

United States Air Force



Presentation

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Security and Governmental Affairs
Subcommittee on Federal Financial
Management, Government Information,
Federal Services, and International
Security
United States Senate

Improving Financial Accountability at the Department of Defense

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UNITED STATES SENATE

Mr. Chairman, members of the committee, thank you for the opportunity to appear today. Your continuing oversight of federal financial management is invaluable in helping the Air Force transform our business operations to increase transparency and more effectively and efficiently manage the resources entrusted to us.

Before going further I would like to speak briefly about how the Air Force views financial accountability. Similar to how air superiority is one of many mission goals in a commander's campaign plan, financial accountability is one of several business goals in the Air Force's campaign to transform business operations in order to deliver the maximum combat capability to the nation for every dollar invested. Just as we employ a family of systems to achieve air superiority, we will also employ a family of business systems to achieve financial accountability. Let me assure you the Air Force is fully engaged in this effort.

Audit readiness depends on transparency and fidelity of a wide range of enterprise processes. The Air Force designed its Financial Improvement Plan (FIP) with participation from across the Air Force, not just financial managers. To emphasize the importance of audit readiness, Air Force leadership will assign additional performance responsibilities to senior executives working on logistics and installations issues who oversee portions of the Financial Improvement Plan for example.

The benefits of implementing our Financial Improvement Plan include providing our Nation's leaders accurate financial information to make decisions on how to best use

the capabilities of the United States Air Force. Additionally, we need to give the American people confidence their hard earned tax dollars are being spent properly.

Developing and Deploying Enterprise Resource Planning (ERP) Systems

The Air Force currently is deploying early versions of the Defense Enterprise Accounting and Management System (DEAMS) and Expeditionary Combat Support System (ECSS). These Enterprise Resource Planning (ERP) systems, along with the Air Force Integrated Pay and Personnel System (AFIPPS) and NextGen IT system serve as the foundation for achieving and sustaining unqualified audit opinions in the Air Force. The Air Force cannot fully implement the Financial Improvement Plan without the complete deployment of these ERPs.

Every ERP will have safeguards in place that ensure consistent financial data across systems, following the DoD Standard Financial Information Structure. The ERPs provide the business rules and capability to validate general ledger account balances back to individual source documents, enhancing internal controls and auditability. Ultimately, our goal is to have repeatable and auditable practices that maintain the integrity of our ERPs.

DEAMS will be the Air Force core financial system of record. It is a commercial application complying with the United States Standard General Ledger and the Federal Financial Management Improvement Act requirements and is a certified federal system under the Financial Systems Integration Office. We initially tested DEAMS for

commitment accounting at Scott AFB, beginning in 2007. In May of this year, we replaced legacy accounting systems at Scott and are now conducting our full financial operations in DEAMS. Through September 1, over 700 AMC, TRANSCOM, and DFAS users have processed over 12,000 vendor payments totaling more than \$1.35 billion, as well as 7,600 Air National Guard and Air Force Reserve travel vouchers. It is worthwhile to emphasize a point here – this limited, one base pilot project has more users and has handled more dollars in a few months than some entire federal agencies do in a whole year. As we continue to develop and deploy DEAMS, we are working with internal audit teams, the Air Force Audit Agency, and OSD to ensure the system complies with all rules and regulations and ultimately can deliver a clean audit.

ECSS is also a critical element for achieving the AF goal of a clean audit opinion. In addition to modernizing and replacing many of our older logistics system, ECSS will serve as the system of record for Air Force Working Capital Fund statements and as a feeder for certain data to DEAMS. AF-IPPS will replace both the Military Personnel Data System (MILPDS) and the Defense Joint Military Pay Systems (DJMS), providing a single, integrated personnel and pay record for military members. This will ensure the personnel and pay processes are synchronized, minimizes data entry, and eliminates interfaces and reconciliations between these two systems. NexGen IT replaces legacy Civil Engineering (CE) business systems and enables CE transformation to include asset management, space utilization, and standardized business processes across the Air Force.

Together, these systems will allow commanders to make informed decisions to *fly, fight, and win ... in air, space, and cyberspace.*

Using Lessons Learned and Moving Forward

The Air Force cannot do this alone. We are actively engaging with our service counterparts and OSD at all levels – from Under Secretary Hale and Deputy Chief Management Officer McGrath to a DFAS accountant or a financial analyst in the Army and Navy. Our interactions share methodologies, approaches, and results, leveraging best practices. For example, our approach towards military equipment existence and completeness testing was adopted by the Army in their review of fixed wing aircraft. Similarly, we have adopted the Navy's approach to assertion of Civilian Payroll, fixing a highly visible trouble area.

In 2006, the Air Force asserted its Fund Balance with Treasury (FBWT). A subsequent audit discovered that reconciliations cannot happen at summary level. The Air Force immediately developed a detailed FBWT plan of action that will allow us to assert in for December 2010. Our review in this area highlighted the need for reconciliation between interfacing systems, a key component of our ERPs. The Air Force has targeted several areas in alignment with Mr. Hale's priorities that can pay immediate dividends. We are also on schedule to assert audit readiness of our Budget Authority process by the end of this fiscal year.

Closing

The Air Force has set itself on a planned and deliberate path to improve its financial accountability and achieve audit readiness. I can assure you our finance community is not flying solo in this endeavor. As both the Air Force's Deputy Chief Management Officer and the Director, Business Transformation, I have a singular focus on improving the effectiveness and efficiency of Air Force operations. While audit readiness is an important goal in and of itself, the beneficial effects it will have on other Air Force priorities such as modernizing our air and space inventory make it a force multiplier.