



21st Annual Acquisition Research Symposium

May 9, 2024

DOD Benefited from Financial Flexibilities but Could Do More to Maximize Their Use

GAO-23-105822

Introduction

- DOD receives about \$95 billion annually to support R&D.
- Questions have been raised about whether the process used to request and allocate those funds is fast and flexible enough to respond to evolving threats.
- Congress has provided DOD some authorities related to budgeting and financial management that allow DOD to make decisions about how it uses certain funds (financial flexibilities).
- Senate Report 117-39 with the FY 2022 NDAA directed GAO to review DOD's use of flexibilities.

Selected Objectives and Flexibilities

1. The extent to which DOD communicated information about financial flexibilities available in fiscal years (FY) 2017-2021.
2. DOD's use of selected flexibilities, including factors that enabled DOD's use in FYs 2017-2021.
 - Funding Laboratory Enhancements Across Four Categories (FLEX-4)
 - Defense Research and Development Rapid Innovation Program (RIF)
 - Rapid Acquisition Authority (RAA)
 - Software and Digital Technology Pilot Programs, Budget Activity Eight (BA-8)
 - Defense Research Laboratory Modernization Program (Lab Modernization)

Scope and Methodology

- **Objective 1.** To identify financial flexibilities that support R&D, innovation, and modernization:
 - Reviewed U.S. Code, relevant legislation, and DOD documents.
- **Objective 2.** To assess use, benefits, and enabling factors:
 - Selected a nongeneralizable sample of 5 flexibilities and 25 activities using those flexibilities.
 - Analyzed DOD and military department documents and guidance.
- Conducted 55 semi-structured interviews with officials responsible for R&D organizations, policy, and financial management.

Objective 1 – Available Flexibilities

- Congress provided DOD at least 26 authorities during FYs 2017-2021.
- We found:
 - DOD has not widely communicated information across the department.
 - There is not a central information source.
 - Responsibility for implementation is dispersed.
 - DOD and military department officials GAO spoke with said centralized information would be useful.

Objective 2 - Use and Benefits

- **Use.** DOD reported making about \$4.5 billion available from FYs 2017-2021 for FLEX-4, RIF, RAA, BA-8, and Lab Modernization.
 - This is less than half the total amount allowed by the flexibilities.
 - Use varied based on funding and needs addressed.
 - FLEX-4 accounted for about \$2.5 billion.
- **Benefits.** Streamlined DOD's PPBE process and funded early research, technology maturation, emerging needs, and R&D-related construction.

Objective 2 – Enabling Factors

- **Planning.** Helped officials propose uses of the flexibilities that aligned with agency priorities and structure their use to better meet agency needs.
- **Guidance.** Outlined the roles, responsibilities, and procedures for using a flexibility. DOD developed guidance for four flexibilities but did not for the lab modernization flexibility, making it more difficult to use, according to officials.
- **Institutional support.** Included having agency or local leaders who advocated for or provided the management infrastructure to facilitate use.

Recommendations (selected)

1. Designate a primary office responsible. Regularly collect current information about the financial flexibilities. Ensure the office makes the information easily accessible department-wide. [*DepSecDef*]
 - OUSD(C) plans to use existing administrative processes.
2. Develop guidance for the Lab Modernization Program. [*USD(R&E)*]
 - OUSD(R&E) planned to develop guidance for using the Lab Modernization Program.

Update: DOD developed a Fact Sheet about the flexibility, which it shared in February 2024 with the Laboratory Quality Enhancement Panel-Infrastructure.

Questions?

Leslie Ashton

Contracting and National Security Acquisitions (CNSA)

ashtonl@gao.gov

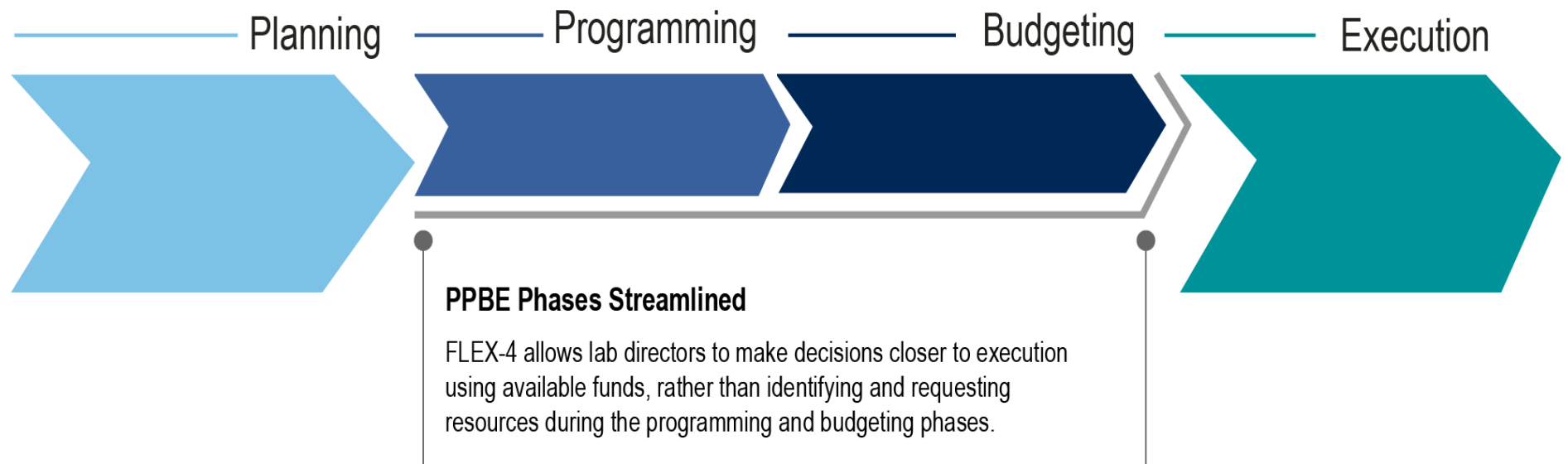
Back up slides

Benefits and PPBE Phases for Five Selected Flexibilities

- FLEX-4
- RIF
- RAA
- BA-8
- Lab Modernization

Funding Laboratory Enhancements Across Four Categories (FLEX-4)

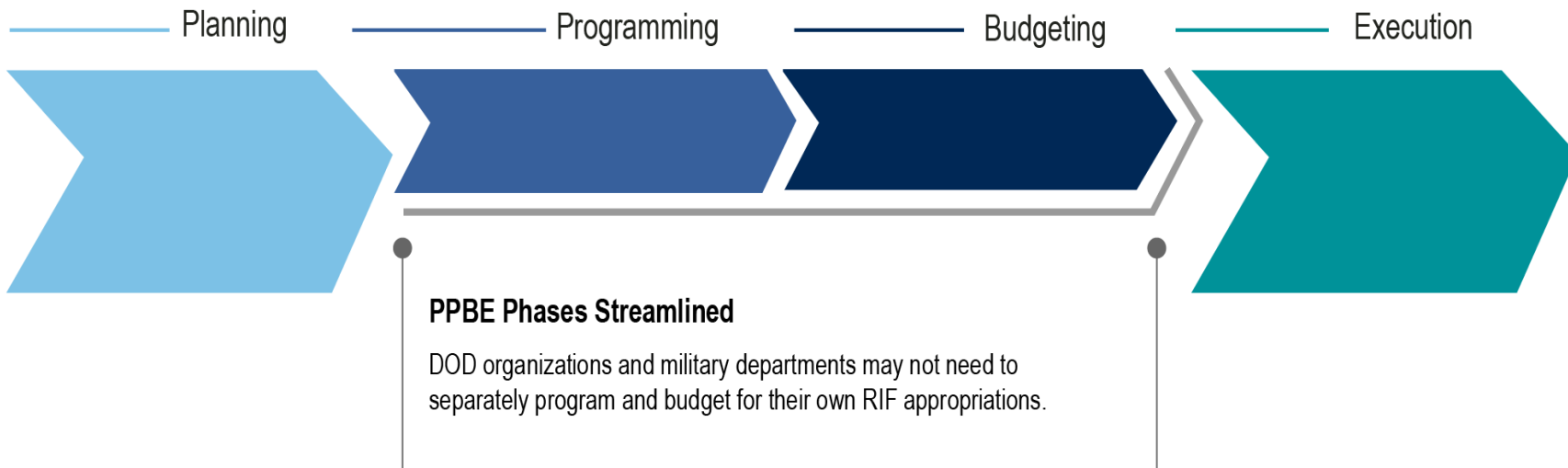
Allows laboratory (lab) directors to make timely resourcing decisions, according to DOD, based on lab-specified needs to support: **a)** basic or applied research, **b)** efforts that support technology transition, **c)** workforce development, or **d)** lab revitalization or refurbishment.



Source: GAO analysis of United States Code and Department of Defense (DOD) information. | GAO-23-105822

Defense Research and Development Rapid Innovation Program, also known as Defense Rapid Innovation Fund (RIF)

Allows DOD to transfer available funds to the research, development, test, and evaluation accounts of military departments, defense agencies, and special operations forces. This transfer authority is in addition to other transfer authorities. RIF supports the development of innovative and promising technologies.



Source: GAO analysis of United States Code and Department of Defense (DOD) information. | GAO-23-105822

Rapid Acquisition Authority (RAA)

Allows DOD to quickly access funds to urgently acquire and deploy capabilities to eliminate deficiencies that have resulted in or will result in combat casualties, could result in loss of life or mission failure, or to eliminate a deficiency caused by a cyberattack; or to initiate a project to address compelling national security needs requiring the initiation of a rapid prototyping and fielding effort.

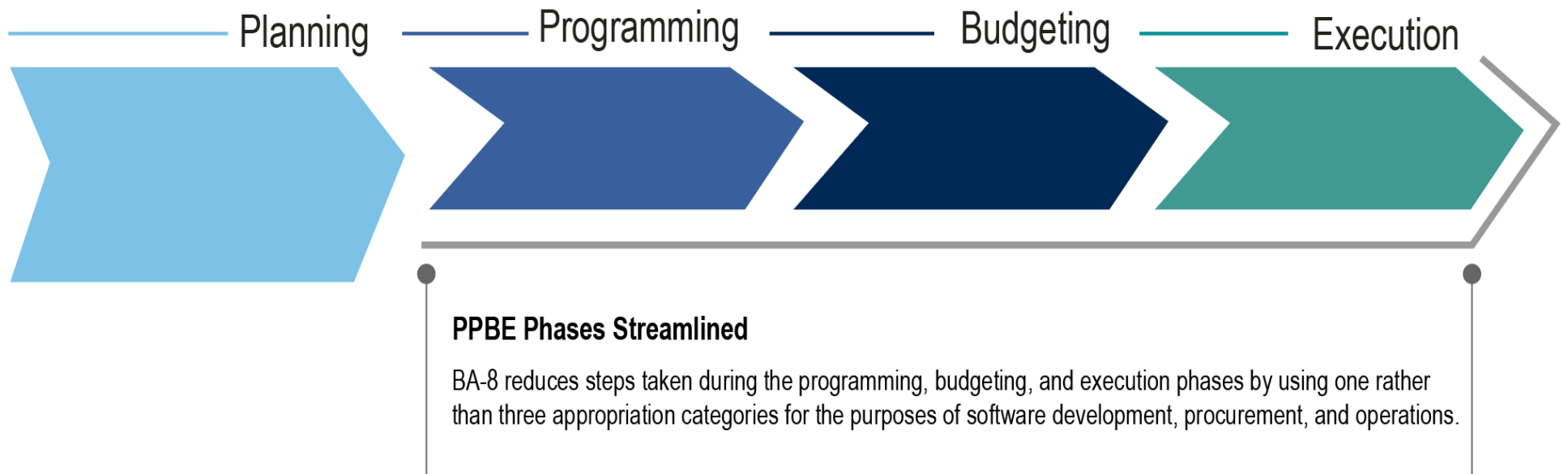


PPBE Phases Streamlined

RAA authorizes the use of funds that DOD identifies during the execution phase. As a result, users may not have to plan, program, or budget for the funds and do not have to follow certain internal reprogramming or transfer procedures in order to obtain funds.

Software and Digital Technology Pilot Programs, also known as Budget Activity Eight (BA-8)

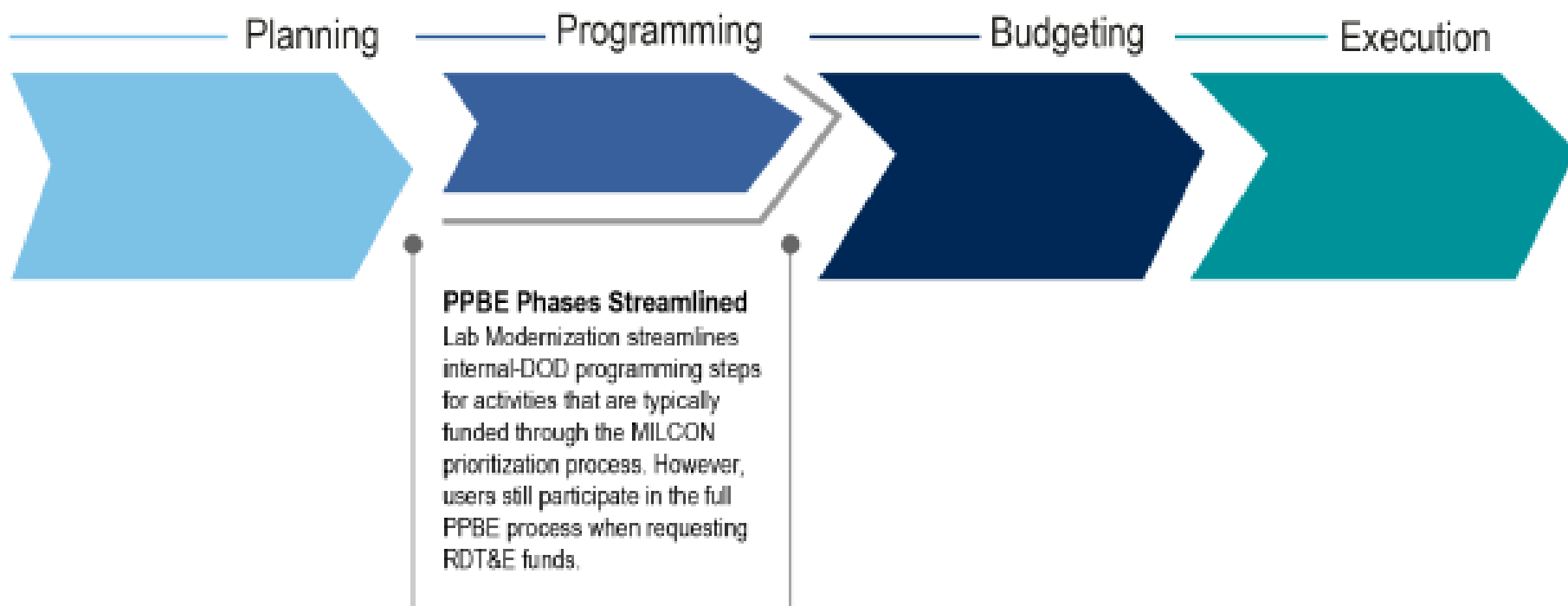
Allows DOD to use a single research, development, test, and evaluation (RDT&E) budget activity to cover RDT&E expenses as well as procurement and operation and maintenance expenses related to certain software and digital technology programs. According to DOD, this reduces administrative time that would be invested in programming, budgeting, and executing multiple budget requests, allowing increased team focus on capability development; increased ease and ability to obtain software licenses; and decreased budgeting risks.



Source: GAO analysis of relevant defense appropriations acts and Department of Defense (DOD) information and interviews. | GAO-23-105822

Defense Laboratory Modernization Program (Lab Modernization)

Allows DOD to use research, development, test, and evaluation (RDT&E), rather than military constructions (MILCON), funds for the purposes of building or revitalizing certain facilities, such as labs and test centers. By using RDT&E appropriations, RDT&E decisionmakers compare proposed activities against RDT&E needs thereby reportedly avoiding competition with other MILCON activities and the resulting, lengthy programming process.



Source: GAO analysis of relevant defense authorization and appropriations acts and Department of Defense (DOD) information and interviews. | GAO-23-105822