Office of the Under Secretary of Defense for Personnel and Readiness estimated that \$13.7 million in travel costs could have been avoided in fiscal year 2016 if the requirement to stay on base had been properly enforced. However, the potential cost avoidance may be lower or higher than this estimate. That said, if DOD could avoid even a portion of these costs, it could amount to millions of dollars in savings annually.

We recommended that DOD assess, for each military service, the extent to which DOD service members and civilian employees have inappropriately used off-base lodging for official travel and why it was occurring, and develop a plan to address any issues identified. As of March 2023, DOD stated that the department was working to implement this recommendation in collaboration with the military services, and estimated a completion date of September 2023. We will continue to monitor the department's efforts to address this recommendation.

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## DOD Began Pursuing a New Travel System in 2017, but Canceled This Effort in 2023

Overall, as detailed above, DOD has taken several steps, many of them in response to our recommendations, to strengthen and improve DTS and the travel pay program as a whole. However, in May 2023, the DOD Inspector General reported that, for the 12th consecutive year, DOD was not in compliance with applicable requirements for addressing improper payments, including as a result of issues associated with the DOD travel pay program.<sup>21</sup> Specifically, the DOD Inspector General reported that

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<sup>21</sup>The DOD Inspector General reported that DOD produced unreliable estimates for the 12<sup>th</sup> consecutive year and did not comply with improper payment reporting requirements for the second year under the Payment Integrity Information Act. It further noted that DOD had not complied with the 10 previous years of improper payment reporting requirements. Under the Payment Integrity Information Act, a program is considered to have significant improper payments if, in the preceding fiscal year, the sum of improper payments and payments whose propriety cannot be determined by the agency due to lacking or insufficient documentation may have exceeded (1) \$10 million and 1.5 percent of program outlays, or (2) \$100 million (regardless of the improper payment rate). For Fiscal Year 2022, DOD's travel pay program was estimated to have \$368 million (4.38 percent) of improper payments. Department of Defense, Office of Inspector General Report No. DODIG-23-075, *Audit of the Department of Defense's FY 2022 Compliance with Payment Integrity Information Act Requirements* (May 22, 2023).

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DOD continues to publish unreliable estimates of improper payments and has missed opportunities to promptly detect, prevent, and recover improper payments.

Moreover, DOD has recognized the need to further improve how the department manages the defense travel program. In June 2017, the Deputy Secretary of Defense issued a memorandum establishing a cross-functional team to improve travel within the department.<sup>22</sup> The memorandum specified that the cross-functional team was to deliver an evaluation of alternative technical solutions for DOD travel and an acquisition strategy if existing capabilities and performance measures were deemed ineffective or inefficient. As noted earlier, the memorandum also specified that the cross-functional team was to implement a travel system that was reliable, cost effective, adaptable, auditable, and compliant with DOD accounting and disbursing policy. The cross-functional team was jointly led by the Deputy Chief Management Officer, the Under Secretary of Defense for Personnel and Readiness, and the Chief Information Officer.

In August 2018, DOD announced the award of a \$9.3-million contract to develop a business travel system prototype that would replace DTS.<sup>23</sup> The announcement stated that DTS was aging and inefficient, and that the prototype should reduce overall costs; reduce process and workflow complexity; decrease the time and effort spent by travelers, authorizing officials, and administrators planning travel and reimbursing travel expenses; meet the department's audit readiness requirements; improve customer satisfaction; and align to commercial and industry best practices.

In September 2021, the Defense Human Resources Activity awarded a sole-source production contract for Defense Travel Modernization Services, branded as "MyTravel." The September 2021 justification and

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<sup>22</sup>Deputy Secretary of Defense Memorandum, *Establishment of Cross-Functional Team to Improve Travel within the Department* (June 2, 2017). As noted previously, cross-functional teams rely on individuals with different types of expertise to work toward a common, well-defined goal, and are thought to deliver better and faster solutions to complex and fast-moving problems. GAO has reported on DOD's implementation of cross-functional teams, see GAO, *Defense Management: More Progress Needed for DOD to Meet Outstanding Statutory Requirements to Improve Collaboration*, GAO-20-312 (Washington, D.C.: Jan. 30, 2020).

<sup>23</sup>See DOD, *DoD Announces Award to Reform Its Travel System*, available at <https://www.defense.gov/news/news-releases/news-release-view/article/1604916/dod-announces-award-to-reform-its-travel-system>.

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approval associated with the contract noted that it had taken the contractor 3 years to configure the system for DOD's operational and regulatory requirements, and that the system was ready to facilitate auditing financial transactions to ensure accurate accounting.<sup>24</sup> The justification and approval indicated that DTS continued to incur poor usability, low customer satisfaction, and improper payments for travel, and noted that the contractor had already demonstrated evidence of significant reductions of improper travel payments. The justification concluded that continued use of DTS would lead to lost time and money due to DTS inefficiencies.

In October 2022, the Under Secretary of Defense for Personnel and Readiness issued a memorandum implementing the change to MyTravel, stating that it would enable the department to retire legacy travel systems while delivering an industry-leading product that aligned with DOD's broader technical strategy.<sup>25</sup> The memorandum also noted that this change was part of a DOD effort to invest in systems that would create efficiencies and drive down administrative costs.

However, as outlined earlier in this statement, DOD changed course in May 2023, announcing that it would no longer pursue MyTravel. DOD's May 2023 memorandum reversing the decision to adopt MyTravel did not explain why the department chose to do so.<sup>26</sup>

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## DOD Has Faced Long-Standing Challenges Reforming Its Business Operations

While we currently have limited information on the context surrounding DOD's decision to discontinue the MyTravel effort, the abrupt cancellation of a years-long effort raises questions about DOD's management of business process reforms. DOD's management of business process reform is a long-standing area of concern that we have highlighted.

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<sup>24</sup>See *Defense Travel Modernization Award Notice/Justification & Approval*, available at <https://sam.gov/opp/19293c089f334db69f3bb9c9446bd0a6/view>.

<sup>25</sup>Under Secretary of Defense (Personnel and Readiness) Memorandum, *Mandatory Use of MyTravel* (Oct. 21, 2022).

<sup>26</sup>Under Secretary of Defense (Personnel and Readiness) Memorandum, *Repeal of Mandatory Use of MyTravel* (May 24, 2023).

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Specifically, GAO's High-Risk List identifies three areas critical to DOD's business operations: (1) DOD's approach to business transformation, (2) DOD business systems modernization, and (3) DOD financial management.<sup>27</sup>

- **DOD's approach to business transformation** was placed on the High-Risk list in 2005 because DOD had not taken the necessary steps to achieve and sustain business reform on a broad, strategic, department-wide, and integrated basis. In addition, it did not initially have an integrated plan for business transformation improvements. Our most recent update reported that DOD has made progress in this area since 2021, specifically by taking actions to improve leadership commitment by establishing a Performance Improvement Officer position. However, we identified more actions DOD should take to address this area, such as routinely and comprehensively monitoring and evaluating ongoing efficiency initiatives. This should include establishing baselines from which to measure progress, periodically reviewing progress, and evaluating results.
- **DOD business systems modernization** was placed on the high-risk list in 1995 because, while DOD spends billions of dollars each year to acquire and modernize business systems, significant challenges impede DOD's efforts to improve this systems environment. Our most recent update stated that DOD's progress in this area has declined, specifically because it has stalled in developing an action plan to address this high-risk area. Further, we recommended that DOD improve management of its business systems acquisitions, complete updates to its business enterprise architecture, and complete the realignment of responsibilities previously assigned to the former Office of the Chief Management Officer.<sup>28</sup>

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<sup>27</sup>GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

<sup>28</sup>DOD formally announced the establishment of the position of Chief Management Officer in February 2018, following a statutory requirement to do so. The position was disestablished in January 2021, consistent with a requirement in the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021. For more information on GAO's work regarding the Chief Management Officer position, see GAO, *Defense Business Operations: DOD Should Take Steps to Fully Institutionalize the Chief Management Officer Position*, GAO-19-199 (Washington, D.C.: Mar. 14, 2019) and GAO-21-532T.

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We also recently reported that 16 of 25 major IT business programs--which DOD included in its fiscal year 2023 submission to the Federal IT Dashboard—had experienced cost or schedule changes since January 2021. The cost increases ranged from \$43,000 to \$194 million (a median of \$4.6 million) and the schedule delays ranged from 3 to 33 months (a median of 24 months).<sup>29</sup> We found that a lack of approved plans for conducting user training and deployment as required by DOD increased the risk of programs not achieving required organizational changes and delivering business systems that do not meet their users' needs and are not widely adopted by users.

Further, in March 2023, we reported on DOD's oversight of its business systems. We recommended that the department update guidance for addressing statutory requirements for initially approving and annually certifying business systems and maintain complete and accurate data for its systems, among other things.<sup>30</sup> We will continue to monitor any DOD actions to address these recommendations.

- **DOD financial management** was placed on the high-risk list in 1995 because DOD's financial management faces long-standing issues including ineffective processes, systems, and controls; incomplete corrective-action plans; and the need for more effective monitoring and reporting. Further, DOD has not received an audit opinion on its annual department-wide financial statements because it has been unable to accurately account for and report on its spending or physical assets.

Our most recent high-risk update noted that phasing out legacy systems and migrating to newer financial management systems is key to DOD's progress in this area. Of note, DOD documentation emphasized that moving from DTS to MyTravel would assist with improving DOD's ability to audit financial transactions to ensure accurate accounting.

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<sup>29</sup>GAO, *IT Systems Annual Assessment: DOD Needs to Improve Performance Reporting and Development Planning*, GAO-23-106117 (Washington, D.C.: June 13, 2023). The Federal IT Dashboard is a public website with information on the performance of IT investments.

<sup>30</sup>GAO, *Financial Management: DOD Needs to Improve System Oversight*, GAO-23-104539 (Washington, D.C.: Mar. 7, 2023).

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In April 2023, we reported that we have made more than 150 recommendations to DOD focused on the DOD financial management high-risk area, and 67 of them had not been implemented as of February 2023. Additional progress could be made if DOD were to complete actions to implement open recommendations. For example, establishing specific time frames for developing an enterprise road map to implement DOD's strategy for financial management systems and developing detailed plans for system migration—where new systems will replace legacy accounting systems—are key actions that DOD could take in this area.

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## Leading Practices to Assess Agency Reform Efforts Could Provide Insight into DOD's Effort to Replace DTS

DOD's difficulties in effectively replacing DTS shows that DOD faces continued challenges in its management of business process reforms—including replacing legacy enterprise systems related to financial management. We have acknowledged that the organizational transformation needed to improve the performance of federal agencies is no easy task, and can take years to fully implement.

Given the potential benefits and challenges in developing and implementing agency reform efforts, Congress and the executive branch could benefit from the tools and information to help evaluate agencies' reform proposals and to ensure they are effectively implemented. Congress's role in reviewing agency-proposed reforms is critical to the success of making significant changes in how the government operates. To assist Congress in its oversight role, we organized our prior work and leading practices into the following four broad categories, discussed below, that can help Congress assess proposed reforms. These leading



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practices could assist DOD in transforming its business operations and assessing reform efforts, such as the effort to replace DTS.<sup>31</sup>

**Goals and Outcomes of Reforms.** Many current federal programs and policies were designed decades ago to respond to trends and challenges that existed at the time of their creation. Therefore, it makes sense to periodically conduct fundamental reviews of major programs and policy areas to ensure they continue to meet current goals and emerging trends. It is also important to determine the appropriate level of government, or the roles of the non-profit or private sectors, in achieving these goals. Our prior work shows that establishing a mission-driven strategy and identifying specific desired outcomes to guide that strategy are critical to achieving intended results. Key questions to ask at the beginning of the reform effort include:

- To what extent has the agency established clear outcome-oriented goals and performance measures for the proposed reforms?
- How well have the proposed reforms indicated the likely result of the elimination, merging, or restructuring of activities with other levels of government or sectors?

**Process for Developing Reforms.** Successful reforms require an integrated approach that involves employees and key stakeholders and is built on the use of data and evidence. Reforms should also address agency management challenges, such as those we have identified as fragmented, duplicative, or overlapping, or are in our high-risk areas, or were identified by agency Inspectors General.<sup>32</sup>

Key questions to guide reforms include:

- How and to what extent has the agency consulted with Congress, and other key stakeholders, to develop its proposed reforms?

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<sup>31</sup>GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, GAO-18-427 (Washington, D.C.: June 13, 2018). To identify the leading practices, we reviewed our prior work, including leading practices on organizational mergers and transformations, collaboration, government streamlining and efficiency. We also reviewed our prior work on fragmentation, overlap, and duplication; high-risk; and other agency long-standing management challenges.

<sup>32</sup>GAO-23-106203, and GAO, *2023 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits*, GAO-23-106089 (Washington, D.C.: June 14, 2023).

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- To what extent has the agency addressed areas of fragmentation, overlap, and duplication—including the ones GAO identified—in developing its reform proposals?
  - How specifically has the agency considered high-risk issues, agency Inspector General's major management challenges, and other external and internal reviews in developing its reform efforts?

**Implementing the Reforms.** Our prior work on organizational transformations shows that incorporating change-management practices improves the likelihood of successful reforms. Moreover, it is important to recognize an agency's cultural factors that can either help or inhibit reform efforts and how change management strategies may address these potential issues. Also, we have reported that organizational transformations, such as reforms, should be led by a dedicated team of high-performing leaders within the agency. Finally, our prior work also shows that fully implementing major transformations can span several years and must be carefully and closely managed. Key questions that can help these efforts include:

- Is there a dedicated implementation team that has the capacity, including staffing, resources, and change management, to manage the reform process?
- Has the agency developed an implementation plan with key milestones and deliverables to track implementation progress?

**Strategically Managing the Federal Workforce.** Our prior work has found that at the heart of any serious change-management initiative are the people—because people define the organization's culture, drive its performance, and embody its knowledge base. Experience shows that failure to adequately address—or often even consider—a wide variety of people and cultural issues can lead to unsuccessful change. Research on both private- and public-sector organizations has found that increased levels of engagement—generally defined as the sense of purpose and commitment employees feel toward their employer and its mission—can lead to better organizational performance.

Key questions agencies can ask as they work toward increased workforce engagement include:

- How does the agency plan to sustain and strengthen employee engagement during and after the proposed reforms?
- To what extent has the agency conducted strategic workforce planning to determine whether it will have the needed resources

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and capacity—including the skills and competencies—in place for the proposed reforms or reorganization?

In summary, DOD faces several key challenges and opportunities as it works to improve department-wide business processes and the systems used to support those processes. The department's continued struggle to address weaknesses in its travel program could reflect some of DOD's broader challenges in the high-risk areas of business transformation, business systems modernization, and financial management. Our leading practices for assessing agency reform efforts could help DOD and Congress to learn from this most recent experience.

Chairwoman Mace, Ranking Member Connolly, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

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## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Elizabeth A. Field, Director, Defense Capabilities and Management, at (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Simon Hirschfeld (Assistant Director), Foster Kerrison (Analyst in Charge), Andrew Altobello, Richard Powelson, Michael Shaughnessy, Timothy A. Smith, and Sarah Veale.

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## Related GAO Products

*Improper Payments: Programs Reporting Reductions Had Taken Corrective Actions That Shared Common Features.* GAO-23-106585. Washington, D.C.: June 30, 2023.

*2023 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits.* GAO-23-106089. Washington, D.C.: June 14, 2023.

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*IT Systems Annual Assessment: DOD Needs to Improve Performance Reporting and Development Planning.* GAO-23-106117. Washington, D.C.: June 13, 2023.

*DOD Financial Management: Additional Actions Needed to Achieve a Clean Audit Opinion on DOD's Financial Statements.* GAO-23-105784. Washington, D.C.: May 15, 2023.

*High-Risk Series: Efforts Made to Achieve Progress Need to be Maintained and Expanded to Fully Address All Areas.* GAO-23-106203. Washington, D.C.: April 20, 2023.

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