

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO CONSIDER THE NOMINATION OF:
PETER K. LEVINE TO BE DEPUTY CHIEF MANAGEMENT OFFICER,
DEPARTMENT OF DEFENSE

Tuesday, April 21, 2015

Washington, D.C.

ALDERSON REPORTING COMPANY
1155 CONNECTICUT AVENUE, N.W.
SUITE 200
WASHINGTON, D.C. 20036
(202) 289-2260

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

HEARING TO CONSIDER THE NOMINATION OF:
PETER K. LEVINE
TO BE DEPUTY CHIEF MANAGEMENT OFFICER,
DEPARTMENT OF DEFENSE

Tuesday, April 21, 2015

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:32 a.m. in Room SH-216, Hart Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Ayotte, Cotton, Rounds, Ernst, Tillis, Reed, McCaskill, Manchin, Donnelly, Hirono, and King.

1 OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR
2 FROM ARIZONA

3 Chairman McCain: All right, Peter. We have done
4 enough schmoozing.

5 This committee is always gratified to be in a position
6 to help the Senate confirm nominees that previously
7 distinguished themselves as esteemed members of its staff.
8 That is why I am especially delighted to welcome Peter
9 Levine who appears before us today as the President's
10 nominee to serve as Deputy Chief Management Officer. So I
11 would also like to welcome his wife Mary Ellen and his son
12 Daniel. We thank you both for lending Peter to his country
13 in service once again.

14 Having served as staff director and before that as
15 general counsel to the Senate Armed Services Committee,
16 Peter has gained keen insight into how the Department of
17 Defense operates and how it is managed. He has an in-depth
18 understanding of the challenges that confront its senior
19 most managers and ensuring that the Pentagon provides our
20 Nation's defense effectively and responsibly. Peter also
21 knows how inherently challenging the position of DCMO is.
22 He has seen how the Department does business, especially in
23 the area of financial improvement and business
24 transformation, critical areas over which the DCMO has a
25 critical oversight role.

1 Peter, the task lies ahead of you. Few people outside
2 Washington truly appreciate the challenge that the
3 Department faces in the area of management, business
4 transformation, and financial management. Measured by
5 dollars, people, or global missions, the Department of
6 Defense is quite possibly the largest, most complex single
7 organization in the world. With this size and complexity
8 comes difficulties in management. The Comptroller General,
9 Congress' independent watchdog, has continually listed DOD
10 as high risk and vulnerable to fraud, waste abuse, and
11 mismanagement.

12 The Department of Defense is unique in that it is the
13 only large Federal agency that cannot even undergo a
14 financial statement audit of its balance sheet. This
15 committee, with Mr. Levine's help, has spent a great deal of
16 time and energy working on specific challenges at DOD in the
17 areas of weapon systems acquisition, business
18 transformation, IT system implementation, financial
19 management, and supply chain management. To date none of
20 these risk areas have been removed from GAO's high risk
21 list, but I am optimistic that with Mr. Levine's leadership
22 and partnership with this committee we will make great
23 progress which will benefit both the warfighter and the
24 taxpayer.

25 While efforts to improve business systems, cut costs,

1 and find waste at the Department of Defense are used to
2 identify savings, it is also to gain knowledge and
3 understanding about how the Department works. Former
4 Secretary of Defense Robert Gates said back in 2011, quote,
5 the current apparatus for managing people and money across
6 the DOD enterprise is woefully inadequate. That came from
7 the Secretary of Defense at the time. He went on to say it
8 was, quote, nearly impossible to get accurate information
9 and answers to questions such as how much money did you
10 spend and how many people do you have.

11 Secretary Gates also mentioned that the result of these
12 shortfalls in information was that he could not measure
13 results or make judgments about priorities for the military.
14 There is something very wrong when the Secretary of Defense
15 cannot get answers to simple questions or know how or
16 whether the agencies under his control achieve their
17 intended results.

18 Fixing these weaknesses and improving the management of
19 the Pentagon is not the job of any one person. All Pentagon
20 leaders must be invested in this work from the Secretary on
21 down, and Congress must never forget its critical role in
22 this area. But this work goes directly to the heart of what
23 the Deputy Chief Management Officer is all about, empowering
24 the Secretary of Defense with timely and accurate
25 information to assess whether the Department is achieving

1 its goals, streamlining bureaucracy and cutting through red
2 tape to enable the military services to put their full
3 effort toward achieving their missions, not filling out
4 paperwork, and holding leaders accountable for failing to
5 change or adopt better practices, while at the same time
6 rewarding managers who learn from mistakes and succeed in
7 transformation.

8 Peter, this is no small task, but I assure you that, if
9 confirmed, you will have a committed partner in this
10 committee.

11 Again, I thank the witness for his willingness to serve
12 and look forward to hearing from the witness on this
13 important matter.

14 This committee has the well-deserved reputation for
15 acting 99 percent of the time in a bipartisan fashion. A
16 lot of that comes from the interaction between the staffs on
17 both sides of the aisle, no matter who is in the majority.
18 And, Peter, over many years as service to Senator Levin as
19 well as other members of this committee, you have made a
20 significant contribution to maintaining that environment of
21 bipartisanship, not to mention though, however, that you and
22 I have had spirited conversations on occasion in the past.

23 Senator Reed?

24

25

1 STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE
2 ISLAND

3 Senator Reed: Well, thank you very much, Mr. Chairman.
4 Let me echo your comments about the spirit that Peter has
5 helped keep alive, and I know he will continue to do that at
6 the Department of Defense.

7 I want to welcome Peter and Mary Ellen and Daniel.
8 Thank you very much.

9 One indication of success that the people that you led
10 are strongly behind you -- and literally they are because
11 the entire Democratic PSM staff is here for this hearing to
12 cheer you on and secretly send messages to you so that you
13 get the answers right.

14 [Laughter.]

15 Senator Reed: But anyway, the chairman has gone into
16 great detail and very accurate detail about the incredible
17 contributions you have made to the committee. You
18 originally came in 1996. You have been the general counsel,
19 the staff director. You have been a trusted advisor to
20 Senators on both sides of the aisle. You have been a mentor
21 to the professional staff. You have made us all a little
22 wiser and a little better prepared to face the challenges of
23 a very difficult and dangerous world.

24 Many of the pieces of legislation that you worked with
25 have profoundly reshaped the Pentagon, and there is a lot

1 more that has to be done. You have been a major force in
2 developing Government-wide procurement reform initiatives --
3 for the Pentagon, I should say -- including the Weapon
4 Systems Acquisition Reform Act of 2009. And again, that was
5 really due to your staff efforts with the leadership of
6 Senator Levin and Senator McCain. This was a tribute to
7 their vision, as well as your efforts.

8 And you have developed mechanisms to streamline the
9 Department's workforce to help the Pentagon to maintain this
10 workforce. And you have also led efforts in the Senate to
11 combat waste, fraud, and abuse in the Pentagon acquisition,
12 stretching back to your days not just on this committee but
13 when you were on the Government Affairs Committee.

14 We will miss you, your knowledge of the laws, your
15 analytical ability, your determination, your
16 professionalism. But we will recognize that we are
17 benefiting and the Pentagon is benefiting and the Nation is
18 benefiting from those skills in your new position as Deputy
19 Chief Management Officer for the Department of Defense.

20 The DCMO position is charged with improving the
21 management of the Department of Defense and it does need
22 improvement. As such and especially in these constrained
23 budget times, you will be challenged to support warfighters
24 while making very difficult choices about eliminating low
25 priority functions, cutting costs, but maintaining capacity

1 and, in fact, enhancing capacity. And those are very
2 difficult, in fact sometimes contradictory, challenges. So
3 you will be charged with leading the modernization efforts,
4 and we have every confidence you will do it well as you have
5 done everything well.

6 We look forward to working with you.

7 And again, let me thank the chairman for scheduling
8 this hearing. And, Mr. Chairman, thank you.

9 Chairman McCain: Thank you.

10 Before your statement, as you know, there are standard
11 questions that have to be answered for the record, which I
12 will go into now.

13 In order to exercise its legislative and oversight
14 responsibilities, it is important that this committee and
15 other appropriate committees of the Congress be able to
16 receive testimony, briefings, and other communications of
17 information. Have you adhered to applicable laws and
18 regulations governing conflicts of interest?

19 Mr. Levine: I have.

20 Chairman McCain: Have you assumed any duties or
21 undertaken any actions which would appear to presume the
22 outcome of the confirmation process?

23 Mr. Levine: I have not.

24 Chairman McCain: Will you ensure that your staff
25 complies with deadlines established for requested

1 communications, including questions for the record in
2 hearings?

3 Mr. Levine: I will.

4 Chairman McCain: Will you cooperate in providing
5 witnesses and briefers in response to congressional
6 requests?

7 Mr. Levine: I will.

8 Chairman McCain: Will those witnesses be protected
9 from reprisal for their testimony or briefings?

10 Mr. Levine: Yes.

11 Chairman McCain: Do you agree, if confirmed, to appear
12 and testify upon request before this committee?

13 Mr. Levine: I do.

14 Chairman McCain: Do you agree to provide documents,
15 including copies of electronic forms of communication, in a
16 timely manner when requested by a duly constituted committee
17 or to consult with the committee regarding the basis for any
18 good faith delay or denial in providing such documents?

19 Mr. Levine: I do.

20 Chairman McCain: Please proceed.

21

22

23

24

25

1 STATEMENT OF PETER K. LEVINE

2 Mr. Levine: Mr. Chairman, Senator Reed, members of the
3 committee, first let me thank you for those very generous
4 remarks that you made at the outset.

5 You are absolutely right about the challenges,
6 management challenges, facing the Department of Defense.
7 And as I, if confirmed, take those on, it will be a great
8 comfort to know that this committee is supportive of that
9 effort.

10 It is my pleasure to appear before you today as the
11 President's nominee for the position of Deputy Chief
12 Management Officer of the Department of Defense. I would
13 like to thank the President, Secretary Carter, and Deputy
14 Secretary Work for selecting me for this position.

15 I would also like to thank my wife Mary Ellen and my
16 son Daniel, both of whom are with me today. I mention them
17 for all their love, support, and understanding over the
18 years, and I would not be here without them.

19 This committee established the DCMO position in an
20 effort to address the broken business practices and
21 bureaucratic inefficiencies that caused DOD management
22 programs and support functions to take too long, cost too
23 much, and produce less than optimal results.

24 I believe that an active DCMO, with the support of the
25 Secretary, Deputy Secretary, can make a real difference. If

1 confirmed, I will strive to institute more effective
2 management practices and take on the waste and inefficiency
3 that needlessly squander the taxpayers' money and the
4 Department's resources.

5 Mr. Chairman, it has been my privilege and honor to
6 serve on the staff of the Armed Services Committee for
7 almost 20 years. I could not have asked for a more
8 rewarding place to work, for better people to work with and
9 for, or for a better learning experience. And I thank all
10 of you, members and staff, for that.

11 I know that I have more to learn, but if confirmed, I
12 will bring a piece of the Armed Services Committee with me
13 to the Department of Defense.

14 That concludes my opening statement, and I look forward
15 to your questions.

16 [The prepared statement of Mr. Levine follows:]

17

18

19

20

21

22

23

24

25

1 Chairman McCain: Thank you very much.

2 The issue of continuing interest to this committee, as
3 you know, is the inability of the Department of Defense to
4 pass a financial statement and audit. The current audit
5 deadline is, starting in 2017, that DOD will be audit-ready.
6 Do you think that is going to be the case?

7 Mr. Levine: Senator, Mr. Chairman, I have always tried
8 to be honest with members of this committee and give my best
9 assessment, and I have always been skeptical that the 2017
10 deadline will be met and I cannot change my stripes just
11 because I am sitting down here at the witness table.

12 Chairman McCain: Why do you think that they have never
13 been able to do that? People ask me that all the time.

14 Mr. Levine: Looking at the problem of an auditable
15 financial statement for the Department of Defense, you have
16 to keep in mind that it is the biggest entity in the world.
17 We have hundreds of millions of transactions every year and
18 billions of historic transactions. An individual taxpayer
19 or a small business may be able to put their receipts in a
20 shoebox and add them at the end of the year and balance
21 their books, but an entity the size of the Department of
22 Defense simply cannot do that. We have to have systems and
23 processes in place that work and that produce good financial
24 information, and when we get those systems and processes in
25 place, it will not only provide us an auditable financial

1 statement, but it will answer that question that Secretary
2 Gates had about why he cannot get good answers to his
3 questions when he needs to make a decision.

4 I think we have made significant progress really going
5 back to when Deputy Secretary England took this on as a
6 challenge in about 2005 when he became Deputy Secretary. I
7 think that Mr. Hale as Comptroller continued that effort,
8 and I think that it is now foreseeable to me that we can get
9 to an auditable financial statement. I just do not believe
10 we will make it by 2017.

11 Chairman McCain: As you remember, a couple years ago,
12 as part of not the Department of Defense but my role -- and
13 I was a member of the Permanent Subcommittee on
14 Investigations -- we discovered that the Air Force spent
15 over \$1 billion, many years of mismanaging what was supposed
16 to be a commercial, off-the-shelf system. It was known as
17 the ECSS, expeditionary combat support system. No one was
18 held responsible. What do I tell the taxpayers at the next
19 town hall meeting that we wasted \$1 billion on a program
20 that never got even begun at all, and no one was held
21 responsible? What is your solution to that?

22 Mr. Levine: So, Senator, first I worked with your
23 staff on that review.

24 Chairman McCain: I remember.

25 Mr. Levine: And I share their views and your views of

1 that. It is absolutely unacceptable. What I will say is
2 the failures that you identified in your report on ECSS,
3 lack of planning, lack of a firm requirement, changing
4 requirements, lack of commitment to the commercial nature of
5 the system, are systemic problems that we have in the
6 acquisition of business systems for the Department of
7 Defense, and we created the DCMO in part to make sure that
8 that does not happen.

9 Chairman McCain: So I take it that one of your jobs is
10 going to be -- one of your priorities is going to be to hold
11 people responsible because just your appointment is not
12 going to eliminate those.

13 Mr. Levine: It will be one of my jobs to review
14 business system programs for the Department of Defense to
15 make sure that they are doing the planning that they need to
16 do, that they have the governance processes to make sure
17 this does not happen again.

18 Chairman McCain: Does that mean you are going to hold
19 people accountable?

20 Mr. Levine: Senator, the people that need to be held
21 accountable do not actually report to the DCMO. So it will
22 be the job of --

23 Chairman McCain: Will you identify them?

24 Mr. Levine: Yes. Yes, Senator, I will help identify
25 people who need to be held accountable. I think that is a

1 fair -- yes.

2 Chairman McCain: Thank you.

3 In a recent audit, GAO noted that a majority of major
4 IT programs did not -- and we know how important in this day
5 and age IT programs are -- establish baseline costs and
6 schedule estimates within 2 years of program initiation. In
7 fact, it took over 5 years and nearly half a billion dollars
8 to be spent before baseline costs and schedule estimates
9 were created for 12 major IT systems.

10 Is the IT system issue not of highest importance?

11 Mr. Levine: I will make it an issue of the highest
12 importance. Yes, Senator.

13 Chairman McCain: And do you think you can fix the
14 problem?

15 Mr. Levine: I think we can do far, far better than we
16 have done, and we need to do far, far better than we have
17 done.

18 Chairman McCain: Will you have the confidence of the
19 Secretary of Defense?

20 Mr. Levine: I believe that I will, yes.

21 Chairman McCain: Good.

22 And as you know, from time to time, as a member of the
23 staff of this committee, we have been frustrated with
24 sometimes the lack of complete and timely information from
25 the Department of Defense, and I hope that you will also

1 make sure that we do receive that information in a timely
2 and accurate fashion.

3 Mr. Levine: I have shared that frustration, and I will
4 do my best to be as responsive as possible. I certainly
5 understand the problem.

6 Chairman McCain: Some of your comments I will keep on
7 record to provide to you in case we do have difficulties in
8 that area, Peter.

9 Mr. Levine: I appreciate that, Mr. Chairman.

10 Chairman McCain: It was my beloved friend, Morris
11 Udall, who once said the politician's prayer is that the
12 words that I utter today be tender and sweet because
13 tomorrow I may have to eat them. Thank you.

14 [Laughter.]

15 Chairman McCain: Senator Reed?

16 Senator Reed: Thank you very much, Mr. Chairman.

17 Again, Peter, thank you for your service to the
18 Congress.

19 You were there in 2008 when this office was created.
20 Briefly, can you give an assessment of what it has done
21 positively and where are still the failings that it has not
22 lived up to?

23 Mr. Levine: We created -- this committee was
24 responsible for creating the position of DCMO, and it was
25 created for the reasons that Senator McCain laid out in his

1 opening statement, because the committee did not believe
2 that Department was paying enough attention to the
3 management issues that end up leading to waste and
4 inefficiency and costing the Department so much money. It
5 actually started with an amendment by Senator Byrd to create
6 a second Deputy Secretary who was going to be a Deputy
7 Secretary for management, and it evolved to where the Deputy
8 Secretary would be the CMO and he would be assisted by a
9 DCMO.

10 The idea was to elevate the issue of management within
11 the Department and give it top level attention so that we
12 could address some of these problems that just seemed to go
13 on from year to year to year and never be solved.

14 There has been only one DCMO to date, one Senate-
15 confirmed DCMO to date. I think she worked hard. I do not
16 think she had the support at the top level of the Department
17 that she needed to really take on some of these bigger
18 problems. I have been assured that I will have that
19 support, and I hope to have that support and I hope to take
20 on the big management problems that have been of concern to
21 this committee for so long.

22 Senator Reed: Thank you.

23 Senator McCain alluded to in his questions about the IT
24 systems. But the Pentagon is the biggest enterprise in the
25 world, but there are lots of big companies that are audited

1 every year and they are pretty complicated and complex. And
2 I guess it begs the question, what can you learn from the
3 private sector, not just studying them but adopting some of
4 their mechanisms, getting advisors coming in who are
5 management experts to tell you how you should do things
6 differently at the Pentagon?

7 Mr. Levine: We need to do all of that. And there are
8 some mechanisms in the Department for doing that. There are
9 some authorities we have given the Department to do that
10 kind of thing, and the Department has not taken full
11 advantage of the authority it has in that regard. So we
12 will want to bring in expertise from the private sector and
13 do whatever we can to draw on that.

14 Senator Reed: I know the Secretary has a business sort
15 of advisors group. I do not know the official title.

16 Mr. Levine: The Defense Business Board.

17 Senator Reed: And I would assume you are going to be
18 looking to them for sort of -- or work closely with them for
19 advice and insight.

20 Mr. Levine: My understanding is that they are
21 available to assist in these areas and to provide advice,
22 and I hope that we will be able to draw on that advice.
23 Yes, sir.

24 Senator Reed: One aspect too here of the auditability
25 and everything is that sometimes the fault is not in our

1 stars but in ourselves, and some of the congressional
2 requirements that we place make it very difficult to manage.
3 Are you going to look also at sort of the structures we give
4 you to operate? We do not have the same type of capital
5 budget, for example, in the Pentagon that you find in most
6 big, private enterprises. Are you going to be able to give
7 us advice too about what changes we should make?

8 Mr. Levine: Senator Reed, I think there is an awful
9 lot that can be done to improve the way the Department works
10 without legislation. I think there are lots of ripe targets
11 there. If I identify something that does need legislation
12 or an area where we do need congressional help, of course I
13 will come back to you and ask for that.

14 Senator Reed: And just the final point and more of a
15 comment than a question. Information technology is so
16 critical to businesses today to be agile, to be proficient
17 and productive, and some of the systems that you are
18 operating are antiquated, to be kind.

19 Mr. Levine: I am hearing about COBOL-based systems and
20 FORTRAN-based systems. Yes.

21 Senator Reed: That is encouraging because those are
22 the last computer languages that I learned in 1967 and 1969.
23 So there is a place for me over there programming FORTRAN
24 and BASIC.

25 [Laughter.]

1 Senator Reed: Maybe I will withdraw the question.

2 [Laughter.]

3 Senator Reed: But you know, you are right. You are
4 looking at systems which are 20 years out of date, and the
5 irony, of course -- at least the perception that I have --
6 is in the 1950's and 1960's and 1970's, the Pentagon -- that
7 was where the really spectacular information technology
8 breakthroughs and automation were going on. And it was
9 business that was trying to catch up, and now it is
10 completely reversed.

11 Mr. Levine: Particularly in the area of business
12 systems, all of the initiative is now on the private sector
13 side. You are talking about accounting systems or
14 purchasing systems or personnel systems, those kinds of IT
15 systems. And the key is in order to make use of those, you
16 need to address the problems that Senator McCain referred to
17 earlier with the ECSS system where we tried to buy a
18 commercial system but then we refused to change our
19 processes. So we ended up having to hire a squadron of
20 computer programmers to try to reinvent a system that was
21 working perfectly well in the commercial sector. And what
22 we need to do is to change our business processes so that
23 they make sense and that they can be appropriately automated
24 rather than automating an old process that really is not
25 very efficient in the first place.

1 Senator Reed: Thank you very much. And, again, thank
2 you for your service and your personal support systems in
3 Congress.

4 Mr. Levine: Thank you, Senator Reed.

5 Chairman McCain: Senator Inhofe?

6 Senator Inhofe: Thank you, Mr. Chairman.

7 You know, Peter, I find it difficult to believe the
8 many, many years that I have personally had the honor of
9 working with you I never met any of your family before. So,
10 Mary Ellen, it is really nice to meet you. And for the
11 benefit of my fellow Senators up here, Daniel is at Harvard
12 in computer science right now and he made a real sacrifice
13 to be here today. You will be very much rewarded to know
14 how much everyone thinks of your daddy because I do not
15 recall anyone at any of these hearings who is more loved
16 than he is.

17 In fact, the chairman said that 99 percent was
18 nonpartisan in his past and talked about a few spirited
19 conversations. I cannot remember any spirited conversations
20 in the past that you and I have had.

21 Chairman McCain: Peter can.

22 [Laughter.]

23 Senator Inhofe: No. That he and I have had. I
24 understand that.

25 And even at the time with the Big 4, I remember 2 years

1 ago with the Big 4, we got to know each other pretty well.
2 And so it was really a great experience.

3 Anyone, if you just listen today to all of these people
4 that are running for President of the United States, when
5 they talk about the military and they talk about the
6 Department of Defense, they talk about the Pentagon, they
7 talk about waste, fraud, and abuse. In fact, that term was
8 made by Senator Reed a minute ago. And so we hear a lot
9 about that, and it is a very popular thing. But it seems
10 like no one has ever really done anything about it maybe
11 because we have never had anyone in this new position. And
12 I think the world of Beth McGrath, but she did not have the
13 background that you do.

14 Now, you have been in the trenches. You know these
15 problems that exist. It is going to be a real tough thing
16 for you to do. In reading the mission statement here, it
17 said in 2008 DOD formally chartered the office of DCMO to
18 better synchronize, integrate, and coordinate the business
19 operations of the Department and ensure the optimum
20 alignment and all that stuff. If there is anyone who has a
21 background that is more conducive to that, it would be you.

22 In your opening statement, you said that reductions
23 should not take the form of across-the-board cuts. Cutting
24 personnel without improving management processes or
25 divesting functions will result in fewer people to do the

1 same work, creating bottlenecks and backlogs that are
2 counterproductive to the mission of the Department.

3 Well, I think everyone knows the easy thing to do is
4 the meat axe approach. Then it is somebody else's problem.
5 But you are going to have to -- and you have already done
6 this -- deal with OSD, deal with the combatant commands.
7 When they come and testify here or the ones that we talk to
8 in the field, and they talk about what they could do,
9 sometimes it is just not something that is really easy in
10 our system.

11 Does anything come to your mind now on how you are
12 going to be able to make these -- focus these cuts and these
13 efficiencies that we are depending upon you to do that
14 specifically you are going to dive right in? You know the
15 job, and you know about this from a position of knowledge.
16 What are you going to be doing?

17 Mr. Levine: So, Senator, you know I have never shied
18 away from taking on a difficult problem. If confirmed, in
19 the near future I will have about a year and a half to work
20 with, and I figure I have to take on some very specific
21 targets to identify five or six priorities to go after. The
22 Deputy Secretary has already asked the DCMO to review the
23 organization of OSD and to look for places where we have
24 redundant or superfluous organizations, and we will continue
25 that. I have a couple of areas that I want to look at

1 specifically.

2 I think the acquisition decision-making process is
3 incredibly inefficient, and it has to be improved and it is
4 not only is too costly but it slows things down in a way
5 that is counterproductive.

6 I think that the civilian personnel system can be
7 dramatically improved. We need to streamline processes and
8 we need to look at organizations and make that process more
9 efficient and less costly.

10 There are several others like that, but I think that
11 what I am going to have to do is to target specific issues
12 and go after them and I intend to do that.

13 Senator Inhofe: In a comment you made -- I do not know
14 if it was a response to a question or your opening
15 statement. I cannot remember, but you talked about the one
16 person who was predecessor in this job sometimes may not
17 have had the support of the top management. And I am going
18 to ask you that if you run into that, you can come to us
19 because I do not recall having heard from that office before
20 that there were some problems. So I would say this -- and I
21 think everyone here looking at it up here at this table --
22 that if you are not getting the full support, there is one
23 thing you can do about it and that is come to us and we will
24 make sure you do get the full support. Is that all right?

25 Mr. Levine: Yes, absolutely, Senator. And I think

1 that that is something that will help as I have to work with
2 under secretaries and tell them that we are going to have to
3 take on issues in their organizations or chiefs or deputy
4 chiefs of staff. If they understand that the committee
5 stands behind that and really wants these efficiency
6 measures and really wants to make improvements necessary,
7 that will be very helpful. Thank you.

8 Senator Inhofe: That is good because they are going to
9 have to know that we are behind you.

10 Thank you, Mr. Chairman.

11 Chairman McCain: Senator Hirono?

12 Senator Hirono: Thank you, Mr. Chairman.

13 I was looking at the advance policy questions that have
14 been submitted to you, and the first question is what is
15 your understanding of the relationship between the Deputy
16 Chief Management Officer and each of the following. And I
17 noted that there were at least 14 sets of individuals and
18 their offices, everybody from the Secretary of Defense to
19 the business transformation offices of the military
20 departments. That is a lot of people that you are
21 attempting to work with to do the kinds of modernization
22 that you have told us you want to do.

23 So how many people do you have in your office to help
24 you deal with 14 individuals and offices?

25 Mr. Levine: I cannot remember. I think the staff of

1 the DCMO is about 100 people.

2 What I would say is, first of all, in listing all those
3 people that the office has to deal with, your staff was very
4 good and very thorough in putting together those advance
5 policy questions.

6 And second, I do think I have something of an advantage
7 in taking it on in that from my work with the committee, I
8 already know all those people that I will have to interface
9 with and have worked with them over the years. So I think
10 that that will put me in a position to do that.

11 Senator Hirono: I think those relationships are
12 critical because anytime that you are dealing with folks who
13 are already in place who are supposed to be doing many of
14 the things that you are doing within their own services,
15 without that kind of relationship, they do not necessarily
16 have to listen to you. So I commend you for that.

17 Now, going to acquisition reform, you said that it
18 obviously needs to be much more efficient and less costly,
19 and you said you would target specific issues in the area of
20 acquisition reform and go after those. So could you tell us
21 what your first specific target issue for acquisition reform
22 would be?

23 Mr. Levine: So I need to be careful here because the
24 Under Secretary of Defense for Acquisition Technology and
25 Logistics is the acquisition policy official for the

1 Department of Defense. The DCMO has a role here, as in
2 other areas, in looking at process. We had a GAO report
3 that the committee received recently that indicates that for
4 a program manager of a major program in the Department to
5 get a milestone decision can take 2 years and 2,000 man-
6 hours. They may have to go to 200 different offices to get
7 their approval. That kind of process where you have to go
8 to all these different offices -- the program managers
9 should not have to do that. They are spending all their
10 time briefing people and changing slides to get approval
11 rather than working on the substance of the program. I
12 think that process -- without changing the acquisition
13 policy, which this committee will do, the Under Secretary
14 for Acquisition Technology will decide what the policy is.
15 The process can be significantly improved, and I hope to
16 work with Frank Kendall and others in the Department to do
17 that.

18 Senator Hirono: Well, I am really hopeful that you
19 will be able to move the ball because I know that the
20 chairman has had all kinds of questions, as have many of us,
21 regarding acquisition reform. It is not exactly
22 transparent. For example, if you would be looking at things
23 like contracts, the kind of contracts we put in place, the
24 requirement process. I mean, would you agree that the more
25 specific we are as to what it is we want, that would limit

1 the changes that we make that just add to the cost? There
2 is a whole range of things that are very specific to the
3 acquisition process, complicated as it is.

4 Mr. Levine: Yes, Senator. There are a whole range of
5 things like that that need improvement. This committee has
6 made significant strides in the past, and I understand that
7 the chairman has made it a priority to address that issue
8 again this year. I know it continues to be a priority for
9 the Department, and I will make whatever contribution I can
10 if confirmed.

11 Senator Hirono: We have had questions relating to
12 cybersecurity. I think that is one of these most vulnerable
13 areas of vulnerability across Departments. Can you talk a
14 little bit more about how you would make sure that DOD
15 addresses its cybersecurity needs in an appropriate way?

16 Mr. Levine: I should defer that question to my son who
17 is the IT expert in the family.

18 But the DCMO works closely with the CIO, the Chief
19 Information Officer, of the Department who really is more
20 the technology person, the IT technology side. The DCMO is
21 more on the business process side. So if confirmed, I would
22 work closely with Terry Halvorsen, who is the Chief
23 Information Officer, of the Department and is heavily
24 focused on cybersecurity issues. And one of the things that
25 you look at in the chaotic systems environment the

1 Department has where we have so many different systems run
2 by so many different people is that that presents too many
3 targets. And one of the things that Mr. Halvorsen is
4 working on is streamlining that system, consolidating, which
5 not only enables you to be more efficient and have a better
6 business process but also should enable a more secure
7 environment.

8 Senator Hirono: Thank you.

9 Thank you, Mr. Chairman.

10 Mr. Levine: Thank you, Senator.

11 Chairman McCain: Senator Rounds?

12 Senator Rounds: Thank you, Mr. Chairman.

13 Mr. Levine, I understand that you have been here for a
14 long time, a lot longer than I have been. It would appear
15 to me that before you would have made a major change moving
16 from this side to that side, that you would have had a
17 number of conversations with the individuals who will employ
18 you and you would have had discussions about your
19 capabilities and your ability to actually get the job done.
20 I would like to explore just a little bit.

21 You have indicated that, number one, as the DCMO you
22 are going to be responsible for the processes, but I am just
23 curious. In the discussions that you have had to convince
24 you to want to do this job in the first place and one that I
25 suspect might make you more frustrated than a former

1 Governor coming into the United States Senate is --

2 [Laughter.]

3 Senator Rounds: -- what did you receive in terms of an
4 assurance of resources available to you, the assurances
5 themselves that you would have the ability to get in and
6 actually look at the different processes, open access, and
7 finally your access to the guys who can hire and fire and
8 make a difference? What types of discussions and where are
9 you at right now in that process?

10 Mr. Levine: When the Deputy Secretary, Secretary Work,
11 talked to me about the job and asked me if I would do it, I
12 said, so you want to make me the most unpopular person in
13 the Pentagon. And he said, yes, and I will be right there
14 with you. And that was the assurance that I needed that he
15 understood that what the DCMO has to do is to go into
16 basically other people's rice bowls and tell them they are
17 not doing it right and they need to do it differently, and
18 that is never going to be something that is popular in any
19 organization and certainly not an organization like the
20 Pentagon. And he understands that that is what the DCMO
21 needs to do and he said he stands fully behind it and will
22 be absolutely supportive of it.

23 I did not get any assurance of more resources, and I do
24 not think that that would have been an appropriate -- if
25 there is some specific project that needs something, we will

1 try to find resources within the Department and available
2 resources. But I think that building a new office or a new
3 bureaucracy is not the way you fight bureaucracy. We need
4 to make use of the resources we have and not create some new
5 structure to try to do that.

6 Senator Rounds: Do you believe the resources that are
7 available to you will be capable? Do you have the resources
8 available to make a dent?

9 Mr. Levine: Senator, I do not believe that the
10 resources of the DCMO office alone are sufficient. I do not
11 think that any one office could be sufficient for that.
12 What I believe is that with the commitment of the Deputy
13 Secretary, I will be able to draw on other offices in the
14 Department and other expertise in the Department. So, for
15 example, if we are going to look at acquisition, we are
16 going to have to work with the acquisition people, with
17 Frank Kendall and his organization, and the service
18 acquisition executives and their organizations. And they do
19 have expertise, and we are going to have to draw on that
20 expertise. We are going to have to draw on expertise from
21 the private sector through the Defense Business Board and
22 other mechanisms that are available to do that. So I think
23 there are mechanisms to provide the support that we need and
24 to provide the resources we need, but I do not think the
25 answer is to build a huge new office.

1 Senator Rounds: You indicated that when we talk about
2 the chain of command, specifically you felt comfortable
3 coming back to us. Do you think that under the current
4 chain of command and the responsibility that you have got to
5 those individuals that will be your superiors, that you have
6 access and that you believe you can come directly to this
7 committee and ask for the resources or the assistance to get
8 something done?

9 Mr. Levine: I think that the Secretary and Deputy
10 Secretary understand very well where I am coming from and
11 the background that I have and understand the relationship I
12 have with this committee and look at that as a positive
13 rather than a negative. So, yes, I do think that is the
14 case.

15 Senator Rounds: Thank you, sir.

16 I yield back.

17 Mr. Levine: Thank you, Senator.

18 Chairman McCain: Senator McCaskill?

19 Senator McCaskill: So many questions, so little time.

20 Mr. Levine: Senator, it is very strange to see you all
21 from this side.

22 Senator McCaskill: I can imagine.

23 Mr. Levine: I am seeing you face to face for the first
24 time, rather than seeing the back of your heard.

25 Senator McCaskill: I can imagine. And my swivel,

1 where I go first to Jason and then to Peter -- I do not know
2 how this is going to work out.

3 First, I want to talk about the audit stuff. I was
4 really disappointed when I found out in March that they have
5 pulled the clean audit finding from the Marines.

6 Mr. Levine: Yes, Senator.

7 Senator McCaskill: People that have been at this
8 longer than I have, but I have certainly since the day I got
9 here tried to figure out, coming in as a former auditor, how
10 in the world we had gotten to the point that the Department
11 of Defense was incapable of being audited.

12 So you know, my false sense of optimism that the
13 Marines had finally come up with a clean audit, to now have
14 it pulled because we found out about these suspense accounts
15 at the Department of the Treasury, and now not only do we
16 not have a clean audit of the Marines, that is going to call
17 into question the ability of us to get clean audits
18 anywhere.

19 And so briefly, can you give me any sense of what we
20 can do about fixing this suspense account problem at the
21 Department of the Treasury for all of these commingling of
22 funds that sound like to me funds that are looking for an
23 appropriation but have not found them?

24 Mr. Levine: Senator, I do not know the answer to that.

25 Now, I do know that one of the even more troubling

1 things about the Marine Corps audit is that I believe that
2 it was a 2011 clean audit that got the clean opinion, which
3 means that we have done 2012, 2013, and 2014, and now we are
4 told that we have the problem. So not only is the 2011
5 audit not good, but that means that the subsequent audits
6 would not be good either. I do not know why it took us 4
7 years to get to the point where that problem was discovered.

8 Senator McCaskill: Well, could you find the answer to
9 that question?

10 Mr. Levine: Yes, Senator. If confirmed, I will look
11 into that and get back to you on that.

12 Senator McCaskill: I would really like to know the
13 answer to that because the fact that it took them years -- I
14 cannot figure out why this is so hard.

15 Mr. Levine: It seems to me that if there was a problem
16 with the 2011 audit, we should have known that in 2012, and
17 we would have been working on it for 3 years by now and
18 figuring out how to get traceability and fix it. And we
19 should not be hitting the point in 2015 where we learn about
20 the problem. All I can say is I do not understand it, and
21 if confirmed, I will look into that and get back to you
22 about it.

23 Senator McCaskill: I also want to make a comment that
24 I am hopeful that no matter who gains the White House in
25 2016, regardless of which party, that I am hopeful that the

1 work that you have done on this committee will serve you
2 well and hopefully the next commander in chief would want to
3 utilize continually your expertise that you have. You just
4 start so much further down the line than anybody else who
5 would take this job because of your incredible working
6 knowledge of the labyrinth that is the process of
7 acquisition and how they spend money and the way they mess
8 it up. I just hope that you stick around.

9 I know you cannot get this done in a year and a half,
10 but I am still going to keep banging about this contractor
11 manpower thing. We had the hearing back in 2012. You
12 remember it. In July of last year, I sent a letter to the
13 Department asking for specific information about the
14 implementing of a department-wide contractor manpower
15 reporting application. We have to know what we are buying
16 through contractors, and we need to know it department-wide.
17 We cannot evaluate whether or not we are getting a good deal
18 with contractors or a bad deal with contractors if we do not
19 even know how many contractors we have. I really would like
20 you and would like a commitment from you today that you
21 would at least help me figure out what the stall is here.
22 Why is this so hard? And if you would comment on that, I
23 would appreciate it.

24 Mr. Levine: Yes, Senator. We have this requirement
25 for a contractor inventory, for an inventory of the service

1 contractors working for the Department. I know this is an
2 issue that is important to Senator Manchin as well.

3 There is an inventory system in place. It does produce
4 a number. I checked yesterday and I was told that the
5 number of service contractors we currently have working for
6 the Department of Defense is 629,000. In fact, it was not
7 just 629,000. It was 629,000 and so many hundred and such.
8 It was a very precise number.

9 The problem, now that I have told you that there is a
10 number, is accuracy as with so many of the Department
11 systems. Contractors are hard to count, and the universe of
12 contractors is hard to define because when you are doing
13 service contracts, we have times when we hire service
14 contracts by the person. And so we have a number of people.
15 You also have places where you hire for a result. If you
16 have an elevator maintenance contract, you do not care
17 whether you have six people working on it or five. You are
18 contracting to have the elevator operating. And so we have
19 places where it is easier to count and places where it is
20 harder to count.

21 And we have different systems of counting in the
22 different military departments. The Army has a system where
23 they go out and they put as a term of all their contracts
24 with service contractors, you have to tell us how many
25 people you working on it. The other military departments

1 have a conversion factor where they say we are spending this
2 number of dollars. We figure it must be this number of
3 people.

4 So the number sounds very precise, but it is a lot less
5 precise than it sounds because of the techniques that they
6 use to gather that information.

7 Senator McCaskill: And exact numbers may not be as
8 important as the ability to compare apples to apples, branch
9 to branch, service to service, whether or not we are getting
10 value. If the elevator operators that are maintaining
11 elevators in the Army are making three times as much as the
12 elevator operators that are maintaining elevators for the
13 Navy, we need to know that. And that is why this inventory
14 is so important.

15 Mr. Levine: And so you need to have more information,
16 not just about how many you have but how you are hiring them
17 and whether you are hiring them in the right way. Yes,
18 Senator, I agree.

19 Senator McCaskill: Okay. Get to work. We will be
20 watching.

21 Mr. Levine: Thank you, Senator.

22 Chairman McCain: Senator King, can you follow that
23 act?

24 Senator King: Thank you, Mr. Chair.

25 Peter, I would like to talk about two versions, one

1 about personnel and the other about purchasing and
2 contracts, which we have been talking about.

3 Often I think it is as much about process as it is
4 policy. An example of this is personnel management. What
5 do you think about human resources reform within the
6 Department of Defense, and what can Congress do to help
7 facilitate more efficient HR practices?

8 Mr. Levine: The Defense Business Board reported
9 earlier this year that the human resources area is an area
10 where they think that there are significant efficiencies
11 that can be achieved by the Department, that it is an area
12 where we have too many layers of management, too many
13 managers with a small span of control. So you have one
14 person, for example, managing three people, and those people
15 managing five people. You have too many layers of middle
16 management. And so that is something we are going to have
17 to look at.

18 We are also going to have to look at efficiencies of
19 specific processes. We have a civilian hiring process, and
20 I am told it takes at least 6 months and maybe 8 months or
21 more to hire a single individual to work at the Department
22 of Defense. Well, that is just crazy. You lose some of the
23 most talented individuals you are trying to hire because you
24 cannot offer them a job even though you know you want them
25 to come work for you.

1 Senator King: This is a problem throughout Government.

2 Mr. Levine: It is a problem throughout Government.

3 Senator King: When you layer on the security clearance
4 part, it could go up to 2 years.

5 Mr. Levine: Yes. And the security clearance is hard
6 to deal with. There are changes that we are looking at in
7 that area that this committee has asked the Department to
8 look at with what is called a continual security clearance
9 process.

10 But I think there are significant improvements also
11 that can be made in the hiring process, and this relates to
12 the issue of sort of too much bureaucracy. If you add in
13 extra layers, then your different human resources offices
14 spend time negotiating with each other instead of getting
15 the job done, and we need to cut out some of those middle
16 boxes and simplify the process.

17 Senator King: So I take it that you see this as part
18 of your responsibility to build a team to tackle this
19 particular problem.

20 Mr. Levine: Absolutely, Senator.

21 Senator King: We have talked about contracting and
22 procurement. I have a modest suggestion that I utilized
23 when I was Governor, which is pick some typical cases. Take
24 five or six different cases from the mundane -- you know,
25 Fort Bragg needs five new sinks in their kitchens to

1 acquisition of a tank or something larger -- and ask your
2 people to prepare a chronology of all the steps necessary so
3 that you can see it. Rather than talking in the abstract,
4 you are saying, okay, why did it take 12 approvals to buy a
5 sink? And the same thing with services. I have found they
6 can blow the smoke at you when you are talking in
7 generalities, but when you say why did it take this long to
8 get this printer in this office -- specific cases.

9 I used to also call the 800 numbers for the public and
10 see who answers, how long does it take, what do they tell
11 you. I will never forget calling the tourism office in
12 Maine. Everything went fine until they said we will send
13 you a brochure in 3 to 6 weeks and it was June. In 3 to 6
14 weeks in Maine, the summer is over.

15 [Laughter.]

16 Senator King: So the point is you learn from reaching
17 into in a direct kind of way. I hope you will try out some
18 of those.

19 Mr. Levine: So, Senator, I am going to have to chose
20 my targets carefully with a limited amount of time, but one
21 of the targets I hope to chose is the acquisition process
22 and particularly the acquisition milestone decision-making
23 process that we use for major weapon systems. And I think
24 you are exactly right, that what we are going to need to do
25 is we hear that program managers have to go to 200 different

1 offices --

2 Senator King: Take a real life case.

3 Mr. Levine: -- we are going to have to document for
4 several programs. So it may be one from each of the
5 services or something. Who is it you have to go to? What
6 does this process actually look like when you diagram it so
7 that we can say you cannot do that anymore. It cannot be
8 that complicated.

9 Senator King: This may be a moment in time where the
10 stars are literally aligned, starting with the chairman of
11 this committee to Ash Carter to Frank Kendall to you. That
12 is a very special constellation of people who are very aware
13 of this problem and that it has to be addressed. And we may
14 not have an opportunity like this for years. So I hope that
15 you will be a real irritant on this subject. As I mentioned
16 to you yesterday, you do not want to look back 10 years from
17 now and say, gee, I wish I had pushed on this.

18 Mr. Levine: Senator, some people tell me I am too good
19 at being an irritant. But, yes, I will do my best.

20 Senator King: I had that experience once in a court
21 where I said, Judge, I do not want to beat my head against a
22 stone wall. And he said, Attorney King, I know of no one in
23 Maine better qualified for that.

24 [Laughter.]

25 Senator King: So I appreciate your willingness to take

1 this on, and I do hope you will view this as an
2 extraordinary opportunity. Working with a great team, and
3 with the support of this committee, I think some good things
4 can be done for America both in terms of security and in
5 terms of our taxpayers. Thank you.

6 Mr. Levine: I appreciate that. Thank you, Senator.

7 Chairman McCain: An incredibly wise judge.

8 Senator Ayotte?

9 Senator Ayotte: Well, first of all, Peter, I am so
10 thrilled that you are going to be nominated for this. I
11 have been so impressed with your work on SASC. And the
12 Department is very fortunate to have someone of your caliber
13 to go over and serve there. So I am really enthusiastically
14 looking forward to voting for you and I am very glad that
15 you have translated your service in the Senate over to help
16 and take that knowledge over to the Department of Defense.

17 Mr. Levine: Thank you, Senator.

18 Senator Ayotte: Thank you, and thank you to your
19 family for all the sacrifices they have made over the years
20 for many of us on SASC and all the questions we have asked.
21 So we appreciate it.

22 I know that many of the questions that I had have
23 already been asked, including -- you know, I am looking
24 forward to your spending some time on the high risk list
25 that GAO puts together and really focusing on that and

1 trying to address some of those concerns. And I know that
2 that has already been directed at you.

3 Mr. Levine: Yes, Senator. That will be a priority.

4 Senator Ayotte: And one of the things I think we have
5 struggled with here and thought about is just the size of
6 management and headquarters organization at the Department
7 of Defense. It has really grown fairly significantly over
8 the last 15 years. And given the challenges that we are
9 facing in terms of resourcing and what we need to do to
10 defend the Nation, I wanted to get your thoughts on how the
11 size, the composition at the Department of Defense
12 management headquarters -- what thoughts you have to make
13 that more efficient. And is it the right size or should we
14 be looking at shifting what happens there?

15 Mr. Levine: So, Senator, I think that, first of all,
16 it cannot be the right size. We have to make it more
17 efficient. We have to make it smaller. We have to find
18 cuts. I think that is hard to do. It is hard to get your
19 arms around management headquarters at the Department. You
20 have shifting definitions. And I know there is a case that
21 Senator McCain was concerned about, for example, where the
22 Air Force claimed to have downsized some of its
23 headquarters, and apparently they moved something to a
24 separate command or created a separate command to do it.
25 That kind of thing does happen, you know, changing

1 definitions so you do not have to change the numbers.

2 I believe we have to change the processes. We have to
3 change the structures, and we have to find things that we
4 have been doing that we can either do better or not do at
5 all. And that to me is the core is to take on those issues.
6 But we have to get smaller.

7 Senator Ayotte: Terrific.

8 I think so too especially as you look at just the
9 growth in the size and obviously the priorities that we need
10 to have and what we are trying to accomplish. So I think
11 all of us are looking forward to working with you I in this
12 new position, and I look forward to enthusiastically
13 supporting you. So thank you for your willingness to do
14 this. I appreciate it.

15 Mr. Levine: Well, thank you, Senator. And I, of
16 course, can come talk to you anytime if you have specific
17 concerns in these areas as we go forward.

18 Senator Ayotte: Terrific. Thank you.

19 Chairman McCain: Senator Manchin?

20 Senator Manchin: Thank you, Mr. Chairman.

21 And again, Mr. Levine, Peter for me, thank you for the
22 service you have given to this body in the Senate and to
23 this committee for many, many years. And we really, all of
24 us, I think in a bipartisan way leaned on you pretty heavy,
25 and you did a great job.

1 Mr. Levine: Well, thank you, Senator.

2 Senator Manchin: And I want to thank you for taking
3 that experience level that you have to this next level. You
4 could have very easily have taken another path. But staying
5 in what you know and what you have been able to do over the
6 years, knowing our concerns, means a great deal to all of us
7 on this committee, and we thank you on behalf of the
8 committee.

9 And let me just say that, Peter, every time we have
10 talked and we get the money crunch, it is all a reduction of
11 staff. I always hear about reduction of staff. And we
12 throw the frontline soldier out there first. And I know you
13 have heard the concerns we have had, and you and I have
14 talked about contracting, procurements, all the things and
15 the waste that we have. And there is not a person who does
16 not want to defend this country and make sure that we
17 support our troops.

18 With that being said, I have been particularly
19 concerned with the growth of the headquarters staff. Every
20 time we talk about reduction of staff, no one ever talks
21 about headquarters staff in light of the drawdown of what we
22 are talking about in the military services. It is sometimes
23 hard to get visibility as to whether their cuts to
24 headquarters staffs are actually creating more efficient
25 organizations or simply reshuffling the decks on the

1 Titanic.

2 Is that something in your bailiwick that you will be
3 able to get a hold of?

4 Mr. Levine: It will be, Senator. The Deputy Secretary
5 has asked the DCMO office, as I understand it, to review the
6 Office of the Secretary of Defense, which is I guess -- I do
7 not know the number -- somewhere in the order of 2,000-3,000
8 people and figure out where there can be cuts made. Now,
9 that is civilian personnel in the Office of the Secretary of
10 Defense. This is one of the misleading things about
11 management in headquarters is that, of course, there is
12 contract support and there are other support elements in
13 there that you do not see on the surface. But I expect it
14 is something that we will look at actively and see where we
15 can bring it down. Not just the Office of the Secretary of
16 Defense because one of the problems with the Department is
17 we have so many different management headquarters, and we
18 need to focus on all of them.

19 Senator Manchin: Let me just say this. I do not want
20 to take a lot of time. You know, when you look at the
21 support and look what is going on, we spend -- what -- \$600
22 billion, \$650 billion on defense right now. And when you
23 look at all the other countries combined and where we are --
24 we are a superpower and we want to remain that superpower
25 and we want to make sure that our people are best trained,

1 best equipped, have the latest technology. We are always on
2 the vision of the cutting edge of what is the next
3 technology we need to keep world peace. I am in favor of
4 every bit of that.

5 And I have to look people in the eye in West Virginia
6 and basically say, well, we have to cut here, here, and here
7 because we had to spend here, here, and here. Efficiencies.
8 Without the audits, without knowing what is going on,
9 without proving business decisions, running an organization,
10 the largest in the world, the size of the Pentagon, it is
11 going to take tough management. And someone is going to
12 bite the bullet here.

13 And when you come back to us and say, listen, we have
14 looked at everything humanly possible and with all of our
15 incurred costs, we just cannot, that is fine. But if there
16 are ways to run it better -- and that is where I think there
17 is more efficiencies to be gotten out of this, that is what
18 I am looking for.

19 Mr. Levine: Yes, Senator. You have had the testimony
20 before the committee of the chiefs telling you that with the
21 sequestration level budgets, we do not have the money to
22 support the force structure we have now. So absolutely,
23 wherever we can find efficiencies, wherever we can get
24 savings from the infrastructure and the support services, we
25 need to do that.

1 Senator Manchin: When I look at the Guard, being a
2 former Governor -- and I know Senator King being a former
3 Governor -- we are really fond of our Guard because of what
4 we ask them to do every day. This is not the Guard that we
5 knew. This is not the Guard of 20 years ago. This is a
6 whole different Guard. They are going on the front lines
7 prepared, ready to go. I do not know why we do not utilize
8 them more for cost savings than going into the contracting
9 route that we have gone. That just does not make any sense
10 to me. So I am anxious to get that report. And I know that
11 Senator McCaskill asked you about that.

12 Mr. Levine: Yes. And of course, you have got the
13 Independent Commission on the Army which will be looking at
14 that issue and coming back to you within the next year or
15 so.

16 Senator Manchin: Thank you.

17 Chairman McCain: Senator Reed?

18 Senator Reed: I have one final question. Senator
19 McCain and I were talking back forth about -- you know, we
20 have told the Pentagon to get an audit. And the question is
21 there are agencies -- and Senator McCain reminded me --
22 Homeland Security has a private outside auditor that comes
23 in. But I think we are jumping over a basic question which
24 is can the Department of Defense be audited. Has anyone
25 ever asked the outside experts to come in and just answer

1 the first question, i.e., yes, it can be audited but you
2 have to have these changes, these changes, these changes,
3 these changes? I think we have assumed it is auditable, and
4 then you have not been able to do it. And it is
5 frustrating. So will one of the first questions you ask be,
6 can we audit this place?

7 Mr. Levine: So back in 2001 or 2002, I helped write a
8 piece of legislation, advised the committee on a piece of
9 legislation which said essentially do not even try to audit
10 the Pentagon right now. What it said is you need to
11 determine that you are at a state where your books and
12 records are in a good enough shape that it is worth hiring
13 an auditor and spending the money on an auditor before you
14 plunge money into that because right now they are so bad
15 that you are just sending bad money after good -- I mean,
16 good money after bad. You cannot do it right now.

17 And so there is now a process, which we have in law and
18 it has been in law for several years, which says the
19 Department has to assert that they are audit-ready before
20 they can spend money for auditors. And they are now
21 reaching a point where they are willing to make those
22 assertions. As I say, there has been a definite progress
23 over that period of time. We are not where we need to be.

24 And frankly, I think that one of the things that the
25 committee needs to think about and the Department needs to

1 think about is if I am right and we do not make the 2017
2 deadline, how do we keep that pressure on after 2017 because
3 the 2017 deadline has put some real pressure on the
4 Department to make improvements. But you have to think,
5 okay, so if you get to 2017 and it did not happen, how do we
6 make sure that the same pressure remains on in 2018 and we
7 do not just say, well, we blew it, now we are going to give
8 up and go home because we cannot afford to do that.

9 Senator Reed: Just a final quick point. I thank the
10 chairman for his indulgence.

11 That process is sort of self-certification. We are
12 ready.

13 Mr. Levine: Right.

14 Senator Reed: Would it not make sense to have a
15 private auditor to come in and say, yes, they are ready, we
16 have looked at it, the systems are in place, et cetera?
17 Because I think some of the problems are, ala the Marine
18 Corps, we are ready.

19 Mr. Levine: The Comptroller is working with major
20 accounting firms on that exact process. In fact, one of the
21 issues they have had over time is they have to have audit
22 firms consult with them on that issue. They are also going
23 to have independent audit firms come in and help in the
24 audit when it takes place. And they have to make sure they
25 get them lined up so that they are not all conflicted out

1 because they have to have both audit firms to advise them
2 and audit firms to conduct the audit. But, yes, they are
3 doing that.

4 Senator Reed: Thank you.

5 Chairman McCain: Well, just to pursue that line again,
6 I see nothing wrong with bringing in an outside auditor to
7 look at the whole situation and see if they cannot do the
8 auditing. And the Department of Homeland Security somehow
9 was able to get audited -- they are a pretty big
10 organization -- by an outside auditor. They have been
11 screwing around for 15 years now.

12 Mr. Levine: We have got to get it done. I agree with
13 you, Senator.

14 Chairman McCain: So an outside auditor I think is at
15 least an option that we ought to explore or even try.

16 Well, I congratulate you again on your appointment. We
17 look forward to working with you. I want to assure you the
18 next hearing will not be nearly as pleasant as this one was.

19 [Laughter.]

20 Chairman McCain: And we congratulate you and also
21 appreciate you very much. And congratulations to your
22 wonderful family.

23 The hearing is adjourned.

24 [Whereupon, at 10:32 a.m., the hearing was adjourned.]

25