Testimony of

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before the

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Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to discuss the progress the Department has made in the area of business transformation.

Looking back over the last four years, it is easy to see the extraordinary amount of change that has taken place across the entire DoD establishment.

While the most obvious transformation has occurred within and among the armed services, the Department has also been actively working to make its business operations as nimble, adaptive and flexible as the forces it fields in battle around the world – No small task in an enterprise that is perhaps the largest and most complex organization in the world.

The Department's efforts to create a Business Enterprise Architecture, have made important progress, as acknowledged by recent Government Accountability Office Audits. With the establishment of the Business Transformation Agency and the development of the Enterprise Transition plan, the Department continues to build on that progress, strengthening senior leadership oversight and realigning several major business system programs.

Efforts focused on applying proven private sector business practices to the public sector. For example:

- A focus on the customer – in this case, the joint warfighter;
- Corporate accountability – in this case, the full support and involvement of the DoD senior leadership;
- End-to end business process improvement, including the flow of information throughout the Department; and
- A focused set of priorities.

Business Transformation Agency (BTA)

On October 7, 2005, the Department established the Business Transformation Agency (BTA) to assist in transforming the business operations of the Department of Defense and to achieve improved joint warfighter support and enable financial accountability across the Department.

As a corporate-level service organization, the BTA is accountable for the successful execution of several key business improvement initiatives and system investments.

Business Enterprise Priorities

The specific objectives or business transformation are outlined in the Department's Enterprise Transition Plan. Included in the Plan are six Business Enterprise Priorities.

1) Acquisition Visibility or oversight – to enhance accountability and enable better decision making across DoD;

2) Common Supplier Engagement – to ensure uniform supplier policies, processes, data and technology for improve reliability and consistency;

3) Financial Visibility – accurate and reliable financial information, to ensure accountability and enable better decision making throughout the Department;

4) Materiel Visibility – which means ready accountability of all materiel assets across all logistics systems throughout their lifecycle – to better support the joint warfighter;

5) Personnel Visibility – accurate human resources information within secure, interoperable technology; and

6) Real Property Accountability – secure, accurate, and reliable information on real property assets, in real time – to better account for all physical, legal, financial and environmental assets.

Several key DoD business transformation activities are being aligned around these six Business Enterprise Priorities, and the Department is already achieving success, meeting 75 percent of our established milestones in several key enterprise capability areas.

Acquisition Visibility

Within the Acquisition Visibility or oversight priority, the Department has improved its electronic capabilities to permit electronic submission of Selected Acquisition Reports (SARS) to Congress in lieu of paper reports.

The new capability adds content, enhances data visibility, and features designed to meet the growing information needs of professionals involved with Major Weapon System Acquisition.

In addition, Full Operational Capability (FOC) of US Export Systems (USXPORTS) was achieved in January 2006. The system provides electronic access to export data in a manner that both safeguards national security and protects industry proprietary data.

Common Supplier Engagement

Within the Common Supplier Engagement priority, an enterprise spend analysis capability, called the Acquisition Spend Analysis Service (ASAS), was developed to enable strategic sourcing decisions.

Web-enabled Taxpayer Identification Number (TIN) validations were deployed to ensure data integrity between DoD and the Internal Revenue Service (IRS), and to ensure that vendors doing business with the DoD are in good standing with the IRS.

The first phase of an automated contingency contracting capability (CC-SF44) for in-theater use was implemented. This hand-held purchasing system will allow procurement personnel in the field to make more informed decisions with regard to suppliers and cost.

Financial Visibility

Within the Financial Visibility priority, a common DoD financial language, called the Standard Financial Information Structure (SFIS), was incorporated into plans for all emerging financial management systems, as well as the certification requirements for twenty-nine existing systems.

New General Fund financial reporting capabilities for the Army and six Defense Agencies were delivered that enable over 78 million transactions per month to be posted to the corporate general ledger.

Materiel Visibility

Within the Materiel Visibility priority, initial military equipment valuations for 1,101 military equipment acquisition programs were completed. These initial valuations are the starting point for establishing a baseline at the end of FY 2006 which will support DoD's goal of clean opinion on its financial statements.

Personnel Visibility

Within the Personnel Visibility priority, the Department deployed a new capability that allows real-time retrieval of electronic medical records at the point of care.

When this capability is fully deployed our Military Health Care Provides will be able to more readily provide the continuity of care patients require.

Real Property Accountability

Within the Real Property Accountability priority, the Department achieved initial operational capability (IOC) for the site Unique Identifier Registry (UID), the first step in accurate, authoritative, comprehensive, and secure information on the real property assets of the Department.

Defense Business Systems Management Committee

Success in each of the six priority areas has been driven by the best practices described at the outset of these remarks, especially customer focus and corporate accountability.

Every choice we make is premised on delivering a new, better, faster or more transparent business capability to the joint warfighter. And through the Defense Business Systems Management Committee (DBSMC), the senior leadership of the Department is fully engaged in the transformation process.

This committee, chaired by the Deputy Secretary of Defense, has made a positive difference in building department-wide support for business transformation and reducing decision cycle times.

Investment Review Boards

We also established four Investment Review Boards (IRB) that are responsible for reviewing every business system investment annually to ensure compliance with the Department's business system architecture, the BEA. To date over 200 business systems have been reviewed and certified by an Investment Review Board, and approved by the DBSMC.

Defense Business System Acquisition Executive

Within the Business Transformation Agency, the Deputy Secretary also established a new Defense Business System Acquisition Executive (DBSAE) to provide the necessary acquisition oversight. Under his oversight are 18 enterprise level business systems.

Chief Information Officers

In addition to the DBSAE, the Department's Chief Information Officers (CIO) are active partners in the transformation effort.

Specifically, they established a single data repository for all business systems, and through a concept called "Tiered Accountability," a large amount of both the accountability and responsibility for the Investment Review Board process is passed to the Department's CIOs.

They have risen to the challenge, working with senior leaders to review, certify and approve investments in business system modernization.

Additionally, because Information Assurance (IA) is a priority for the Department, the CIOs have enacted enterprise-wide Information Assurance standards. The Business Transformation Agency is responsible for embedding the standards into practices, programs and operations, and for enforcing them.

Finally, the DBSMC recently approved a pilot program aimed at streamlining how the Department acquires its enterprise business capabilities. Once this new process is fully approved, it will provide appropriate acquisition oversight and minimize the burden for both programs and the DoD CIOs.

Transforming an entity the size of the Department will not happen overnight. Commercial entities that have undergone similar transformations have taken 10 years, and the Department of Defense is orders of magnitude greater in size than those entities. Clearly, much work remains to be done, but our goal is to make significant incremental improvements every six months for the next ten years.

Mr. Chairman, we thank you and the members of the committee for your interest in our efforts, and would be happy to respond your questions.

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