

**Advance Policy Questions for Peter Levine,**  
**Nominee to be Deputy Chief Management Officer of the Department of Defense**

**Relationships**

**What is your understanding of the relationship between the Deputy Chief Management Officer of the Department of Defense and each of the following?**

**The Secretary of Defense**

The Secretary of Defense is responsible for all programs and activities of the Department of Defense. Accordingly, the Deputy Chief Management Officer (DCMO) is responsible and accountable to the Secretary in the performance of his duties. In addition, as a result of a recent reorganization within the staff of the Office of the Secretary of Defense (OSD), the DCMO is directly responsible to the Secretary for the management and support of the OSD staff; the management and protection of the Pentagon reservation; and selected intelligence oversight matters.

**The Deputy Secretary of Defense**

Under section 132 of title 10, United States Code, the Deputy Secretary of Defense serves as the Chief Management Officer (CMO) of the Department of Defense. Section 132a provides that the DCMO shall assist the Deputy Secretary in the performance of his duties as CMO. The Deputy Secretary of Defense has delegated duties and authorities to the DCMO to assist in effectively and efficiently organizing the business operations of the Department.

**The Defense Business Systems Management Committee (DBSMC)**

I understand that Section 901(c) of the Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015 repealed the requirement for the DBSMC. The functions of the DBSMC have been absorbed as a part of the Deputy's Management Advisory Group (DMAG). Business reform, DOD strategy and budget discussions are all subjects of the DMAG. The DMAG is co-chaired by the Deputy Secretary of Defense and the Vice Chairman of the Joint Chiefs of Staff and includes as members the Under Secretaries of the military departments, the military vice chiefs, and key OSD staff. If confirmed, I would serve as a voting member of the DMAG and would be responsible for bringing business management agenda items to the DMAG.

### **The Under Secretary of Defense for Financial Management (Comptroller)**

The DCMO works with the Comptroller to improve the financial management of the Department and move toward an auditable financial statement by improving the business systems and processes of the Department.

### **The Other Under Secretaries of Defense**

The DCMO works with the Under Secretaries to review and improve key business processes, modernize business systems, and implement Department-wide management initiatives. The DCMO is currently working with the Under Secretaries to carry out the Business Process and Systems Review (BPSR) directed by the Deputy Secretary of Defense.

### **The Assistant Secretaries of Defense**

The DCMO works with the Assistant Secretaries to modernize and improve the business systems and processes of the Department of Defense.

### **The Secretaries of the Military Departments**

If confirmed, I expect to work closely with the Secretaries of the military departments to ensure that the business management and modernization objectives of the Secretary of Defense and the Deputy Secretary of Defense are carried out by the military departments.

### **The Chief Management Officers of the Military Departments**

The Under Secretaries of the military departments serve as the CMOs of their respective organizations and, as such, have enterprise responsibility for overseeing business operations within their departments. The Office of the DCMO interacts routinely with these officials on business transformation initiatives. If confirmed, I expect to work closely with the CMOs of the military departments to carry out the business management and modernization objectives of the Secretary and the Deputy Secretary.

### **The Investment Review Boards of the Military Departments**

The DCMO provides direction and guidance to the pre-certification authorities of the military departments to ensure the consistency and rigor of the investment management process throughout the Department. The Defense Business Council, which is co-chaired by the DCMO and the CIO, reviews the results of the service investment reviews.

### **The Comptrollers of the Military Departments**

The DCMO works with the Comptrollers of the military departments to modernize financial systems and processes, and ensure that business modernization efforts within their areas of responsibility are carried out in a manner consistent with the goals and objectives established by the Secretary and the Deputy Secretary. The DCMO also serves as a member of the Financial Improvement and Audit Readiness Governance Board. In this capacity, the DCMO works with the Comptrollers of the military departments to further their efforts toward achieving financial audit readiness.

### **The Business Transformation Offices of the Military Departments**

The Under Secretaries of the military departments, in their capacity as CMOs, oversee the business transformation offices (BTOs) of their respective departments. The DCMO works with the CMOs and the BTOs to ensure that the military departments carry out the business management and modernization objectives of the Secretary and the Deputy Secretary.

### **The Inspector General of the Department of Defense**

The DCMO responds to inquiries and recommendations of the Government Accountability Office and the DOD Inspector General relative to defense business operations and the operation of the Office of the DCMO.

### **The General Counsel of the Department of Defense**

The DCMO receives legal advice and guidance from the General Counsel of the Department of Defense on matters relating to defense business operations and the operation of the Office of the DCMO.

### **The Directors of the Defense Agencies**

Under a recent OSD reorganization, the DCMO is responsible for two Defense Agencies, the Washington Headquarters Service and the Pentagon Force Protection Agency. The DCMO works with other Defense agencies to further the Department's business transformation goals.

### **Duties of the Deputy Chief Management Officer**

**Section 132 of title 10, United States Code, provides that the Deputy Secretary of Defense serves as the Chief Management Officer (CMO) of the Department of Defense. The Deputy Secretary is to be assisted in this capacity by a Deputy Chief Management Officer (DCMO). The FY2015 NDAA includes several changes to the CMO and DCMO structure scheduled to take effect in 2017.**

**What is your understanding of the duties and responsibilities of the CMO and DCMO of the Department of Defense?**

The duties and responsibilities of the CMO and DCMO, as prescribed by the Secretary of Defense, are to: (a) ensure that the Department can carry out its strategic improvement plans; (b) ensure that the core business missions of the Department are optimally aligned to support the warfighting mission; (c) establish performance goals and measures for improving and evaluating overall economy, efficiency, and effectiveness and monitor and measure the progress of the Department; and (d) develop and maintain a Department-wide strategic plan for business reform. In general, the duty of the DCMO is to assist the CMO in carrying out those objectives and, if delegated, assume primary responsibility for those functions. As a result of a recent OSD staff reorganization, the DCMO is also accountable to the Secretary of Defense for the effective organization and operation of the OSD staff; the effective operation and protection of the Pentagon reservation; and for the execution of select intelligence oversight responsibilities.

**What specific duties and responsibilities do you expect the Deputy Secretary to assign to you in your capacity as DCMO?**

I understand that the Deputy Secretary has directed the DCMO to conduct a review of the organizations and business processes of the Office of the Secretary of Defense (OSD) and the defense agencies, with the objective of streamlining organizations and improving business processes. I expect that the Deputy Secretary may also direct the DCMO, in coordination with the CMOs of the military departments, to ensure that similar reviews are conducted by the military departments. If confirmed, I expect to play a key role in these efforts.

**What background and expertise do you possess that you believe qualify you to perform these duties and responsibilities?**

For the last 18 years, I have served on the staff of the Senate Armed Services Committee as minority counsel, General Counsel, and Staff Director. In this capacity, I have helped to advise Committee Members on defense management issues, including the committee's oversight of DOD business systems and processes. I have also participated in committee reviews of previous efforts to streamline business processes and achieve management efficiencies in OSD and the military departments. Through this work, I have developed a familiarity with key DOD organizations and business processes and I have worked closely with DOD leaders responsible for managing and overseeing those organizations and processes. I believe that the knowledge and experience I have gained through my work for the Armed Services Committee provides a solid foundation for the work I will be asked to perform as DCMO.

**Do you believe that the CMO and DCMO have the resources and authority needed to carry out the business transformation of the Department of Defense?**

I do not believe that any one component of the Department of Defense has the resources, knowledge, and capabilities necessary to carry out the comprehensive business transformation that the Department needs. However, I believe that the DCMO, with the support of the Deputy Secretary, has both the capacity to bring together needed resources, knowledge, and capabilities from key organizations throughout the Department and the authority to direct those resources as necessary to carry out the business transformation effort.

**What role do you believe the CMO and DCMO of the Department of Defense should play in the planning, development, and implementation of specific business systems by the military departments?**

I believe that the military departments should retain full responsibility for planning, developing and implementing their own specific business systems. Oversight for the acquisition of new business systems has been delegated to the Under Secretary of Defense for Acquisition, Technology, and Logistics, not the DCMO. The role of the CMO and the DCMO is to ensure that the military departments conduct appropriate business process reengineering before acquiring new systems or modernizing existing systems, that appropriate governance processes are in place to keep the customization of commercial, off-the-shelf business systems to a minimum, and that new and existing business systems of the military department are consistent with the business enterprise architecture of the Department of Defense. The CMO and the DCMO can also play an important role in identifying gaps and deficiencies in the business systems and processes of the military departments and components and ensuring that the military departments and components work to address those gaps and deficiencies in an expeditious manner.

**Do you believe that the DCMO should have clearly defined decision-making authorities, or should the DCMO serve exclusively as an advisor to the Deputy Secretary in his capacity as CMO?**

I understand that the DCMO has some statutorily-assigned decision-making authorities, particularly in the investment review process conducted pursuant to section 2222 of Title 10, United States Code. The DCMO may be assigned additional decision-making responsibilities by the Deputy Secretary of Defense. However, I believe that the DCMO can only be effective if he works closely with the Deputy Secretary and has the full support of the Deputy Secretary in his capacity as CMO.

## **Major Challenges**

### **In your view, what are the major challenges confronting the DCMO?**

I believe that the two major challenges facing the DCMO are: (1) to help the Department achieve the management efficiencies and savings that it will continue to need in an austere budget environment; and (2) to help the Department implement the business systems and processes needed to produce a clean audit and provide senior managers with sound information on which to base management decisions.

### **If confirmed, what plans do you have for addressing these challenges?**

With regard to the first challenge, if confirmed I expect to play a key role in carrying out the review of management organizations and processes directed by the Deputy Secretary. This review provides an important opportunity to streamline management organizations, align resources with priorities, and improve business processes throughout the Department. It should also provide an opportunity to identify and address DOD business processes that have become dysfunctional – taking too long, costing too much, and producing less than optimal results. It is my hope that this review will not only result in significant savings, but also in more effective management and improved outcomes.

With regard to the second challenge, the military departments and defense agencies have already committed to major investments in new business systems. In the limited time remaining in this Administration, dramatic changes of course for these investments would probably be counterproductive. However, I believe that that the DCMO can help optimize ongoing investments by enforcing the investment review process and ensuring that the military departments and defense agencies continue to reengineer and improve their business processes, institute appropriate governance structures to minimize customization of commercial, off-the-shelf systems, and take full advantage of the capabilities of their new and existing business systems.

## **Priorities**

### **What broad priorities would you establish, if confirmed, with respect to issues which must be addressed by the DCMO?**

My top priorities, if confirmed, will be to address the two major challenges addressed in response to the previous question: achieving management efficiencies and improving the business systems and processes of the Department.

## **Management Goals**

**If confirmed, what key management performance goals would you want to accomplish, and what standards or metrics would you use to judge whether you have accomplished them?**

If confirmed, I expect to focus on maintaining and improving support to the Department in its business operations while reducing the overall cost of those operations. I would expect to develop standards or metrics based on savings and on customer-oriented results per unit of cost expended to achieve the results. I understand that the ongoing benchmarking initiative implemented by OMB contains some relevant metrics that could serve as examples, such as the cost of human resource support per population supported.

**The GPRA Modernization Act of 2010 (GPRAMA) makes the Deputy Secretary of Defense—as the Chief Management Office (CMO) and Chief Operating Officer (COO)—responsible for improving the management and performance of the department. The Deputy Chief Management Officer (DCMO) serves as the agency Performance Improvement Officer under GPRAMA and is to advise and assist the CMO in areas such as performance planning and measurement.**

**If confirmed, what actions would you and your office take to prioritize as well as improve DOD’s ability to plan for and manage achievement of performance goals across the department?**

I understand that Office of the DCMO has started to reform performance goals to ensure they are more appropriately aligned to the Department’s objectives. I am not yet in a position to judge the effectiveness of that effort. If confirmed, I expect to use my role as the DCMO and as a member of the DMAG to advocate alignment of measures to the Department’s priorities.

**As required by GPRA Modernization Act of 2010, the Administration has established certain cross agency priority goals, such as benchmarking of mission support operations, cybersecurity, and security clearances, to which DOD must contribute.**

**If confirmed, what actions would you take to ensure that DOD is contributing to government-wide success on cross agency priority goals?**

I understand that one of the duties of the DCMO is to serve as the Department’s representative to the President’s Management Council, which has responsibility for cross-agency priority goals. If confirmed, I expect to coordinate DOD support for appropriate cross-agency goals to ensure the success of both the Department and the success of the broader federal agency community.

**In July 2008, DOD issued its first Strategic Management Plan, which was intended to serve as the department's highest-level plan for improving defense business operations. This plan and its subsequent iterations were to outline DOD's priority business goals, objectives, measures, and initiatives, and advance the department's performance management activities. They were also to be aligned with the Quadrennial Defense Review and the Performance Budget. However, DOD's Strategic Management Plan has not fully met these expectations nor does it fully meet the GPRAMA requirement of an Agency Strategic Plan to be issued by 2014.**

**If confirmed, what actions would you and your office take to ensure the timely development of a department-wide strategic plan that can effectively improve business operations while support the warfighter during an environment of continued budget austerity?**

I understand that work is underway on a revised Agency Strategic Plan that more closely conforms to the GPRAMA requirements. If confirmed, I will work with the Department to complete this plan and improve the Department's ability to objectively assess its performance and ensure that resources are applied to key challenges.

### **Staffing and Resources**

**The FY14 NDAA contains a provision requiring the Secretary of Defense to develop a plan for streamlining Department of Defense management headquarters by reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no addition value, and consolidating overlapping and duplicative program offices.**

**GAO has recently reported that "DOD's data on its headquarters personnel lacked the completeness and reliability necessary for use in making efficiency assessments and decisions." Further, that "DOD did not have an accurate accounting of resources being devoted to management headquarters to use a starting point for tracking reductions to such headquarters."**

**In your view, is the GAO correct? If so and if confirmed, what will you do to address these issues?**

I believe that the GAO conclusions quoted above are correct. As I understand it, the statutory baseline for measuring the size of DOD management headquarters was established in the 1990s and was not as clearly defined as it should have been even then. With the extensive changes to DOD organizational structures that have taken place over the last two decades, measurements against the original baseline would probably not be meaningful even if they were possible.

In my view, the meaningful measurement of DOD streamlining efforts will require the establishment of a new baseline that is relevant to the Department's current



management structure. It is my understanding that, as a part of the review directed by the Deputy Secretary, the DCMO has begun to collect data that could be used to establish such a baseline. If confirmed, I will endeavor to carry forward this process.

**What is your view on reductions to the size and composition of Department of Defense management headquarters?**

I believe that significant reductions to the size and composition of DOD management headquarters are not only possible, but essential. Ideally, cuts should be made not only at headquarters, but through entire management processes. However, I do not believe that reductions should take the form of across-the-board cuts. Cutting management personnel without improving management processes will result in fewer people to do the same work, creating bottlenecks and backlogs that are counterproductive to the mission of the Department.

I do not believe that there are any significant management processes in the Department of Defense that cannot be streamlined and made more efficient. Making process changes will be difficult and time-consuming and may require changes to the culture of the Department of Defense. However, significant improvements can and should be made to enable the Department to reduce the size and composition of its management headquarters and achieve savings without undermining the mission.

**What role do you expect to play, if confirmed, in ensuring savings are achieved?**

If confirmed, I expect to help direct the Deputy Secretary's initiative to streamline the management processes of the Department of Defense. This initiative should provide an opportunity to achieve the reductions in the size and composition of DOD management headquarters described above.

**Do you believe that the Department of Defense can achieve significant additional savings in this area?**

Yes.

**What types of expertise do you believe the office of the DCMO needs to effectively carry out its mission?**

The DCMO needs expertise in business systems, business process reengineering, business case analysis, and program assessment. It also needs personnel with a thorough understanding of the organization and business processes of the Department of Defense.

**What mix of employees, contractors, and individuals detailed from other organizations inside and outside the Department of Defense should the DCMO rely upon to provide it with needed expertise?**

I understand that the office of the DCMO has some organic capacity and some contractor support in each of the areas described in response to the previous question. To successfully streamline the Department's management processes, the office will need to draw on other centers of expertise in the Department and to partner with the principal offices responsible for the management processes under consideration.

**Do you believe the Office of the DCMO has the staffing and resources needed to effectively carry out its mission?**

I do not believe that any one component of the Department of Defense has the resources, knowledge, and capabilities necessary to carry out the comprehensive business transformation that the Department needs. However, I believe that the DCMO, with the support of the Deputy Secretary, has both the capacity to bring together needed resources, knowledge, and capabilities from key organizations throughout the Department and the authority to direct those resources as necessary to carry out the business transformation effort.

### **Under Secretary of Defense for Business Management and Information**

**The Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 converts the Deputy Chief Management Officer (DCMO) to the Under Secretary of Defense for Business Management and Information, who will also serve as the Chief Information Officer. This new position, to begin in February 2017, is expected to provide greater authority to supervise management of business operations and systems.**

**What are your views on this new Under Secretary of Defense for Business Management and Information position?**

I support the legislation. I believe that the merger of the DCMO position with the CIO position will serve to strengthen both positions. In my view, however, the title and responsibilities of the position are less important to the success of the mission of the office than the alignment of the position with the Deputy Secretary and the Deputy Secretary's ongoing support for, and engagement in, that mission.

**If confirmed, what would be your priorities prior to the implementation of the new position in February 2017, and what actions would you take and what resources would you need to achieve those priorities?**

I understand that some preliminary planning and guidance will be needed before February 2017 to ensure that the new position can get off the ground in a timely and effective manner. If confirmed, I will work to identify the necessary steps and ensure that they are completed.

**The Government Accountability Office reported in December 2007 on key strategies for implementing Chief Operating Officer (COO)/Chief Management Officer (CMO) positions in government, which includes defining the specific roles and responsibilities of the COO/CMO position, and ensuring that the COO/CMO has a high level of authority and clearly delineating reporting relationships, among other strategies.**

**What do you believe would be the most effective approach to implementing the Under Secretary of Defense for Business Management and Information position, and what additional resources or flexibilities would be needed to do so?**

I believe that the alignment of the DCMO and, in the future, the Under Secretary of Defense for Business Management and Information with the Deputy Secretary of Defense is the most promising approach to ensure the success of the position.

I am not aware at this time of any additional resources or flexibilities that will be needed to implement the position of Under Secretary of Defense for Business Management and Information. If I become aware of any such requirements, I will work with the committee and the Department to address them.

### **Business Enterprise Architecture and Transition Plan**

**Section 2222 of Title 10, United States Code, requires that the Secretary of Defense develop a comprehensive business enterprise architecture and transition plan to guide the development of its business systems and processes.**

**What is your understanding of the role of the DCMO in the implementation of the business enterprise architecture and transition plan required by section 2222?**

It is my understanding that the Department has chosen to implement the requirement for a business enterprise architecture and transition plan through a “federated” approach in which the DCMO is responsible for developing and maintaining the top level architecture, while leaving it to the military departments to fill in most of the detail.

**What is your assessment of the current state of DoD’s comprehensive business enterprise architecture and transition plan?**

While the Department has made considerable progress in refining its business enterprise architecture since the enactment of section 2222, I do not believe that the business architecture and transition plan developed by the Department is as mature as Congress hoped it would be when the provision was enacted. In particular, I do not believe that the current transition plan provides the comprehensive roadmap needed for the replacement, upgrade, or decommissioning of legacy business systems that are outdated, duplicative, or unreliable.

**Do you believe that a comprehensive, integrated, enterprise-wide architecture and transition plan is essential to the successful transformation of DOD’s business systems?**

I believe that the Department can make, and has made, significant progress by developing more limited plans that have helped to guide specific portfolios of business systems. However, I do not believe the Department will ultimately be able to complete the transformation process without a comprehensive, integrated, enterprise-wide approach – regardless whether that approach takes the form of a single plan or the federated plans currently envisioned by the Department.

**What are your views on the importance and role of timely and accurate financial and business information in managing operations and holding leaders accountable?**

DOD leaders are called upon to make business decisions on a day-to-day basis – for example, decisions on whether to hire additional employees, whether to extend contracts, whether to reduce the number of managers in an organization, or whether to enter into multi-year contracts. On occasion, they must make much larger decisions – for example, decisions on whether to shut down a command and realign its functions, whether to rely on the active force or the reserves to perform a mission, or whether to upgrade an existing weapon system instead of acquiring a new one. Financial and business data is crucial to all of these business decisions, and in my view, better data is likely to result in better decisions.

**How would you address a situation in which you found that reliable, useful, and timely financial and business information was not available for these purposes?**

I do not think that the Department can afford to be paralyzed by the inadequacy of its financial and business information. A decision not to act – for example, a decision not to reform a defective business process or consolidate duplicative organizations – is every bit as much of a decision as the decision to act. I believe that DOD managers have a responsibility to make use of the best business and financial data available, even if that data is less than perfect, and exercise their best judgment on a case-by-case basis.

**What role do you envision playing, if confirmed, in managing or providing oversight over the improvement of the financial and business information available to DOD managers?**

The quality of financial and business information available to DOD managers should improve as the Department's business systems and processes improve. Sound controls, improved interfaces, and the elimination of unnecessary manual transmission of data should improve data quality. Business process reengineering should result in data that is more relevant to the tasks to be performed.

Although the DCMO is not directly responsible for the acquisition of new business systems, the DCMO can contribute to the improvement of business systems and processes through the ongoing investment review process and the business transformation process launched by the Deputy Secretary.

**What role do you envision playing, if confirmed, in assuring that appropriate business process re-engineering efforts associated with business system programs have been undertaken?**

One of the key responsibilities of the DCMO is to ensure that appropriate business process re-engineering efforts are undertaken before any new business system is acquired or any existing business system is upgraded. Business process reengineering is not a one-time effort, and there is also much that the DCMO can do to ensure continuing reengineering efforts to optimize the fielding of business system programs and to ensure that their capabilities are fully realized. If confirmed, I will take these responsibilities very seriously.

**What metrics do you believe should be used to ensure that the business process supported by the defense business system program is or will be as streamlined and efficient as practicable?**

I understand that there is a body of practice in the commercial sector that can be brought to bear on the question of measuring the success of a defense system business program in improving the business process. Examples of these metrics include reduced processing time; improved accuracy of information; better responsiveness to customers and overall reduction in cost of operations.

**What metrics do you believe should be used to ensure that the need to tailor commercial-off-the-shelf systems to meet unique requirements or incorporate unique requirements or incorporate unique interfaces has been eliminated or reduced to the maximum extent practicable?**

I understand that there is a body of practice from the commercial sector that would suggest appropriate metrics to include measures of requirements stability, numbers of

“RICE” objects (the reports and extensions that have to be configured), and actual numbers of interfaces. Loss of control of these elements would suggest either a weak management structure, or alternatively, a bad initial assessment of the applicability of a commercial, off-the-shelf (COTS) product. To avoid unnecessary and expensive customization of COTS business systems, the Department needs not only sound metrics, but also effective governance systems.

**Section 2222 requires that the DBSMC review and approve all major defense business system modernization programs to ensure that they are in compliance with the Department’s business enterprise architecture and transition plan.**

**What is your understanding of the extent to which the process for the Defense Business Systems Management Committee (DBSMC) review and approval has ensured that business system modernization programs are fully coordinated with the business enterprise architecture and transition plan, as intended?**

As indicated above, I do not believe that the current business enterprise architecture and transition plan is as comprehensive as Congress intended it to be. I do not have any reason to believe that the investment review process has failed to coordinate business system modernization programs with the architecture, but that coordination has probably not been as helpful as it might have been, had the architecture been more complete.

**How meaningful do you believe DBSMC review and approval has been?**

I believe that the DBSMC review and approval process has contributed to the Department’s understanding of its business systems programs and provided a useful incentive for business process reengineering. However, I am concerned that the current low thresholds for DBSMC review may have contributed to a review and approval process that has failed to recognize its full potential. If confirmed, I plan to review this issue and seek appropriate changes.

**Do you believe that the DBSMC has the expertise and resources needed to conduct a meaningful, independent review of proposed business system modernization programs, or is the DBSMC reliant on the representations made by the military departments and their program managers?**

I believe that the DBSMC has important expertise and resources, and can draw on other resources of the Department, for this purpose. However, I am concerned the current low thresholds for DBSMC review may have resulted in a tendency to rely too much on representations made by the military departments and their program managers.

**What recommendations, if any, do you have for improving or changing the DBSMC review process?**

If confirmed, I plan to review the DBSMC process and look for opportunities to make the process more rigorous.

**Comptroller General High Risk List**

**The Department of Defense remains on GAO's High Risk List in the following areas:**

- 1) Business Transformation**
- 2) Business Systems Modernization**
- 3) Support Infrastructure Management**
- 4) Financial Management**
- 5) Supply Chain Management**
- 6) Weapon System Acquisition**
- 7) Contract Management**

**What is the role of the DCMO for enabling DOD to be removed from the GAO High Risk list in each of these areas?**

The DCMO is the senior official of the Department of Defense with primary responsibility for business transformation. This transformation will require an enduring effort over a period of years. If confirmed, I plan to give the effort my highest priority.

Individual business systems modernization programs are carried out by the military departments and defense agencies. Through the investment review process, the DCMO exercises considerable influence over these programs. If confirmed, I will emphasize the need for continued business process reengineering to optimize the fielding of business system programs and to ensure that their capabilities are fully realized.

The Under Secretary of Defense (Comptroller) is the senior official of the Department of Defense with primary responsibility for financial management. The DCMO can contribute to the financial management effort by working to improve the business systems and processes of the Department, so that the financial data generated by those processes is more timely and reliable. If confirmed, I expect to work closely with the Comptroller in the effort to move the Department toward an auditable financial statement.

The Under Secretary of Defense for Acquisition, Technology, and Logistics is the senior official of the Department of Defense with primary responsibility for support infrastructure management, supply chain management, weapon system acquisition, and contract management. The DCMO can contribute to improved management in these areas by working with the Under Secretary to assess existing management practices and

identify areas for potential streamlining and reengineering. If confirmed, I will actively look for opportunities to improve these management processes.

## **Financial Management**

### **What is your understanding of DOD's efforts and progress toward the goal of being able to produce auditable financial statements?**

I have long been skeptical of the ability of the Department to achieve the statutory timeline for producing auditable financial statements. However, I believe that the Department has made considerable progress toward this objective and is much closer to being able to produce auditable financial statements today than it was five years ago.

### **What is your assessment of the current version of the Financial Improvement Audit Readiness (FIAR) plan prepared by the Department of Defense?**

I believe that the FIAR plan has steadily improved over the years. While I am sure there are still gaps and inconsistencies in the FIAR plan, I believe that it largely serves its purpose by providing helpful guideposts for the Department's efforts to achieve auditable financial statements.

### **What steps do you believe the Department should take to improve the FIAR plan?**

This is an issue that I will review closely, if confirmed.

### **What role do you expect to play, if confirmed, in the Department's efforts to produce auditable financial statements?**

The Under Secretary of Defense (Comptroller) is the senior official of the Department of Defense with primary responsibility for financial management. The DCMO can contribute to the financial management effort by working to improve the business systems and processes of the Department, so that the financial data generated by those processes is more timely and reliable. I understand that the DCMO also plays a role in the governance process for the FIAR plan. If confirmed, I expect to work closely with the Comptroller in the effort to move the Department toward an auditable financial statement.

### **Do you believe that the Department is likely to meet the current 2017 statutory objective for ensuring that its financial statements are validated as ready for audit?**

I have long been skeptical of the ability of the Department to achieve the statutory timeline for producing auditable financial statements. Senior officials of the Department have expressed a greater degree of optimism that this timeline can be met.



If confirmed, I will work with them to understand whether or not this optimism is realistic. Regardless whether the statutory objective is achieved, I believe that it has served a useful purpose by prompting aggressive action by the Department to make improvements to business systems and processes without which an auditable financial statement would not be possible.

**What is the likeliness that this audit will produce a clean opinion? In your view, how long is it likely to be from the time when the Department certifies its financial statements as “ready for audit” to the time when the Department achieves a clean audit opinion? If confirmed, what specific actions would you propose taking to promote compliance with the statutory objective?**

I do not believe it is likely that the first round of audits is likely to produce a clean opinion. As I understand it, financial audits are a learning process through which the Department expects to identify continuing deficiencies in its financial data, which can then be remedied. Based on discussions with financial professionals, I believe that it could take several cycles before the Department achieves a clean audit opinion. If confirmed, I will work with the Comptroller to identify steps that the Department can take to improve its business systems and processes, so that those systems and processes can produce the quality of financial data needed to produce a clean audit.

**What is your understanding of what the validation of audit readiness means? What steps will the Department go through to validate its financial statements as ready for audit and when will these steps be taken?**

As I understand it, validation of audit readiness means that Department has performed an internal test to assure itself that appropriate controls are in place and functioning prior to asserting readiness for inspection by an external auditor. I understand that the Department already has taken action to validate preparation for audit including the hiring of qualified financial process consultants to help review internal controls; testing of financial systems in accordance with the GAO’s Federal Information Systems Audit Controls Manual (FISCAM) and developing associated corrective action plans; and conducting trial runs of audits in assessable areas. I understand these internal validation checks will continue as the Department seeks to achieve full audit readiness.

**How will the costs and delays of implementing major Enterprise Resource Planning (ERP) systems in the Department affect its ability to achieve an auditable Statement of Budgetary Resources (SBR)?**

I understand that the military departments and defense agencies have been working on back-up plans to ensure that they are able to produce auditable data in areas where ERPs and other upgraded business and financial systems have not yet been fielded. These plans appear to include building new controls into existing business processes and measures to ensure data traceability in legacy business systems. If confirmed, I will work with the Comptroller to understand the efficacy of these interim measures.

**The FY2010 and FY2013 National Defense Authorization Acts require that DOD validate the audit readiness of DOD’s Statement of Budgetary Resources (SBR) by September 30, 2014. Why has the Department missed this audit deadline?**

The Department validated the audit readiness of its Schedule of Budgetary Activity (SBA) prior to September 30, 2014, but was unable to validate its SBR by that time. The difference between the SBA and the SBR is that the SBA includes only current-year budgetary activity, while the SBR also reflects prior-year transactions.

As I understand it, the Department has determined that its business systems and processes are now capable of producing auditable financial data on ongoing transactions. However, the Department concluded that it would be prohibitively expensive to fully document earlier transactions, which were conducted in legacy systems without appropriate controls.

Section 1005 of the National Defense Authorization Act for Fiscal Year 2013, which established the 2014 objective, also directed the Department to avoid “an unaffordable or unsustainable level of one-time fixes and manual work-arounds” in its effort to meet that objective. For this reason, I understand that the Department chose to take a more affordable and sustainable path to a full SBR audit by rolling in the audit over time, covering a longer period of budget activity with each successive year.

**Business Process and Systems Review**

**In August 2014, the Deputy Secretary of Defense directed the Deputy Chief Management Officer and Chief Information Officer to co-lead a review of business processes and the supporting information technology systems within the organizations of the Principal Staff Assistants (PSA) and their associated defense agencies and field activities. This review is intended to provide the PSAs with information that will help them clarify whether their organizations are aimed at department-wide outcomes as well as identify resources allocated to outcomes, obstacles to achieving those outcomes, and activities that might be improved or eliminated. This effort has already identified potential savings.**

**If confirmed, what actions would you and your office take to ensure that the potential savings from these business process and system reviews are achieved?**

As I understand it, the DOD Business Process and Systems Review (BPSR) process will take place in two phases. The first phase will identify potential changes to DOD organizations, activities, and processes that could yield savings. The second phase will further study those organizations, activities, and processes to quantify the potential savings and establish a plan of action for achieving those savings. I understand that the first phase of the BPSR process has been completed for some OSD organizations and their associated defense agencies and field activities. The DCMO and the CIO are

currently working to initiate the phase 2 process for those organizations and activities, and to schedule phase 1 reviews for the additional OSD organizations and activities. If confirmed, I will aggressively pursue this process.

**What other DOD components—beyond the reviews of headquarters and Office of the Secretary of Defense entities already underway—could benefit from a similar review to identify potential savings from, among other things, improving or eliminating activities?**

I believe that every management headquarters element of the Department of Defense, including at a minimum the organizations and entities listed in section 904 of the National Defense Authorization Act for Fiscal Year 2014, could benefit from a review to identify potential savings through changing or reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no added value, and consolidating overlapping and duplicative programs and offices.

**What role should Congress play in the reduction of personnel or the divesting of owned or leased facilities that might result from this review?**

Congress plays an important role in prompting the Department of Defense to do the hard work of conducting management reviews to identify potential savings through reductions in personnel. Congress also plays an essential role in providing the authority to achieve needed efficiencies by reducing personnel and divesting owned or leased facilities that are excess to needs.

I believe that significant reductions to the size and composition of workforce are possible. However, I do not believe that reductions should take the form of across-the-board cuts. In my view, cutting personnel without improving management processes or divesting functions will result in fewer people to do the same work, creating bottlenecks and backlogs that are counterproductive to the mission of the Department.

### **Business Transformation**

**Since 2005, the General Accountability Office (GAO) has designated the Department of Defense's approach to business transformation as "high risk" due to its vulnerability to waste, fraud, abuse and mismanagement. However, GAO has recently found that the Department has not implemented leading performance management practices for federal agencies in the area of business transformation. GAO also found that DOD's performance measures are "not clear, comprehensive, or aligned with its strategic goals."**

**Do you believe that the Department needs to more clearly define roles and responsibilities, as well as relationships among key positions and governance entities?**

I understand that the Department has continued to refine its governance processes, including making more explicit the role of the DCMO in business management transformation. The Deputy Secretary has reshaped the structure and functions of the Deputy's Management Advisory Group (DMAG), to include making the DCMO a full member of that body. If confirmed, I will review this issue and determine whether further action is necessary.

**If so, what steps do you believe the Department should take to achieve this objective?**

If confirmed, I review this issue and determine whether further action is necessary.

**If confirmed, what steps, if any, would you take to more clearly define the Department's strategic planning process, including mechanisms to guide and synchronize efforts to develop strategic plans; monitor the implementation of reform initiatives; and report progress, on a periodic basis, towards achieving established goals?**

I understand that the Deputy Secretary of Defense has recently undertaken a series of reforms to improve the strategic planning process, including the reshaping of the DMAG. If confirmed, I will work with the Deputy Secretary and others to identify and pursue potential improvements to these processes.

### **Acquisition of Major Automated Information Systems**

**A number of the Department's Major Automated Information Systems are over budget and behind schedule. GAO recently reported that even new programs are failing to establish initial baselines for cost, schedule, and performance.**

**What is your assessment of the extent of the problems the Department faces in its acquisition of Major Automated Information Systems?**

It is my understanding that virtually every DOD acquisition of a major business system has suffered from cost overruns, schedule delays, customer resistance, and failure to meet performance requirements. In some cases, the Department has been able to work through these problems, but in other cases the problems have become so extreme that they have led to system failure and program cancellation.

**What do you see as the root causes of these problems?**

In my view, there are three closely related root causes for most of these failures: failure of leadership, failure of planning, and failure to perform adequate business process engineering. Too often, the Department has sought to address deficiencies in its business systems by acquiring commercial solutions without adequately understanding its own business processes and planning the changes that will be needed to implement commercial solutions.

**What is your understanding of the role of the DCMO in the management and oversight of Major Automated Information Systems?**

Although the DCMO is not directly responsible for the acquisition of new business systems, the DCMO plays a key role in the management and oversight of business systems through the ongoing investment review process. The role of the DCMO is to ensure that the military departments and defense agencies conduct appropriate business process reengineering before acquiring new systems or modernizing existing systems, that appropriate governance processes are in place to keep the customization of commercial, off-the-shelf business systems to a minimum, and that new and existing business systems of the military department are consistent with the business enterprise architecture of the Department of Defense. The DCMO can also play an important role in identifying gaps and deficiencies in the business systems and processes of the military departments and defense agencies, and ensuring that they work to address those gaps and deficiencies in an expeditious manner.

**Geographic and Functional Combatant Command Mission and Headquarters-support Costs:**

**In May 2013 and June 2014, the Government Accountability Office (GAO) reported on the considerable growth that has occurred over the last several years in the mission and headquarters-support costs of the geographic and functional combatant commands. GAO found that the commands do not conduct comprehensive, periodic evaluations that would help them ensure that they are properly sized and structured. As a result, there is little assurance that these commands can manage resources efficiently and meet their assigned missions. Through its Business Process and System Reviews of the Office of the Secretary of Defense and associated defense agencies, the Office of the Deputy Chief Management Officer has identified opportunities for savings through restructuring and reorganizing resources to ensure that they are properly aligned with desired outcomes.**

**What is your understanding and assessment of the GAO's findings as well as the potential savings already identified as part of the Business Process and Systems Reviews currently underway?**

I am aware that the GAO found considerable growth in the size and cost of the combatant commands over the last decade. I understand that GAO identified some steps that the Department has taken to control those costs, but concluded that more could be done in this regard. I am not aware that the BPSR review process has been extended to the combatant commands.

**If confirmed, would you recommend that the geographic and functional combatant commands be subject to such reviews? If so, what actions would you propose or take to require and implement such reviews?**

I am in general agreement with the findings and recommendations of the two GAO reports referenced. I believe that every management headquarters element of the Department of Defense, including the combatant commands, could benefit from a review to identify potential savings through changing or reducing the size of staffs, eliminating tiers of management, cutting functions that provide little or no added value, and consolidating overlapping and duplicative programs and offices. I do not have a position as to whether the BPSR process is the best mechanism conducting such a review of the combatant commands.

**In your view, how might the results of such reviews, if conducted, be used to improve the strategic analysis and decision making processes associated with the Unified Command Plan?**

I believe that the Unified Command Plan should be informed by a sound understanding of the existing organizations and capabilities of the combatant commands. In advance of conducting a review, I do not believe it is possible to determine how that review would improve the processes referenced.

**DOD Conference Policies**

**What role will you play, if confirmed, establishing DOD conference approval processes?**

I understand that the DCMO is responsible for the overall DOD conference approval policy. If confirmed, I will work to ensure that this policy appropriately balances the benefits of DOD presence at appropriate conferences with the need to be judicious in expending the Department's resources, consistent with applicable legal requirements.

**How will you assess the impact of these policies on the missions of DOD organizations and the value of the policies relative to the costs of their implementation?**

I believe that many conferences have a genuine professional value in terms of peer exposure, training, and professional growth. Examples include professional conferences for accounting and finance; for the medical community; and for the scientific community. I am also concerned that the DOD conference approval process could be interpreted to extend to important meetings that are not conferences at all. If confirmed, I expect to work with the functional communities within the Department to ensure that the conference policy does not unnecessarily detract from the missions of DOD organizations and the development of DOD personnel.

**The GAO recently recommended that “the Secretary of Defense direct the Secretaries of the military departments, in coordination with the Office of the DCMO, to establish time frames for providing conference review and approval decisions based on applicants’ needs.**

**Do you agree with this recommendation? Why or why not? How would you develop the time frames that GAO recommends?**

I agree with the recommendation. If confirmed, I will work with involved stakeholders to address concerns about the timeliness of the review and approval process.

**Services Contracting**

**Over the last decade, the Department has become progressively more reliant upon contractors to perform functions that were once performed exclusively by government employees. As a result, contractors now play an integral role in areas as diverse as the management and oversight of weapons programs, the development of personnel policies, and the collection and analysis of intelligence. In many cases, contractor employees work in the same offices, serve on the same projects and task forces, and perform many of the same functions as DOD employees.**

**In your view, has DOD become too reliant on contractors to support the basic functions of the Department?**

Contractors have always played a valuable role in supporting the operations of the Department of Defense. However, I believe that there are areas in which the Department has become so reliant on contractors that it risks losing the organic capability to manage its own operations.

**What risks do you see in the Department's reliance on such contractor support?  
What steps do you believe the Department should take to mitigate such risk?**

I believe that it is important that government officials remain accountable and responsible for the actions taken by federal agencies, including those listed in the question. In my view, responsibility and accountability are possible only if the government retains not only final decision-making authority, but also the organic capability to fully understand the range of options available and to make informed choices among them.

**What advantages do you see in using contractors to perform functions for the Department of Defense?**

I believe that the use of contractors to perform commercial and industrial functions can leverage private sector capabilities to improve efficiency and lower costs. With regard to the performance of core government functions, contractors can and do support decision-making by providing knowledge and expertise that would not otherwise be available to the Department of Defense.

### **Congressional Oversight**

**In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.**

**Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?**

Yes.

**Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the DCMO?**

Yes.

**Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?**

Yes.

**Do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted**



**Committee, or to consult with the Committee regarding the basis for any good faith delay or denial in providing such documents?**

Yes.