

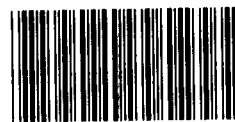
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Briefing Report to the Chairman,
Subcommittee on Investigations,
Committee on Armed Services, House of
Representatives

May 1992

DEFENSE
REORGANIZATION

DOD Establishment
and Management of
Defense Agencies



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National Security and
International Affairs Division

B-248445

May 27, 1992

The Honorable Nicholas Mavroules
Chairman, Subcommittee on
Investigations
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

As you requested, we reviewed the Department of Defense's (DOD) implementation of title III of the Goldwater-Nichols DOD Reorganization Act of 1986 that addresses defense agencies. Title III (1) states that the Secretary of Defense may designate a single DOD agency to perform a supply or service activity that is common to more than one military department, (2) requires that the overall supervision of each defense agency so designated (except the Defense Intelligence Agency and the National Security Agency) be assigned to either a civilian officer within the Office of the Secretary of Defense (OSD) listed in the act or to the Chairman, Joint Chiefs of Staff (CJCS), (3) designates specific duties and responsibilities that the CJCS is to exercise in providing oversight over the combat support agencies, and (4) requires periodic reviews to be conducted.

In accordance with subsequent discussions with your staff, we excluded from our review the sections of title III that are only applicable to the National Security Agency and the Defense Intelligence Agency. In March 1992, we briefed your staff on the results of our review. This report summarizes that briefing.

Results in Brief

Since the passage of title III, the Secretary of Defense has established three defense agencies—the Defense Finance and Accounting Service, the Defense Commissary Agency, and the On-Site Inspection Agency. The first two qualify as defense agencies as defined by the act meeting its criteria of a supply or service common to more than one military department. The On-Site Inspection Agency was created to address new responsibilities created by the Intermediate Range Nuclear Forces Treaty.

The Defense Legal Services Agency, while not an organizational unit, remains a defense agency designation for the purpose of coordinating legal services throughout OSD, the defense agencies, and DOD field activities and to administer DOD's standards of conduct and industrial security clearance

review programs. The Director of the Defense Legal Services Agency is also the DOD General Counsel.

Changes in civilian and military oversight responsibilities resulting from implementing the requirements of the act have been institutionalized through updating various DOD documents, including DOD directives establishing the defense agency charters and CJCS memorandums of policy addressing the evaluating and reporting of military capability. Our review of the charters¹ showed:

- The Secretary of Defense assigned responsibility for supervision of each defense agency to a civilian officer within OSD as defined by the act and retained appointment authority.
- Mechanisms have been established for the CJCS to exercise oversight of combat support agencies, including coordination steps for revising defense agency plans to support operating forces in the event of war or threat to national security.

The Secretary of Defense and the CJCS have conducted the periodic reviews required by the act and the CJCS has submitted to the Secretary two biennial reports—1988 and 1990—on the combat support agencies. The 1990 report was produced using the Combat Support Agency Assessment System and contained CJCS recommendations addressing responsiveness and readiness concerns or deficiencies. The 1988 report was based primarily on agency self-assessments and contained no recommendations. The Secretary's reviews were conducted and summarized in 1989 and 1991.

Designated and Modified Defense Agencies

Numerous changes have occurred in the defense agencies since enactment of the DOD Reorganization Act. The act authorizes the Secretary of Defense to provide for the performance of a supply or service activity that is common to more than one military department by a single defense agency and requires the Secretary to periodically review defense agencies to ensure that there is a continuing need for each such agency. Defense agencies have been established, redesignated, modified, and expanded to accommodate the centralization of business functions within DOD.

¹National Security Agency/Central Security Service and On-Site Inspection Agency charters are classified and were not reviewed.

New Defense Agencies Established

DOD has established three new agencies since enactment of the DOD Reorganization Act to (1) carry out new functions, (2) consolidate existing functions performed by the military services, and (3) standardize finance and accounting practices. These agencies are the On-Site Inspection Agency, the Defense Commissary Agency, and the Defense Finance and Accounting Service. A description of each new agency is discussed in appendix I.

Roles of Defense Agencies Redesignated, Expanded, and Modified

DOD, in keeping with its long-term trend toward greater centralization of common service and supply functions throughout the Department, has redesignated one defense agency and expanded and modified missions of several other defense agencies. Moreover, DOD is in the process of a major restructuring of the Defense Intelligence Agency and plans to accelerate this trend of centralizing and consolidating supply and service functions during its downsizing in response to budget reductions.

The Defense Communications Agency was redesignated the Defense Information Systems Agency on June 25, 1991, to acknowledge its broadened role into information systems management as well as communications. The Agency remains under the direction, authority, and control of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence. Its expanded mission includes responsibility for establishing and operating a center for information management to provide technical support in implementing the defense corporate information management initiative which, according to DOD, is at the heart of its ability to conduct its business functions effectively.

The missions of the Defense Logistics Agency, the Defense Mapping Agency, and the Strategic Defense Initiative Organization have been expanded. The Defense Logistics Agency now has the added responsibilities for contract management (administrative services) and supply depot distribution operations for DOD as well as item management responsibility for approximately 1 million additional consumable items assumed from the military services. The Defense Mapping Agency expansion includes (1) preparing, coordinating, and issuing standards for mapping, charting, and geodetic products; (2) providing technical guidance to all DOD components to ensure standardization and interoperability of systems requiring mapping, charting, and geodetic support; and (3) advising the defense acquisition board on these issues. The Strategic Defense Initiative Organization now has additional

responsibilities for managing the development and deployment of a theater missile defense program.

In 1987, the CJCS and OSD reports recommended that the Defense Legal Services Agency be disestablished. The basis for that recommendation was that the Agency was solely a formal relationship of legal staffs within OSD, defense agencies, and DOD field activities, and, as such, did not satisfy the statutory requirement of providing a supply or service activity common to more than one military department in a more effective, economical, or efficient manner.

In December 1989, the Defense Legal Services Agency charter was reissued designating it as a separate agency under the direction, authority, and control of the DOD General Counsel. It remains a formal integration of legal staffs in OSD, defense agencies, and DOD field activities. However, the new charter incorporates the responsibilities for (1) developing and administering the standards of conduct program and (2) administering the defense industrial security clearance review program. This latter program is operational in nature and provides services common to the military departments as well as other federal departments, agencies, and organizations.

Roles of the Secretary of Defense and the CJCS in Defense Agency Oversight

Defense agency oversight has been evolving since enactment of the DOD Reorganization Act of 1986. It involves a coordinated civilian and military effort with feedback systems for both the Secretary's overall administering role and the CJCS military capability role. Our work shows that (1) supervision as required in the act for each defense agency has been assigned to a civilian officer within OSD as listed in the act² and (2) defense agencies have been subjected to biennial reviews to determine whether a continuing need existed for each agency. For combat support agencies,³ additional oversight by the CJCS has been institutionalized.

²The act designates the civilian officers within OSD as (1) the Deputy Secretary of Defense, (2) the Under Secretary of Defense for Acquisition, (3) the Under Secretary of Defense for Policy, (4) the Director of Defense Research and Engineering, (5) the Assistant Secretaries of Defense, (6) the DOD Comptroller, (7) the Director of Operational Test and Evaluation, (8) the DOD General Counsel, (9) the Inspector General, and (10) such other offices and officials as may be established by law or the Secretary of Defense may establish or designate.

³The act identified the following agencies as combat support agencies—(1) the Defense Communications Agency, (2) the Defense Intelligence Agency, (3) the Defense Logistics Agency, (4) the Defense Mapping Agency, and (5) any other defense agency designated as a combat support agency by the Secretary of Defense.

**Secretary of Defense
Oversight of Defense
Agencies**

The act in addressing oversight of defense agencies requires the Secretary of Defense to

- assign responsibility for the supervision of each defense agency to either a civilian officer within OSD as listed in the act or the CJCS,
- establish procedures to ensure that there is full and effective review of program recommendations and budget proposals of each defense agency, and
- review periodically the services and supplies provided by each defense agency.

The supervision requirement per the act does not apply to the Defense Intelligence Agency or the National Security Agency.

Figure 1 lists each defense agency, excluding the Defense Intelligence Agency and the National Security Agency, notes whether it is a combat support agency, and lists its designated OSD supervisor. Both excluded agencies are combat support agencies.

Figure 1: Defense Agencies and Their Civilian Supervision Official

Defense agencies	Combat support agencies	OSD supervision official
Defense Advanced Research Projects Agency	No	Director, Defense Research and Engineering
Defense Commissary Agency	No	Assistant Secretary of Defense (Production and Logistics)
Defense Contract Audit Agency	No	Comptroller of DOD
Defense Finance and Accounting Service	No	Comptroller of DOD
Defense Information Systems Agency	Yes	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Defense Investigative Service	No	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Defense Legal Services Agency	No	General Counsel of DOD
Defense Logistics Agency	Yes	Under Secretary of Defense (Acquisition)
Defense Mapping Agency	Yes	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Defense Nuclear Agency	No	Director, Defense Research and Engineering
Defense Security Assistance Agency	No	Under Secretary of Defense (Policy)
On-Site Inspection Agency	No	Under Secretary of Defense (Acquisition)
Strategic Defense Initiative Organization	No	Deputy Secretary of Defense

Procedures within the Planning, Programming, and Budgeting System have been established allowing defense agency issues to be raised during the programming and budgeting cycles. The new procedures allow such issues to be raised even though such issues may not meet the dollar thresholds established for raising issues. While the Secretary retains resourcing authority, procedures allow for the customers of each defense agency to express their concerns regarding program recommendations and budget proposals.

Biennial reviews were conducted and summarized in 1989 and 1991. The issues specified in the act and the findings of the 1991 review are summarized in figure 2.

Figure 2: Defense Agency Issues and Findings From the November 1991 Biennial Review

Legislative Issues	OSD findings
Is there a continuing need for defense agencies?	The defense agency system is basically sound. The existing structure should be sustained and modified as changing requirements and circumstances dictate. There is no evidence to warrant the disestablishment of any defense agency. Greater centralization and consolidation of DOD activities may be desired as DOD faces the prospects of budget cuts and organizational downsizing.
Is the provision of those services and supplies by defense agencies rather than by the military departments, a more effective, economical, and efficient manner of providing those services and supplies?	Experience has demonstrated that the defense agencies' organizational structure is the most effective, economical, and efficient organization configuration for satisfying the common supply and service functions of DOD. The study could find no compelling evidence that, for reasons of effectiveness, economy, and efficiency, functions of defense agencies should be decentralized to the military departments, reassigned to a single military department acting as executive agent, or realigned with other organizations.
Are defense agencies with direct combat support missions meeting the requirements for combat readiness of the armed forces?	The study concludes that there have been significant improvements in the level of support provided by defense agencies, particularly the combat support agencies, since implementation of the DOD Reorganization Act of 1986.

CJCS Oversight of Combat Support Agencies

The act gave the CJCS certain oversight responsibilities for the combat support agencies. These responsibilities have been incorporated into their revised charters. They include

- submitting biennial reports to the Secretary of Defense on the responsiveness and readiness of the combat support agencies;
- reviewing and modifying, if appropriate, the plans of the combat support agencies with respect to support of operating forces in the event of war or threat to national security;
- providing for the participation of the combat support agencies in joint training exercises and assessing their performance in those exercises; and
- developing a uniform readiness reporting system for the combat support agencies.

The CJCS responsibilities have been institutionalized in the memorandum of policy addressing military capability reporting as well as in the defense

agency charters. For example, the memorandum of policy establishes the Combat Support Agency Assessment System as the vehicle for reporting and assessing responsiveness and readiness of the combat support agencies. It also establishes the Concern and Deficiency Reporting System as an automated data base to streamline military capability reporting by the unified and specified commands and the combat support agencies and requires the combatant commanders to comment on responsiveness and readiness of the combat support agencies in their preparedness assessment reports.

The memorandum of policy in discussing the concept of the combat support agency assessment system states:

- The system is designed to evaluate the ability of the combat support agencies to support operating forces in the event of a war or threat to national security.
- The primary focus is on identification of support requirements for combatant commander taskings in the Joint Strategic Capabilities Plan and agency capacity to meet those requirements.
- The inputs to the system are (1) combat support agency director's reports, (2) commander in chief preparedness assessment reports, (3) joint exercise evaluations, and (4) the joint after action reporting system reports.

CJCS submitted biennial reports to the Secretary of Defense in 1988 and 1990. The second biennial report, the 1990 Combat Support Agency Responsiveness and Readiness Report, contained Joint Staff observations and evaluations of combat support agencies' performance during a joint exercise and recommendations to address planning shortfalls as well as resource limitations. Neither of these areas—joint exercises or recommendations—were addressed by the Joint Staff in the first biennial report. The 1990 Combat Support Agency Responsiveness and Readiness Report concluded that all combat support agencies had improved their responsiveness for supporting the combatant commanders.

Scope and Methodology

We obtained data and views from officials in the Offices of the Secretary of Defense and the Joint Staff. We reviewed legislative documents, DOD policy documents, and DOD reports required by the act.

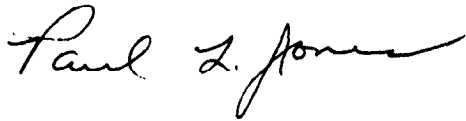
We conducted our work between January and March 1992 in accordance with generally accepted government auditing standards. As requested, we

did not obtain DOD comments. However, we did discuss the matters contained in this letter with OSD and Joint Staff officials during the course of our review and have incorporated their comments where appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time, we will send copies to the Chairmen, Senate and House Committees on Armed Services and on Appropriations; the Chairman, House Committee on Government Operations and the Senate Committee on Governmental Affairs; the Chairman, Joint Chiefs of Staff; and the Director, Office of Management and Budget. We will make copies available to others upon request.

Please contact me on (202)275-3990 if you or your staff have any questions concerning this report. The major contributors to this report were George E. Breen, Jr., Assistant Director, and William J. Wood, Evaluator.

Sincerely yours,



Paul L. Jones
Director, Defense Force Management
Issues

Defense Agencies Established After October 1, 1986

The On-Site Inspection Agency was established in January 1988 and placed under the direction, authority, and control of the Under Secretary of Defense (Acquisition). Its original mission was to manage and coordinate on-site inspections used to collect information for monitoring the Intermediate Range Nuclear Forces Treaty. Since then its mission has expanded to include planning and preparing for the implementation of other treaties and to manage in-country monitoring of Soviet nuclear tests. In addition, the Agency has been designated to act as the Department of Defense's (DOD) executive agent for support to the United Nations Special Commission on Iraq.

The Defense Commissary Agency was established in November 1990 and placed under the direction, authority, and control of the Assistant Secretary of Defense for Production and Logistics. Its mission is to

- provide an efficient and effective worldwide system of commissaries for the resale of groceries and household supplies at the lowest practical price (consistent with quality) to members of the military services, their families, and other authorized patrons, while maintaining high standards for quality, facilities, products, and service and
- provide a peacetime training environment for food supply logisticians needed in wartime and, as circumstances dictate, provide troop issue subsistence support to military dining facilities consistent with service needs.

As of October 1, 1991, the four military commissary operations had been consolidated in the Defense Commissary Agency.

The Defense Finance and Accounting Service was established in November 1990 and placed under the direction, authority, and control of the DOD Comptroller. This Agency is responsible for standardizing finance and accounting information that will be accurate, comprehensive, and timely. To accomplish this, the Agency is to direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities. Initially, plans are for the Agency to operate 6 existing financial centers and consolidate 250 separate DOD accounting systems.

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