Statement of

David Tillotson III
Assistant Deputy Chief Management Officer
Department of Defense

before the

House Oversight and Government Reform Committee

On

"Findings of the Government Accountability Office's 2016 and Prior Reports on Duplication, Fragmentation and Overlap in Federal Programs"

April 13, 2016

Good afternoon Chairman Chaffetz, Ranking Member Cummings, and Members of the Committee. Thank you for this opportunity to discuss the Department's progress addressing the Government Accountability Office's (GAO) findings related to duplication, fragmentation and overlap in the Department.

My name is David Tillotson, and I am the Assistant Deputy Chief Management Officer (ADCMO) of the Department of Defense (DoD). Prior to my appointment as the DoD ADCMO, I was the Deputy Chief Management Officer, Office of the Secretary of the Air Force.

As the ADCMO, I provide direction and advice on improvements to business processes and practices in the Department with a particular emphasis on overhead and mission support functions. Last year, the Deputy Secretary asked this office to put together a package of efficiencies initiatives that would help free up needed funds to meet emerging needs in the current budget constrained environment. The initiatives that I am currently leading include headquarters reductions, service contract requirements reviews, information technology optimization, and business optimization to include commissaries and exchanges. I have also been working on improving select business processes, including the hiring process, the conference approval process, and the process for coordinating and promulgating DoD issuances. When completed, these initiatives will result in $7.7 billion in forecasted savings over FY 2017 – FY 2021 and a reduction of 25 percent in headquarters costs.

The Department appreciates the work by GAO on identifying additional opportunities to reduce duplication, overlap and fragmentation. Over the past several years, the Department has made significant progress in implementing the recommended actions identified in GAO's 2011-2015 annual duplication reports. Specifically, the GAO identified a total of 101 recommended actions

directed solely to the Department in its first four annual reports (2011-2014); the Department has fully addressed or partially addressed 87 percent of these recommendations. Further, the GAO identified an additional 19 recommended actions in 2015, for which the Department has fully addressed or partially addressed 47 percent of those actions.

One specific area in which the Department has made significant progress is in the area of DoD contract management. The DoD obligates more than $300 billion annually to contract for goods and services, including major weapon systems, support for military bases, information technology, and other mission areas addressed by the GAO's duplication reports. In its High Risk Series Update Report published in February 2015, the GAO recognized progress made regarding the management and oversight of contracting techniques and approaches, noting that Departmental leadership had taken significant steps to plan and monitor progress over the last several years. As a result, GAO made a decision to remove contracting techniques and approaches from the scope of the DoD contract management high risk area.

We have begun implementing the robust practices put in place in the military departments to review the requirements for and assess potential redundancies in service contracts supporting the OSD staff and the DoD Defense Agencies and Field Activities. This process, known as the Service Requirements Review Boards (SRRBs), is aimed at validating service contract requirements and streamlining service support contracts. The SRRBs require organizations within the Office of the Secretary of Defense (OSD) and the Defense Agencies and DoD Field Activities to review their service contract requirements and assess opportunities for efficiencies, to include the elimination of non-value-added services, identification and elimination of duplicative requirements, re-alignment of requirements to better align to mission, and the

identification of Strategic Sourcing opportunities. In addition, organizations are tasked with capturing savings to facilitate budget cuts over the Future Years Defense Program and re-invest funds into new capabilities. Regarding strategic sourcing opportunities, the Department is supportive of the Category Management concept championed by OMB and provides the co-lead of the Administration's Cross Agency Priority on Strategic Sourcing. Both initiatives further facilitate the elimination of redundant contracts and enable better pricing and management of purchased goods and services.

Another example of the Department's progress in implementing GAO recommended actions involves management of leased space. In 2014, the Department began reviewing use of government and leased space in the National Capital Region (NCR), with an objective of making better use of government facilities and reducing our requirement for leased space. The 2014 Leased Space Reduction effort started with a baseline of 5.4 million square feet (SF) of DoD occupied space within the NCR. The goal is to reduce our leased space inventory by 1.2 million SF prior to FY2020. To date we have eliminated 267 thousand SF of NCR leased space, resulting in savings to the department of $10M per year beginning in FY2016. DoD will release an additional 886 thousand SF by FY2020 for a total saving of $43M per year thereafter. In addition to the 2014 planned efforts, the Department continues to look for additional leased space savings within the NCR, and it is my intent to expand that effort nationwide.

In 2012, the GAO identified opportunities for consolidating or eliminating headquarters organizations based upon geographic proximity or span of control and centralizing overlapping functions or services. Additionally, GAO made specific recommendations on the need for improved information relative to Major DoD Headquarters Activities (MHA), including an

accounting of contractors supporting MHA and improved MHA data collection and tracking. Most recently, GAO identified the need for DoD to reassess personnel requirements for OSD, the Joint Staff, and the Military Service Secretariats. In 2013, then-Secretary Hagel directed a 20-percent cut to the cost of management headquarters operations through FY 2019, which resulted in the FY 2015 budget projecting reductions of over $5.3 billion and 11,000 manpower authorizations to MHA through FY 2019.

However, each DoD organization was permitted to define its own headquarters elements for the purpose of this reduction. As a result, it has been difficult to measure the extent to which major DoD headquarters activities have actually gotten smaller. Some organizations applied under-inclusive definitions and may not have cut headquarters enough. Other organizations applied over-inclusive definitions, and may have cut elements that were not performing headquarters functions at all.

This year, the Department has adopted a comprehensive new definition of major DoD headquarters activities, which was subsequently codified in the FY 2016 NDAA. The Department is now in the process of applying the new definition on a uniform basis across the Department. When fully implemented, the new definition will be built into programming and budget elements, enabling the Department to track headquarters reduction consistently across organizations and over time. The new definition and framework essentially removes smaller operational organizations from consideration while counting more of the staff-like activity in the major DoD Components.

The organizations that are included in the new definition include:

- OSD, the Joint Staff, the Offices of the Secretaries and Chiefs of the Military Departments, and the Office of the Chief of National Guard Bureau and the National Guard Joint Staff (these organizations are considered 100% MHA).

- Headquarters functions of:

    - The Combatant Commands and Sub-unified Commands.

    - Major Commands and Component Commands of the Military Departments.

    - Defense Agencies, DoD Field Activities, and the Office of the Inspector General, DoD.

- Headquarters functions of subordinate organizations that report to any of the above provided the organization is primarily non-operational, non-intelligence, or non-tactical.

The functions that are considered Headquarters functions include: Commander's immediate staff and direct support, numbered staffs, or those that are primarily involved in "directing, instructing, organizing, planning, preparing, communicating, managing, overseeing, analyzing, or assessing" activities.

The functions that are considered Non-Headquarters functions include: execution of military operational and tactical missions, training to execute military operational and tactical missions, provide support to customers outside the Component (except when they are simply interacting with external elements while conducting the business of the Component), and base operating or facilities support.

As of April 6, 2016, we have completed the re-baselining process for OSD, the Defense Agencies and Field Activities, the Joint Staff, and the Combatant Commands. We plan to complete the process with reviews of military department headquarters elements over the next month. At the same time, the Department has increased the targeted reduction in headquarters funding to 25 percent, consistent with the requirements in the FY 2016 NDAA.

Relative to OSD, Defense Agencies, and DoD Field Activities, my office has commissioned a Senior Review Panel (SRP), chaired by DCMO, AT&L, and Senior Services Managers from the MILDEPS. To ensure continued oversight and integration of effort, the SRP process is reviewing the re-baselining of MHA, the outcomes of the SRRBs, the planning for the execution of directed headquarters reductions, and the delayering of the management structures. The SRP began its efforts in November 2015 and will complete their initial review cycle this month.

Mr. Chairman, this office is firmly committed to continuing efforts to implement GAO recommended actions to reduce duplication, overlap and fragmentation in the Department's programs. The Department has always taken its duty to be an excellent steward of taxpayer dollars very seriously, and we look forward to working with the GAO on improvement opportunities identified in its 2016 report.