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**SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "Improving Financial Accountability at the Department of Defense"

Opening Statement of Senator Thomas R. Carper, Chairman

Today we will hear from our panel of witnesses about financial accountability at the Department of Defense. One specific question is whether the Department of Defense is on track to pass a financial audit and, overall, we will learn about the importance of improving the Department's financial management and accountability.

The witnesses who've joined us today will tell an important story: keeping our nation's military affordable and effective demands that we track the millions of transactions made each year and ensure that hundreds of billions of dollars in expenditures are properly accounted for.

If modern and effective accounting systems are not in place, then we will have a system that can foster waste and fraud. Unfortunately, we see too many examples of waste and fraud within military programs and operations every year.

Also, with a robust and modern accounting system, the Pentagon, the Administration and Congress can make informed decisions about our nation's security needs.

Secretary Robert Gates recently proposed a series of cost saving moves at DOD. I think the Secretary recognizes that the way we buy and manage our weapons systems, the way we equip, feed and pay our troops and the maintenance of hundreds of military facilities across the world needs to become more modern and business-like.

However, DOD's financial system is not where it needs to be. Most notably, DOD is one of the last federal agencies still unable to pass a financial audit. Private businesses in America, and their shareholders and top managers, understand the importance of passing an audit, but the Pentagon has failed to do so. The Pentagon's financial management systems are simply not good enough to even try.

Congress has established a requirement that DOD become audit ready by 2017. This is a critical goal, and considering the amount of time and money that's gone into this effort, it's

one that should have been met years ago. Not only will an audit help the Department of Defense ensure that billions of tax dollars are being spent properly, but it will also help make certain that our troops have the equipment they need when and where they need it.

Unfortunately, according to the Government Accountability Office, the Department of Defense cannot even say whether the audit readiness goal of 2017 will be met.

At the end of the day, making sure the Department of Defense's financial books are in order isn't just about being a good steward of taxpayers' money – although that is a top priority for me – it's about ensuring that our brave service men and women have the equipment and supplies that they need and that we're paying for.

Further, the GAO will testify that that audit readiness goal faces a major and costly problem.

The Department of Defense and the military services are modernizing their financial systems, including their related computerized business systems, to become audit ready. This is an appropriate and important set of initiatives to ensure that DOD has the same modern accounting tools now common in almost every major business. These upgrades, such as buying and implementing new accounting software, go by the arcane term: Enterprise Resource Planning.

The GAO will describe today that, overall, the financial system upgrades are years behind schedule and at least \$6.9 billion over budget.

That's right, the program to upgrade our military financial systems, so that we can track our dollars and ensure we spend money effectively, are themselves behind schedule and over budget.

The point of these new accounting and financial management systems is to better manage programs and money, yet they themselves are over budget.

As a recovering Governor, I understand the unique challenges that come along with running a major institution like the Department of Defense.

However, I am also a former State Treasurer, so I know the importance of keeping our financial house in order. As a U.S. Senator and a taxpayer, I also understand the importance of ensuring that our federal dollars are well spent, especially during a time of record budget deficits.

Of course, no program is perfect. But Congress must ensure that the more than \$700 billion we spend through the Pentagon is spent effectively and efficiently.

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