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Testimony of the Honorable Clay Johnson III

before the

Subcommittee on Oversight of Government Management,  
the Federal Workforce and the District of Columbia  
of the

Senate Committee on Homeland Security and Governmental Affairs

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OMB agrees that fixing the management deficiencies highlighted by GAO's High Risk List has the "potential to save billions of dollars, dramatically improve service to the American public, strengthen public confidence and trust in the performance and accountability of our national government, and ensure the ability of government to deliver on its promises."

Agencies have proven that management problems can be solved, that the risk of waste, fraud, abuse or mismanagement can be greatly diminished. Employees at the Social Security Administration reduced errors in the Supplemental Security Income program sufficiently to warrant GAO removing it from its list in 2003. This year, the Forest Service, Student Financial Aid programs, and the Federal Aviation Administration improved the reliability of their financial information so much that GAO removed them from the list.

These agencies are to be congratulated for these accomplishments. They have shown that solving the problems is possible if they ensure key elements are in place:

- top management commitment to solving the problem
- a clear picture of what needs to be accomplished
- a clear, aggressive action plan for solving the problem, and
- a clear definition of who's responsible overall, and who's supposed to do what by when.

The Department of Defense (DoD), in no small part because it is one of the largest and most complex organizations in the world, owns 7 Of 25 High-risk areas. DoD is working to improve its management practices, to reduce the risks to which GAO's list refers. Some of the risks will take longer to reduce than others, and none of the risks will be reduced quickly. But they will be reduced to acceptable, commendable levels. In the meantime, it is important that GAO and Congress understand what DoD is doing to realize these opportunities to improve its management practices.

As you and your staff are aware, Mr. Chairman, OMB, GAO and DoD have been working to clarify what it means to reduce the risk in what GAO has called DoD's Supply Chain Management, though the focus is primarily on DoD's management of its inventory. As stated now, DoD needs to focus its efforts in the following areas in order to provide more efficient and effective supply support to warfighters:

1. Asset Visibility:
  - Improve Asset Visibility across the department. Develop near-term goals to increase asset visibility and long-term goals to achieve total asset visibility.
  - More fully incorporate asset visibility into DoD's logistics business enterprise architecture and DoD's long-term logistics IT system modernization programs.
2. Forecasting:
  - Improve Inventory Management (reduce percentage of low-usage inventory, increase availability of high usage, and increase availability of critical inventory).
  - Update and improve material requirements process to identify required war reserve stocks and computer models to forecast wartime supply demand and items with long procurement lead times.
3. Distribution:
  - Improve seamless flow of materiel in support of deployed forces.

DoD will lay out a general plan of attack to accomplish these goals, give approximate dates for accomplishing them and specify who is accountable for accomplishing them. Once there is sufficient agreement in this area among DoD, OMB, GAO, and the relevant Members of Congress, we will ensure that there is agreement on what needs to be accomplished and the plans of action for achieving it for the high-risk areas not only at DoD, but in all areas on GAO's high-risk list as well. As a first step in the process, we have identified the individuals at OMB, GAO, and the agencies who will be accountable for addressing the issues.

Of course, DoD's greatest management challenge is to achieve and sustain business reform on a broad, strategic, department-wide and integrated basis. Clearly, the Secretary of Defense is committed to such reform. That commitment must be translated into demonstrable improvement in all of the Department's business operations. As he ensures all the elements of success I mentioned above are in place, lasting improvement will occur.

Mr. Chairman, I will ensure you and the staff of this Subcommittee are kept informed of our progress on these matters.