

**HEARING TO RECEIVE TESTIMONY ON BUSINESS TRANSFORMATION AND FINANCIAL MANAGEMENT AT THE DEPARTMENT OF DEFENSE**

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**Thursday, February 7, 2008**

U.S. SENATE  
SUBCOMMITTEE ON READINESS AND MANAGEMENT  
SUPPORT  
COMMITTEE ON ARMED SERVICES

Washington, DC.

The subcommittee met, pursuant to notice, at 2:33 p.m. in Room SR-222, Russell Senate Office Building, Hon. Daniel K. Akaka, chairman of the subcommittee, presiding.

Members Present: Senators Akaka [presiding] and Thune.

Committee staff members present: None.

Majority staff members present: Peter K. Levine, General Counsel, Michael J. McCord, Professional Staff Member, and William K. Sutey, Professional Staff Member.

Minority staff members present: Gregory T. Kiley, Professional Staff Member, and Lucian L. Niemeyer, Professional Staff Member.

Staff assistants present: Benjamin L. Rubin and Brian F. Sebold.

Committee members' assistants present: Bonni Berge, assistant to Senator Akaka, Dahlia Reed, assistant to Senator Bayh, and Stephen C. Hedger, assistant to Senator McCaskill.

**OPENING**

**STATEMENT OF HON. DANIEL K. AKAKA, U.S.**

**SENATOR FROM HAWAII**

Senator AKAKA. The Readiness Subcommittee will come to order, and meets today to address the issues of business transformation and financial management at the Department of Defense.

For as long as I've been serving on this committee, we have been working to address this issue. This has been an entirely bipartisan effort in which I have been joined, first, by Senator Inhofe—and we've served well together—and then by Senator Ensign—and we've served well together—and now with Senator Thune. And I want you to know that we stand together on this issue, because we know that, without timely, accurate financial information, our senior military and civilian leaders will continue to be severely handicapped in making day-to-day management decisions and ensuring that taxpayer dollars are well spent.

I am pleased to have the comptroller general here with us today, because the Government Accountability Office has played an—invaluable role in advising both Congress and the Department of Defense in what we need to do to make progress on this issue. And I want to say, also, that I've worked with the comptroller general over the years, we've worked well, and we've worked on what we call "high-risk areas," and continue to do that. And this is one of those areas.

I also am pleased to see Paul Brinkley, who has made a tremendous contribution to the business transformation effort during his time at the Department of Defense.

Over the last 4 years, the senior leadership at the Department of Defense has demonstrated a commitment to business systems modernization by establishing a Defense Systems Management Committee, a Business Transformation Agency, and a new federated architecture for the Department's defense system. The establishment of chief management officers for the Department of Defense in each of the military departments, in accordance with Section 904 of the National Defense Authorization Act for fiscal year 2008, would—should further advance this effort.

Despite these signs of progress, we still have a long way to go. I remain gravely concerned that the military departments have not yet followed DOD's lead in establishing new governance structures to address business transformation, have not yet developed comprehensive enterprise architectures and transition plans that plug into DOD's federated architecture in a manner that meets statutory requirements; and, instead, continue to rely upon old stovepipe structures to implement piecemeal reforms. The establishments of chief management officers for the military departments may help address these problems, but will not, alone, be enough.

The last time we had a transition from one administration to another, we started, from scratch, on business modernization, throwing years of hard work out the window. The Department then floundered for the better part of 4 years before finding the more promising road that we are now on.

I look forward to working with Senator Thune and the Department of Defense to ensure that, regardless of who our next President may be, the Department's business modernization efforts do not skip a beat in the next transition between administrations.

Senator Thune, your statement?

**STATEMENT OF HON. JOHN THUNE, U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Thank you, Mr. Chairman. And I appreciate you calling this hearing.

I look forward to helping build on the record of strong bipartisan oversight that this subcommittee created during the last 5 years over financial management reform efforts at the Department of Defense. The goal is to—of reform—is to provide timely, accurate financial information to our senior military and civilian leaders in order for them to make sound day-to-day management decisions. The importance of this goal cannot be understated. Ensuring the taxpayers' dollars are well spent is all our responsibility; in a time of war, it's even more so. Every dollar wasted is one dollar—one

less dollar for armored vehicles, one less dollar for body armor, one less dollar for ammunition, or one less dollar for medical supplies. And it's important that we not forget that.

Reviewing the record of this subcommittee and the Government Accountability Office's oversight, progress has been made on the Office of Secretary of Defense level. I want to thank, Mr. Walker, you and your staff for your continued engagement on this vital topic. I also would like to recognize the efforts of Mr. Brinkley and the staff of the Business Transformation Agency for their continued commitment to business systems modernization within the Department.

Sadly, not all the news, as you noted, Mr. Chairman, is good. At the service level, much still needs to be done. A little over a year ago, this subcommittee held its last financial management hearing, focusing on the lack of progress within the military departments in developing business systems architectures and fielding modern business systems. To our knowledge, the services have not followed OSD's lead in developing new government structures to better address business transformation, nor have they developed detailed comprehensive enterprise architectures and transition plans that fit into OSD's federated structure.

It appears little progress has been made over the past years, and this is troubling. I understand that people move on in government service. Administrations come and administrations go, and that changeover can be a positive thing, but the continued lack of accountability, the multiple plans for change over the years that are never implemented, and the hundreds of millions of dollars wasted is a disservice to the American taxpayer. They deserve better.

Senator Akaka and I remain committed to continuing these hearings, and continuing on the path to—of reform upon which we are currently traveling.

And, on a positive note, I would like to recognize the contribution of Ellsworth Air Force Base, in my home State of South Dakota, towards the financial reform within the Air Force. A new Air Force Financial Services Center opened this—just this past October at Ellsworth Air Force Base. It will transform most of the military and travel pay operations of the Air Force by centralizing transactions from 93 bases into one centralized location. The opening of the Air Force Financial Services Center will improve the effectiveness and efficiency of the Air Force financial services and customer service.

I look forward to hosting Secretary Gibson in the near future, when he comes to visit, and we hope to see more of this sort of positive progress in the coming year.

So, Mr. Chairman, again, thank you for taking time to hold the hearing today, and I appreciate, very much, those who are appearing before the subcommittee. And we welcome your testimony and look forward to having you respond to some of the questions that we have prepared for you.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you. Thank you very much, Senator Thune, for your statement.

And now we have our panel. And let me introduce them: The Honorable David M. Walker, who's Comptroller General of the

United States; Paul A. Brinkley, Deputy Under Secretary of Defense for Business Transformation; Mr. Peter E. Kunkel, Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller; Honorable Douglas A. Brook, Assistant Secretary of the Navy for Financial Management and Comptroller; and John H. Gibson, Assistant Secretary of the Air Force for Financial Management and Comptroller.

Welcome, to all of you. And I'd like to ask the comptroller general to begin.

**STATEMENT OF HON. DAVID M. WALKER, COMPTROLLER  
GENERAL OF THE UNITED STATES**

Mr. Walker: Chairman Akaka, Senator Thune, thank you for the opportunity to come back for this regular 6-month update on where things stand on business transformation within the Department.

I've submitted a statement for the record. I assume that you will enter it into the record, and I'll just move to summarize the highlights now, if that's okay with you.

Senator AKAKA. Your statements—all of your statements will be included in the record.

Mr. Walker: Thank you.

I would first like to commend this subcommittee for its continued efforts over a number of years, and hopefully it will continue in the future. And, I agree, this is a nonpartisan issue, this is about good government. This is economy, efficiency, and effectiveness, and that doesn't have a party label.

Let me say, at the outset, in my opinion significant progress has been made in the last 2 to 3 years at the OSD level, and I think that needs to be acknowledged. We have a number of people that have dedicated significant time and effort, and it's been evident, and it's achieved results at the OSD level. That has not, however, been replicated at the military department level, and that's the reason we are here today.

Within the last 6 months, there have been several key events. I'll mention just a few.

You mentioned, Mr. Chairman, the National Defense Authorization Act, which included a statutory requirement for the Department to have a strategic and integrated business transformation plan, which we had advocated for some time. It also created a deputy CMO and a CMO in each of the military departments.

Furthermore, through the Department of Defense's own efforts, a number of significant items occurred during the last 6 months. The—in financial management, they have moved, under their FIAR Plan, which is their audit plan, from a line-item approach to a segment approach, which is consistent with GAO's recommendation and makes a lot more sense. They've made some progress on standardizing data across the Department, although much more needs to be done. And they also are creating more emphasis on real success in financial management, which is not to achieve a clean opinion on your financial statements; that's—that should come after you achieve the basics. And the basics are: timely, accurate, useful, and used financial and other management information to make informed decisions on a day-to-day basis. That's, ultimately, what

you need. And you need that first. And they are refocusing on that fundamental need.

In the information technology area, they've issued their 6-month update on the enterprise architecture and the enterprise transformation plan. But, in summary, what I would say is, significant progress has been made at the enterprise level, but that has not been replicated at the military department level, which is why we're here today. And my two major concerns, at this point in time, are, (a) to accelerate progress at the military department level, and (b) which applies both at the enterprisewide and the military department level, concerns with regard to the changeover that we know is before us in January in this next year, whoever wins the presidential election, and the fact that there is not going to be—it doesn't appear that there is going to be a reasonable degree of continuity on some of these key positions. Obviously, we've got career officials that are there, and I'd be interested in knowing what's been done by the Department to try to provide some continuity through that vantage point.

But, I would note, one of the things that we've talked about before, Mr. Chairman and Senator Thune, is that, in our view, the chief operating officer, or chief management official, department-wide, needs to be a term appointment, because that's the only way that you're going to provide continuity within and between administrations. And, while that person might need to be politically acceptable, they shouldn't be—you know, they shouldn't be primarily chosen for political considerations, they need to be a professional who can end up helping to run and achieve business transformation success for the largest, most complex, and most important entities on the face of the Earth, Department of Defense.

We are fortunate today in having Deputy Secretary Gordon England, who's an extraordinary individual, and he clearly is the kind of person that we need to have that type of role. But, there is no guarantees whatsoever, absent statutory qualification requirements and other actions, that that will continue.

Thank you, Mr. Chairman. [The prepared statement of Mr. Walker follows:]

Senator AKAKA. Thank you very much, General Walker. Secretary Brinkley?

**STATEMENT OF PAUL A. BRINKLEY, DEPUTY UNDER SECRETARY OF DEFENSE FOR BUSINESS TRANSFORMATION**

Mr. Brinkley: Chairman Akaka, Senator Thune, it's a great honor to be here today. I, also, will keep my remarks brief, given my statement's been entered for the record.

I want to express gratitude to the committee and to General Walker for the ongoing direction, passion, leadership, interest that's been provided for the past several years on this topic. I also want to express gratitude for the acknowledgment we've already heard today of the progress that's been made. I think, too often, we're all focused on continuous improvement and making things better, but it is equally important that we pause once in a while and reflect, in government, on the good things that we do. This builds confidence in the organizations, that we can achieve great

things in government, and I appreciate the feedback that we've already received today.

Comptroller General Walker has been a steadfast and extremely engaged observer of our efforts in the Department of Defense. He and his staff continue to provide a great amount of stimulus to our efforts, in terms of continuous improvement; and, for that, we continue to be grateful, and we're thankful for his positive and negative feedback, which he provides with great regularity.

The—I will focus on a couple of areas that I think are worthy of reiteration before I turn over to my colleagues. Specifically—and it has been mentioned today—we have made significant progress in the Department in recognizing two things. And even some of the terms that have been used here today, terms like “federated,” terms like “accountability,” “structure”—align to the Title 10 legal structures that are in place for how we train, equip and support our Armed Forces. We have recognized, and put in place, governance processes and structures that have leveraged those legal structures, as opposed to try to conflict with them.

But, the other thing I will say, that I know my colleagues here with me today share, is a great passion for introducing into government and into DOD, the things that we take for granted in private life, in the Internet Age, is, just, people today. We are accustomed to fingertip access to information that informs decisions in all walks of our life. We go home, we bank online, we buy online, we demand instantaneous access to information online, and then we come back to work in government, and, too often, because of our legacy systems and our stovepipes and our processes, we don't have that access.

And, certainly for us, the most important customers we seek to satisfy are in the desert today, in places like Afghanistan and Iraq, and they certainly deserve the same access to information to inform their decisionmaking that we take for granted in daily life. So, our shared objective I to introduce and to ensure that our information environment in the Department of Defense provides that sort of speed, agility, and transparency to our decisionmaking, and we're making progress at that, and progress remains to be made.

Some specific points I will emphasize: We have defined data standards for our financial information in the Department of Defense. Under the leadership of Comptroller Tina Jonas, significant progress has been made in standardizing our accounting. Just simple things, how we account for information, how we account for the dollars that the taxpayer invests in defense. We have standardized our transaction codes, our accounting codes, and those are being fielded at systems at the Department level and in the services, and that took a significant amount of effort.

Some systems that have been poster-children for hearings and GAO audits, the Defense Travel System; programs that are about to field, like the DIMHRS system, for personnel pay, such a critical area, to provide uniform access to our talent in the Department, ensuring also that they are paid in a timely way, whether they're Guard, Reserve, or Active Duty. That system will begin to field, this year, and that may—represents major progress for the Department of Defense.

I'll also emphasize our direct support to the warfighter. The Department fielded a system, a year ago, to enable our contracting in Iraq and Afghanistan to be transparent and to facilitate economic development in those critical areas. The Joint Contingency Contracting System today has over 1,000 active users in theater, thousands of companies have been registered in Afghanistan and in Iraq, hundreds of millions of dollars in contracts are now being awarded in a way that stimulates economic growth in those areas, and that's a direct result of the work that's taken place in the business transformation effort.

We have not limited our efforts to systems. We have fielded and put in place a Lean Six Sigma continuous process improvement team—this is driving world-class business transformation practices at the Department of Defense and is focused, even at the Federal level now, on re-engineering the Federal security clearance process, in collaboration with the Office of Management and Budget, Office of Personnel Management, and other organizations; teamworking on detaining operations and how to make that work more efficiently for our Federal Government at such a critical time in national security; assessing our secondary defense agencies and their financial practices, and ensuring that those secondary defense agencies have world-class systems and access to information to enable their decisionmaking to be more efficient. And I've already mentioned our efforts in support of the warfighter, including our task force, fielded in Iraq today, working on economic development in a broad way in support of Multinational Force-Iraq.

I do have a couple of announcements to make. We did announce, recently, the appointment of David Fisher, who comes to us, with a Silicon Valley background, as the director of the Business Transformation Agency. But, I'm pleased, today—and, again, this is in direct response to a longstanding area of passion for General Walker—the appointment of Elizabeth McGrath as the first performance improvement officer for the Department of Defense. Beth is my principal deputy. She is a career leader. She represents what I believe is the best of government. We have brought in world-class talent from outside of government, and melded it with world-class talent from inside government. Beth will be part of the critical group of resources—human resources who must carry forward, in this transition of administrations, our effort. Deputy Secretary England signed a memo recently, appointing her to this position. She is with us today, and we look forward to her leadership in this transition as the first performance improvement officer for the Department of Defense.

With that, I will turn over to my colleagues, and thank you for your time. [The prepared statement of Mr. Brinkley follows:]

Senator AKAKA. Thank you very much, Secretary Brinkley.  
And now Secretary Kunkel.

**STATEMENT OF PETER E. KUNKEL, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR FINANCIAL MANAGEMENT AND COMPTROLLER**

Mr. Kunkel: Chairman Akaka, Senator Thune, my name is Peter Kunkel, and I'm the Principal Deputy assistant Secretary of the Army for financial management and comptroller.

Thanks for this opportunity to address the Army's business systems modernization and financial management accountability results. My statement for the recorded addresses a variety of financial management improvement efforts, but I'll focus my efforts—my comments today on four achievements since the last hearing, in November 2006, and three improvements planned for this year.

First, in November 2006 we reported that the General Fund Enterprise System, GFEBS, completed a successful technology demonstration, and we committed to completing the full GFEBS blueprint by May of 2007. This blueprint guides software development, and identifies additional opportunities for business process improvements. The GFEBS blueprint is complete. Furthermore, we have increased the number of systems marked for retirement, once GFEBS is implemented, from the 97—beg your pardon—from the 87 reported in November 2006 to 90 today.

Second, since November 2006, the Army has significantly increased the amount of business transacted via electronic commerce. For example, electronic processing of travel claims grew 44 percent; and electronic invoicing, 150 percent. Furthermore, we support the Treasury and the Federal Reserve Bank—with support from the Treasury and the Federal Reserve Bank, we have completed deployment of stored-value card technology in Iraq and in Afghanistan, resulting in a 70-percent reduction in cash payments, and nearly \$630 million transferred via electronic transfer.

Third, in November 2006 the Army Corps of Engineers submitted its fiscal year 2006 civil works financial statements to the Department of Defense inspector general. The audit work is now complete, and we expect to receive a formal—we expect to receive, formally, a qualified opinion, this March. Qualification concerns treatment of certain assets balances for property acquired prior to 1998, but, based on corrective actions implemented, we are confident that the qualification will be removed, enabling an unqualified opinion for the fiscal year 2007 statements.

And it's important to note this achievement. The Army Corps of Engineers receives nearly \$6 billion in annual civil works appropriations, and manages nearly \$40 billion in total assets, making it one of the largest executive-branch entities to receive a favorable audit opinion.

Fourth, over the past year, we have been engaged in an effort to improve supply-chain management, and, in June, successfully implemented the so-called Funds Control Module. The Funds Control Module is a bridge between unit-level logistics and the Army financial system. This Federal Financial Management Improvement Act compliance system verifies funds availability and provides realtime, auditable asset accountability for the \$20 billion expended annually by the Army for supplies and equipment.

I'd now like to describe three financial management efforts underway within the Army in 2008.

First, we are collaborating with the Business Transformation Agency to pilot electronic funds transfer to Iraqi vendors through the Commanders' Emergency Response Program. If successful, we will expand electronic payments to boost the nascent Iraqi banking infrastructure and reduce the need for cash in a deployed environment.

Second, in another example of collaboration with the Business Transformation Agency, we look forward to completing the first of five testing phases in the—on the Defense Integrated Military Human Resources System, or DIMHRS. Progress in this first phase is positive, and indicates that we will achieve successful deployment, this November. The Army fully resourced DIMHRS requirements in the fiscal year 2008 and 2009 budgets to ensure that DIMHRS progress stays on track.

Third, we've started to build GFEBS increment 2, which will deploy to installation management activities at Fort Jackson in November of this year. Increment 2 fully complies with the most current version of the Business Transformation Agency's business enterprise architecture and the DOD standard financial information structure, ensuring interoperability across all business domains. GFEBS is also fully resourced in fiscal year 2008 and 2009.

Mr. Chairman, I want to thank you and the committee for holding this hearing, and I'd like to emphasize that the Army shares your objective of sustaining the concurrent—the existing momentum into the next administration. With Congress's continued support and stable funding for our programs, the BTA's leadership, and oversight within the Army, we will improve our business systems and practices. We're thoroughly committed to this effort, and I look forward to your questions. [The prepared statement of Mr. Kunkel follows:]

Senator AKAKA. Thank you very much, Secretary Kunkel.  
Now we'll hear from Secretary Brook.

**STATEMENT OF HON. DOUGLAS A. BROOK, ASSISTANT SECRETARY OF THE NAVY FOR FINANCIAL MANAGEMENT AND COMPTROLLER**

Mr. Brook: Mr. Chairman, thank you very much—Mr. Chairman and Senator Thune. Thank you for inviting us here today to discuss our respective services' progress in transforming our business processes.

The Department of the Navy has made progress, I believe, but there is still much work ahead of us. For example, the Navy is implementing a major ERP application with 14,000 users online today at nine sites, and plans to have 10,000 more online by the end of this year. But, this implementation is not yet fully accomplished, and there are issues remaining to be addressed.

Second, the Marine Corps is well positioned to achieve a favorable audit opinion of at least one financial statement by the end of this year, but we have not achieved auditability, and there is additional work to do.

The Navy has established, and is executing, an oversight process that conforms with the investment review criteria first mandated by Congress in the Defense Authorization Act of 2005. Our transformation activities are subject to oversight by the Defense Business Systems and Management Committee. We do not have a governance structure for transformation that mirrors that of OSD.

The Government Accountability Office has offered recommendations for process changes and organization changes, and the Congress has included provisions, in the last several Defense Authorization Acts, that align with those recommendations. The Depart-

ment of the Navy understands these recommendations, we understand the provisions of law, and we continue to make progress toward improving the business of the Navy and the Marine Corps.

One of the recent criticisms by GAO of DOD's approach to business transformation was a perceived overemphasis on systems, perhaps at the expense of other aspects of transformation. So, let me, accordingly, broaden the picture of business transformation in the Department of the Navy, beyond systems.

In 2002, the chief of naval operations laid out the Sea Power 21 Vision that included a business transformation element, known then as Sea Enterprise. The goal of Sea Enterprise was cost-consciousness, to find more efficient ways of doing the Navy's business. Since then, the program has matured into Navy Enterprise. Conceptually viewing the Navy as a matrix of support providers and combat capability providers, Navy Enterprise is looking beyond traditional functional and organizational stovepipes, and, instead of mission at any cost, Navy Enterprise is seeking readiness at the right cost. In my mind, this represents a cultural transformation that involves systems-syncing with an eye on business functions, while still ensuring operational needs are met.

Discipline, documented, and controlled processes are the hallmark of our Nation's maritime force. They are what make us effective at sea and in expeditionary maneuvers ashore. Such thinking has not always consistently translated into the business environment, but I believe there is evidence that that tide is turning. The Secretary of the Navy challenged the Department to achieve greater efficiency, and the Department responded by adopting Lean Six Sigma as the best-practice tool of choice. Thousands of projects, large and small, have been conducted, with positive results.

On the financial management side, the Department's Financial Statement Audit Readiness Plan has identified areas where enhanced internal controls and better-defined business processes can support audit readiness. These improvements in internal controls are consistent OMB Circular A-123 and are clearly in line with the spirit of the 2006 and 2007 Defense Authorization Acts.

The Department is not only working to create a culture and attitude of business transformation, it is dedicated to aligning its efforts with DOD. Navy's financial improvement program integrates with DOD's Financial Improvement and Audit Readiness Plan, and we work closely with the OSD comptroller and other military services to better align our processes and internal control improvement efforts with the broader DOD business transformation plans.

The Department of the Navy embraces DOD's federated concept of tiered accountability. This federated approach requires that enterprisewide systems are used for enterprisewide functions, and that they adhere to DOD-wide standards, but also recognize the unique needs of the component in support of their Title 10 requirements.

The Navy believes it has partnered well with the Business Transformation Agency; most recently and most specifically, in reviewing and validating Navy's ERP processes.

Finally, in terms of organization, the Navy's Business Transformation Council was chartered in 2006 to bring senior executive leadership to bear on business transformation issues and to provide

enterprisewide policy direction and execution oversight. It is chaired by the Under Secretary of the Navy. This Council is positioned to undertake governance of business transformation in the Department of the Navy.

In addition, Navy has created the Functional Area Management Council to involve process owners in enterprise transformation. The functional area managers are senior leaders within organizations responsible for acquisition, financial management, and logistics. They are charged with overseeing the reduction and consolidation of IT investments consistent with Department of the Navy and DOD strategy and policy. And these function area managers are aligned to their corresponding DOD investment review boards, with constant communication maintained via our chief information officer's staff.

Mr. Chairman, the Department of the Navy has taken important steps in transforming its business, but recognizes that much work remains to be done. In my recent return to the Pentagon, I perceived that real progress has been made on multiple fronts—systems, processes, organizational structures, culture, and audit readiness. The Navy is balancing the competing demands of doing it quickly and doing it well. The Department is committed to the idea of business transformation and to achieving transformation through a disciplined and integrated approach. GAO and Congress have provided helpful templates and recommendations, and BTA has been a valuable partner.

We appreciate this committee's interest and support, and we look forward to our continued cooperation with you and with our colleagues here at the table. I would be pleased to respond to your questions, Mr. Chairman. [The prepared statement of Mr. Brook follows:]

Senator AKAKA. Thank you very much, Secretary Brook, for your statement.

Now we'll hear from Secretary Gibson.

**STATEMENT OF HON. JOHN H. GIBSON, ASSISTANT SECRETARY OF THE AIR FORCE FOR FINANCIAL MANAGEMENT AND COMPTROLLER**

Mr. Gibson: Mr. Chairman, Senator Thune, thank you for the opportunity to appear before the committee today.

As the Under Secretary position within the Air Force is currently vacant, it is my privilege to discuss with you the Air Force's progress and support of the Department of Defense's business transformation and financial management efforts. Although the Air Force does not have an Under Secretary, the Air Force has established, and maintains, consistent processes in leadership emphasis to ensure successful and tiered governance of our ongoing business transformation efforts, as well as a solid architecture. This senior leadership oversight and emphasis function is crucial to ensuring we meet our business transformation and financial management challenges of the future. And the Secretary of the Air Force, The Honorable Michael Wynne, is actively involved with the governance and oversight of our transformation efforts.

Since the last hearing on this issue, in November of 2006, the Air Force has continued transforming our business operations and fi-

nancial systems, and has made measurable progress. Ultimately, our goal of financial management improvement is timely, accurate, and reliable business information, as well as improving our ongoing business practices, yielding a more efficient and effective organization. Since 2006, we have enjoyed numerous successes.

As an example, in late 2006 we completed an end-to-end review of our Air Force personnel claims process, a complicated set of procedures that regularly frustrated our servicemembers, consuming a significant amount of their time. In fact, Air Force personal claims processing had become so daunting that many members chose to avoid it altogether, which led our Air Force Judge Advocate Office to transform the universal experience of filing a moving claim. Using Air Force Smart Operations for the 21st Century principles, we stood up the Centralized Air Force Claims Service Center in March of 2007, achieving final operating capability at Kettering, Ohio. With a staff that will ultimately number 107, the center replaced over 300 personnel at 91 claims offices worldwide. But, most importantly for our airmen, the claims process is now simple, quick, and is being used in place of repeated trips to the legal office for briefings and paperwork.

Today, airmen complete a streamlined form on the World Wide Web from their desk, home computer, or anywhere with Internet connectivity. The need for on-hand property inspections is reduced, and if they have questions, they can still call the Help Center, which is manned 24/7 by claims experts.

To date, the center has serviced over 5,000 claims, with an average processing time of less than 10 days from online submission to payment, instead of 5 weeks, under the old process.

Another good-news business transformation story directly relates to our troops serving in harm's way as we begin the deployment of the EagleCash Program at Air Force locations within the Operation Enduring Freedom and Operation Iraqi Freedom theaters of operation in 2007. EagleCash is a Department of Treasury stored-value card that eliminates the need for cash in deployed locations and allows our military personnel to link the card to their personal banking account. As a result, troops can now load funds to the card by using a self-service kiosk, and now our airmen don't have to carry hard cash around with them, as the stored-value card serves as electronic money. This program eliminates frequent visits from our deployed airmen to finance offices, thus saving valuable time of our deployed airmen, as well as our finance troops, allowing us all to focus on other pressing mission requirements. This program is expanding to seven additional locations, including four within Iraq, and, as a result, approximately 10,000 of our deployed troops are now using the card in lieu of cash.

In September 2007, the new Air Force Financial Services Center became a reality as the facility opened at Ellsworth Air Force Base, South Dakota. In its first phase, a central processing center for pay and travel vouchers went operational. The Air Force was honored that Senator Thune, Congresswoman Stephanie Sandlin, a representative from Senator Tim Johnson's office, and the Secretary of the Air Force, Mike Wynne, attended the ribbon-cutting and recognized this significant accomplishment as we centralized pay and

travel processing from 93 locations around the globe to a world-class, best-practice, shared service center.

Going forward, we continue to work toward the second phase of the services center, which is a 24/7 contact center to handle pay and travel inquiries from over 300,000 military and civilian customers. All told, the services center will return 598 manpower slots to the Air Force total force, valued at 210 million, and, just as importantly, improves the customer service levels for all of our airmen.

Also, as we progress into the second quarter of fiscal year '08, more than 200 airmen at the services center are now providing timely financial services for the Air Force major commands, covering 18 installations and six geographically separated units. It is very important to note, though the Air Force Financial Services Center allows for tremendous efficiencies and represents a huge transformation in the way we provide customer service in the back-room operations, we will not abandon our people when a personal touch is required. Face-to-face customer service will still be available to—at our Air Force bases around the world so that our people can obtain the financial services in a personal manner.

Finally, Mr. Chairman, I want to close by thanking you and the members of this committee for your continued support our airmen and their families in so many areas, particularly by providing them what they need to fight the global war on terror and defend our great nation. Air Force leadership and Air Force financial managers, working together with our colleagues throughout the Department of Defense, continue our efforts to provide reliable, timely, and accurate financial and management information and analysis to enhance decisionmaking and continuous improvement in business operations, to improve effectiveness, efficiency, and customer service throughout the Air Force.

I would like to conclude, today, by thanking this committee for your support during this important period of business transformation, and assure you we are doing our best to finance the fight.

Thank you, again, for your consideration, and I look forward to your questions. [The prepared statement of Mr. Gibson follows:]

Senator AKAKA. Thank you for your statement, Secretary Gibson.

Over the years, General Walker has repeatedly told us that the key to successful business transformation at the Department of Defense is a strategic planning process that results in a comprehensive, integrated, and enterprisewide plan, or set of plans, to help guide transformation. Section 2222 of Title 10, which we enacted in the National Defense Authorization Act for fiscal year 2005, requires that this strategic plan take the form of a business enterprise architecture and transition plan. General Walker's testimony today indicates that DOD has begun to implement a business enterprise architecture and transition plan, but that—and I quote—"The latest version of a BEA continues to represent the thin layer of DOD-wide corporate architectural policies, capabilities, rules, and standards, and well-defined architecture are not yet—do not yet exist for the military departments," unquote.

General Walker, in your view, have the military departments made significant progress over the last year? Are they close to hav-

ing the kind of enterprise architecture that they need, at this point?

Mr. Walker: They haven't made nearly as much progress as the Department has, on an enterprisewide basis. They need to accelerate their efforts with regard to component architecture.

And let me clarify, Mr. Chairman, as to when I talk about a business transformation plan. Clearly, an enterprise architecture is a key part of that, but there's a lot of other things dealing with business transformation that go beyond systems. You know, you deal with issues that deal with human capital, you deal with issues that deal with contracting, you have issues that deal with a whole range of issues, other than the—you know, the traditional, you know, financial management and systems necessary to generate financial and other management information.

Senator AKAKA. Secretary Brinkley, having heard the statement General Walker just made, do you agree or disagree with his assessment of this issue?

Mr. Brinkley: I would agree with his assessment, but I want to qualify it slightly.

The DOD—and, sir, in your reference you mentioned the first 4 years and the struggle that took place with business transformation—as sitting in a service, the absence of DOD having clearly defined and articulated what was going to be common and corporate and required departmentwide made it very, very difficult for a service, then, looking up at the DOD, to say, "What do I have to define?" And so, a key—they, in many respects, had been negated by our inability as a Department to define a common enterprise architecture for the DOD, which we have done over the past 3 years, and that's been very clearly articulated, which has enabled them to begin to respond and decide for themselves what is—I'll use my colleague to the left, here, as an example—What is the corporate Army? And then, what is not corporate in the Army? And they've begun that work in what needs to be done in common, how do we integrate our processes between finance, logistics, acquisition in the Army? So, this is going to be a multistage process for what is the largest industrial enterprise in the world, by a factor of three. And that's why I think that they're—they are lagging, but it is understandable that they would lag.

Regarding the transition plan, we also believe the system side of it has been well architected, at the Department level. Efforts are underway—as he pointed out, we have many high-risk areas that have remedy plans that are being put in place. Are they integrated at the Department level? Do we have a unified business management transformation plan that encompasses more than systems? We would agree that we have much work remaining on this. And one of the areas Ms. McGrath, under the direction of Deputy Secretary England, is going to be pursuing is to tie those together so that there is a clearly articulated enterprise management transformation strategy worthy of the Department, given the importance of its mission.

Senator AKAKA. At our last hearing on this subject, GAO told us that the Air Force had fully satisfied only 14 of 31 core framework elements of an enterprise architecture. The Navy had fully satisfied only 10 of these elements. And the Army had fully satisfied only

10 of these—satisfied only a single core framework element, just 3 percent of the total.

For the representatives of military departments, do your respective architecture programs have a committee with representation from across the Department that is responsible for approving the architecture, ensure that architecture products and management processes undergo independent verification and validation, and ensure that your architecture products address your current and future environments or include a sequencing plan to guide the transition between these two environments? Mr. Brinkley, how soon can we expect the military departments who have business enterprise architectures and transition plans in place that comply with the requirements of Section 2222?

Mr. Brinkley: I would defer to my colleagues, in terms of committing them on time. I will say that each of the military departments, in addition to the key business defense agencies—Defense Finance and Accounting Service, DFAS, Defense Logistics Agency, the Military Health System—do submit, as part of our transition plan, a contribution—a section, specific to the service, that lays out their intent to transition to compliance with the DOD's business enterprise architecture, as well as their own architectures and their own process improvement efforts.

I also want to emphasize that, in many respects, the job of—again, I'll use my colleague, Mr. Kunkel, here, as an example, in the Army—of defining an enterprise architecture, and implementing it and executing it, in all honest, is, in many ways, harder than it is to do at the enterprise level, because the Army has direct operational authority and operational responsibilities, whereas OSD tends to be—in the departmentwide effort, tends to be a headquarters function, where what we're talking about is data standards and information and the ability to access and report and make decisions quickly.

But, beyond that, I would defer to my colleagues to comment on any commitments to timelines.

Senator AKAKA. We will have another round of questions, so let me ask Senator Thune for his questions.

Senator THUNE. Thank you, Mr. Chairman.

Mr. Brinkley—and I'd direct this to the services, as well—but, how does the Department of Defense, in each of the services, intend to implement the provisions of the fiscal year- 2008 National Defense Authorization Act with respect to designating the Deputy Secretary of Defense as the chief management officer, establish a deputy CMO, and establishing a CMO within each of the military services?

Mr. Brinkley: The director of administration and management, Mr. Michael Donley—The Honorable Michael Donley and my office have been tasked by the Deputy Secretary of Defense to formulate a plan to address resource reporting, resourcing, as well as a timeline for implementation for implementing that critical legislation. We have launched that team. They are working now. The legislation, I believe, gave the Department 180 days to respond to the Congress with a detailed plan for implementation, and we will have no problem meeting that deadline for you.

Senator THUNE. Anybody else care to comment on that?

Mr. Kunkel: I would just offer that we—the Army looks forward to contributing to that plan.

Senator THUNE. Yeah.

Mr. Kunkel: We think it's good legislation.

Senator THUNE. How does the—how will the Department and each of the services ensure that any actions it takes on that plan, if it's 180-day plan, will maintain momentum after the change of administrations, next year? I mean, that's a concern, obviously. This committee has been pursuing this subject area for a long time now, and, I think, through a couple of presidential elections, at least, and there's always a concern, when there's a change of administrations, that some of these initiatives lose some of their momentum. So—

Mr. Brinkley: I'll comment on a couple of thoughts. We share the concern. There's no—nothing we worry about more than to be somewhere else in 2009 and read about a restart of business modernization. It's, as has been indicated, not a Republican or a Democratic issue, it is an American issue, and critical to our efforts to support our forces and be accountable to the taxpayer.

We—I believe the steps we have taken, and are continuing to take, to identify career civil-servant leadership at the most senior level, and to have Secretary England, again, appoint Ms. McGrath, our appointment of David Fisher, the director of the BTA—these are people who are not going away, who are familiar to your staffs and to this committee and other committees, and—which brings me to my last point. I believe that the role of the Congress is instrumental here, in terms of holding a next administration accountable. The plans that we have published—our Enterprise Transition Plan, many of these high-risk plans—they have milestones that go out for months and years into the future. And, in a new administration, having them be accountable to taking that plan and continuing to execute to it—and, of course, they will make changes, and they will adjust, and they'll recast certain things, but to not allow—for the Congress not to allow a complete restart, by holding accountable the Department's leadership, to maintaining momentum, I believe, could be a critical element of maintaining continuity. And those would be my thoughts.

Senator THUNE. Do you think, as Mr. Walker suggested, that that position—your position should be a nonpolitical, completely-sanitized-of-the-political-process, so to speak, professional person?

Mr. Brinkley: I certainly believe, from a qualifications perspective, that—I'll be honest, I can say—I'll obviously be honest, but, I mean, I'll be frank, let me put it that way—that, in terms of qualifications, a concern one has with any political appointee is the qualifications of the individual involved. So, I would argue that, as long as the individual is highly qualified, and we put a team around that person who are empowered the way I believe we've empowered some of our career leaders here—some, again, who we've recruited from industry, and some who are best of government—then this issue of this being a termed appointment may become less critical. I believe I've read that the average tenure of a political appointee in government is just over 18 months. And so, how one creates enough tenure in a leadership position in government in the modern era, to me, is a challenge. Regardless of wheth-

er you give the person a term or not, how do you incent someone to stay? So, to me, building the structures around them, and, again, the kind of transparent, accountable plans, that you can hold the Department accountable to, regardless of transitions in leadership, I think, may prove to be more critical than even the issue of whether the position is termed or not.

Senator THUNE. Okay.

Mr. Walker?

Mr. Walker: Senator Thune, I would agree that there are two aspects. One aspect is statutory qualification requirements. I would note that they don't exist, and that's something that the Congress may want to consider: having statutory qualification requirements for the departmentwide CMO and the military-department CMOs and the deputy CMO, which would be consistent with, you know, making sure you have the right kind of people in there. The only position that we're talking about making a term appointment—and it may have to be modified, given what the Congress has done—the only one we were talking about is the chief management official for the Department, not all of these positions.

Senator THUNE. Right. No, I understand that.

Mr. Walker: Right. And, as somebody who actually has a term appointment, I actually know that it does have an impact on, you know, whether or not you're willing to stay longer than the normal political appointee. And, as somebody who has good friends that have other term appointments, such as the Commissioner of Social Security, such as the—you know, Commissioner of IRS, such as, you know, other, you know, term-appointment positions that—you know, the Director of the FBI, you know, current and former friends, you know, I know it has an impact on how long somebody's willing to stay. And you can't require somebody to stay the full term, but, you know—but, I think you could do a lot better than 18 months.

Senator THUNE. Mr. Brinkley, do you believe that each of the services could benefit from having a Business Transformation Agency-like office?

Mr. Brinkley: The thing that I think has helped the Department in creating a—the BTA is that we had a real missing piece at the top of the Department, because OSD does not traditionally have an execution responsibility, yet it was taking on more and more execution-oriented activity as we tried to make more and more things common. You had a gap, you had a missing piece, I would call it, at the top of the pyramid of the Department's organization structure. And so, by creating the BTA and pulling—it's a partner organization to OSD, accountable for the DOD-wide activity. We filled a gap that existed. What is less clear to me—and, again, I would defer to my colleagues, and I—it may be even be a service-specific answer—in the current services structure—because, under Title 10, they have execution responsibilities at all tiers of their organizations—it's not clear to me whether that gap exists, and, therefore, it needs to be filled. And that very well may be a service-specific answer, there may not be a uniform solution to that problem.

Senator THUNE. Anybody else care to comment on that? [No response.]

Senator THUNE. No? Okay.

I guess I've got my—been handed the blue card, here, so I'll yield back, Mr. Chairman, and then if we have another round of questions, I'll ask some more questions.

Senator AKAKA. Thank you.

In July 2007, GAO reported that the Department of the Army would be investing approximately \$5 billion over the next several years to develop and implement the General Fund Enterprise Business System, the Global Combat Support System-Army, and the Logistics Modernization Program. The GAO reported that this significant investment was being made without the benefit of business enterprise architecture concept of operations and effective portfolio management.

General Walker, what, in your view, are the likely consequences of investing large amounts of money into business systems of this kind without adequate planning? Do you believe that these problems are limited to the Army, or are they likely to be common to other military departments?

Mr. Walker: Well, Mr. Chairman, the likely—well, the issue is, in the absence of having the things that you referred to, it served to significantly increase the risk of waste and delays and a lack of success. This is an issue that exists, not just within the Department of Defense, but in many other departments in government. And, as you probably—undoubtedly know, there have been at least a couple of circumstances that I can think of, where, given the amounts involved, the Congress has asked GAO to do periodic reporting. You know, IRS being one—IRS business systems modernization being one example that I can give.

I've been slipped a note, here, saying that the duplication of functions and the lack of interoperability associated with legacy systems is the issue that exists across government.

Senator AKAKA. May I ask Secretary Brinkley—again, Do you agree or disagree with General Walker's assessment on this issue?

Mr. Brinkley: The issue of interoperability? This is the one that we're talking about? The issue of—again, as the services have been given—and I would use, actually, Logistics Modernization Program, which is one of those that was mentioned a moment ago, as an example of a program that has confronted and addressed these issues successfully, that has integrated the financial and the logistical elements of working-capital-funded logistics, I think that's an actual model, which struggled very greatly, and GAO was extremely active in critiquing, early on. They are working through, today in the Army, between GFEBS and GCSS-Army. The remaining issues, in terms of interoperability—and, again, I think that goes to the heart of the architecture comment we made earlier, which is, they are moving in this direction as quickly as possible, given, now, the corporate-level requirements have been made clear.

And, Pete, I don't know if you want to add to that or not.

Mr. Kunkel: I'm delighted to address it.

With respect to interoperability, we've—the Army's leadership has placed a great deal of emphasis on business systems transformation. And I'll say that the General Fund Enterprise Business System is actually compliant with the most recent version of the business enterprise architecture. It's compliant with the standard financial information standards. And our business enterprise archi-

ture, which is still under development—we have paid the most emphasis to the touch points between the domains; that is, between the logistics and financial domain and the human resources domain. In fact, the human resources domain is a BTA-built application that we look forward to using, this—late this year.

With regard to systems redundancy, we have a rigorous portfolio management process, conducted by our CIO-G6, that, since it began its work, has eliminated 1500 systems, from 3200 to 1700 systems. GFEBs alone eliminates 90 systems, DIMHRS replaces 66 systems. So, we're working hard to address these problems. We take it very seriously.

Senator AKAKA. Let me ask the three service secretaries, here, three questions. Do you have responsibility, within your department, for the development of a business enterprise architecture and transition plan? Also, do you have responsibility for making investment decisions for new business systems? And do you believe that you can make sound investment decisions in the absence of a robust enterprise architecture and transition plan?

Mr. Brook: I'll go first.

Senator AKAKA. Secretary Brook?

Mr. Brook: Mr. Chairman, I do not have responsibility, nor do I make investment decisions, but I think the question that you pose is an excellent one, and that is whether or not, in the absence of a comprehensive business enterprise architecture, here is risk involved in investing in either legacy systems or new systems. And there certainly is. That risk isn't eliminated by enterprise architecture, but it certainly is reduced.

Although we don't have a business enterprise architecture specific to Navy, we function inside the business enterprise architecture that BTA and OSD have constructed. And we're—our effort is to try to mitigate that risk, as best we can. And so, we mitigate that risk by subjecting investments in legacy systems or new systems to a review and precertification process that involves the Department's CIO, certification by BTA's investment review boards, and, eventually, approval by the Defense Business Systems Management Committee.

So, in operating in that structure, we think we're performing a responsible review of our investments inside the overall Department's business enterprise architecture.

Senator AKAKA. Secretary Gibson?

Mr. Gibson: Senator, in this case, with regard to governance, management, and oversight, we feel like we've worked hard and created a very good-news story here. We have instituted a thorough, formal, and codified corporate and governance structure, including enterprise architecture, in the Air Force, which is supported by a dedicated and consistent senior leadership guidance. We have a tiered structure, which cascades down from the senior leadership level to the functional levels. It provides checks and balances for investments, as well as evaluating business investments for risk, value, strategic alignment, and integration across the Air Force.

Our structure mirrors DOD's, in a great way, beginning with the functional domains, feeding up to a cross-functional working

group, which is supported by the CIO. And all of this is overseen by the Secretary. We do have IRBs at the local level.

This effort is consistently evolving, and, coincidentally, in the spring of 2007, the Air Force CIO reorganized, merging several disparate review organizations under a single authority. We feel like the results of our management and governance efforts are an Air Force with an integrated, efficient, and effective governance and management of its IT systems, yielding fewer IT systems, lower costs, and ultimately providing better support to the Air Force and the Department.

Senator AKAKA. Before I call on General Walker for his comment, let me call on Secretary Kunkel for your response.

Mr. Kunkel: I'll just respond briefly, that we do, indeed, use the investment review board process. Indeed, we leverage DOD's—it's our measured judgment that the best way to see to it that we conform to DOD standards and governance is, indeed, to submit our business system modernization and development projects through the DOD IRB, as envisioned by the legislation. However, I would like to just mention that we—indeed, our business enterprise architecture is aligned to the DOD federated approach. We have a three-tiered readiness structure, where, at the—where systems are aggregated into domains, and the domains have to create their own enterprise architecture and transition plan. That work is then overseen by the CIO-G6 in that portfolio management process I mentioned before, where—with the elimination of 1500 systems. And, in turn, that is overseen by the Deputy Under Secretary of the Army, who is a direct-report to the executive office of the headquarters of the Army. This Deputy Under Secretary is the Army representative on the Defense Business Systems Management Committee. And what we do is, we actually leverage that process across the Army, and serve it up to DOD. And we're tightly coupled with DOD. As you've mentioned, we do have a lot of programs underway, and important ones.

And so, the answer is yes, we do use the IRB process, and—but we use DOD's.

Senator AKAKA. Thank you.

General Walker, any further comment?

Mr. Walker: Thank you, Mr. Chairman.

Two things. One, I would agree with Mr. Brinkley that there were certain practical restrictions imposed on the military departments, unless and until the Office of the Secretary of Defense defined the enterprisewide architecture. Second, to the extent that they follow—the military departments follow the enterprise architecture, that serves to reduce the related risk. And, thirdly, the report that you referred to, the GAO report on DOD business transformation, of July 2007, we made five recommendations, and the Department concurred with all five. And that's very unusual, to get a concur on five out of five, so I assume that they're moving to implement.

Senator AKAKA. Thank you very much.

And now, we'll hear further questions from Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

I'm going to direct this to Secretary Gibson. The—I previous work that's been done by GAO, the Air Force has been credited

with having progressed more than the other military departments in building out its enterprise architecture. And you've touched a little bit on this. But, I would first direct the question to General Walker. Has the Air Force actually made more marked progress, or is that a matter of definitions?

Mr. Walker: It's a—they've made more relative progress than the other military departments, yes.

Senator THUNE. And if that's—if that progress has been made—and this is the question I would direct to Secretary Gibson—what do you attribute that to—the success that the Air Force has experienced?

Mr. Gibson: Senator, I would say that the progress comes from several things. One is, you have a very receptive audience that wants to improve. I think you have leadership that understands the issues and emphasizes those, monitors those, measures those, and holds people accountable to that. I think what we've done is, we have taken something and structured it in a tiered environment so that we have accountability at all levels, and that we have woven this into our management structure and the fabric of how we do business.

Senator THUNE. I want to come back to this issue of interoperability for a minute, because bureaucracies tend to resist change, and, the bigger the bureaucracy, the harder and the more I think they resist. There's a—kind of, the story in my State of South Dakota about the employee at the Department of Agriculture who was crying, and somebody asked him why, and he said, "Because my farmer died." And there is a tendency, I think, for bureaucracies to continue to get larger, and there are certain territorial issues that are involved as you implement systems and technology that will replace some of the existing ways of doing things. And the reason I raise this question, because it's with regard to what the Air Force is doing at Ellsworth and whether or not—if there were interoperability between the services, why could there not be one financial services center that serves all the services? And if there is a—if a record can be pulled up—and the analogy I guess I would use, in terms of healthcare, is—one of the things we've been trying to do is get electronic medical records, so that someone can go visit a hospital in Bakersfield, California, who might live in Rapid City, South Dakota, but they can access a medical record so that they can—they know what the history of that particular patient has been. Why can't there—we have a—we know that the universe of people who serve in the military is the—we all have the same goal in mind. If there were interoperable systems between the services, would they—would it not make a lot of sense to begin to consolidate some of those services and eliminate what I would perceive to be a considerable amount of redundancy in a world that's gone largely paperless, at least in the private sector?

Anybody care to react to—

Mr. Walker: There's a lot of opportunity to—

Senator THUNE.—to that ranting?

Mr. Walker: There's a lot of opportunity to improve economy, efficiency, and effectiveness by leveraging technology, by moving to a shared-services-oriented approach, and taking other steps that the

private sector has done for many, many years. But, it is countercultural, and that is a major challenge.

Senator THUNE. Mr. Brinkley?

Mr. Brinkley: The only thing I would add is, Director Zack Gaddy of the Defense Finance and Accounting Service, sir, would be a—would be a—if he were here today, I think I would echo his—I'm echoing what he would say, and that is—and I'll draw a broader observation—under the most recent base reduction and closure effort, there is a consolidation of DFAS finance and accounting centers, and the effect that that's having is, it's stressing the system and accelerating the exact system consolidation we're talking about. One of the things that's a challenge government—in a company, you have a quarterly profit that motivates change, and that's one of the things you use to help overcome barriers to—resistance to change. In government, we need these artificial inducements, sometimes. And so, base reduction serves as an inducement to stress the system and force it to adapt quicker.

I would argue that our joint warfight that we're engaged in has helped motivate a more rapid adoption of materiel data standards. The effect that that—the need for instant access to our personnel has helped motivate the agreement and the more rapid adoption of the DIMHRS system.

You mentioned healthcare; obviously, military health system and the stress it's been under has motivated these changes.

So, I would say, in the financial arena, BRAC is serving to help do that, in some respects, and I think that's part of the vision Zack has for DFAS, is to harvest the value out of system consolidation to help streamline our financial accounting practices.

Senator THUNE. Well, I—bottom line is, you know, providing the best service possible to the warfighter at the best—lowest cost to the taxpayer. And, you know—and I would suspect that there are times when a soldier or a member of the military needs to talk to somebody face-to-face and needs to have an access point where they can go and ask questions. But, a lot of these sorts of services are now handled, if there is a portal that can be offered through some sort of technology, as opposed to—it just seems like there's a tremendous amount of savings that could be achieved there, and a lessening of bureaucracy and redundancy. And so—but, again, it requires a willingness on the part of the institutions to develop these—this interoperability that, culturally, I know, is hard to implement.

And I guess the—that question would then be, What action are the services—or, what actions are the services taking to reshape some of those cultural barriers to change?

Mr. Kunkel: I can say, for the Army—you mentioned a servicemember—in the case of the Army, a soldier—looking for assistance on a financial topic. The Army will be the first service to implement the DIMHRS integrated personnel and payroll system. And that will be a quantum leap for the Army. And it's a DOD-built system. All three services are going to use DIMHRS.

You mentioned having a person to answer questions that—we're taking a look, right now, what, for the Army, that means. We've got defense military pay offices that are on our camps, posts, and stations already, and we're going to—we're current—right now

we're looking at how those can be leveraged for the post-DIMHRS environment.

So, I guess I would say, DIMHRS is just that, it's not an organization, but it's a system that is going to be used by all the services, starting with the Army.

Senator THUNE. Just, I guess, one final question. I've been handed the infamous blue card, here. But—and this would be, I guess, for Mr. Walker and Mr. Brinkley—but the time and commitment and the effort that you've made to these types of improvements have not gone unnoticed, and, I think, as was noted by the—Senator Akaka and I both, at the beginning, we—the committee thanks you for the progress that has been made. And I guess the question I would have is, as we move into what will be a new administration next year, this is, of course, the second year of this congressional session, and, in an election year, arguably, we'll see what happens and gets done around here. But, what suggestions would you have for us, in terms of things that we might be able to focus on, or things that we should be doing? Any ideas about possible legislation that we might be pursuing to help accomplish the ends that I think we all want to reach and to serve, here?

Mr. Walker: For any enterprise to be successful, you need to focus on planning, people, process, technology, and the environment, which includes incentive, transparency, and accountability mechanisms. For transition, the four—first three are particularly important—the plan and the people and the processes and controls.

With regard to something I mentioned earlier, and that I think Mr. Brinkley also touched on, the CMO and Deputy CMO position at the departmentwide basis and the CMO positions at the military department level do not currently have statutory qualification requirements. I think that's something that you ought to consider. I think it's a separate and distinct matter as to whether or not you want to consider a term appointment for the CMO. I still believe, for a variety of reasons, that that makes sense, but I also acknowledge that, given where we are in this administration, and—you know, that that's not likely to happen during this Congress. But, I think the other ones, if they could happen—in other words, statutory qualification requirements for these key positions will increase the likelihood that we'll get the right kind of people in the next administration, no matter which administration that might be.

Senator THUNE. Anything to add?

Mr. Brinkley: No, thank you.

Senator THUNE. No? Okay.

Well, thank you, all, again, very much.

And thank you, Mr. Chairman.

Senator AKAKA. Thank you, Senator Thune.

In the area of management of business systems acquisition, GAO has reported that the formidable challenge facing the Department is ensuring that thousands of DOD business system programs and projects actually employ acquisition management rigor and discipline. GAO's work in reviewing business systems, such as Defense Integrated Military Human Resources System, the Naval Tactical Command Support System, Transportation Coordinators Automated Information for Movement System II, shows that imple-

mentation of these institutional approaches on business system modernization programs and projects is uneven, at best.

For the three Secretary representatives, what steps are you taking to ensure that the institutional management capabilities and controls are reflected in how each and every business system investment is managed?

Mr. Kunkel: Well, I guess I would—

Senator AKAKA. Secretary Kunkel?

Mr. Kunkel:—I would just reiterate the three-tiered accountability process. We've got—each of the domains has their own enterprise architecture and transition plan, and then, above the domains is the portfolio management process, managed by the CIO-G6. They then report up to the Deputy Under Secretary of the Army, who sits on the Defense Business Systems Management Committee.

We are working very hard to get our investments built quickly. We're also, of course, developing a great—or spending a great deal of emphasis on our warfighter business mission area, as well. But, that process is how the Army vets its business systems investments and modernization programs.

Mr. Brook: Senator, in the Navy, the investment decisions for both legacy systems and new systems are vetted through an investment review process that moves up through the Department of the Navy CIO, eventually to the Investment Review Boards and the Defense Business Systems Management Committee. And it's also my understanding that the timelines and milestones, that you referred to, that apply to the acquisition programs, also apply to major systems acquisitions inside the Navy.

Mr. Gibson: Senator, we have—in our functional domains, we manage our systems, and that all reports up through the Investment Review Boards up to the senior working group, led by the CIO. We are constantly tracking the systems milestones, and review those, and provide the working group members reporting on that. And this gives them insight into impacts that might affect delivery, capabilities, and costs, and schedule delays. And we're using a lot of the earned-value management principles, as we look at this, to review those systems, so that we can stay on top of them and deal with them as quickly as possible.

Senator AKAKA. Secretary Brook, with respect to the Navy's ERP program, in particular, the life-cycle cost estimate went from \$1.6 billion in 2004 to \$2 billion in 2007, and its full operational capability schedule increased by 2 years, from 2011 to 2013. My question to you is, What steps are you taking to mitigate further delays and cost increases?

Mr. Brook: Senator, the implementation of ERP in the Navy is underway. Naval Air Systems Command went live on the 21st of December, and we are operating there now—effectively, in four of the five mission-critical areas. The fifth area is still not fully satisfactorily functioning for us. And we will have to invest, I think, additional dollars, short term, to make sure that we can overcome the short-term difficulties that we're having in one of our mission-critical areas.

Over the long term, however, we have plans to roll out the ERP to successive systems commands. And I think that the lessons that

we have been able to learn, from both the pilot projects that preceded the current ERP and from what we're learning at Naval Air Systems Command, will allow us to implement the successive roll-out of ERP with better controls for both cost and the quality of the implementation. It's a tremendous challenge, however. No corporation in America has had to undertake an ERP of the size and complexity that we're undertaking, so there's a great deal to be learned along the way, here.

Senator AKAKA. Three years ago, the Secretary of Defense established the Business Transformation Agency to ensure an organizational focus for business transformation efforts within the Department. The military departments do not have similar organizations. Instead, it appears that new business systems continue to be developed through stovepiped organizations which lack the breadth and authority needed to address the entire job.

General Walker, do you believe that the military departments would benefit from having a single organization, like the Business Transformation Agency, to serve as the focus for their business transformation efforts?

Mr. Walker: Mr. Chairman, I basically agree with what Mr. Brinkley said, and that is, taking the Business Transformation Agency approach at the enterprisewide level was essential, because the Office of the Secretary of Defense really is not an operational entity, it's not used to having to, in a—to be responsible for those types of activities, and so, it was essential. On the other hand, the military departments, you know, do have to engage in those type of activities on an ongoing basis, and I think it's really up to them as to what they think the most efficient and effective approach is in order to achieve the desired outcomes.

Senator AKAKA. Secretary—well, thank you for that. I was going to ask Secretary Brinkley, but—to reiterate some of that—but, let me go on to my last question, having to do with human-capital planning. Over the last several years, this subcommittee has spent a lot of time working to address concerns about the DOD acquisition workforce, but top officials at the Department of Defense have told us that there are critical gaps in the Department's financial management workforce, as well.

General Walker and Secretary Brinkley, do you believe that the Department currently has the right number of financial management experts with the right skills to accomplish its transformation—business transformation mission?

General Walker?

Mr. Walker: Mr. Chairman, GAO has not conducted a study that focuses solely on the issue of the adequacy of the number and the skills and knowledge base of DOD's financial management team, so I really wouldn't be in a position to give you an opinion on that, absent the work.

Senator AKAKA. Secretary Brinkley?

Mr. Brinkley: I couldn't comment on whether we have the right number of financial management professionals. I would defer to my colleagues in the comptroller's office for that answer. We could take that for the record for you. [INFORMATION]

Mr. Brinkley: Regarding the challenge, overall, with our workforce, I would certainly agree that we need to continually infuse the

best and brightest talent into government. And I would make the point that that is a very hard thing to do in this economy. And I'll offer a point of view. I think that has a lot to—what we've tried to focus on is speed to deliver. Young, talented systems people want to be able to move and work quickly to achieve an objective. Many of our programs in government take many years, and that doesn't motivate someone, a young engineer, a young systems analyst who can go and work in the private sector and, in a year or 2 years—you know, the examples abound of how quickly the technology cycle moves in the private sector. So, our ability to accelerate the ability for us to deliver and field technology doesn't just affect our ability to deliver capability to the warfighter, but it directly affects our ability to recruit the best and brightest talent into government, because the best and brightest talent wants to be able to work a high, rapid pace, to work with cutting-edge technology; and to try to recruit someone in to work on a system that's going to take 5 years to field does not motivate talent to come and join the government.

And so, I think the human-capital challenge is directly tied to many of our other challenges with acquisition, which is, How do we go faster? How we maintain, or get closer to, the private sector's ability to field technologies quickly? And that would be my comment.

Senator AKAKA. Secretary Brinkley, I understand that the Business Transformation Agency has used the authority we gave you to hire highly qualified experts, to bring in skilled professionals to assist in the business transformation effort. In your view, should the military departments be taking similar steps to help in this new expertise?

Mr. Brinkley: Yes. And we want to—I mean, that's been an absolutely critical element for the BTA. We've recruited dozens of people under that authority into the BTA, that had the HQE authority, which provides up to a 5-year term at senior-level paygrades for talent to come into government and make a contribution. And I also know that my colleagues in the services are beginning to use—and have, in many cases, used—that authority, and we're seeing it accelerate, in terms of its adoption. There was some work-rule definition and responsibility-definition things that had to be worked through in the personnel management process, but those have been resolved, and I do believe—and I'd ask my colleagues to comment—but, I do believe we are seeing those type of resources begin to be infused into the services.

Senator AKAKA. Yes. I'd like to have comments from the representatives on this, whether you agree, disagree, or your thoughts on it.

Mr. Kunkel: The Army—working for the Deputy Under Secretary of the Army is a staff of systems experts, architecture experts, and governance experts. With respect to the financial management workforce, the push is to automate. And so, where we're staffing up is, when we're building these automated systems. And so, these architects that we're talking about are working hard to see to it that the systems are integrated with each other, the touch points are correct. But also, while we're building the systems, at—we're seeing to it that our processes are—conform to the best business practices, but also are informed by Army subject-matter experts. So,

that's our investment in human capital as we build these automated systems, which will improve timely and accurate results.

Senator AKAKA. Secretary Brook?

Mr. Brook: Mr. Chairman, we, also, are using highly qualified experts. And, with regard to the workforce, it's an interesting issue. In addition to the technology side of it, that Mr. Kunkel mentioned, there is the question of professional growth and professional development. And, of course, we need to talk about this in both the context of civilian financial management staff and military financial managers, as well. And the challenges in some places are the same, in some places are different. With the military members, there is the challenge to balance the development of their warfighting capabilities and their nonwarfighting capabilities. And we create a very crowded career path for our military members, and it makes it difficult, sometimes, for them to develop the building blocks in financial management that are needed for senior positions.

In the civilian area, we have issues of career growth and model career paths that they—that a young person coming into financial management can look at and see how he or she can progress through her career or his career. I have conducted—I have commissioned an informal study of this inside the Navy to see where the gaps are and where we need to apply some effort and resources.

And, overarching all of that is providing the adequate education and training, including graduate education, for both civilians and military members so that they have the appropriate skills to match the assignments that we put them in.

Senator AKAKA. Secretary Gibson?

Mr. Gibson: Senator, the Air Force greatly appreciates the authority Congress has given us to hire outside assistance and continues to expand our use of the highly qualified experts, or HQEs. As a status update, we have hired, to date, 12 HQEs, but not all of them have been in business systems modernization. Our communities report back that there are no real obstacles to hiring and using the HQEs, but we would characterize that we're in the early stages of deployment of this effort.

Senator AKAKA. I talked about high risk, and mentioned it in regard to General Walker.

General Walker, I'm concerned that, despite legislation we have enacted in recent years, the Department still lacks the comprehensive human-capital plan to guide the development of its civilian workforce. In my view, this deficiency is so serious that GAO should consider adding it to your list of high-risk management concerns. What is your view on this issue?

Mr. Walker: I share your concern with the absence of that plan, but I would also remind the chairman that we have human capital on—governmentwide—we have the lack of adequate strategic human capital planning and management as a governmentwide issue. And when I end up speaking about the Department of Defense, I don't just talk about the ones that relate specifically to the Department of Defense, but they also share several—in fact, all—of the governmentwide, you know, high-risk areas, of which human capital is one.

Senator AKAKA. Well, I want to thank our witnesses today for your statements and your responses. It will be helpful to our com-

mittee, and we look forward to continuing to work with you to achieve expertise in these areas of business transformation and financial management of DOD.

With that, the hearing is adjourned.

[Whereupon, at 4:09 p.m., the hearing was adjourned.]