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COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

"Improving Financial Accountability at the Department of Defense"

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Senator Carper, thank you for holding this hearing today. As you know, for some time now, I have called on the Department of Defense to achieve audit-ready financial statements. In my view, the ability to truly understand how the Department executes financial responsibility and programming would ensure that taxpayer dollars are not being wasted, stolen or otherwise abused.

In fiscal year 2010 alone, DoD received $694 billion in appropriations. To track it, DoD relies upon thousands of different business systems, which produce financial data and reports. Unfortunately, many of the financial reports and underlying data are not reliable, because of incompatible and antiquated financial systems, weak internal controls, poor accounting processes, and a lack of management accountability.

For the last two decades, Congress has pushed for financial management reform throughout the federal government. In Section 1003 of the National Defense Authorization Act for Fiscal Year 2010, Congress required that DoD develop a plan to achieve a full, unqualified audit by September 30, 2017, and submit semiannual reports to Congress on the Department's progress toward that objective. Through that law, for the first time, DoD was legislatively required to provide Congress with a Financial Improvement and Audit Readiness (FIAR) Plan.

In pursuing compliance with the provision, DoD has been encouraged to find greater discipline in how it develops and acquires its financial systems. Over the last few years, and after a sizeable investment of taxpayer money, the piecemeal, inconsistent approach that DOD took toward business systems modernization had resulted in little measurable progress. That had to change and, to some extent, it has.

Responsibility for fixing this begins at the top. Senior executive leadership at DoD and the Services is key to driving this enterprise forward successfully. While I recognize the efforts of the dedicated professionals about to testify, I am still concerned about the extent of coordination and executive-level buy-in throughout the upper chain of command at both DoD and the Service Components.

During previous nomination hearings before the Senate Armed Services Committee, key senior officials responsible for business operations have in the past promised that financial improvements are a priority, progress will be made, and deadlines will be met. Yet, here we are today, discussing these same issues, under a cloud of doubt that the 2017 deadline can still be met.

Nevertheless, we cannot lose sight of the overall objective here. Efforts to ensure that the DOD is auditable must occur in tandem with improvements to the Department's overall business and financial management. These goals work towards the same objective – to improve how DOD does business and ensuring it does so in a way that is transparent and accountable.

Now, I realize that the global effort required to get DoD audit-ready is a Herculean task. That's why the development of incremental milestones towards full audit-readiness is so important. It will provide DoD (and Congress) a means to measure performance-to-plan, essential for maintaining accountability throughout this process. Language in the report accompanying the Committee-passed National Defense Authorization Act for Fiscal Year 2011, describes what the Senate Armed Services Committee expects to see in the next semiannual FIAR Plan, due on November 15, 2010. This includes the military departments' milestones, as well as details on the functional activities necessary for DoD to achieve true audit-readiness, in particular, asset valuation.

With that in mind, I thank the witnesses for their attendance today.