

**Hold until Release by the
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Readiness and Management Support**

**STATEMENT BY
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**BEFORE THE
SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT
OF THE
SENATE ARMED SERVICES COMMITTEE**

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Introduction

Senator Shaheen, Senator Ayotte, and members of the Subcommittee, I appreciate the opportunity to testify before you to provide an update on our oversight of management in the Department of Defense. The Department has always taken its duty to be a good steward of taxpayer dollars very seriously and the efficient and effective management of the Department is key to accomplishing this. As the DoD's Acting Deputy Chief Management Officer (CMO), I am the Secretary and Deputy Secretary of Defense's primary agent for providing effective management across the Department's many organizations and establishing a simplified business environment that is fiscally responsible. The main focus of my office is to work with the Department's senior leaders across the enterprise to define clear business goals, create meaningful performance measures, align activities via repeatable processes, ensure that these processes are supported by modern, interoperable defense business systems, and support the Secretary of Defense's direction to implement institutional reforms, as well as simplify the Department's business environment and lower its cost.

While I have only been part of the Office of the Deputy CMO for about six months and in the Acting Deputy CMO position since November 25, 2013, much progress has been made since my predecessor, the Honorable Elizabeth McGrath, last testified before you. I look forward to being able to share some of this progress with you today.

Secretary's Organizational Review

The responsibilities of the Office of the Deputy CMO were recently enhanced when, on December 4, 2013, Secretary Hagel announced a series of organizational realignments within the Office of the Secretary of Defense (OSD). While the Secretary's announcement included numerous elements, one of his primary goals was to strengthen and elevate the role of the Office of the Deputy CMO to provide, both within OSD and across the Department, full spectrum oversight of management, administration, coordination across DoD Components and business functions, performance improvement, and regulatory compliance. This will be accomplished through the consolidation of the Office of the Director of Administration and Management, Washington Headquarters Service, the Pentagon Force Protection Agency, and a few additional organizations into the Office of the Deputy CMO structure.

Another of the Secretary's primary goals was to strengthen the Office of the DoD Chief Information Officer (CIO) to address the growing information technology (IT) and cyber challenges, improve oversight of IT resources, and further enable successful implementation of the Joint Information Environment. This will be accomplished

through the transfer of oversight responsibility for the technical aspects of defense business systems from the Office of the Deputy CMO to the Office of the CIO.

The Department is in the midst of implementing the Secretary's direction and the Offices of the Deputy CMO, DoD CIO, and the Under Secretary of Defense (Acquisition, Technology & Logistics) (USD(AT&L)) are working closely together to ensure the optimal alignment of responsibility and accountability for business processes and business systems approval and acquisition. While certain details continue to be finalized, I am confident that the renewed focus on management and oversight will help advance DoD's progress in its business operations and IT functions. I look forward to being able to share additional details about these organizational realignments, including any possible legislative changes, with the committee if and when the Secretary approves such changes.

Integrated Business Framework

In 2012, aided by changes to the Department's investment management process for defense business systems contained in section 901 of the fiscal year 2012 National Defense Authorization Act, the Deputy CMO established a new governance body, the Defense Business Council, to consolidate previously dispersed responsibilities and implement a new overarching management approach, the Integrated Business Framework. This framework is intended to align all levels of our management strategies and processes and use multiple statutory and policy levers, including investment management responsibilities, to drive positive outcomes in the Department's business operations. The framework is also aligned with the guiding principles established in the DoD's Strategic Management Plan and enables DoD business leaders to: instill a cost culture, institutionalize end-to-end business processes, align business operations, and modernize and rationalize business systems.

The Integrated Business Framework is progressing. Over the past two years we have:

- Aligned the Strategic Management Plan and the Department's Annual Performance Plan with the National Security Strategy and Quadrennial Defense Review;
- Established, for the first time, functional strategies for each of our lines of business (financial management, human resources, etc.) that are aligned with the Strategic Management Plan and lay out the strategic vision, goals, priorities, outcomes, measures, and any mandatory enterprise initiatives for a given functional area;
- Established, for the first time, a portfolio based approach for reviewing all defense business system spending. The mechanism for achieving this, Organizational

Execution Plans developed by the DoD Components (the Military Departments, Defense Agencies, etc.), include details on the Component's proposed business system investments, their alignment with the Department's functional strategies and their adherence to Business Process Reengineering and Business Enterprise Architecture requirements;

- Aligned and improved budget and systems data, which has improved the visibility of our defense business systems inventory and enabled DoD business leaders to make more informed investment decisions;
- Established the Defense Business Council as the requirements validation body for defense business systems, thereby aligning strategy with investments;
- Created and implemented criteria for evaluating defense business systems spending, which resulted in not certifying obligation requests totaling \$617M, or 9% of the total requested amount for FY 2014. During the two investment certification cycles since the FY 2012 NDAA was enacted, the Defense Business Council has not certified over \$1B in requests;
- Retired more than 60 defense business systems as legacy systems and taken steps to eliminate them from future budgets.

Defense Business Systems and IT Acquisition Reform

Over the years, the Department has had many challenges with the development, deployment, and oversight of defense business systems. The Office of the Deputy CMO and its predecessor organizations have played a variety of roles in trying to address this problem from both an acquisition and an investment management perspective.

Through its hiring of recognized industry experts on large-scale IT projects and its implementation of enterprise IT solutions, the business mission area has learned many lessons about the Department's ability to agilely acquire defense business system capabilities. A primary lesson was that defense business systems required a unique approach that in many cases is different from the traditional DoD model for weapons system acquisition. Consequently, the Department began development of a tailored acquisition process for defense business systems known as the Business Capability Lifecycle.

Shortly after the Deputy CMO was established, the then-Deputy Secretary of Defense asked this new office to lead the Department's response to section 804 of the fiscal year 2010 National Defense Authorization Act, which directed the Department to develop and implement a new acquisition process for IT systems based, to the extent determined by the Secretary, on the recommendations of a 2009 Defense Science Board Report on IT Acquisition Reform. The intent was to initially focus on defense business systems and

leverage progress made and lessons learned to address the full set of recommendations from the Defense Science Board Report. The broad themes contained in the 804 Report were developed in collaboration across the Department and with industry. They were sweeping in their scope and, if fully implemented, would likely require legislative changes to fully implement. In conjunction with the publication of the 804 Report, a task force was established, chaired by the Deputy Secretary and run by the Deputy CMO. Working groups established under the task force developed more detailed recommendations for implementation of the 804 Report's themes. Eventually, responsibility for the way ahead on policy implementation shifted to USD(AT&L), and they have taken important steps forward, such as incorporating aspects of the Business Capability Lifecycle into the latest release of the Department's acquisition guidance, DoDI 5000.02.

Since publication of the 804 Report, the Office of the Deputy CMO has focused on further implementing the principles of the report in two primary ways for defense business systems. First, until December 2013, when USD(AT&L) rescinded its delegation of Milestone Decision Authority to the Deputy CMO for certain large defense business system acquisitions, the Deputy CMO used this delegated authority to conduct frequent oversight of these programs and cap spending authority in line with the recommendations of the report. Second, the Deputy CMO has embedded, where practicable, the principles of the 804 Report, into the execution of the Integrated Business Framework and revised investment management process as described above. The use of these principles, which include using portfolios to help govern defense business systems, use of the Defense Business Council to review problem statements of new business system investments prior to approving initiation, and review of the business process reengineering conducted on the processes systems support, is beginning to pay dividends.

Conclusion

The Department is committed to improving the management and acquisition of IT systems, as well as our overarching business operations. These issues receive significant management attention and are a key part of our broader strategy to build better business processes that will create lasting results for our men and women in uniform, as well as the American taxpayer. I appreciate the opportunity to discuss the Secretary's plans to strengthen management in the Department and I look forward to continuing our work with this Committee in the months and years ahead.

I would be glad to take your questions.