

**Advance Questions for Nelson M. Ford**

**Nominee for Assistant Secretary of the Army for Financial Management and Comptroller**

**Defense Reforms**

**The Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms have strengthened the warfighting readiness of our Armed Forces. They have enhanced civilian control and the chain of command by clearly delineating the combatant commanders' responsibilities and authorities and the role of the Chairman of the Joint Chiefs of Staff. These reforms have also vastly improved cooperation between the services and the combatant commanders, among other things, in joint training and education and in the execution of military operations.**

**Do you see the need for modifications of any Goldwater-Nichols Act provisions?**

The Goldwater-Nichols Act changed Department of Defense operations profoundly and positively. Although I believe that the framework established by Goldwater-Nichols has significantly improved inter-service and joint relationships and promoted the effective execution of responsibilities, the Department, working with the Congress, should continually assess the law in light of improving capabilities, evolving threats and changing organizational dynamics. Although I am not currently aware of any specific proposals to amend Goldwater-Nichols, I will, if confirmed, have the opportunity to evaluate those proposals that might come before us.

**If so, what areas do you believe might be appropriate to address in these modifications?**

This milestone legislation is now 20 years old and has served the nation well. It may be appropriate to consider whether it addresses the current requirements of combatant commanders and the needs and challenges of the military departments in light of today's security environment. If the Congress believes that a review is required and if I am confirmed, I would be pleased to take part in such a review.

**Duties of the Assistant Secretary of the Army for Financial Management and Comptroller**

**As set forth in section 3016(b)(4) and 3022 of Title 10, United States Code, the Assistant Secretary of the Army for Financial Management and Comptroller has the principal responsibility for the exercise of the comptroller functions of the Department of the Army and shall direct and manage financial management activities and operations of the Department of the Army.**

**What is your understanding of the duties and functions of the Assistant Secretary of the Army for Financial Management and Comptroller?**

If confirmed, I will be responsible for advising the Secretary of the Army on financial matters and directing all Comptroller and Financial Management functions of the Department of the Army.

**What background and experience do you possess that you believe qualifies you to perform these duties?**

I have spent the last 30 years in a wide variety of financial management positions and currently serve as the Principal Deputy Assistant Secretary of the Army for Financial Management and Comptroller. Previously, I was the Deputy Assistant Secretary of Defense for Health Budgets and Financial Management, where I was responsible for the financial performance of the Defense Health Program and Tricare. I have more than 10 years of executive branch experience in Department of Health, Education and Welfare, the Office of Management and Budget, the Department of Health and Human Services and the Department of Defense. Earlier in my career, I was the CEO of a privately held medical manufacturing company, the CFO and COO of Georgetown University Medical Center, and a partner in Coopers & Lybrand, a public accounting firm. I have served on the finance committees or as treasurer of a number of not-for-profit organizations, including AcademyHealth, the McLean Little League, Westminster-Canterbury of Winchester and the Hospice of Northern Virginia. I am familiar with the fiduciary responsibilities of federal officials, particularly those that are applicable to Army personnel, and feel confident that I can meet those high standards.

**Do you believe that there are any actions that you need to take to enhance your ability to perform the duties of the Assistant Secretary of the Army for Financial Management and Comptroller?**

Any new position presents new challenges and opportunities for learning. Because my current role has focused on improving internal controls and program costing methodologies, I will need to become more familiar with Army programming and budgeting procedures. I also will need to strengthen my relationships with other senior leaders and staff in the executive and legislative branches.

**Relationships**

**What is your understanding of the relationship between the Assistant Secretary of the Army for Financial Management and Comptroller and each of the following?**

**The Secretary of the Army:**

The roles and responsibilities of the Assistant Secretary of the Army (Financial Management and Comptroller) are laid out in sections 3016(b)(4) and 3022 of Title 10 U.S.C. and Headquarters, Department of the Army General Order 3. As the principal

advisor to the Secretary of the Army on financial matters, the ASA (FM&C) directs the comptroller and financial management functions of the Department of the Army.

**The Under Secretary of the Army**

The Under Secretary of the Army is the Secretary's principal civilian assistant and senior civilian advisor, I will strive to maintain a cooperative and open relationship with the Under Secretary and keep him apprised of significant issues.

**The other Assistant Secretaries of the Army**

My relationship with the other Assistant Secretaries would support my responsibility to advise the Secretary of the Army on financial matters and to direct all comptroller and financial management functions and activities of the Department of the Army. The Assistant Secretaries work together to bring a civilian perspective to Army management and program planning and, in conjunction with the Army staff, support the Army leadership in the discharge of its duties.

**The General Counsel of the Army**

I would consult and coordinate with the General Counsel on all legal matters and financial management and comptroller issues requiring legal review.

**The Under Secretary of Defense (Comptroller)**

If confirmed, I would work closely with the Under Secretary of Defense (Comptroller) to ensure that Army financial management and comptroller policies dovetail with those of the Office of the Under Secretary of Defense (Comptroller).

**The Assistant Secretary of Defense for Networks and Information Integration/Chief Information Officer**

Financial management systems are critical to enabling the Army to perform accurate, timely financial management, and are crucial to achieving auditable financial statements. The Army's financial managers are working with OSD staff, including the Chief Information Officer, to ensure that all financial management systems and other Army systems that feed information to them meet all relevant OSD standards and milestones during their planning and implementation.

**The Director, Office of Program Analysis and Evaluation**

If confirmed, I would support the Director, Office of Program Analysis and Evaluation in fulfilling his or her role of providing independent assessments of Army

program alternatives and priorities. I also would work with the Director, PA&E to ensure the success of the Planning, Programming, Budgeting and Execution process.

#### **The Chief of Staff of the Army**

If confirmed, I would work closely with the Chief of Staff of the Army and the rest of the Army staff to ensure that resourcing and financial management decisions support the Army's operational and strategic objectives.

#### **The Assistant Secretaries for Financial Management of the Navy and Air Force**

If confirmed, I would work with the Navy and Air Force Assistant Secretaries for Financial Management to serve as advisors and liaisons to the Office of the Under Secretary of Defense (Comptroller) and to develop suggestions for more effective and efficient joint operations.

### **Major Challenges**

#### **In your view, what are the major challenges that will confront the Assistant Secretary of the Army for Financial Management and Comptroller?**

I believe that, if confirmed as the ASA (FM&C), I will face multiple challenges. In the near term, the ASA (FM&C) must obtain funding sufficient to prosecute the Global War on Terrorism while simultaneously improving and maintaining the readiness of the Army – active, Guard and Reserve. The Army greatly appreciates the strong congressional support in providing the necessary resources but the unpredictability inherent in supplemental appropriations can create inefficiencies in the resource allocation process. Longer-term, the challenge will be to improve financial management processes to foster more efficient operations and to achieve an auditable financial statement. The Army must meet its responsibility to the taxpayers to account for the resources that have been provided to support its mission.

#### **Assuming you are confirmed, what plans do you have to address these challenges?**

Central to addressing the near-term challenge of predictable and timely funding for both the Global War on Terrorism and the Army's base mission is providing clear and concise explanations of those challenges to the Office of the Under Secretary of Defense (Comptroller), the Office of Management and Budget and the Congress. Further, the Army must encourage, in particular, accelerated submission of supplemental budgets for the Global War on Terrorism. While the war continues to be dynamic and unpredictable, there are many aspects of the Army's wartime mission that we can now forecast with some degree of certainty. With regard to improving our

financial stewardship and eventually obtaining auditable financial statements, the Army must continue development and deployment of the General Funds Enterprise Business System (GFEBS) and ensure that its business processes are streamlined to take advantage of GFEBS' capabilities. Success will require the continued involvement of the Army's senior leaders, both military and civilian, and adoption of a more business-like culture.

### **Priorities**

**If confirmed, what broad priorities would you establish in terms of issues which must be addressed by the Assistant Secretary of the Army for Financial Management and Comptroller?**

If confirmed, I would revalidate the current priorities for preparation of auditable financial statements, preparation of fully justified budget submissions, and implementation of more efficient financial management systems compliant with joint DoD architectures. I also would work to strengthen cost management and cost controls as part of the Army culture and to improve cost estimating for procurement and program planning. Finally, I would expend every effort to ensure that adequate funds are available to support our Army to fight and win the Global War on Terrorism and to take care of Soldiers and their families.

### **Civilian and Military Roles in the Army Budget Process**

**What is your understanding of the division of responsibility between the Assistant Secretary of the Army for Financial Management and Comptroller and the senior military officer responsible for budget matters in the Army Financial Management and Comptroller office in making program and budget decisions, including the preparation of the Army Program Objective Memorandum, the annual budget submission, and the Future Years Defense Program?**

If confirmed as the Assistant Secretary of the Army (Financial Management and Comptroller), I would hold responsibility for all budget matters within the Department of the Army. The Military Deputy to the ASA (FM&C) would serve under my direct supervision. Additionally, if confirmed, I would have formal oversight responsibility for all financial aspects of Program Objective Memorandum preparation, the Army's portions of the annual President's budget submission, and all Army entries in the Future Years Defense Program (FDYP).

## **Supplemental Funding and Annual Budgeting**

**Since September 11, 2001, the Department of Defense has paid for much of the cost of the global war on terrorism through supplemental appropriations. These costs, coupled with the Army's costs of transforming and modularizing, have grown every year. Increasingly, the reliance on emergency supplemental appropriations as a source for funding, rather than the annual budget, has met with opposition.**

**What are your views regarding the use of supplemental appropriations to fund what can be classified as predictable costs associated with ongoing operations?**

I believe it is appropriate to address contingency operation costs within the annual defense budget, if those costs can be predicted accurately. Because the annual budget is prepared about a year before appropriations are available, in most instances an operation needs to have achieved some level of stability before the resource requirements can be included in the budget process. In the case of current military operations in Iraq and Afghanistan, there are some areas where the costs have been reasonably stable and other cases with much greater variation. Given that the Army faces an intelligent and adaptive enemy in a dynamic operational and security environment, everyone involved must make sure that the budget process retains enough flexibility to respond to the battlefield's changing conditions.

**In your opinion, should modernization programs under any circumstances be funded using supplemental or emergency appropriations?**

In those instances where modernization is required to meet current readiness shortfalls, it is appropriate to use supplemental or emergency appropriations to adapt or accelerate ongoing modernization programs. In addition, supplemental or emergency appropriations should be used to cover battle losses and procurement of force protection equipment, even when that occurs through a modernization program.

## **Army Reprogramming Actions**

**For the past two years, as the end of the fiscal year has approached, the Army has sought to reprogram billions of dollars in order to pay end-of-year bills, particularly personnel costs. The sources for these reprogramming requests in many instances have involved borrowing from future year budgets in order to pay today's bills.**

**What is your view of a budgetary approach that relies on future year funds to pay current year bills?**

It is unwise to use future-year funds (usually set-aside for procurement or research and development) for current-year operations. However, the fiscal demands

placed on the Army over the last two years have required an unprecedented use of reprogramming, which offered the only option for meeting these demands. For example, personnel costs have proven to be very dynamic and they are a must-pay requirement. Furthermore, the GWOT-generated operational tempo of the last several years has created some "color-of-money" mismatches that must be balanced before the fiscal year ends.

Generally, I do not consider the reprogramming process to be a budgetary approach, but rather a means to accommodate changing priorities and emerging requirements within a given fiscal year.

**If confirmed, what management changes would you implement or recommend to the Secretary of the Army to correct this budgetary practice?**

The Army has made substantial improvements in its ability to predict personnel costs. To ensure that estimates are as accurate as possible, we are instituting a more vigorous review of the personnel accounts and assumptions made to build them before submitting those figures to OSD and OMB. To facilitate getting the right amount of military personnel funding, it is incumbent upon the Army to advise Congressional committees of any changes in the assumptions that might have a significant impact on the Army's budget estimates. I also would recommend to the Secretary that the Army pursue whatever means necessary to ensure that must-fund requirements, especially for personnel, are fully accommodated within the Army's annual base budget.

#### **Information Access by CBO and GAO**

**The cost of current operations in Iraq and Afghanistan has more than doubled over the past two years. The Army has refused requests by the Congressional Budget Office and the Government Accountability Office to share its modeling assumptions and programs.**

**If confirmed, would you be willing to share with agencies such as the Congressional Budget Office and the Government Accountability Office information about how the Army estimates its ongoing war costs, including modeling assumptions and programs?**

I am not aware of any instance in which the Army has refused to share the assumptions used to develop estimates of ongoing war costs. The model itself -- the Contingency Operations Support Tool -- is not an Army model, but is managed by the Office of the Secretary of Defense and used by all military departments and the Joint Staff.

## **Financial Management and Accountability**

**DOD's financial management deficiencies have been the subject of many audit reports over the past 10 or more years. Despite numerous strategies and inefficiencies, problems with financial management and data continue.**

**What do you consider to be the top financial management issues that must be addressed by the Department of the Army over the next five years?**

I believe the Department of the Army must improve pay services to Soldiers, and improve financial management systems and processes. There are only two metrics for Soldier pay: paying Soldiers the right amount and paying them on time. This has proven challenging for an Army at war. The Army has, however, worked through the challenges and, through successful collaborations with the GAO and the Congress, solved many of them. For example, the Army improved delivery of pay services to wounded Soldiers and successfully implemented legislative changes to waive or remit certain types of debt previously collected from wounded Soldiers.

The Army must have financial management systems that provide accurate, timely and reliable information that enables sound business decisions regarding the allocation of resources during the year of execution and over the program years. To accomplish this, the Army must replace inefficient, non-integrated systems and processes with modern solutions and best practices that fit within the Department of Defense Business Enterprise Architecture. The Army must also instill a strong system of management controls to ensure that the information provided by financial statements is reliable.

**If confirmed, how would you plan to ensure that progress is made toward improved financial management in the Army?**

I will continue to work closely with the Army leadership, the Under Secretary of Defense (Comptroller), and the Defense Finance and Accounting Service to improve our financial management practices. The Army has made significant contributions to the Department's Financial Improvement and Audit Readiness plan. This plan provides a detailed, disciplined road map to sustainable improvements in financial management practices, which ultimately will enable the Army to produce accurate financial statements. I will work to ensure that funds are made available to pay for these improvement initiatives because, without resources, these objectives cannot be achieved.

**If confirmed, what private business practices, if any, would you advocate for adoption by the Department of Defense and the Department of the Army?**

There are many private business practices that could be valuable in improving

the Army's effectiveness and efficiency. One embraced by the Secretary of the Army is "Lean Six Sigma," a structured business process reengineering designed to generate specific financial savings and better outcomes. Another example that holds significant potential for the Army is the adoption of commercially available software products and associated business practices. For instance, the Army's General Fund Enterprise Business System initiative is based on commercial-off-the-shelf software. GFEBS will enable the Army to manage financial resources, both assets and funding, as an enterprise instead of as a conglomeration of disparate activities.

**What are the most important performance measurements you would use, if confirmed, to evaluate changes in the Army's financial operations to determine if its plans and initiatives are being implemented as intended and anticipated results are being achieved?**

Key performance measures would include production of timely, relevant and accurate financial information; timely and accurate pay for Soldiers; and continued use of metrics established in the President's Management Agenda.

### **Budget Justification Information**

**If confirmed, what changes, if any, do you intend to initiate to improve the timeliness and accuracy of the budget justification books provided to Congress by the Army?**

The Army has made great strides in improving timeliness and accuracy of the Budget Justification Books by initiating the budget cycle earlier and by extending coordination actions across the entire Army Staff (and frequently with Army commands, Army service component commands and Army direct reporting units). These changes already have helped the Army to prepare two budgets concurrently, the base budget and the Supplemental, with the same staffing. Despite some current funding challenges, I would continue to oversee, assess and revise, as necessary, the Army's methodology in order to improve further accuracy and timeliness. For instance, the Army may be losing precious staff time in preparing documents of marginal use. I would propose, working through OSD (C), that the Army streamline the amount of data provided so that exhibits can be submitted more promptly to the committees. Additional information, including specific documentation required by the committees, could be provided as needed at a later date.

### **Travel and Government Purchase Cards**

**The increased use of government travel and purchase cards within the Department came about as a result of significant financial and acquisition reform initiatives over the**

**past decade. Following numerous well publicized instances of abuse of travel and purchase cards, however, concerns have arisen about the adequacy of internal controls in place for both the travel and purchase cards.**

**What is the status of Army efforts to ensure that proper internal controls exist and that availability of the cards does not enable fraud, waste, and abuse?**

The Army currently has about 331,000 active individual travel cards, which are held by Soldiers and civilian employees. This represents a 30 percent decrease in the number of travel cards held by individuals, and reduces the Army's exposure to fraud, waste, and abuse. The Army monitors travel card use, and closes accounts that have not been used in the past 12 months. The Army also monitors travel card delinquency metrics on a monthly basis, focusing on the delinquent dollar amount and the number of delinquent accounts. Currently, about 1.5 percent of the Army's travel card accounts are delinquent, which compares quite favorably to the industry travel-card standard of 6.1 percent.

The Army's government purchase card program is managed by the assistant secretary for acquisition, logistics and technology. The Army has nearly 56,000 purchase cards with monthly transactions of nearly \$300 million. During fiscal year 2005, the program generated \$25.5 million in rebates to the Army. The ASA-FM&C is responsible for ensuring that proper controls are in place to mitigate the risk of waste, fraud and abuse. These controls include ensuring at least a one-to-seven ratio of approving officials to card holders; the Army's current ratio is one approving official for every 2.4 cards assigned. In addition, the Army has worked with DoD and the bank to review purchase data and to identify high-risk transactions. ASA (FM&C) also routinely monitors purchases against merchant category codes assigned by the bank to check for propriety.

### **Business Transformation Agency**

**The Department recently established the Business Transformation Agency to strengthen management of its business systems modernization effort.**

**What is your understanding of the mission of this Agency?**

The Deputy Secretary of Defense established the Defense Business Transformation Agency (BTA) in October 2005 in order to ensure consistency, consolidation and coordination of DoD enterprise-level business systems; and to reduce redundancies in business systems and overhead costs. The BTA's mission is to transform business operations in order to augment warfighter support while enabling financial accountability and improving investment governance across the Department of Defense.

**What role does the Business Transformation Agency play in the financial management of the Department of the Army?**

The Business Transformation Agency's Enterprise Transition Plan and its Business Enterprise Architecture are helping to steer development and fielding of all of the Army's major business system implementations, including the General Fund Enterprise Business System (GFEBS), the Defense Integrated Military Human Resources System (DIMHRS) and others. For example, GFEBS will consolidate several accounting and financial management systems, giving Army and Defense Department officials a holistic view of how money is disbursed. It will feed vital, up-to-the-minute information to senior civilians and Army leadership, providing top-tier Army and DoD leaders with the timely, accurate data needed to make sound business decisions in support of the warfighter. It will facilitate congressional oversight and give taxpayers the level of financial accountability they expect from the Army. ASA (FM&C) works constantly and effectively with the BTA to make sure that all Army systems meet the standards set by DoD.

**What benefits, if any, does the establishment of the Business Transformation Agency have for the Department of the Army?**

The Business Transformation Agency provides the Department of Defense a "unity of command" and an integrated "unity of effort" for transforming its business domains. The Army has established effective working relationships with that office and its staff.

**Army Pay Problems**

**The GAO has reported on extensive problems with the National Guard's and Reserve's pay system. Modernizing the military payroll system is part of the longer term Business Management Modernization Program; however, it is essential that corrections be made immediately in this system to minimize personal hardships on deployed Guardsmen, Reservists and their families.**

**If confirmed, what would you do to address these pay problems in both the short and long term?**

Timely, accurate pay for Soldiers, particularly those mobilized or deployed, is one of the highest priorities for the Army's leadership and for me in my current position. The Army already has made tremendous improvements in pay support for mobilized and deployed Soldiers since the inception of current operations. While true integration of pay and personnel functions into a single, modern system is the objective state the Army needs to achieve (Army implementation of DIMHRS is scheduled for FY08), there

has been and continues to be much that the Army can do in the interim. The Army has implemented numerous near-term actions to increase training, to streamline processes, to expand or to stabilize staffing, and to improve accountability. Starting in late 2003, the Army initiated an 88-item Soldier pay improvement action plan for the purpose of improving pay and travel reimbursement support to mobilized Soldiers. To date, 70 of those actions have been implemented, leaving only three open items that are not tied to longer-term system solutions.

Over the past year, the Army also significantly improved pay services for wounded Soldiers. In less than a year, the Army reviewed, and when needed, corrected the pay accounts of more than 60,000 Soldiers who, since September 2001, were wounded or experienced medical problems while deployed. Additionally, the Army installed processes to preclude problems in the future. The support of the Congress has been critical, particularly regarding the introduction of new legislation that supports wounded Soldiers. If confirmed, I intend to continue to work for near-term improvements in training, procedures and current systems, while simultaneously working towards the longer-term goal of an integrated, modern personnel/pay system.

### **Defense Integrated Military Human Resources System**

**For several years, the Department has been working on the Defense Integrated Military Human Resources System (DIMHRS), an integrated joint military personnel and pay system for all the military services, as a means to eliminate obsolete legacy payroll and personnel management systems. The Army is the first service that has begun to implement DIMHRS. The Committee has been informed that the DIMHRS program is underfunded in both FY 2007 and 2008.**

**What is the role of the Assistant Secretary of the Army for Financial Management and Comptroller with respect to DIMHRS?**

Although the Army Deputy Chief of Staff, G-1 has the lead for DIMHRS implementation, the ASA (FM&C) provides critical support to the Army's human resources community in the system's development and fielding. This support includes requirements determination and validation, development of test scenarios and associated metrics, and training tactical finance units on DIMHRS operations. The financial management community also is supporting the human resources community in the reengineering of current personnel and pay processes in order to align them in a manner that will optimize the capabilities of an integrated, commercial personnel and pay enterprise system.

**What is your understanding of the Army's requirement for DIMHRS and its alternatives if DIMHRS is not successfully implemented?**

From a very basic level, the Army requires an integrated personnel and payroll

system that will eliminate the dozens of disparate, stand-alone systems in operation today and that will enhance the Army's ability to pay Soldiers correctly and on time. Although the Army has made improvements in Soldier pay performance, additional improvement is needed. As personnel information is vital to the payroll process, this additional improvement will not be achieved until the personnel and payroll processes are integrated. Several alternatives have been studied, including improving status quo systems and processes and developing a government-unique personnel and payroll system. Evaluation of these alternatives determined that DIMHRS presents the best opportunity for the Army.

**What are your views regarding the pros and cons of DIMHRS implementation into the Army?**

Implementation of an enterprise-wide system on the scope and scale of DIMHRS always entails significant risk. The success rate of these endeavors in both industry and government is, at best, very modest. I believe, however, that the Army and the Department of Defense have implemented a governance structure that is capable of managing the risk and that offers a solid opportunity to successfully deploy DIMHRS.

**If confirmed, what, if anything, would you do to ensure adequate resources are provided for DIMHRS implementation?**

We are working with the Army's human resources community to ensure that the proper performance metrics and milestones are established and that a robust oversight process is in place to manage effectively the development and deployment of DIMHRS. I currently am working to ensure that adequate resources (human capital and funding) are made available to the DIMHRS effort, with the proviso that DIMHRS development and deployment meets key milestones.

**Inventory Management**

**Do you believe that the Army has adequate information about and controls over its inventory?**

I am aware that the Army's inventory management controls need to be improved.

**If not, what steps would you take, if confirmed, to improve inventory management?**

The Army is taking necessary actions now to improve the financial accounting and reporting of its inventories. For example, the Army is working extensively with the Office of the Secretary of Defense (Acquisition, Technology and Logistics) to establish the baseline value of the Army's 391 military equipment programs. This work is vital to the Army's ability to positively address financial statement assertions regarding the existence, completeness, and valuation of military equipment inventories. For its \$22 billion of capitalized real property assets, the Army is developing sustainable business processes designed to establish in financial records the value and condition of all real property. These efforts are starting to obtain results. The Army has successfully captured the financial accountability of equipment provided to contractors, as well as internal-use software, on its financial statements. In addition to these efforts, the Army is participating in the DoD-led initiative to implement unique identifier technology which will enhance visibility and accountability of its inventories. ASA (FM&C) has worked with the appropriate DoD and Army organizations to document 330 tasks in the Financial Improvement and Audit Readiness Plan that must be accomplished in order to

provide adequate information regarding inventories.

### **Business Management Modernization Program**

**For the past several years, the Administration has pursued a Business Management Modernization Program (BMMP) aimed, in part, at correcting deficiencies in the Department of Defense’s financial management and ability to receive an unqualified “clean” audit.**

**What is the role of the Army Comptroller in the business modernization effort?**

The Army Comptroller has been a leader within DoD in embracing Business Transformation Agency guidance, both in terms of adopting business practices that conform to the Business Enterprise Architecture and providing feedback as to their efficacy. The Single Army Financial Enterprise (SAFE) architecture explicitly aligns its operational activities with those of the BEA. Moreover, the Army’s core financial management modernization program, the General Fund Enterprise Business System (GFEBS), adopted early BEA-initiated data standardization initiatives, such as the Standard Financial Information Structure (SFIS) and Real Property Inventory Requirements (RPIR).

**Do you support continuing the BMMP?**

Over the past few years, the Department has worked to coordinate modernization efforts across the DoD enterprise. These initiatives will address deficiencies in financial management, implement leading commercial business practices and help the Army to achieve a clean audit opinion. Central to these coordination efforts is the work of the BMMP and its successors, the Business Transformation Agency (BTA) and the Department’s Business Enterprise Architecture initiatives. The BTA and BEA have a realistic potential for orchestrating transformation of business operations across the Department and could be key agents of organizational change. To be effective, however, the BTA’s federated approach to modernization will need more clarity and the service components, component domains and program offices will require more specific direction regarding how to work together to achieve synchronized modernization.

**The BMMP advocates top-down leadership in establishing enterprise architecture for business systems modernization. The Services, however, appear to be pursuing independent pilot programs for modernizing business systems, despite the risk that a Service-led approach could produce numerous incompatible systems.**

**Do you support an OSD-led approach to business modernization?**

It is reasonable for an enterprise modernization effort to be led by the enterprise. Of course, with an organization as large and complex as the Department of Defense, some measure of sub-organizational flexibility is important to success. The Department's coordinated business modernization approach recognizes the value of providing the service components the flexibility they need to fulfill their missions within an overall framework that ensures interoperability within a defined set of standards.

**If so, what would you do, if confirmed, to ensure that the Army supports such an approach?**

If confirmed, I will continue to work to build a support structure for collaborative modernization. Under my direction, the Army would continue its active participation in DoD's modernization efforts and would provide regular feedback regarding its design. Moreover, the Army would align its operations with the BEA and execute its mission within the bounds of DoD modernization guidance.

**A critical requirement of the BMMP is an "enterprise architecture" that would establish standards and requirements for modernization or new acquisition of business information technology systems.**

**Why is establishing an effective enterprise architecture so important?**

Enterprise architecture provides a vision for modernization. Much as a building's architecture supplies structural, electrical, mechanical and aesthetic perspectives, enterprise architecture provides a range of integrated vantage points regarding an organization's design, for today and tomorrow. Without it, our systems and processes will be fragmented, reactive and inefficient in responding to the threats of the 21<sup>st</sup> century.

### **GAO Recommendations for Reform**

**In testimony before the Readiness Subcommittee, the Comptroller General of the United States, David M. Walker, offered a suggestion for legislative consideration which, in his words, is intended "to improve the likelihood of meaningful, broad-based financial management and related business reform at DoD." The suggestion entailed establishing a senior management position in the Department of Defense to spearhead Department-wide business transformation efforts.**

**What is your view of this suggestion?**

The Department has taken meaningful steps to act on Mr. Walker's suggestion. The Department created the Defense Business Systems Management Council (DBSMC), chaired by the Deputy Secretary of Defense. This council is responsible for

developing the Department's business enterprise transition plan and has final approval of all business system initiatives. DoD also recently established the Defense Business System Acquisition Executive (DBSAE), who reports directly to the DBSMC. The DBSAE has direct oversight of Department-level systems development, with a vast portfolio that includes DIMHRS. I believe that these two actions implement the intent of Mr. Walker's recommendation and the Army fully supports DoD's efforts.

**Mr. Walker testified that the Department of Defense should fix its financial management systems before it tries to develop auditable financial statements. He explained that: "Given the size, complexity, and deeply ingrained nature of the financial management problems facing DOD, heroic end-of-the-year efforts relied on by some agencies to develop auditable financial statement balances are not feasible at DOD. Instead, a sustained focus on the underlying problems impeding the development of reliable financial data throughout the Department will be necessary and is the best course of action."**

**Do you agree with this statement? Please explain your view.**

The Army is too large and complex an organization to implement labor-intensive, end-of-fiscal-year efforts designed to produce auditable financial statements. I completely agree with Mr. Walker on this issue. The right course for the Army is to implement sustainable business practices designed to improve financial management processes and to produce reliable financial management information. These processes must be supported by compliant business systems and an effective set of management controls.

#### **Authorization for National Defense Programs**

**Section 114 of title 10, United States Code, provides that no funds may be appropriated for any fiscal year to or for the use of any armed force or obligated or expended for procurement, military construction, and operation and maintenance, unless funds have been specifically authorized by law.**

**What is your understanding of the meaning of this provision, and what exceptions, if any, in your view exist?**

The Authorization Act provides the authority for the Department to execute programs. If confirmed, I will follow the guidance provided by the Secretary of Defense regarding how to approach any issue where there is a disparity between what is appropriated and what is authorized. It is normal practice for the Department of Defense to work out suitable procedures for these unusual circumstances with the relevant congressional committees.

**What are your views regarding the requirement for the Future Combat Systems program and the Army's ability to fund the program over the Future Years Defense Program and beyond?**

The challenges the nation faces in the future -- informed by the challenges confronting us today -- make it imperative to build a more adaptive, expeditionary and supportable force. The Army is proceeding with a holistic modernization plan that includes significant changes to organization, leader development, doctrine and training. The next generation of equipment necessary for this modernized force will be procured through the Future Combat Systems effort.

I believe that FCS will be a cost-effective way to modernize the Army. FCS is the first comprehensive modernization of the nation's ground forces in more than 40 years -- nearly two generations. The near-concurrent procurement of 18 platforms and systems has reduced system development and demonstration (SDD) costs by an estimated \$12 billion. In addition, the Army believes that FCS will help to reduce future costs by lowering personnel and fuel requirements and easing the logistics support burden. At the same time, these qualities will help make the force more expeditionary. With unprecedented levels of oversight, the program is making sound progress. An extensive testing plan is validating performance and reducing development risk. The Army believes that bringing FCS to fruition is essential to providing the Soldier the best warfighting platform possible and to making the future Army affordable to the American taxpayer.

**Army Future Years Program Objective Memorandum (POM)**

**Recent press reports have described efforts by the Army to increase its funding allocation for the Army POM, which was due August 15th, and asserted that the Army has not been provided sufficient resources by the Department to execute the tasks it has been directed to carry out, including conventional operations, irregular warfare, and homeland defense?**

**To your knowledge, has the Army POM been submitted? If not, is there a timetable for completion?**

As of September 12, 2006, the FY08-13 POM / Budget Estimate has not been submitted to OSD. The Army's senior leadership is currently conducting discussions with OSD and OMB about the issues faced by the Army in meeting its mission. If these issues can be resolved in early October, the Army will be able to make its submission in November.

**What is your understanding of the Army's budgetary requirements vis-a-vis planned funding by DOD and OMB?**

My understanding is that the difference between the current fiscal guidance and the resources necessary to accomplish the Army's mission as delineated by the Quadrennial Defense Review is significant, and that the Army's current operational and readiness requirements are greater than both the current fiscal guidance and DoD-directed mission. We are working now with DoD and OMB to understand the magnitude of these shortfalls and to identify solutions that address this strategy-resources mismatch.

**Proposed Reductions in Reserve Component Personnel for FY 2007**

**Proposed cuts in the numbers of Army Reservists and Army National Guardsmen in the FY 2007 budget submitted by the Department were met with a storm of criticism by the Congress and state governors about the process by which these proposed reductions were arrived at.**

**What is your understanding of the reasons for this controversy and criticism, and what lessons have been learned?**

The Army was directed to accommodate a number of fiscal adjustments near the end of the FY07 budget cycle. Army leadership was given limited time to make these adjustments and chose to reduce force structure in all components. Those decisions were designed to minimize the impact on the operational Army and took into account actual reserve component end strengths at the time. We fully understand the importance of the Army National Guard and the Army Reserve in executing the homeland defense mission and the National Military Strategy. The Army and the federal government cannot execute their charter missions without participation from all three components. As always, decisions of this magnitude must be well coordinated with all affected parties.

**If confirmed, what steps would you take to ensure that the situation is not repeated in future budget submissions?**

We are one Army that includes active, Guard and Reserve personnel. Any future changes to end strength or force structure should be fully vetted with all impacted organizations. The Secretary and the Chief are committed to an inclusive process and I fully support their view.

## **Cost of Resetting the Army**

**One of the most challenging issues that Congress will face in the years ahead will be the costs of re-equipping and training the Army. The Chief of the National Guard Bureau, LTG Blum, has stated that it will take \$21 billion to reset the Army National Guard and \$2 billion for the Air National Guard. It has been estimated that the Active Army needs about \$17 billion.**

**If confirmed, what role do you foresee in validation of the requirements for funding for resetting the Army total force?**

The \$17 billion requirement is for fiscal year 2007 and includes \$2.5 billion to replace reserve component equipment, both Army National Guard and U.S. Army Reserve. The validation of these requirements has been a joint effort among active Army commands, the reserve component and the full range of Army Staff oversight officials. If confirmed, I would ensure a continued leadership role for the Army financial management community, not just in validating requirements but in guaranteeing accountability for the execution and reporting of costs to reset the force.

**Where will the tradeoffs be in terms of modernization and support of current operations?**

Reset is a cost of war that should not come at the expense of modernization efforts. The Army must continue to adapt and improve its capabilities in order to provide the combatant commanders with the forces and resources required to sustain the full range of global commitments. Cutting modernization programs to sustain current operations would compromise the Army's ability to win in the 21<sup>st</sup> century's evolving battlefields. Any tradeoffs, if absolutely necessary, would be made in accordance with the priorities already established by the Secretary and the Chief of Staff of the Army. The top priority will remain support of the fighting force.

**What is your current assessment of the Army's readiness for support of future conflicts in light of the cost of sustaining modernization, reset and support of current operations?**

The requirement to reset equipment and to restore units to full readiness upon their return from operational deployments is fundamental to sustaining the full range of current global commitments and to preparing for emerging threats. Resetting the force while simultaneously fighting the Global War on Terrorism and transforming to become a more powerful, more flexible, more deployable force is a complex task that necessitates a sustained national commitment and a careful balancing of resources. My assessment is that the Army is meeting the challenges it faces in current operations but needs to do more to be ready for other threats. With the continued support of the Congress, the Army hopes to be able to fulfill today's responsibilities and to meet the

challenges posed by future conflicts.

### **Military Quality of Life and Family Advocacy**

**The Committee places a high priority on sustainment and improvement of quality of life programs, including health care, family assistance, child care, morale, welfare and recreation, education and employment assistance for family members.**

**How do you perceive the relationship between quality of life programs and the Secretary of the Army's top priorities for recruitment, retention and readiness of Army personnel?**

They are inherently related. To meet recruiting and retention goals, the Army must sustain improvements already made to the quality of life of Soldiers and their families, and rectify problems as it becomes aware of them.

**If confirmed, how will you guard against erosion of these critical quality of life programs in a tightly constrained fiscal environment?**

I will carry out the guidance of the Secretary and the Chief to protect key quality-of-life programs and to avoid inequitable reductions in these programs during the program and budget review processes.

### **Congressional Oversight**

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

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

Yes.

**Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the Assistant Secretary of the Army for Financial Management and Comptroller?**

Yes.

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

Yes.