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United States Government Accountability Office
Washington, DC 20548

May 30, 2008

Congressional Committees

Subject: Defense Management: Assessment of the Reorganization of the Office of the Under Secretary of Defense for Policy

This letter formally transmits the attached briefing in response to section 957(a) of the National Defense Authorization Act for Fiscal Year 2008 and the accompanying conference report. The act required the Comptroller General to conduct an assessment of the most recent reorganization of the Office of the Under Secretary of Defense for Policy.

We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of Defense and the Under Secretary of Defense for Policy. This report will also be available at no charge on our Web site at <http://www.gao.gov>. Should you or your staff have any questions concerning this report, please contact me at (202) 512-3489 or pendletonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Margaret Morgan, Assistant Director; Renee Brown, Natalie Chaney, Elizabeth Curda, Julia Matta, Kathia Niewiadomski, Sarah Veale, Elizabeth Wood, and Deborah Yarborough.

John H. Pendleton
Director, Defense Capabilities and Management

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Assessment of the Reorganization of the
Office of the Under Secretary of Defense
for Policy

Briefing for Congressional Defense Committees
May 30, 2008

- In September 2006, the Department of Defense (DOD) announced a reorganization of the Office of the Under Secretary of Defense (OUSD) for Policy.
- The reorganization was intended to provide more comprehensive policy oversight for the nation's security challenges by realigning the organization to reflect current security priorities.
- Concerned about the basis for these changes and their potential effect on policy oversight for critical national security concerns, Congress required in the National Defense Authorization Act for Fiscal Year 2008 that GAO evaluate the overall approach and implementation of OUSD Policy's reorganization and provide its assessment.¹
- The conference report accompanying the 2008 defense authorization bill directed that GAO also assess several human capital management issues related to the reorganization.²

¹Pub. L. No. 110-181, § 957 (2008).

²H.R. Rep. No. 110-477, at 979 (2007) (Conf. Rep.).

- Key Objectives
 1. What were the goals for OUSD Policy's reorganization and what is the status of implementation?
 2. To what extent did OUSD Policy employ key practices of successful transformation in its reorganization?
 3. What challenges, if any, remain for OUSD Policy after the reorganization?

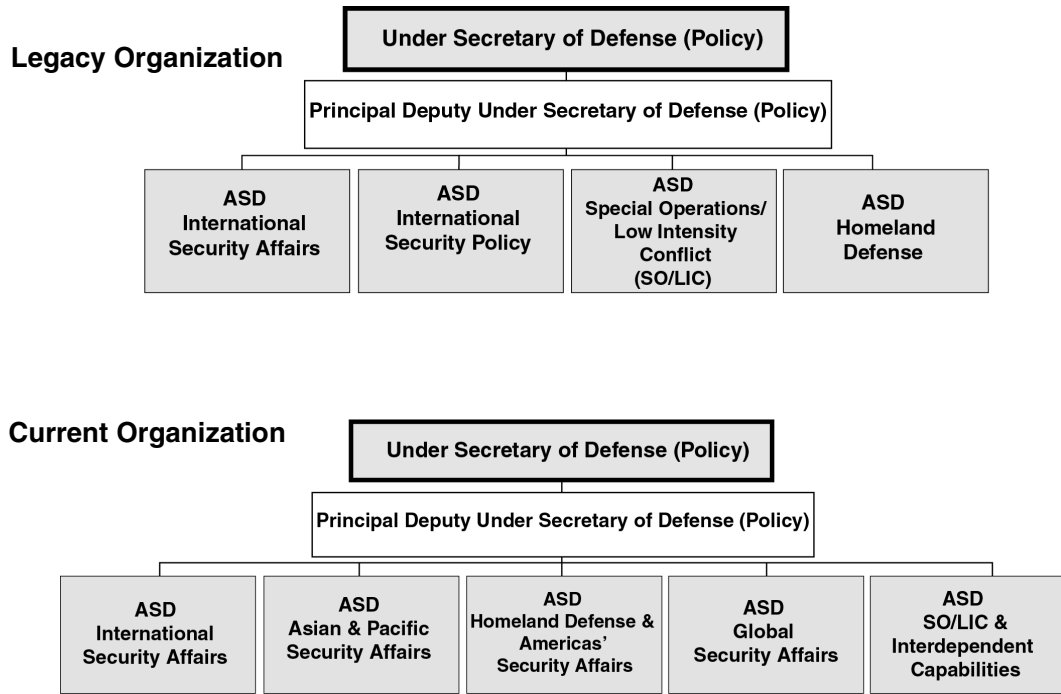
- Appendix I contains our summary of the specific OUSD Policy reorganization issues that were identified in the National Defense Authorization Act for Fiscal Year 2008 and the accompanying conference report, for example,
 - broadening the portfolios of certain assistant secretaries, and
 - assigning staff under the new organization.

- Examined documentation related to the development and implementation of the reorganization.
- Compared OUSD Policy reorganization plans to key practices in organizational transformation and strategic human capital management identified in previous GAO work.
- Discussed perspectives about the reorganization process, implementation, benefits, and challenges with DOD officials and internal and external stakeholders, such as U.S. Northern Command, U.S. Special Operations Command, and the Department of State.
- Conducted reviews of OUSD Policy documents and interviewed key OUSD Policy officials to gather detailed information about the specific reorganization issues identified in the National Defense Authorization Act for Fiscal Year 2008 and the accompanying conference report.
- We performed our review from October 2007 through May 2008 in accordance with generally accepted government auditing standards.

- The Secretary of Defense announced the reorganization in September 2006 and established several key goals; OUSD Policy completed the reorganization in August 2007.
- OUSD Policy's development and implementation of its reorganization addressed key practices associated with successful organizational transformations.
- OUSD Policy continues to reexamine and refine the organization; however, it faces several challenges related to the overall effectiveness and efficiency of the office, such as:
 - Developing performance measures to assess progress in achieving goals.
 - Balancing workforce needs to support the organization's missions.

- Key goals for the reorganization were to:
 1. Realign OUSD Policy with current security priorities, including fighting the Global War on Terrorism.
 2. Create more adaptability to provide policy oversight for emerging threats to national security.
 3. Balance the responsibilities of the Assistant Secretaries of Defense (ASDs).
 4. Establish a focal point in OUSD Policy for each Combatant Commander.

- Status: The Secretary of Defense announced the reorganization in September 2006 and OUSD Policy completed the reorganization in August 2007.
- Key changes:
 - Broadened the responsibilities of the ASD for Special Operations/Low Intensity Conflict by adding policy oversight for strategic capabilities and general purpose forces.
 - Balanced regional responsibilities across three ASDs to manage the development, coordination, and implementation of DOD security policy.
 - Created a new ASD for Global Security Affairs to provide oversight for crosscutting issues such as building long-term relationships with new strategic partners.
- Figure 1 and appendix II contain detailed information about OUSD Policy's organizational structure.



Source: GAO analysis of DOD information.

- OUSD Policy's reorganization efforts addressed the key practices GAO previously identified for successful transformation.³ These key practices support building a world-class organization.
 1. Ensure top leadership involvement in the transformation
 - Top leadership defined compelling reasons for change and remained highly involved during implementation.
 2. Establish a coherent mission and integrated strategic goals
 - OUSD Policy's draft strategic management plan included mission, vision, and goals that were used to guide the reorganization.
 3. Focus on a key set of principles and priorities
 - Senior leadership identified detailed priorities intended to guide the reorganization and revitalize the workforce culture.
 4. Set implementation goals and a timeline to show progress
 - OUSD Policy established high-level implementation goals and a three-phase timeline for the reorganization.

³ GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

5. Dedicate an implementation team to manage the transformation process

- OUSD Policy's implementation team managed the day-to-day operations during the reorganization and engaged DOD and external stakeholders to discuss plans.

6. Use the performance management system to define responsibility and assure accountability

- OUSD Policy identified the skills and competencies for its action officers and aligned employee performance objectives with organizational goals.

7. Establish a communication strategy to share information

- OUSD Policy communicated change to internal and external stakeholders through a strategy of varied, customized activities such as sending e-mails from top-level leaders, conducting town hall meetings, and launching an intranet site for the reorganization.

8. Involve employees to obtain their ideas

- OUSD Policy incorporated employee feedback into new policies and procedures, such as having support staff coordinate visits with OUSD Policy and foreign officials.

- OUSD Policy continues to reexamine and refine the organization through quarterly meetings with senior leaders, such as the Deputy Assistant Secretaries of Defense (DASDs); however, it faces several challenges related to the overall effectiveness and efficiency of the office. These challenges include:
 - Defining clear metrics to evaluate progress toward goals
 - Before and after the reorganization OUSD Policy developed some organizational performance measures such as external (the Secretary of Defense) and internal (action officers) customer satisfaction.
 - OUSD Policy established the Organizational Performance Measurement Board to develop performance measures and to assess progress in achieving goals.
 - OUSD Policy is developing performance measures in the absence of a strategic plan that identifies missions and goals.

- Developing workload measures to assess staffing needs in each office so that workloads are balanced among offices and individuals and resources are dedicated to highest priorities
 - OUSD Policy did not use workload measures to assign the number of action officers to each DASD in the legacy and current organizations, although it operates under a limitation for the number of civilian and military personnel employed in the Office of the Secretary of Defense.
 - To stay within the limitation, OUSD Policy supplements its workforce through contractors and several types of governmental employees.
 - According to several OUSD Policy officials, more staff are needed in some of the organization's offices to perform required tasks.

- We obtained oral comments on a draft of this briefing, and the agency agreed with the facts presented. On the basis of the comments, we made technical changes as appropriate.

- Should you or your staff have any questions on the matters discussed in this briefing, please contact John Pendleton at (202) 512-3489 or pendletonj@gao.gov

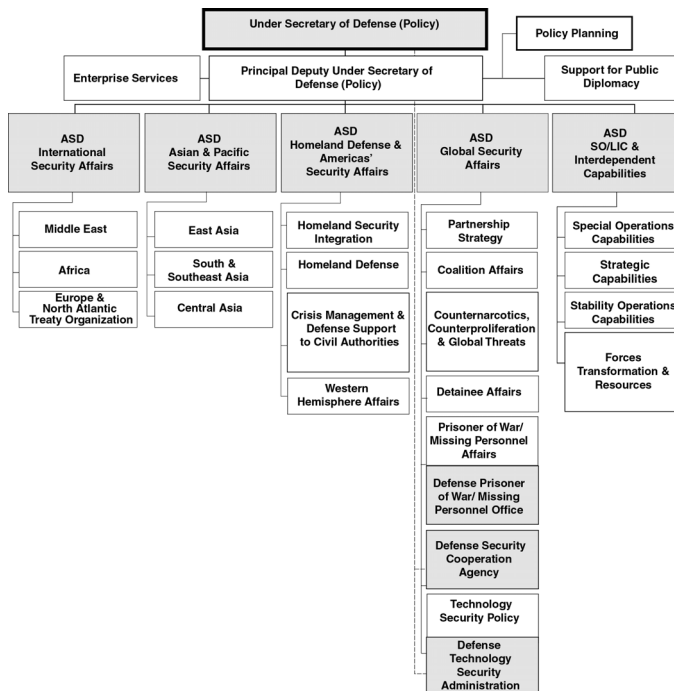
Issues in the National Defense Authorization Act for Fiscal Year 2008 and accompanying conference report and summary of observations.

Authorization Act and conference report issues	Summary of observations
<p>The manner in which the reorganization of the office furthers, or will further, its stated purposes in the short-term and long-term, including the manner in which the reorganization enhances, or will enhance, the ability of the DOD—(A) to address current security priorities, including on-going military operations in Iraq, Afghanistan, and elsewhere; (B) to manage geopolitical defense relationships; and (C) to anticipate future strategic shifts in those relationships</p>	<p>(A) OUSD Policy established the DASD Coalition Affairs, whose responsibilities include equipping and training needs for U.S. coalition partners for ongoing operations in Iraq and Afghanistan. (B) The current organizational structure rebalanced regional responsibilities to redistribute workload and increase understanding of emerging regional issues. (C) OUSD Policy established the DASD Partnership Strategy to, among other things, anticipate changes in the capabilities of current international partners and generate workable strategies to increase U.S. partnerships.</p>
<p>The impact of the large increase in responsibilities for the ASD Special Operations/Low Intensity Conflict (SO/LIC) & Interdependent Capabilities under the reorganization on the ability of the Assistant Secretary to carry out the principal duties of the Assistant Secretary under the law</p> <p>The possible decrease in attention given to special operations issues resulting from the increase in responsibilities for the ASD SO/LIC & Interdependent Capabilities, including responsibility under the reorganization for each of the following: (A) strategic capabilities, (B) forces transformation, and (C) major budget programs</p>	<p>OUSD Policy changed the missions within the portfolio of the ASD SO/LIC, such as removing counternarcotics missions and moving them to the ASD Global Security Affairs' portfolio, and added strategic capabilities and forces transformation. OUSD Policy also added Interdependent Capabilities to the ASD's title. Several OUSD Policy officials stated that the current mission set of the ASD SO/LIC & Interdependent Capabilities provides a comprehensive OUSD Policy view of the total force, allowing the ASD to link strategies and capabilities. Although oversight responsibilities have broadened, the duties specified under law, such as overall supervision of special operations activities, remain within the portfolio of the ASD SO/LIC & Interdependent Capabilities. Further, the Combatant Commander Special Operations Command stated that the reorganization had not changed how the ASD provides oversight for special operations. In the current organization OUSD Policy has dedicated staff to oversee Major Force Program 11, the special operations budget, although the total number of staff providing oversight for special operations programs is fewer than the number of personnel in the legacy organization. However, OUSD Policy lacks performance measures to determine the effect of changes made to the ASD portfolio as a result of the reorganization.</p>

Authorization Act and conference report issues	Summary of observations
<p>The unique placement under the reorganization of both functional and regional issue responsibilities under the ASD Homeland Defense and Americas' Security Affairs (HD&ASA)</p>	<p>The ASD HD&ASA is responsible for regional and functional issues, including countries in the Western Hemisphere and homeland defense activities. OUSD Policy officials stated that grouping regional and functional issues provides a more comprehensive view of issues common to the region, such as border security, and increases the visibility of Western Hemisphere countries within OUSD Policy.</p>
<p>The possible diffusion of attention from counternarcotics, counterproliferation, and global threat issues resulting from the merging of those responsibilities under a single DASD for Counternarcotics, Counterproliferation, and Global Threats</p> <p>The impact of the reorganization on counternarcotics program execution</p>	<p>OUSD Policy lacks performance measures to determine the effect of changes made to ASD or DASD portfolios as a result of the reorganization. However, several OUSD Policy officials stated that networks associated with counternarcotics, counterproliferation, and global threats typically exploit the same vulnerabilities, such as unprotected borders, and present similar operational challenges. By placing counternarcotics, counterproliferation, and global threats in one DASD, OUSD Policy officials plan to share information and develop similar approaches to more efficiently counter these illegal activities. Additionally, the reorganization did not affect the management or execution of the Central Transfer Account, which is used for DOD's counternarcotics program or the Cooperative Threat Reduction account, which is used for DOD's counterproliferation program. The accounts continue to be managed separately.</p>
<p>The differentiation between the responsibilities of the DASD for Partnership Strategy and the DASD for Coalition Affairs and the relationship between such officials</p>	<p>DASD Partnership Strategy has responsibility for developing long-term strategic policies involving partner nations, such as coordinating the Global Defense Posture, while Coalition Affairs has responsibility for developing policies related to near-term needs for operational requirements, such as providing policy oversight for training and equipping coalition troops.</p>
<p>The impact of the process, as conducted in November 2006 and implemented in early 2007, whereby career civil servants "bid" on positions within OUSD Policy, on overall levels of personnel morale, expertise, and effectiveness</p>	<p>OUSD Policy used a process which allowed foreign affairs specialists to submit their staffing assignment preferences and allowed DASDs to bid for employees. Through this process, OUSD Policy filled first preferences for 77 percent of the action officers. A leadership team evaluated all action officer staffing assignments to ensure that consideration was given to certain organizational priorities, such as retaining expertise in specific offices. However, OUSD Policy did not develop measures to determine the effect of the staffing process on morale and effectiveness, and the impact of the staffing process is unclear.</p>

Authorization Act and conference report issues	Summary of observations
<p>The fact that foreign affairs specialists from those field agencies and offices associated with OUSD Policy were not included in the personnel assignment bidding system, even though they are eligible to apply for vacancies in OUSD Policy</p>	<p>Foreign affairs specialists in the DOD agency and field activities within OUSD Policy were not included in the action officer staffing process for two reasons. First, the agency and field activities have separate manpower counts within DOD. Second, the total size of OUSD Policy did not increase from the legacy to the current organization, thus OUSD Policy placed all legacy action officers in the current organization before opening vacancies to other DOD employees.</p>
<p>Possible absence of a dissent channel within DOD and, in particular, OUSD Policy that personnel may use to present alternative views, analyses, and policy recommendations at variance with those in place or being submitted to senior leadership for consideration</p>	<p>During implementation of the reorganization, OUSD Policy took several steps to obtain employee opinions, including establishing an officewide e-mail address for comments and conducting forums for employees to express concerns or suggest improvements. In the current organization, OUSD Policy has taken several steps to manage employees' concerns such as creating the Action Officer Committee, which provides opportunities for employees to express their perspectives. Further, employees may express their alternative opinions about DOD's views, analyses, and policy recommendations through OUSD Policy's management structure.</p>
<p>The manner in which DOD plans to evaluate progress in achieving the stated goals of the reorganization and what measurements, if any, the department has established to assess the results of the reorganization</p>	<p>OUSD Policy established the Organizational Performance Measurement Board to assist in the development of performance measures and has begun collecting data for a number of performance measures such as external (the Secretary of Defense) and internal (action officer) customer satisfaction. However, OUSD Policy has not defined a comprehensive set of measures to evaluate progress toward goals.</p>
<p>The extent to which DOD has worked to mitigate congressional concerns and address other challenges that have arisen since the reorganization was announced</p>	<p>OUSD Policy issued a report to explain the key aspects of the reorganization and drafted a series of memos to provide clarification about the current organizational structure. In addition, OUSD Policy officials testified and provided briefings to members of Congress about the reorganization and other emerging issues.</p>

Source: GAO.



Source: GAO analysis of DOD information.

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