

Stenographic Transcript
Before the

COMMITTEE ON
ARMED SERVICES

UNITED STATES SENATE

HEARING TO CONSIDER THE NOMINATIONS OF:
LISA W. HERSHMAN TO BE CHIEF MANAGEMENT OFFICER OF
THE DEPARTMENT OF DEFENSE;
DANA S. DEASY TO BE CHIEF INFORMATION OFFICER OF
THE DEPARTMENT OF DEFENSE; AND
ROBERT J. SANDER TO BE GENERAL COUNSEL OF
THE DEPARTMENT THE NAVY

Tuesday, October 29, 2019

Washington, D.C.

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10
11 U.S. Senate

12 Committee on Armed Services

13 Washington, D.C.
14

15 The committee met, pursuant to notice, at 9:29 a.m. in
16 Room SD-G50, Dirksen Senate Office Building, Hon. James M.
17 Inhofe, presiding.

18 Committee Members Present: Senators Inhofe
19 [presiding], Wicker, Fischer, Rounds, Ernst, Sullivan,
20 Perdue, Cramer, McSally, Scott, Blackburn, Hawley, Reed,
21 Shaheen, Gillibrand, Blumenthal, Hirono, Kaine, King,
22 Peters, Manchin, and Jones.

23 Other Senators Present: Senator Young.
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1 OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S.
2 SENATOR FROM OKLAHOMA

3 Chairman Inhofe: Our meeting will come to order.

4 The committee meets today to consider the nominations
5 of Ms. Lisa Hershman to be the Chief Management Officer of
6 the Department of Defense; Mr. Dana Deasy to be DOD Chief
7 Information Officer; and Mr. Robert Sander to be General
8 Counsel of the Navy.

9 Thank you for being here today. Ms. Hershman, I know
10 that you have been performing the duties of CMO for almost a
11 year, and Mr. Deasy, you were the first appointed to this
12 position of CIO in May of 2018. So we seem to have a lot of
13 people who are already pretty much on the job here.
14 Although the law made it clear that the current incumbent,
15 you in this case, Mr. Deasy, could continue to serve without
16 confirmation, but the President thought you needed to be
17 confirmed anyway. And I think we all agree and I know you
18 do. So we look forward to that. All that to say, Ms.
19 Hershman, you and Mr. Deasy have extensive experience in the
20 specific positions for which you have been nominated.

21 Mr. Sander, you have served as the Army's principal
22 deputy general counsel since July of last year, and I am
23 grateful that you are willing to bring your expertise as a
24 lawyer and counselor and advisor to bear as chief legal
25 officer of the Navy.

1 We have our standard required questions to ask and
2 answers, and I am going to ask eight questions. And if all
3 three of you would be audible in your answers so we can get
4 you on record, I would appreciate it.

5 First of all, have you adhered to the applicable laws
6 and regulations governing conflicts of interest?

7 Ms. Hershman: Yes.

8 Mr. Deasy: Yes.

9 Mr. Sander: Yes.

10 Chairman Inhofe: Will you ensure that your staff
11 complies with deadlines established for requested
12 communications, including questions for the record in
13 hearings?

14 Ms. Hershman: Yes.

15 Chairman Inhofe: I just heard one.

16 Mr. Deasy: Yes.

17 Mr. Sander: Yes.

18 Chairman Inhofe: Very good.

19 Will you cooperate in providing witnesses and briefers
20 in response to congressional requests?

21 Ms. Hershman: Yes.

22 Ms. Hershman: Yes.

23 Mr. Sander: Yes.

24 Chairman Inhofe: Will those witnesses be protected
25 from reprisal for their testimony and briefings?

1 Ms. Hershman: Yes.

2 Mr. Deasy: Yes.

3 Mr. Sander: Yes.

4 Chairman Inhofe: Do you agree, if confirmed, to appear
5 and testify upon request before this committee?

6 Ms. Hershman: Yes.

7 Mr. Deasy: Yes.

8 Mr. Sander: Yes.

9 Chairman Inhofe: Do you agree to provide documents,
10 including copies of electronic forms of communication, in a
11 timely manner when requested by a duly constituted committee
12 or to consult with the committee regarding the basis for any
13 good faith delay or denial in providing such documents?

14 Ms. Hershman: Yes.

15 Mr. Deasy: Yes.

16 Mr. Sander: Yes.

17 Chairman Inhofe: And have you assumed any duties or
18 undertaken any actions which would appear to presume the
19 outcome of the confirmation process?

20 Ms. Hershman: No.

21 Mr. Deasy: No.

22 Mr. Sander: No.

23 Chairman Inhofe: We have all said that the world is
24 the most dangerous situation that we have had in our
25 lifetime. The National Defense Strategy makes clear the

1 strategic competition with China and Russia, not terrorism,
2 is now the primary national security concern. China and
3 Russia have passed us in key areas and are catching up in
4 other areas. We can no longer take America's military
5 superiority for granted.

6 You know, at one time, we were all working on
7 hypersonics, and of course now we see that Beijing just
8 paraded dozens of massive hypersonic missiles and we have
9 not even built one ourselves. So we have got a lot of
10 catching up to do.

11 The committee has spent most of its time and effort in
12 the past year ensuring that DOD has the authorities and the
13 resources it needs to implement the 2018 NDS. As senior
14 leaders in the Department of Defense and the Department of
15 the Navy, each of you will play a key role in, number one,
16 building the more lethal force; number two, strengthening
17 our alliances and building new partners and, in particular,
18 reforming the Department of Defense for greater performance
19 and affordability.

20 You come before this committee at a critical time. We
21 know we have a 2-year budget agreement and it is going to
22 have to pass the National Defense Authorization Act and the
23 defense appropriation bill to ensure timely funding for the
24 Department of Defense.

25 Now, as soon as we hear from Senator Reed for his

1 opening statement, we will get to you, Senator Young, for
2 your introduction. Senator Reed?

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

3 Senator Reed: Thank you very much, Mr. Chairman. Let
4 me join you in welcoming Ms. Hershman, Mr. Deasy, and Mr.
5 Sander to this morning's hearing. I would also like to
6 welcome Ms. Hershman's husband Brandt, Mr. Deasy's wife
7 Karla, as well as Mr. Sander's family including his wife
8 Ingrid and their son Javier Hurtado. We are pleased that
9 you all could join us this morning.

10 Ms. Hershman, you are nominated to be the Chief
11 Management Officer, a difficult assignment considering the
12 unique management challenges posed by the Department of
13 Defense. Prior to joining the Department, you worked on
14 management reform initiatives in the private sector, and for
15 over a year now, you have focused on instituting management
16 reform in the Pentagon. I hope you will share your plans
17 with the committee on how to reform the Department's
18 management processes, including your vision for finding and
19 retaining people with the modern management expertise and
20 skills in fields like data science to work on the huge
21 management challenges in the Department of Defense.

22 Mr. Deasy, you are nominated to be the Chief
23 Information Officer, a position you have held for nearly a
24 year and a half. Prior to serving in the Department, you
25 served as the CIO for JP Morgan Chase where you managed the

1 bank's investments in information technology and
2 cybersecurity.

3 The CIO function in the Department of Defense has often
4 been criticized as weak and ineffective, which has led to it
5 being marginalized. I hope that DOD's success in attracting
6 someone of Mr. Deasy's stature and capabilities to serve as
7 the CIO heralds a new trend for the Department.

8 Furthermore, I note that the Secretary of Defense has
9 entrusted Mr. Deasy with many critical responsibilities such
10 as artificial intelligence, cloud computing, network
11 modernization, data strategy, and cybersecurity. I look
12 forward to hearing how you will make sure that all military
13 services are in sync as they develop and adopt new IT
14 systems and capabilities.

15 Mr. Sander, you have been nominated to be the Navy
16 General Counsel. The Navy has not had a Senate-confirmed
17 General Counsel since January 2017, and during that time,
18 the Navy has had to deal with numerous high-profile legal
19 issues.

20 The Navy continues to struggle with the fallout of the
21 "Fat Leonard" scandal. In addition, the Navy has several
22 high-profile cases involving the Navy SEAL community,
23 raising questions about the ethics and culture of this elite
24 community of warriors.

25 Finally, the McCain and Fitzgerald ship collisions have

1 raised questions about Navy readiness for sustained
2 operations and legal questions about the role and
3 responsibilities of senior Navy officials. These issues
4 will require continuous attention.

5 Finally, the Secretary of the Navy has directed a
6 comprehensive review of the Navy and Marine Corps military
7 legal communities. Although this review has not been
8 directed to examine the office of the Navy General Counsel,
9 it may assess the relationships and division of duties
10 between the Navy and Marine Corps JAG offices and the Navy
11 General Counsel.

12 If confirmed, Mr. Sander will be called upon to provide
13 his advice on these and other complex legal matters. His
14 experience in the Army General Counsel's office and as an
15 Army Reserve Judge Advocate should equip him well to take on
16 these challenges.

17 Thank you, Mr. Chairman.

18 Chairman Inhofe: Thank you, Senator Reed.

19 Senator Young, you have requested to introduce Ms.
20 Hershman. You are recognized.

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1 STATEMENT OF HON. TODD YOUNG, U.S. SENATOR FROM
2 INDIANA

3 Senator Young: Well, thank you, Chairman Inhofe and
4 Ranking Member Reed and members of the Senate Armed Services
5 Committee.

6 It really is an honor to introduce my friend, Mrs. Lisa
7 Hershman, today. She is joined by her husband, a fellow
8 Hoosier, Brandt, and he has been supportive every step of
9 the way.

10 Having served as the Acting Chief Management Officer at
11 the Department of Defense for almost the past year, Ms.
12 Hershman likely needs no introduction to the members of this
13 committee. But for those members who have not yet had the
14 privilege of knowing her, Mrs. Hershman is an exceptional
15 leader who has served in critical business transformation
16 roles both in and out of government.

17 Following her time in school where Mrs. Hershman earned
18 a degree in engineering and industrial distribution, she
19 began her career managing a portion of the Sea Wolf
20 submarine program. From there, Mrs. Hershman went on to
21 work for Avnet, where she oversaw the company's work as a
22 global distributor of electronic components and technology
23 systems. In that capacity, Mrs. Hershman was recognized as
24 the executive in charge of transformation and customer
25 experience in 72 countries.

1 Mrs. Hershman is also the co-author of the
2 internationally acclaimed best seller book, "Faster,
3 Cheaper, Better." This book has been featured in "Business
4 Week," "Forbes," and "Investors Business Daily."

5 She has also served on the Indiana Commission for Women
6 and the Indiana Commission for Higher Education, both
7 important organizations in my State.

8 With her extensive experience, Mrs. Hershman knows that
9 meaningful, lasting change does not occur by fiat, but
10 instead by listening to and empowering others. That mindset
11 will enable her to be effective as she works to improve
12 processes within the Department.

13 This is precisely the background of someone who will
14 take on the challenges and opportunities associated with
15 this new position in the Department.

16 In the months ahead, I know Mrs. Hershman will work
17 diligently to transform business practices and to find
18 efficiencies, while helping to create a more lethal and
19 effective fighting force.

20 I am grateful that she has accepted the call to serve
21 our country. She will be a true asset to DOD, to the
22 President, and to our nation.

23 I look forward to supporting her nomination when it
24 arrives on the Senate floor.

25 I thank you again for this opportunity to appear before

1 this committee today, Mr. Chairman.

2 Congratulations, Lisa.

3 Thank you, Mr. Chairman.

4 Chairman Inhofe: Thank you, and you are welcome to
5 leave or stay. Your choice.

6 Senator Young: Thank you. I will dismount.

7 [Laughter.]

8 Chairman Inhofe: We will now just turn to our opening
9 statements, and we will just start with you, Ms. Hershman,
10 and work across. You are recognized.

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1 STATEMENT OF LISA W. HERSHMAN TO BE CHIEF MANAGEMENT
2 OFFICER OF THE DEPARTMENT OF DEFENSE

3 Ms. Hershman: Thank you, Chairman Inhofe, Ranking
4 Member Reed, and members of the committee. It is an honor
5 to be before you today as the President's nominee to be the
6 Chief Management Officer of the Department of Defense.

7 I would like to thank my husband Brandt for being here
8 with me today and to also celebrate the memory of my mother
9 who passed just 2 weeks ago, as well as my father who served
10 our nation in the Navy during World War II. He took great
11 pride in fighting for his country, and it is an honor that I
12 offer my service to support our nation's service men and
13 women.

14 As an engineer, senior executive, and author, I have
15 focused my career on business transformation and reform in
16 the private sector, driving increased operational
17 efficiencies in a variety of settings from nonprofit
18 associations to government to household names of the Fortune
19 100. We know that in order to succeed, companies must be
20 prepared to respond to changing business conditions and
21 global competition while meeting the needs of their
22 customers.

23 While the stakes are very different, responding to
24 changing conditions with agility and an eye towards costs
25 and our global competition is also a key priority of the

1 Department of Defense. The charge of defending our nation's
2 interests, while serving the needs of our warfighters, is a
3 solemn responsibility and business reform is an essential
4 component of our future success.

5 The motto of the CMO is "efficiency for lethality." It
6 reflects the imperative for warfighters to be fully prepared
7 to meet and prevail against any threat to our nation's
8 interests throughout the world. In support of that goal,
9 the CMO is tasked to ensure that our resources are utilized
10 as efficiently as possible and that our administrative
11 processes and shared services support our ability to
12 accomplish that mission.

13 Our warfighters rely upon their leadership to prepare
14 and equip them to defend our nation. Too often they are
15 forced to navigate clumsy and outdated processes and
16 bureaucracy. If I am confirmed, my goal is to institute
17 lasting transformation that becomes an integral part of the
18 culture of the Department of Defense, making it easier for
19 the men and women of our military to perform their mission
20 while ensuring the highest possible value to taxpayers.

21 However, management reform is not just about saving
22 money. Making our military stronger and more effective will
23 certainly involve the cost-cutting component and will result
24 in cost savings in numerous areas. But it also includes
25 putting in place training and system changes, eliminating

1 redundant systems, maximizing shared service delivery,
2 streamlining business operations, upscaling our workforce,
3 sharing metrics, using data to inform decisions, and
4 leveraging the strength of culture that sustains that
5 transformation for a long time.

6 While these goals of efficiency are similar to those in
7 the private sector, the risks of change are much higher for
8 the military, and the size of the Department of Defense can
9 make the pace of change painfully slow. Nonetheless, I am
10 encouraged by the progress we have made with nearly \$5
11 billion in validated savings, as well as increased
12 operational efficiencies. And I am pleased to report that
13 the pace of progress is accelerating. This is due in no
14 small part to the strong message of support we have received
15 from the White House, Secretary Esper, and Deputy Secretary
16 Norquist.

17 That being said, we also recognize that we have much
18 more to accomplish, and if confirmed, I look forward to
19 working with this committee, the Congress, and the
20 administration to achieve these goals.

21 I appreciate your time this morning and look forward to
22 answering your questions.

23 [The prepared statement of Ms. Hershman follows:]
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1 Chairman Inhofe: Thank you, Ms. Hershman.

2 Mr. Deasy?

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1 STATEMENT OF DANA S. DEASY TO BE CHIEF INFORMATION
2 OFFICER OF THE DEPARTMENT OF DEFENSE

3 Mr. Deasy: Mr. Chairman, Ranking Member, and
4 distinguished members of the committee, thank you for the
5 opportunity today to discuss the important work and position
6 of the Department of Defense Chief Information Officer.

7 As you know, I currently serve as the DOD CIO in a non-
8 Senate-confirmed capacity. I am honored that the President
9 has nominated me for this position of the now Senate-
10 confirmed DOD CIO. And I would like to thank Secretary
11 Esper for his continued support.

12 First and foremost, I would like to recognize and thank
13 my wife Karla. I would not be here today without her
14 support. I received the call to serve while on retirement,
15 hiking in the mountains of North Carolina. As I thought
16 about that decision on that day, it was Karla who reminded
17 me that it had always been my aspiration to serve this great
18 nation. She gets full credit for me being here today.
19 Thank you for your love and amazing support. After almost a
20 year and a half in this position, I can tell you all this
21 was absolutely the right decision.

22 Although this is my first position in government,
23 during my 38-year career I have had the opportunity to work
24 for some of the most large, complex companies in the world,
25 including building and launching the Space Shuttle at

1 Rockwell, the automotive industry at General Motors, my
2 international experience at Siemens, the oil and gas sector
3 at BP, and most recently at JP Morgan Chase in financial
4 services. All these positions have one key thing in common:
5 technology is at the heart of their success. My diverse
6 industry experience has been an incredible asset in
7 navigating the complex dynamics of the Department of
8 Defense.

9 I have been in this role now since May 2018. During
10 this time, the office of the DOD CIO has accomplished a
11 number of significant achievements in support of the
12 National Defense Strategy. My first priority was building a
13 world-class team within DOD CIO. The new team is now in
14 place and is at the heart of implementing the DOD Digital
15 Modernization Strategy. I am humbled that I have been given
16 this opportunity to lead such a group.

17 The Digital Modernization Strategy advances the NDS'
18 vision of leveraging key technologies, specifically cloud,
19 artificial intelligence; command, control, and
20 communications; and cybersecurity. We developed the first
21 cloud strategy to move the Department towards an enterprise
22 warfighting cloud. As you may be aware, last week we
23 awarded an enterprise cloud contract to Microsoft. We wrote
24 an AI strategy that outlines five pillars critical to
25 accelerating DOD's adoption and integration of AI. We stood

1 up the Joint Artificial Intelligence Center as the focal
2 point to accelerate and scale the fielding of AI across the
3 Department. We have developed a comprehensive cybersecurity
4 program that addresses our greatest cyber risks, creates
5 accountability to ensure that improvements are made.

6 Additionally, we have several IT reform efforts
7 underway with the goal of finding cost savings that can be
8 leveraged to effectively support the Department's mission.

9 Regarding the second line of efforts in the NDS, we
10 continue to strengthen relationships with international,
11 interagency, and industry partners to promote technology
12 collaboration.

13 Finally, we attained the Department's highest score
14 ever on the Federal IT Acquisition and Reform Act.

15 Since the day I arrived, my objective has been to
16 ensure our warfighters have the tools they need to fight and
17 win in great power competition. This drives everything I
18 do. Should I be confirmed, my commitment to the President,
19 the Secretary, to Congress, and to the soldiers, sailors,
20 airmen, and marines and civilians of the Department of
21 Defense will be to implement the Digital Modernization
22 Strategy. This will be critical to supporting the National
23 Defense Strategy by modernizing our digital environment.
24 Technology is foundational to how our warfighters will fight
25 now and in the future.

1 Thank you for your time and consideration, and I look
2 forward to your questions.

3 [The prepared statement of Mr. Deasy follows:]

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1 Chairman Inhofe: Thank you, Mr. Deasy.

2 Mr. Sander?

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1 STATEMENT OF ROBERT J. SANDER TO BE GENERAL COUNSEL OF
2 THE DEPARTMENT OF THE NAVY

3 Mr. Sander: Chairman Inhofe, Ranking Member Reed, and
4 members of the Senate Armed Services Committee, it is an
5 honor and a privilege to appear before you today as the
6 President's nominee for General Counsel of the Navy. Thank
7 you for affording me the opportunity to testify before you
8 today.

9 I would also like to thank Secretary Esper and
10 Secretary Spencer for their confidence in my abilities to
11 lead the Navy Office of General Counsel.

12 To my family, especially my wife Ingrid, who is a grade
13 school nurse; and our children, Javier, seated behind us who
14 is a senior this year and is JROTC battalion commander;
15 Robert, Jr.; Heidi; and Johann, thanks for all you do. Like
16 so many other families, especially those with military ties,
17 I know it has not always been easy, but I truly appreciate
18 all your love and support.

19 For the past 19 and a half years, I have been fortunate
20 to serve in uniform as a member of the United States Army
21 Reserve Judge Advocate General's Corps. I have served with
22 some of the best soldiers, sailors, marines, and airmen the
23 world has ever seen. In addition to my JAG Corps
24 experience, I have been fortunate to currently serve in the
25 Army in a civilian capacity as the senior official

1 performing the duties of the Army General Counsel and the
2 Principal Deputy General Counsel of the Army.

3 However, naval service has always been in my DNA.
4 During World War I my German grandfather was a member of the
5 German Navy. While serving in the war to end all wars, he
6 was captured by the United States and became a prisoner of
7 war. Several years later, he married my grandmother, became
8 a United States citizen, enrolled in the United States Navy
9 and eventually became a U.S. Merchant Marine and a Master at
10 Arms during World War II, fighting Nazism and fascism.

11 Four of his sons, including my father, who was a naval
12 fireman on a submarine during World War II, also became
13 members of the greatest generation to whom all of us are
14 deeply indebted. My family's rich history of service to
15 this great nation has had a profound impact on my life and
16 my world view. I am sincerely grateful and humbled at the
17 chance to continue my service in this meaningful way.

18 Secretary Spencer has established three priorities
19 focusing on people, capabilities, and processes in order to
20 ensure current and future mission success. If confirmed, I
21 will assist Secretary Spencer and the Navy and Marine Corps
22 leadership in taking care of our service members, their
23 families, the civilian workforce, and our retirees. After
24 all, people are the Navy and Marine Corps' greatest and most
25 treasured resource.

1 As we prepare for future conflicts, the Navy and Marine
2 Corps must be capable of providing maritime dominance and
3 power projection around the globe. If confirmed, I will
4 assist the Navy and Marine Corps leadership with improving
5 readiness, lethality, and modernization across the Navy and
6 Marine Corps so that our nation maintains the advantage and
7 sets the conditions in this great power competition with
8 Russia and China.

9 The Navy must continually improve our processes to meet
10 current and future challenges. In light of future budget
11 constraints and uncertainty, we must maximize the use of
12 every dollar. If confirmed, I will continue to assist the
13 Navy and Marine Corps leadership with building upon the
14 reform agenda that has already begun.

15 As the Department's chief legal officer, I will be
16 responsible for leading a talented group of attorneys and
17 professional support staff through both the Navy and the
18 Marine Corps. If confirmed to be the Navy General Counsel,
19 I, along with partners in the law firm called "Navy Law" --
20 Vice Admiral John Hannick, who is the Navy Judge Advocate
21 General; and Major General Dan Lecce, who is the Staff Judge
22 Advocate to the Commandant of the Marine Corps -- will
23 ensure that our legal team is proactive and engaged with our
24 clients. I also commit to ensuring that our legal team
25 zealously follows and enforces the United States

1 Constitution and all other laws.

2 I further promise, if confirmed, that our legal team
3 will tirelessly support the total military force, their
4 families, the civilian workforce, and our retirees.

5 And finally, I will hold myself, my colleagues, and my
6 legal team to the highest of ethical standards. After all,
7 the American people deserve nothing less.

8 In closing, I am honored and humbled to have been
9 nominated by the President as the Navy General Counsel. I
10 am grateful for your consideration of my nomination, and I
11 look forward to your questions. Thank you very much.

12 [The prepared statement of Mr. Sander follows:]

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1 Chairman Inhofe: Thank you, Mr. Sander.

2 I appreciate the fact that all three of you in your
3 initial documents that you supplied to this committee were
4 very complimentary of this document here from the National
5 Defense Strategy Commission. It is something we have
6 complimented for quite a period of time. It is equal,
7 Democrats and Republicans putting it together, and it has
8 the recommendations. We have been adhering to these
9 recommendations ever since this report came out.

10 Ms. Hershman, in the NDS, it outlines three lines of
11 efforts to generate decisive and sustained U.S. military
12 advantage. One of those three is often under-appreciated
13 and it is reforming the Department for greater performance
14 and affordability. What is the CMO's role and contribution
15 to the NDS?

16 Ms. Hershman: Senator, under Title X, 132(a) in
17 particular, it outlines the role of the CMO, and part of my
18 many duties includes driving the business operations of the
19 Department. That is looking for efficiency, effectiveness,
20 undoing duplication, finding reform, driving reform, also
21 making good use of shared services, having direction,
22 authority, and control over what is called the fourth
23 estate, which is 28 defense agencies and field activities
24 plus the Joint Staff, plus OSD. And so part of my role in
25 support of the Deputy Secretary, as well as the Secretary,

1 as a principal advisor to them is to find areas where we can
2 seek efficiencies, effectiveness, and not hamper our
3 lethality and readiness. And to that end, I support much of
4 line of effort 3, as well line of effort 1 of the NDS.

5 Chairman Inhofe: Because that is not talked about as
6 much as some of the other areas.

7 Mr. Deasy, in the years I have been on this committee,
8 I do not remember anyone having the rounded experience and
9 background that you have had and not just the obvious thing
10 as the CIO of JP Morgan Chase, but also with the VP at
11 General Motors, Tyco, Siemens. So you have done it all.

12 And I just have to ask the question. You have been
13 exposed now to this job. What is it about it you are
14 willing to continue on with all this background that you
15 bring to the table?

16 Mr. Deasy: This started about 3 years ago when I had a
17 chance while at JP Morgan to host all the agency CIOs, the
18 Department of Defense CIOs. And I remember that day,
19 Senator, when I went home and spoke to my wife. I said, you
20 know, the missions that they described to me, the challenges
21 they face just are enormous. And I remember saying to her
22 at the time. I said I wish some day there was a chance that
23 I could help in some capacity. So when I got the call to
24 ask to come and serve, as I pointed out in my opening
25 remarks, Karla was very quick to point out this was your

1 opportunity.

2 I have to tell you since arriving, there is not a day
3 that goes by when I walk the hallways of the Pentagon and
4 you see the young men and the women and you really do feel a
5 sense of accountability on your shoulders that you have to
6 deliver. You have to deal with the concerns and the
7 challenges they face. And I feel very honored to have this.
8 I am very committed to doing this, and I would rather be no
9 other place than here right now, Senator.

10 Chairman Inhofe: That is the kind of answer you hope
11 for, that people out there in the real world are wanting to
12 pay back a little bit. We appreciate it very much.

13 Mr. Sander, I would say the same thing, with your
14 background, the things that you referred to -- the first
15 steps that you will take. But you did not outline what
16 those steps would be. What would be the first thing you are
17 anxious to get involved in?

18 Mr. Sander: Senator, the first that I want to do is
19 build relationships within the Navy. There will be
20 relationship building between the Navy, the Secretary of the
21 Navy, the assistant secretaries, and also the senior
22 leadership in the Navy and the Marine Corps. They have a
23 lot of issues right now dealing -- legal issues, as you
24 outlined in your opening statement as well as Senator Reed.
25 And I need to get a better look on how we can best address

1 those for the future of the Department of the Navy. Our
2 sailors and the taxpayers deserve nothing less.

3 Chairman Inhofe: Well, I appreciate that very much.
4 In fact, all three of you have recognized that we have
5 slipped a little bit when I talked about hypersonics and how
6 we were ahead at one time, and right now we have fallen
7 behind. When you talk to the American people, they assume
8 that we have the best of everything. The three of you know
9 that we do not right now, but we will with your service.

10 Senator Reed?

11 Senator Reed: Well, thank you very much, Mr. Chairman.

12 Mr. Deasy, as you indicated, last Friday the JEDI cloud
13 account was awarded. It has not been done without some
14 controversy. Going back many months ago, it has been
15 reported that the President called then Secretary Mattis and
16 suggested that the JEDI competition be looked at closely.
17 In July, he said he would take a very strong look at it
18 himself after complaining from different companies.

19 The importance of this contract, as you very
20 specifically and eloquently stated, is so critical to our
21 national security that it has to be beyond any type of
22 political engagement. It has to be done right down the
23 middle.

24 Can you describe the steps that you and others in the
25 Department took to ensure that the JEDI cloud computing

1 competition was not subject to political influence by the
2 White House or anyone within the Pentagon?

3 Mr. Deasy: Yes, I can.

4 So when I arrived, Senator, there were two initial
5 things that I did. One was to step back and look at the
6 strategy, how was JEDI going to fit into that strategy, how
7 was the RFP being constructed, what was the nature of what
8 we were asking for the offers to produce.

9 The next thing we did was after we submitted the RFP,
10 we took the team of individuals -- we went out and found
11 approximately 50 government civilian servants that were
12 experts in cloud computing, and we compartmentalized them
13 and we segregated them into teams. At no time did one team
14 have access to what the other team was working on.

15 And probably the most important thing we did was the
16 third step, and that was we have kept the identity of every
17 member of the source selection team anonymous throughout
18 this process.

19 Finally, in my discussions that I have had with the
20 Deputy Secretary of Defense and the Secretary of Defense, at
21 no time throughout this process have I ever shared any
22 proprietary source information with them, nor have I ever
23 divulged, when we got to the conclusion, who the awardee
24 was.

25 Senator Reed: Thank you.

1 Just following up, are you aware that any officials
2 from the White House tried to contact or did contact any of
3 the source selection officials, the team members?

4 Mr. Deasy: To the best of my knowledge, nobody has
5 contacted from the White House any members of the source
6 selection team.

7 Senator Reed: Thank you very much.

8 Ms. Hershman, as we have all indicated, you have a very
9 challenging job. And one of the challenges is to maintain,
10 not only maintain, but enhance the civilian workforce of the
11 Department of Defense. Can you give us any ideas that you
12 have now how we can attract and retain capable civilian
13 management personnel?

14 Ms. Hershman: I do have experiences myself in my role
15 as either the DCMO or the Acting CMO in that I was given the
16 new directorate to manage the chief data officer. We had
17 some challenges with hiring and attracting data scientists
18 because much of the private sector is also looking for the
19 same type of people. So a couple of things that we did.

20 Number one, we found that especially those in mid-
21 career are looking for something more challenging, and
22 having the ability to speak at several conferences where
23 these folks are attending, I said to them if you are looking
24 for a large, complicated project that really wants to
25 stretch your abilities, come to the Department of Defense.

1 We have them in spades. And it was actually quite
2 intriguing for them.

3 We have also looked internally and have some very, very
4 sharp, capable individuals that not only had the skill set
5 from a data management standpoint, but also aligned with
6 some of our reform initiatives. We have folks that have a
7 background not only in data science but also in readiness.
8 We even have a young man that is working for us whose father
9 worked in DECA and so understanding commissaries and
10 exchanges.

11 And finally, we turned to our Defense Business Board,
12 and we held a panel of those in industry and said how are
13 you recruiting and how can we get in on this. And specific
14 to data scientists, we learned that many are now going after
15 mathematicians, those that have the skills, but we can give
16 them training while they are on site.

17 So we attract them frp, something new and something
18 different from outside of what they are currently working in
19 the private sector. We are seeking public-private
20 partnerships. I have actually entertained internships.
21 Those are some of the methods we are putting in place to
22 attract talent.

23 Senator Reed: Thank you very much.

24 My time has expired, Mr. Sander, but I am sure an Army
25 lawyer can be capable of discharging these duties. Thank

1 you.

2 Chairman Inhofe: Thank you, Senator Reed.

3 Senator Rounds: Thank you, Mr. Chairman.

4 Ms. Hershman, I am one of a bipartisan group of 23
5 Senators and 42 Members of the House that have asked the
6 Secretary of Defense to test a solution to improve access to
7 retail pharmacies in the TRICARE program for those
8 beneficiaries who rely on brand name maintenance
9 medications. The bottom line is that right now if you are
10 in a rural area, you have to either travel to MTF, a
11 military facility, or you have to use the mail order
12 processes in place.

13 What has been left out is local retailers. Local
14 retailers have the retail pharmacies. In a lot of the rural
15 areas, they would be the easiest and the ones with a
16 professional on hand in order to help these beneficiaries of
17 TRICARE.

18 My question to you is there has been a pilot program
19 which has been developed. These retailers would like an
20 opportunity to have that pilot project tested and to be able
21 to provide those local services.

22 Will you take a look at that test program, that pilot
23 program, and would you work with us to be able to provide
24 those services in those rural areas?

25 Ms. Hershman: I would be more than delighted to work

1 with you and look at that test pilot program.

2 Senator Rounds: Thank you. We have had some real
3 leadership in this particular area under both under
4 secretaries for personnel and readiness from Robert Wilke to
5 Stephanie Barna to James Stewart. We have even seen the
6 pharmaceutical retailers offer this pilot program that has
7 addressed a lot what PHARMA's concerns were. So if you
8 would please. I think this is a step in the right
9 direction, and I think with a little bit more of a push from
10 the top, we might be able to help a lot of families out
11 there that have been limited to the professional expertise
12 that they could get if they have the local retail pharmacy
13 helping them. Thank you.

14 Ms. Hershman: Thank you, Senator.

15 Senator Rounds: Mr. Deasy, I most certainly appreciate
16 this opportunity to have you share a little bit about what
17 is going on in the Department of Defense with regard to JEDI
18 and a little bit about your concerns with regard to how we
19 move into a cloud computing future.

20 Can you talk a little bit, just so that perhaps we
21 understand a little bit better? What we are really talking
22 about is a concept in which we have a single concept or a
23 single approach to being able to share information from one
24 system to another. Can you talk a little bit about the
25 challenges right now and the way that we have multiple

1 systems out there that do not talk to one another within the
2 Department of Defense?

3 Mr. Deasy: One of the things I will point out was when
4 the Digital Modernization was put together, somebody once
5 asked me why is cloud the first of the four parts of the
6 Digital Modernization. I have always said cloud is the
7 foundation of which everything else rides on top of. If we
8 do not get a right enterprise cloud in place, our ability to
9 do advanced machine learning, artificial intelligence, next
10 generation command and control and communications, and
11 secure the Department in a different way, it will be very
12 challenging.

13 To the question you raised about what is the
14 environment today, today we have a multitude of clouds. We
15 are not short, Senator, on the number of clouds and the
16 types of clouds we have. All these clouds were built over
17 the years in very disparate, siloed manners. I had a chance
18 about 2 months ago to go to Afghanistan and to actually
19 visit the troops and watch how operations occurred. And
20 there were some aspects of that that were very inspirational
21 that day, and there were some things that were really quite
22 discouraging, when you saw an operator and how they have to
23 do their job where they had to go to one system to get the
24 information they needed to do about what was the adversary
25 they were looking at on the screen, the next system they had

1 to go to to decide what actions to take, and then finally a
2 third system they might approach to as to where our assets
3 were on the ground. There was a lot of movement, a lot of
4 disparate. It screamed out at me on that day that we were
5 doing absolutely the right thing by putting in a single
6 cloud that integrates our unclassified data, our secret day,
7 and our top secret data, but most importantly, it is getting
8 that data from that cloud out to the tactical edge.

9 Senator Rounds: But when you say that -- and this is
10 the part that I think is really important -- can you talk a
11 little bit about the fact that that data remains secret at
12 the secret level, top secret at the top secret level? And
13 what you have really talked about here is the protocols
14 necessary for that communication to occur. It is important
15 that I think the public understand we are not giving people
16 access to secret data because we have everything on one so-
17 called network. Talk about that a little bit please.

18 Mr. Deasy: Yes, Senator, you are absolutely correct.
19 One of the uniqueness of this environment that we have
20 created is what is called multi-domain data classes, the
21 idea that we keep unclassified data segregated from
22 classified data all the way up to top secret data. But it
23 is done in a way that allows the warfighter to access what
24 they need from an unclassified all the way to a top secret
25 in an integrated, interoperable manner.

1 Senator Rounds: Thank you.

2 My time has expired. Thank you, Mr. Chairman.

3 Chairman Inhofe: Thank you, Senator Rounds.

4 We have a quorum right now, so I ask the committee to
5 consider a list of 1,780 pending military nominations. All
6 of these nominations have been before the committee the
7 required length of time.

8 Is there a motion to favorably report this list of
9 1,780 pending military nominations to the Senate?

10 Senator Reed: So moved.

11 Chairman Inhofe: Second?

12 Senator Fisher: Second.

13 Chairman Inhofe: All those in favor, say aye.

14 [Chorus of ayes.]

15 Chairman Inhofe: The motion carries.

16 Senator Kaine?

17 Senator Kaine: Thank you, Mr. Chair.

18 Mr. Sander, I appreciated your testimony both written
19 and oral. Quote: I further promise, if confirmed, that our
20 legal team will tirelessly support the total military force,
21 their families, the civilian workforce, and our retirees.

22 I want to ask you about an issue of deep importance to
23 the military families. There is a program called the
24 Exceptional Family Member program. This is a program for
25 military families who have dependents with disabilities.

1 There are about 132,000 military families that are enrolled
2 in that program because they have a child with a disability.

3 The GAO did a report of the program in 2012, finding
4 huge gaps in the military support for these families. The
5 GAO did a report in 2018 and found exactly the same thing,
6 in fact, found that almost all of the recommendations made
7 to the Department of Defense in 2012 had not been complied
8 with.

9 One of the requirements of the program is that any
10 military family that is enrolled in this program have a sort
11 of designed plan, sort of like an IEP, individualized
12 education plan, within public schools to try to make sure
13 that the family member with a disability is receiving the
14 services that they need. The 2018 GAO report found that
15 there were only 6,000 such plans even though there were
16 132,000 family members enrolled in the program.

17 Recent press has disclosed that one of the issues that
18 creates a challenge for families is if the children are
19 enrolled in local public school systems and they are
20 attempting to receive special education services. There is
21 a real variation among the service branches in terms of the
22 support given to family members. The Marines provide the
23 family members support as they are dealing with the local
24 school systems to try to get the best program for their
25 child. The Navy does not.

1 I wanted to ask you would you take a look at the
2 program, this EFMP program, should you be confirmed, and try
3 to make sure that what you have committed to in your
4 testimony, that family members are supported, is actually
5 happening in the Navy, namely that Navy families that are
6 enrolled in the program receive the plan that they are
7 supposed to receive and that they also receive help in
8 dealing with local school systems as they advocate for their
9 children?

10 Mr. Sander: Yes, Senator. I will be delighted to take
11 a look at that.

12 As I mentioned earlier, my wife is a school nurse. I
13 also have two sisters that are DODEA teachers as well. So
14 taking care of our families and their children and their
15 dependents is a high priority for me.

16 I think it also comes down to readiness, so we need to
17 make sure that our sailors, soldiers, marines, and airmen
18 know that their families are taken care of so when they are
19 active on behalf of this nation, they are not worried about
20 what is waiting at home and what might go wrong.

21 Senator Kaine: The only challenge here is not just
22 with the Navy. Every branch has its own standard. Nobody
23 is meeting the standard fully. But should you be confirmed,
24 I would like to follow up with you on this matter to see
25 what the Navy is doing to support these families.

1 Mr. Sander: Absolutely, Senator.

2 Senator Kaine: Great. Thank you.

3 Ms. Hershman, I would like to ask you, in your current
4 role, but especially in your future role, should you be
5 confirmed, how do you use or plan to use the audit mandated
6 by Congress of the DOD to not only find dollar efficiencies
7 but also find effectiveness improvements?

8 Ms. Hershman: So you probably saw the reaction on my
9 face. I smiled when I heard the word "audit."

10 Senator Kaine: Yes, I did. You almost jumped out of
11 your chair.

12 [Laughter.]

13 Ms. Hershman: It is probably a little rare for most
14 people. My father was an accountant, so I think he is very
15 proud of me right now.

16 Early on when I started at the Department of Defense, I
17 made a point to get to know Mr. Norquist in his role as the
18 Comptroller for a couple of reasons. One, I knew that
19 having the Comptroller as a partner to CMO, whether it be
20 reform or managing data, et cetera, was going to be
21 important. The CMO early on advocated for being a partner
22 in sponsoring the audit. One of the key outputs of that
23 audit is the data. My data science team, along with
24 Comptroller folks, have developed a tool called ADVANA, in
25 which we are using a repository to gather that information.

1 It has already given us information that is very vital to my
2 role.

3 I say to folks that I use the audit to inform reform
4 because from that data, I can tell what are systemic issues
5 pervasive throughout the organization and what might be an
6 anomaly. I want to focus on those systemic issues in that
7 in the five categories from the audit, 94 percent of the
8 findings came from three areas. I know that is where I need
9 to point and look for lasting change.

10 Senator Kaine: And I would like just to underline
11 this. Having insisted upon the audit and finally insisted
12 that the long-ago required audit actually be done by the
13 DOD, this committee is very focused on the audit. We do not
14 want to just use it for our oversight. If that is all it
15 does, it is not effective. The real issue is will you use
16 it internally and not just use it to solve financial
17 challenges -- sometimes people look at audits as kind of a
18 financial correction mechanism -- but to find patterns, as
19 you suggest, to figure out ways to not simply save money but
20 I think your motto was efficiency to improve lethality, not
21 just to save money but also to improve the effectiveness of
22 programs.

23 So if you would, just consider this. And you might say
24 the same thing to Mr. Norquist. When you are back before
25 the committee, we are likely to always ask you what are some

1 success stories from the audit. What are things that you
2 have learned in the audit? How have you saved money? How
3 have you improved the effectiveness? Because then we will
4 know that it was not just our requirement but that the DOD
5 culture is also embracing the notion of continuous
6 improvement that an audit can help you achieve.

7 Thank you very much.

8 Thanks, Mr. Chair.

9 Chairman Inhofe: Senator Blackburn?

10 Senator Blackburn: Thank you, Mr. Chairman.

11 And thank you to each of you for being here this
12 morning.

13 Ms. Hershman, I want to continue basically where
14 Senator Kaine was moving, talking about these deliverables
15 that are so necessary. And in the 2019 NDAA, you are tasked
16 with reducing covered activities and contracting 25 percent.
17 And the first benchmark was an initial plan, but that
18 arrived from your office a couple of months late. And GAO's
19 review of that document was not a favorable review and left
20 a lot of questions that were out there. Their comment was
21 that it was difficult to assess the feasibility of future
22 reforms based on what you delivered for them.

23 The second report was due at the beginning of this
24 month, and the reforms identified came in at 5 percent
25 across the baseline instead of the 25 percent that you have

1 been mandated to meet.

2 So we have got two timelines and two sets of
3 deliverables that have been missed in this process so far.
4 And we are looking at January where there is another report
5 that is due.

6 So I want you to lay out for the committee how you are
7 approaching this report in January, what are the
8 deliverables and the savings that you have identified, how
9 are you going to reduce those covered activities like
10 services contracting and real estate management so that you
11 are going to hit that target because this fourth estate
12 reform is vital to effectiveness and efficiency and, as you
13 say, keeping that focus on lethality.

14 Ms. Hershman: Senator, in that report, the 25 percent
15 target also included the statement that if it would be
16 injurious or inefficient to meet that 25 percent target,
17 please state why. And the timeline for meeting that target
18 was within 1 fiscal year. And across all of the fourth
19 estate, the average came out to be about 5 percent.

20 However, within that -- and this came largely from
21 Ranking Member Thornberry and his legislation, and I have
22 had conversations with Ranking Member Thornberry on this.
23 And some of the things we discussed was a focus on the
24 fourth estate and particularly baselining within
25 organizations like Washington headquarters services.

1 Some of the things that we are doing within my own
2 directorates with regard to, say, civilian management, which
3 is one of the covered areas -- we actually have a target of
4 30 percent in the fiscal year.

5 Senator Blackburn: And do you have a timeline for
6 meeting that target --

7 Ms. Hershman: Yes.

8 Senator Blackburn: -- with set deliverables that are
9 attainable?

10 Ms. Hershman: We do.

11 Senator Blackburn: Because we all know that within
12 DOD, there is a lot of waste, and there is a tremendous
13 amount of utilization -- pardon me -- not utilization but a
14 tremendous amount of focus on processes that have outlived
15 their usefulness. That is incredibly frustrating to those
16 of us that have military posts that we have represented.
17 And when I talked to men and women at Fort Campbell, and
18 they said, well, this is what we are doing but this is what
19 we would like to do in order to be more productive, to be
20 more accurate, to be more efficient to fight 21st century
21 warfare, to move on and utilize technology and 5G -- and
22 there is a host of waste.

23 So if you are confirmed, I think it is imperative that
24 you begin to hit your deadlines. And we want to be here to
25 make certain that you hit those deadlines.

1 I have got just a couple of seconds left. Mr. Deasy,
2 thank you for the conversation. Enjoyed it tremendously.
3 And we want to make certain that you continue to use your
4 private sector expertise in order to be certain that DOD is
5 recruiting the talent that is going to be necessary to look
6 at next generation warfare. As we discussed, sometimes it
7 is difficult to retain these individuals because the private
8 sector is going to pay them a lot more than the Federal
9 Government. And I thank you and your family for your
10 willingness to step away from that private sector career and
11 to focus on the Federal Government. I thank each of you for
12 that and for being here.

13 I yield back, Mr. Chairman.

14 Chairman Inhofe: Senator Manchin?

15 Senator Manchin: Thank you, Mr. Chairman.

16 I thank all of you for your service and your families'
17 support.

18 Ms. Hershman, when I first came to the Senate in
19 November 2010, I could not believe that the Department of
20 Defense is the only agency that we had that we never
21 audited. There was no sense about this whatsoever. It did
22 not make any sense to me.

23 So in 2012, I worked with the Audit the Pentagon bill
24 with Tom Coburn at that time from Oklahoma, and we created
25 the office that you fill right now. So I am happy to see

1 you here.

2 In your written statement, you mentioned that the motto
3 for this Chief Management Office is "efficiency for
4 lethality" -- for lethality.

5 So in the work that you have done thus far in the role,
6 do you have an example of a fix in your office that has made
7 this -- has concretely improved the readiness and capability
8 for our warfighters?

9 Ms. Hershman: First of all, Senator, thank you for
10 your contribution for this role. I appreciate it. And yes,
11 it is needed. When I look at the data that tells us how
12 many systems we have and so forth, it is a little bit
13 staggering. So I thank you.

14 Yes, in the past year, we have worked on a variety of
15 issues. One in particular that has a direct impact on
16 readiness is in our logistics and supply chain management.
17 And we have had a variety of opportunities. And actually as
18 the Senator was just talking about, one of four covered
19 areas where they are looking at furthering the efficiencies,
20 we are looking at demand management. We are looking at how
21 we buy goods and services -- goods in particular -- to make
22 them available for things like spare parts for repairs --

23 Senator Manchin: Are you putting best practices,
24 basically what is being done in the private sector too, that
25 you see in the most effective or more efficient companies?

1 Ms. Hershman: Yes, we have. In fact, we have
2 benchmarked several. And we are looking at it not just
3 within the Defense Logistics Agency, but we are taking an
4 end-to-end perspective because what we are finding is that
5 the way we order our parts has an impact to the delivery of
6 the service and frankly the carrying costs as we keep them
7 in inventory.

8 Senator Manchin: Thank you.

9 Mr. Deasy, as being the ranking member on cybersecurity
10 for the Armed Services, I am very much concerned of how we
11 hold our contractors responsible because I am finding out
12 that back channels coming up through the subcontractors is
13 where a lot of espionage has been going on. So the
14 financial penalties we are trying to put -- and I think it
15 is important for us to put very, very severe financial
16 penalties on the prime contractors who are not basically
17 overseeing the security information.

18 What are your thoughts on that, and are you moving in
19 that direction whatsoever? Do you think we should implement
20 that? What are your feelings?

21 Mr. Deasy: So specifically, I have not spent time on
22 the financial impact part of this.

23 Senator Manchin: You know what we are talking about
24 there, do you not?

25 Mr. Deasy: I know what you are talking about.

1 What I can say -- and I do completely agree that we
2 need to have changes. We need to make an intervention here.

3 What we cannot lose in this conversation -- if you look
4 at all the data breaches that we have had -- and I have gone
5 back and I have studied these -- at the heart of this is not
6 necessarily the tier 1 suppliers, but as you pointed out,
7 you get down to tier 2, tier 3, and tier 4 --

8 Senator Manchin: That is where most of it is
9 happening.

10 Mr. Deasy: -- that is where the vulnerabilities are.

11 And I think there are a few things we have to do. One
12 of the things we have to do is we have to move away from
13 this self-assessment approach that our suppliers do today.
14 I think we are going to have to move to an independent
15 assessment approach where we can get --

16 Senator Manchin: Are you all moving, or do you have
17 support to do that?

18 Mr. Deasy: There is support on that. And as a matter
19 of fact, there will be activity coming out of Ellen Lord's
20 acquisition sustainment organization starting next year.

21 Senator Manchin: If the tier 1 is not held responsible
22 at all and they are not basically sharing information
23 because they are afraid that then the tier 1 will take it
24 and run with it and not need a tier 3, tier 4, we got
25 serious problems there. But someone has got to be held

1 accountable for this all the way down the food chain. And
2 that is where you are going to have to step in.

3 But we are talking about legislation that would hold
4 the primes responsible for their subs all the way down the
5 line. And I think that only makes common sense for the
6 security of our nation.

7 Mr. Deasy: So what I would like to do, Senator, on
8 this matter is go back and have a discussion with ANS on
9 this.

10 Senator Manchin: I would hope you will do that. Maybe
11 get back to us.

12 I have one more question to ask you, sir.

13 Mr. Deasy: Sir, I would be happy to get back --

14 Senator Manchin: In your statement you mentioned
15 something you were proud of in DOD's artificial
16 intelligence, AI, strategy and standing up the Joint
17 Artificial Intelligence Center. And you are concerned, as I
18 am, about China's ambitions that they have been doing to be
19 a goal of being the dominant country in artificial
20 intelligence by 2030. Do you think these steps are
21 meaningful enough to get the United States to a place where
22 we can prevent China from being the leading power in AI?

23 Mr. Deasy: Senator, I do, but I believe we are going
24 to have to continue to move with more urgency in this
25 matter.

1 Senator Manchin: Is there enough concern at your
2 level, people coming to you that you report to or report to
3 you?

4 Mr. Deasy: Yes. This particular topic is a regular
5 topic that has occurred with the Secretary, the Deputy
6 Secretary, the chiefs, and all the secretaries of the
7 services.

8 Senator Manchin: Everybody understands the advancement
9 that China has already made and how rapidly they are moving
10 forward?

11 Mr. Deasy: Yes, they do and they task me quite
12 strongly to be able to show evidence that we are moving
13 ahead aggressively with the fielding of AI.

14 Senator Manchin: Maybe in a secure meeting, we can get
15 a little bit more info on what you are doing in order to
16 combat this.

17 Mr. Deasy: If confirmed, Senator, I would be happy to
18 come over and talk with you.

19 Senator Manchin: Thank you very much, sir.

20 Chairman Inhofe: Senator Cramer?

21 Senator Cramer: Thank you, Mr. Chairman.

22 I thank all of you for being here today.

23 First, Mr. Deasy, I want to maybe just make an
24 encouragement, if you will. I know you are probably all
25 familiar with the fact that Grand Forks Air Force Base

1 recently was named a Global Hawk base. Of course, it has
2 had Global Hawks for some time, but now a reconnaissance
3 wing. The Grand Forks Air Force Base, once a large tanker
4 and bomber base, leased out a good chunk of that base to the
5 county, who then leased it out to the Grand Sky UAV Park.
6 Our Air National Guard has an ISR mission.

7 The result of that, of course, has been the spawning of
8 incredible research and development in intellectual assets,
9 including the University of North Dakota's aerospace school,
10 AI research and development. There are a number of
11 companies. A company in Fargo recently met with some of the
12 folks over at DOD and NASA, a company that does AI research
13 and development.

14 I say all that as a reminder and an encouragement
15 perhaps not to everyone listening but particularly to you
16 that not all the great, new ideas are in the Silicon Valley.
17 And I just would love to encourage you to keep all of that
18 in mind, not just in North Dakota but throughout America,
19 that there are a lot of startups and innovators that
20 oftentimes get left behind as a result of whether it is
21 procurement -- and we will talk about that next, Ms.
22 Hershman, or other policies or even just traditions and
23 relationships, and maybe give you a minute or 2 to respond
24 to that thought and that encouragement.

25 Mr. Deasy: Senator, I completely agree. When we

1 established the Joint Artificial Intelligence Center, one of
2 the foundational principles was talent and where we should
3 go out in industry to seek this. We are developing
4 expertise inside the Joint Artificial Intelligence Center
5 right now. It is not only working with large, significant
6 defense players that we have today. We are working with the
7 academic environment. We are working with research
8 institutes. And, yes, we are also working everywhere from
9 startups to the established companies in Silicon Valley.

10 One thing for sure about the AI space -- if you look at
11 any of the solutions that we started to roll out today,
12 there is not one or two companies it takes to come up with
13 these solutions, but there is a host of them. In some of
14 these, we may have six or seven companies from well-
15 established to small startups that participate in actually
16 helping develop a solution.

17 Senator Cramer: Thank you for that, and I want to
18 continue to encourage you in that.

19 Ms. Hershman, I just want to visit a little bit. Thank
20 you, by the way, for our very good conversation. I was
21 encouraged. And I am not an auditor or accountant at all,
22 but it does make me happy to see you happy when you hear the
23 word "audit" because we have some issues that we need to
24 deal with.

25 But when we met a few months ago, I talked to you about

1 the procurement process at the Army Corps of Engineers,
2 particularly as it relates to the building of the wall on
3 the southern border, and I have been concerned about it as a
4 result of a constituent that is in that process. But I have
5 learned a lot more. And recently I have learned a whole lot
6 more because I have gotten a whole lot more information,
7 which was far too difficult to get I might add.

8 But now that I have, one of the things I have noticed
9 is that the Corps uses a two-tier process where they first
10 put out a very small number of RFPs to a very small group of
11 builders, quite select, and that is irrespective of price or
12 efficiency or anything like that, just design, build. Then
13 in the second round, they will invite like one company to
14 the table, and then they will negotiate price. And it
15 concerns me a lot that there is such a small group, and it
16 is a very selective process that gets down to just basically
17 a sole source. And I find it hard to imagine that we are
18 getting the best bang for the buck in that type of a
19 process.

20 So I just want to encourage you as well and get your
21 feedback on some possible reforms. That is just one example
22 of one -- I am sure it is applicable in several areas, but I
23 just want to encourage you.

24 Ms. Hershman: Thank you, Senator. I appreciated our
25 conversation. As we spoke, even the way we scope, the

1 outcomes of these contracts can be so narrow and
2 predetermined that we may be overlooking innovative ways to
3 attack a problem.

4 As we mentioned, category management and contract
5 management is one of our largest focus areas for reform. We
6 have 40,000 contracting officers and over 2,000 contracting
7 offices. It is ripe for reform from a process standpoint,
8 from a vendor selection standpoint, from an end-to-end
9 standpoint, and looking at enterprise-wide buys are all part
10 of our reform initiatives particular to contracts.

11 So I appreciate your continued encouragement and
12 support.

13 Senator Cramer: Thank you. I thank all of you for
14 your willingness to step up.

15 And I yield back. Thank you, Mr. Chairman.

16 Chairman Inhofe: Senator Hirono?

17 Senator Hirono: Thank you, Mr. Chairman.

18 I ask the following two questions of every nominee who
19 comes before any of the committees on which I sit. So these
20 are the questions, and I will start with you, Ms. Hershman,
21 and we will just go down the line.

22 Ms. Hershman: Since you became a legal adult, have you
23 ever made unwanted requests for sexual favors or committed
24 any verbal or physical harassment or assault of a sexual
25 nature?

1 Ms. Hershman: No.

2 Mr. Deasy: No.

3 Mr. Sander: No.

4 Senator Hirono: Have you ever faced discipline or
5 entered into a settlement related to this kind of conduct?

6 Ms. Hershman: No.

7 Mr. Deasy: No.

8 Mr. Sander: No.

9 Senator Hirono: A question for Mr. Deasy. You have
10 been asked several questions about the JEDI contract. What
11 is the vulnerability of having top secret, classified, and
12 unclassified data in one system with one provider?

13 Mr. Deasy: When we kicked off the JEDI program and
14 were considering having an environment that was going to
15 hold unclassified all the way to top secret, one of the
16 first things we did was we went to the experts that actually
17 deal with how our adversary thinks about accessing our
18 environments. So we had in-depth, technical conversations
19 with the CIA, as well as the NSA. This was one of the great
20 things I had access to when I joined the Department of
21 Defense.

22 We have actually asked them to help us architect in our
23 RFP how we expected our suppliers to ensure that our varied
24 classifications of data were secured, segregated, and
25 protected. And in doing that, when we actually now have

1 moved past award, we will be using the services of the NSA
2 to do what we call penetration testing. This will be a
3 series of ongoing testing where they will act like an
4 adversary, and they will attempt to try to access each of
5 those classifications of data.

6 Senator Hirono: Thank you. So you are assuring us
7 that even if we just have one provider, that you have pretty
8 much eliminated the vulnerability of just having one
9 provider.

10 I have a question for Mr. Sander. The Navy and Marine
11 Corps have launched reviews into the state of their legal
12 communities, and the review is focused on leadership and
13 performance in the legal communities of both services to
14 ensure that they are properly organized, staffed, trained,
15 and equipped to perform their missions.

16 This review comes as a result of ongoing legal issues
17 highlighted by the recent acquittal of SEAL Special Warfare
18 Operator Chief Edward Gallagher for war crime charges and
19 meddling by a top Navy officer, a lawyer, into another case
20 against a different SEAL.

21 What will be your role, if you are confirmed, in this
22 review process?

23 Mr. Sander: Senator, I am generally aware of the
24 comprehensive review and it is focusing on the uniformed
25 side of the house for the Navy first and then Secretary

1 Spencer added it to the Marine side of house. I do not know
2 what the specific role is for the Navy General Counsel as
3 laid out by Secretary Spencer in those appointment
4 documents. However, if confirmed, I will hopefully be on
5 board to guide Secretary Spencer in the legal nuances of the
6 whole review and would work alongside the Navy Judge
7 Advocate General, as well as SJ to the Commandant, on how we
8 can best effectuate change and improve conditions within our
9 Navy legal family.

10 Senator Hirono: And as you testified that you are
11 committed to upholding the highest ethical standards, will
12 you protect Navy career lawyers so that they can provide
13 nonpartisan legal advice?

14 Mr. Sander: Absolutely, Senator. As long as they are
15 doing their job, they should be protected fully.

16 Senator Hirono: This committee has focused on the
17 scourge of sexual assault and retaliation in all of our
18 services. Are you going to be involved in any aspects of
19 attacking this continuing scourge of sexual assault in the
20 military and retaliation but again with regard to the Navy,
21 of course.

22 Mr. Sander: Senator, absolutely. I think every member
23 of the Defense Department should be involved. If we do not
24 change culture, we are not going to address the problem, and
25 we have to make sure that we protect those that protect the

1 nation. As you know, victims of sexual assault carry with
2 that the consequences of those actions for years to come,
3 far after their military service has ended. And we need to
4 make sure that we address it, we attack the problem head on,
5 and we do our --

6 Senator Hirono: So I would be interested in following
7 up with you as to exactly what you intend to do to address
8 this continuing problem.

9 I have a question for you regarding transgender troops.
10 And President Trump implemented a transgender military
11 policy that prevents individuals who are diagnosed with
12 gender dysphoria from joining the military. I want to ask
13 you, if transgender individuals were permitted to serve, do
14 you believe that there would be a negative impact on
15 military readiness or the ability to complete missions?

16 Mr. Sander: Senator, transgender individuals are
17 currently serving in the military. Under the 2019 -- they
18 call it the Mattis policy -- if you are gender dysphoria-
19 free for 36 months, you would be accessed or accepted into
20 the military. And even if you do not have those 36 months,
21 you can always request an exception of policy. So
22 transgender individuals are currently serving. They will
23 continue to serve.

24 Senator Hirono: So basically you are saying there is
25 nothing inherent in their transgender status that would make

1 it difficult for them to complete their missions or to serve
2 in the military. That is what you are saying.

3 Mr. Sander: No, Senator. It is not the fact that they
4 identify as a transgender. It is a standards-based policy.

5 Senator Hirono: Yes. Okay. So there are a lot of us
6 who believe that that particular policy serves no purpose
7 except to discriminate against these people.

8 Thank you very much, Mr. Chairman.

9 Chairman Inhofe: Senator Sullivan?

10 Senator Sullivan: Thank you, Mr. Chairman.

11 And I want to thank the nominees for their service to
12 our country they are already doing, but their desire to
13 serve in these important positions, and your families. It
14 is a team effort. I think we all know that and sometimes do
15 not recognize how important our families are in all this.
16 So thank you to the families as well.

17 I want to, first, just get a commitment. There are a
18 lot of things happening in my State, the great State of
19 Alaska, whether it is the new interest in the Arctic in
20 terms of national security, missile defense, fifth gen
21 fighters being stationed there. I would like all of you to
22 not only have an invite but a commitment to say yes to the
23 invite to come up to Alaska and see what is happening in
24 Alaska. Can I get that commitment, if confirmed, you will
25 come on up to my State?

1 Mr. Sander: Yes, sir.

2 Mr. Deasy: Yes, Senator.

3 Senator Sullivan: Including maybe even in the winter?

4 Ms. Hershman: I would like to return. My experience
5 so far has been wonderful.

6 Senator Sullivan: Great. Thank you.

7 So, Ms. Hershman, I want to follow on to what Senator
8 Cramer was talking a little bit about. You know, big States
9 like ours and his that are not necessarily very populated
10 relative to other States do have a lot of opportunities and
11 good ideas for our defense establishment. I will just give
12 you an example.

13 There is a company in the Mat-Su Valley in Alaska that
14 creates an incredible product that is hard to describe, but
15 it is kind of like a Zamboni for our aircraft carriers to
16 make sure the carriers or Marine Corps amphibious assault
17 ships are very, very clean with regard to the deck so it
18 does not hurt our fifth gen fighters. These guys are very
19 innovative. They are working hard.

20 I went out to visit them recently. They did mention to
21 me that a contracting officer somewhere in the bowels of DOD
22 said, hey, if you want to keep this relationship going, you
23 might want to think about relocating your manufacturing
24 facilities to the Lower 48 because it is easier for us.

25 So can I get your commitment to make sure whoever the

1 heck is doing that kind of stuff needs to be weeded out,
2 told we want diversification throughout the entire country?
3 And we have great companies, whether in North Dakota or
4 Alaska, that they should not be getting the message from
5 contracting officers in DOD that, hey, if you want to keep
6 these contracts, you might want to think about relocating.
7 That is unacceptable. Can I get your commitment to make
8 sure that we are not doing that at all?

9 Ms. Hershman: Yes, Senator, you have my commitment.

10 Senator Sullivan: Just please send that message
11 throughout the enterprise that is probably illegal but also
12 just not smart.

13 Ms. Hershman: I will do that. I will use it as an
14 example.

15 Senator Sullivan: Thank you. I have raised that with
16 the SecNav already, and he had a similar reaction that you
17 did.

18 I want to talk a little bit about, again Ms. Hershman,
19 acquisition reform. I think you all know the history. You
20 look at something like the SR-71. I think it was designed
21 and launched within 18 months kind of with slide rules, and
22 that was a spy plane that lasted 4 decades. And then we go
23 to the F-35 that took 20 years to field.

24 Senator Tillis, if he were here, I am sure would put
25 his 400-page RFP for the NATO next generation pistol,

1 handgun, 450 pages of red tape.

2 How can we get to the bottom of this issue of our
3 acquisition program, which is I think broken? We are trying
4 to do reforms here. You mentioned that CMO is not resourced
5 enough. But what more can we be looking at? And I really
6 want to encourage all of you, if you have ideas on major
7 acquisition reform, you need to make sure we understand what
8 those are and hopefully we can try to pass them. What are
9 your thoughts on that?

10 Ms. Hershman: Certainly, Senator.

11 This is from a private sector example, taking a page
12 from McDonald's who is very good at managing and acquiring
13 goods and services by category. So we have a large DOD-wide
14 category management reform initiative underway. We are
15 looking at everything from how many contracts we have for
16 certain goods and services.

17 I will give you an example. We have 22 contracts for 2
18 by 4's. We actually buy a lot of 2 by 4's in the DOD. Here
19 is the problem. We found that amongst those 22, several of
20 the contracts were from the same vendor at different price
21 points. We necked it down to two contracts, an \$18 million
22 savings, which seems small, but when you have 40,000
23 contracting officers, those small items start to add up very
24 quickly.

25 Senator Sullivan: I have one more question. I do not

1 want to interrupt. But we want to work with you on major
2 acquisition reform. I think the President has put together
3 a good team, but we need your big ideas to help move this so
4 it does not take 20 more years to field an F-35.

5 Mr. Deasy, real quick, final question. Companies like
6 Google who decided that they do not want to participate with
7 regard to a project, maybe even a DOD project, that dealt
8 with AI and other issues -- you know, we have had hearings
9 in the Commerce Committee where I have said that is fine.
10 This is America. You do not have to deal with the Pentagon.
11 But when companies like that, which are very sophisticated,
12 then go to start looking at doing work for China, Communist
13 China, then I think we all should have a concern about that.

14 How should we as the Congress deal with these kind of
15 companies who say we do not want to do work with the
16 Pentagon -- fine -- on sophisticated issues, AI? But we are
17 going to go over and do work with the Communist Chinese
18 Party, which is certainly in my view our adversary. What
19 should we be doing? How should Congress be thinking about
20 addressing this?

21 Mr. Deasy: Yes. I think this question of Google is
22 much broader than just Google. I mean, if you look at any
23 large of the cloud providers, the AI providers, any large
24 company that the Department of Defense does business with
25 today, they have activity that they are doing over in China.

1 It has been my view from the beginning just using the
2 Google as an example, that we need to be much more
3 thoughtful on how we write our contract language, how we put
4 our intellectual property language into contracts that
5 ensure us that when any of these large companies are going
6 to have a relationship in China, that we have complete
7 segregation, firewall off requirements as far as the data,
8 the proprietary systems and solutions they create for us. I
9 think the help that we can have from Congress is ensuring
10 that from an acquisition standpoint, that we continue have
11 very smart acquisitions on how we create those firewalls.

12 Senator Sullivan: Thank you.

13 Thank you, Mr. Chairman.

14 Chairman Inhofe: Senator King?

15 Senator King: Thank you, Mr. Chairman.

16 Mr. Deasy, President Trump's antipathy to Amazon is
17 well known. It has been reported that even in the summer of
18 2018, he instructed General Mattis to, quote, screw Amazon
19 out of the opportunity to bid on this contract. And there
20 are many other statements about Amazon and Jeff Bezos.

21 Can you categorically assure us that there was no
22 influence by the White House or the President on the
23 ultimate disposition of this contract? And I want you to
24 think hard about that answer.

25 Mr. Deasy: Sir, I can tell you that the way we

1 organize the team, kept the anonymity of the team, the
2 compartmentalization of the team, that I feel very confident
3 that at no time were team members that actually took the
4 source selection were influenced with any external,
5 including the White House.

6 Senator King: And those team members were the ones who
7 actually made the final decision, or did they make a
8 recommendation to the Secretary, for example?

9 Mr. Deasy: No, sir. They actually make the final
10 decision, and then they bring that decision to me. I have a
11 chance to ask some questions about it, and then all I do is
12 take that final acquisition decision and inform the Deputy
13 and inform the Secretary of the decision taken.

14 Senator King: And the final decision by those panels
15 was to award the contract to Microsoft.

16 Mr. Deasy: Yes, it was.

17 Senator King: Thank you.

18 I want to talk to you about the defense network and
19 cyber attacks. How often are you attacked, are your systems
20 pinged by any outside interest?

21 Mr. Deasy: Sir, the pings total hundreds of millions a
22 month. This is a constant adversarial approach, that they
23 will continuously look at any point of entry inside the
24 Department of Defense, and they will daily try new tactics
25 and techniques through those points of entry to ping us.

1 Senator King: I think for context, the public should
2 know that that is the common experience of any large
3 enterprise. I spoke to a utility recently. 3 million a day
4 was their number. So the point is you are being attacked
5 regularly.

6 Do you Red Team your networks in order to ensure their
7 security? Do you have people whose job it is to try to
8 penetrate the networks and to determine where the
9 vulnerabilities are?

10 Mr. Deasy: So, sir, what I have is a relationship that
11 exists between the DODIN, DSSA, my office, and U.S. Cyber
12 Command. And here is how it works in practice.

13 So it is my responsibility to look at where the
14 vulnerabilities exist and issue directives and tasking to
15 the services to fix those vulnerabilities. I use the
16 services of the U.S. Cyber Command under General Nakasone
17 and his teams to go in, look at our networks, as you say,
18 attack them from like an adversarial standpoint, and to
19 report back to me whether or not we are making the necessary
20 progress in fixing those penetration points.

21 Senator King: Let me ask a question about the cloud,
22 and it was touched on earlier. People in Maine have
23 approached me and said why are we going to the cloud. You
24 put everything in one place. Does that not increase
25 vulnerability?

1 You talked about the three different systems you saw in
2 Afghanistan. One of the reasons our election system was not
3 successfully attacked in 2018 is that it is so diffuse. It
4 is State, local. Somebody described it as a hairball. It
5 is very hard to penetrate. It seems to me if you have the
6 cloud and everything is there -- and I think you testified
7 the single cloud will have from secret to compartmented --
8 if it is penetrated, it is a bonanza for the adversary.

9 Assure me that we are not making a large-scale mistake
10 here by concentrating all of our assets in one place hoping
11 that it is entirely secure, but if it is not, it is a
12 disaster if it is penetrated.

13 Mr. Deasy: Yes, sir. First, a point of clarification.
14 We are not putting all of our data onto a single cloud.
15 Just for example, in the last 2 years alone, we have awarded
16 10 distinct cloud contracts. So first of all, we are not
17 moving to a single cloud.

18 Senator King: But is that not the purpose of JEDI?

19 Mr. Deasy: No, sir. That has never been the purpose
20 of JEDI. JEDI was one of a multitude of clouds. We just
21 issued a report to Congress last Thursday in which it states
22 the fact that we are a multi-vendor, multi-cloud environment
23 and will continue to be. JEDI is a unique capability that
24 allows us to move between classification levels and put
25 information out to the tactical edge, but it is not going to

1 be nor is it our only cloud today.

2 Senator King: And you are confident that although JEDI
3 will have this essential function, that it will be as secure
4 as the multiple functions that we have now.

5 Mr. Deasy: Yes. I would actually argue that today the
6 way that we have set up our cloud environment in a very
7 siloed, disconnected way has actually created more
8 vulnerabilities, and by moving to this integrated enterprise
9 approach, it will allow the likes of U.S. Cyber Command and
10 NSA to help assure that the cloud environment is actually
11 more secure, sir.

12 Senator King: Thank you.

13 Thank you, Mr. Chairman.

14 Chairman Inhofe: Thank you, Senator King.

15 Senator Reed, do you have any further --

16 Senator Reed: No, Mr. Chairman. Just let me
17 compliment the witnesses and thank them for their testimony.

18 Chairman Inhofe: And I agree with that. I appreciate
19 very much the time you have taken, the family who is here
20 with you. You are addressing something that is not talked
21 about very often, and you are the right people for the job.
22 And we appreciate what you are willing to do in further
23 expanding your service to your country.

24 Is there any other comment you would like to make after
25 going through this routine? Anything that you want to add

1 that maybe was not said to your satisfaction?

2 Mr. Sander: Senator, nothing from me. But thank you
3 for your time and your support and consideration.

4 Mr. Deasy: I would just like to say thank you for your
5 support and consideration, and thank you for elevating the
6 authorities of the CIO office inside the Department of
7 Defense.

8 Chairman Inhofe: That is a good way of putting it.
9 Thank you.

10 Ms. Hershman: I will echo my colleagues. I appreciate
11 your consideration and the thoughtful nature of the
12 questions today. And I would also like to thank this
13 committee and the staff members in particular for all the
14 hard work and support you have given the essentially startup
15 within DOD called the CMO. We appreciate your support.

16 Chairman Inhofe: That is great. Thank you very much.
17 We are adjourned.

18 [Whereupon, at 10:52 a.m., the hearing was adjourned.]

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