

DEPARTMENT OF THE AIR FORCE

STATEMENT OF

JOHN G. VONGLIS

ACTING ASSISTANT SECRETARY OF THE AIR FORCE FOR
FINANCIAL MANAGEMENT AND COMPTROLLER

BEFORE THE

SENATE ARMED SERVICES COMMITTEE

READINESS AND MANAGEMENT SUPPORT

SUBCOMMITTEE

16 NOVEMBER 2006

NOT FOR PUBLICATION UNTIL RELEASED BY
THE COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

Introduction

Chairman Ensign, Senator Akaka and Members of the Committee:

Thank you for the opportunity to appear before you as we discuss the Air Force's progress in support of the Department of Defense's (DoD) business systems modernization and financial management accountability efforts.

In November 2004, my predecessor testified before this subcommittee to discuss the Financial Management and Business transformation we were then planning for the Air Force. I am pleased to report that today's Air Force Financial Management community is acting on those very plans, heavily engaged in what we have dubbed the "Transformation Delivery" phase of our efforts. I am honored, therefore, to sit before you today to update you on this progress.

Transforming the Air Force's business processes, with a focus on improved financial management and accountability, is an essential task as our Service moves further into the 21st Century. Increased mission responsibilities around the globe, finite resources, and our goal of retaining and achieving cutting-edge combat capabilities in the domains of air, space, and cyberspace require intensified investment management across the spectrum, particularly in the realm of information technology. Though change in any environment can at times be difficult and challenging, our people have responded in exemplary fashion.

Through all of this change and transformation, we have made the very conscious effort to ensure that *our people must always come first*. After all, our people drive our transformation, not the other way around.

While maintaining our warrior focus, Air Force financial managers appreciate that organizations at all levels of the Air Force have responsibilities to execute efficient, business-like operations. As such, we are in the midst of enacting processes that take advantage of shared information in order to make decisions based on timely, accurate and reliable data – all while continuously working to conserve resources.

We are committed to ever-higher levels of innovation and excellence in our business and management processes because in the complex and highly technological enterprises we operate, decisions are made in ever tighter cycles, and innovation and excellence enables everything we do. Transformation of the “business” side of the Air Force will not only lead to operational efficiencies, attainment of an unqualified audit opinion, and improved credibility, but also to more effective and timely decisions where they matter most: the warfight.

To assist in our common goals of improving management and oversight of business systems modernization, we offer the following answers in response to your 26 October 2006 memorandum to Secretary of the Air Force Michael Wynne.

Air Force Defense Business System Modernization

The Department’s Annual Report on Defense Business Systems Modernization was built through joint contributions within the Service and alongside our sister Services. As the GAO has noted in its recent reviews, the Department of Defense has continued to mature its management of modernization as the real outcomes and the quality of these reports have continued to improve. The process has enabled us to better manage business system portfolios across the Air Force and within the Department of Defense as a whole. We work through the DoD Business Transformation Agency (BTA) and the Defense

Business Systems Management Committee (DBSMC) to produce the report. Our functional organizations and Major Commands (MAJCOMs) contribute to the Annual Report on Defense Business Systems Modernization, responding to three key provisions of the Act.

First, we develop, maintain, and use the Business Enterprise Architecture (BEA), now available in Version 4.0. The BEA is the enterprise architecture for DoD's business information infrastructure and includes processes, data, data standards, business rules, operating requirements, and information exchanges. The BEA defines the Department of Defense's business transformation priorities, the business capabilities required to support those priorities, and the combinations of systems and initiatives that enable these capabilities. The BEA provides the starting point for achieving financial, personnel, acquisition, and materiel visibility, common supplier engagement, and real property accountability. From the Air Force perspective, the BEA guides and constrains the Air Force business system modernization programs by imposing these data standards, business rules, operating requirements, and information exchanges. The Air Force coordinates closely with the DoD BTA by providing subject matter expertise, consulting on the BTA architecture federation strategy, and providing input for the DoD Data Reference Model.

In addition, we certify all business systems development and modernization spending in excess of \$1 million over the FYDP, using a rigorous and repeatable evaluation process that looks at all current and proposed spending to ensure compliance with the BEA, eliminate unneeded or redundant capabilities, and ensure that spending is aligned to DoD and Air Force priorities. To date, 55 systems have been reviewed and

certified for modernization funding, with an aggressive schedule in place to review all Air Force business systems modernizations throughout FY07, including those below the \$1 million certification threshold.

Lastly, we prepare, maintain, and use the DoD Enterprise Transition Plan (ETP), linking Air Force and Department of Defense Visions, Goals and Strategies to our transformation priorities, programs, accomplishments, and plans. ETP 2006, delivered to Congress by the BTA on 30 September, describes our Air Force Transition Plan in detail.

Accomplishments

In the area of process and organizational change across Core Business Mission areas (CBMs), the Secretary of the Air Force has visibly committed our Service to continuous, efficient process improvement, tasking the Air Force Smart Operations for the 21st Century (AFSO21) program to apply process improvement disciplines across Warfighting, Combat, and Operations support. We have named senior-level Process Owners across the Air Force to shepherd our reengineering efforts under the auspices of an Air Force Process Council chaired by the Air Force Secretary.

To improve decision-making information and integration within and between the Air Force and DoD, the Air Force Secretary leads the Transparency initiative, which uncovers and makes available functional and mission area data currently stored in systems that number in the thousands. A Transparency Integrated Product Team, also chaired by the Air Force Secretary, oversees this effort, which is currently focusing on exposing data to improve information availability and visibility. These focus areas include:

- 1) Implementation of the Standard Financial Information Structure (SFIS) pathfinder, which is a working capital project scheduled for initial capability in late December 2006
- 2) A focused effort to provide logistics information to Combatant Commander's (COCOM 57)
- 3) Our improved readiness and status of forces information (Readiness and Global Force Management), and consolidated Flight Scheduling.

In 2006, our agile combat support community, which includes personnel, comptroller, logistics, acquisition, and medical functions made strong progress toward business transformation. Total Force Personnel Services Delivery (PSD) was launched successfully in March 2006, providing our Airmen with ever-increasing access to information and services around the clock while reducing the number of personnel specialists required to deliver the service. Our logistics community prototyped an Item Unique Identification (IUID) plan and implemented it across several thousand items, directly supporting DoD Materiel Visibility and Financial Visibility Enterprise Priorities.

In FY06, we stood up and achieved initial operational capability for our financial management Center of Expertise (COE). The COE provides key analytical support including cost estimating, economic and business case analysis, and specialized financial analysis to major commands, base, and installation decision makers. It capitalizes on centralized experts, information technology, and a continuous emphasis on cutting edge databases and analytical tools to economically remedy a widely recognized and critical

skill and resource gap out at our operational commands. The COE works on the concept of a few highly qualified experts, with the right tools, serving as part time consultants providing specialized, on-call analytical decision support -- without the expense and inefficiency associated with remote locations trying to build and sustain this unique capability. The COE has already logged a number of success stories and saved scarce Air Force resources. We are thrilled about the opportunity to apply this financial management best practice and look forward to full operational capability in FY08.

But the COE is only one of our first successful transformations. We are making changes equally as dramatic in all areas of Air Force Financial Management – particularly important is our new Air Force Financial Service Center (AFFSC) at Ellsworth Air Force Base in South Dakota. The AFFSC consolidates all of our ‘back office’ transaction processing and routine military pay and travel pay queries to one location, uniting work now performed at 93 separate locations and again reducing the number of specialists required to provide the worldwide 24x7 customer service our Air Force requires and our people deserve. This consolidation saves the Air Force more than \$200 million over ten years as well as 598 Financial Management manpower spaces, which can in turn be used elsewhere by the Service.

Though the AFFSC allows for a drastic reduction in the number of customers we see face-to-face for pay issues and represents a huge transformation in the way we provide customer service, we will not abandon our people when a personal touch is required. Face-to-face customer service will still be available at our Air Force bases around the world so that our people can get the financial services they need in a manner that works best for them.

Yet another example that defines our financial management vision of the future is a hand-portable, easy to use electronic device called the E-44 that is truly transformational. By harnessing the power of science and information technology while keeping the focus on the safety and security of our people, the concept of the E-44 was born. The E-44 replaces the older labor and paper-intensive Standard Form 44, used for purchase and contracting. Today's E-44 was developed by our financial experts in collaboration with OSD's Joint Program Office. In fact, the latest model is about the size of a small Personal Digital Assistant (PDA), can store 200 contracts, has a built in camera, and allows our deployed financial managers to do things like access secure vendor lists quickly and reliably and to communicate with suppliers in six different languages (English, Arabic, German, Spanish, Russian, and French). Not only does this system reduce organizational burdens, but more importantly, it decreases the exposure time of troops to potentially dangerous environments wherever our forces may be operating.

The Joint Services One Stop Kiosk is another unique project enabled by technology and is also the direct result of joint and industry cooperation. It is a commercial-off-the-shelf system that makes the lives of our DoD, military, civilian, retired, and active duty personnel (particularly those traveling or without easy access to computer workstations) a whole lot easier when it comes to accessing their financial records and other personnel information when they don't have access to a desktop computer. Our first Air Force kiosk was installed at Keesler Air Force Base for our students who did not have access to personal computers. The units are being installed in

billeting and other organizations worldwide. Locally, kiosks can also be found at places like the Honor Guard dorms at Bolling Air Force Base as well as within the Pentagon.

We are also having success in our evolution to a greater degree of transparency of financial systems. In fact, just last week we delivered to the Secretary of the Air Force's desktop computer an application called the FM Suite Dashboard which provides web enabled visibility of financial metrics such as funds execution, interest penalties, and government travel card delinquency just to name a few. This application draws its information from several databases maintained inside and outside the Air Force and will be installed on the computers of those in the Air Force who make resourcing decisions and require the most current financial execution data. This brings a tremendous paradigm shift to the level of transparency under which we will operate and makes those who spend dollars more accountable for their resource decisions.

As we continue to have these types of successes in the field, we have been able to shut down 16 of 21 legacy systems affecting numerous Air Force functional organizations scheduled for elimination through FY06. We have 23 more systems scheduled for shutdown in FY07. The Air Force CIO office tracks the status of these projects on a monthly basis. The combination of this careful focus on investments and new business practices will create better information for decision makers while eliminating stovepiped and redundant systems and tracking shutdown and migration of over 500 systems.

Air Force Priorities and Critical Milestones, FY07

All nine Air Force priorities are described in detail in the separate Enterprise Transition Plan, in Fiscal Year 07, however we will maintain a focus on:

1) Global Synchronization of the supply chain (people, materiel and installations) and integration with operations. Critical Milestones include the blueprinting of first-priority Expeditionary Combat Support System (ECSS) modules, Full Operating Capability for Enterprise Environmental Safety and Occupational Health (EESOH), and fielding of the Enhanced Technical Information Management System (ETIMS).

2) Delivery of Commanders' resource management capability versus low value-added transactional activity. Critical Milestones include deployment of the Personnel Services Delivery (PSD) initiative's Force Development Tool Kit to Active Duty Officers and a role-based access/electronic viewer for military personnel records, as modules of the virtual Personnel Services Center (vPSC).

Details of other near-term plans are laid out in the ETP for each of our major domains and for our critical enabling activities, including the AFSO21 and Transparency initiatives.

ASD (NII) Coordination and Input

The Air Force is working in close cooperation with the Office of the Assistant Secretary of Defense Networks and Information Integration (OASD (NII)) in those areas crucial to the future of Department networks and business applications. For example, the Air Force and the office of the OASD (NII) are working on a Department-wide approach

to metadata generation, leveraging lessons learned from a recent Joint Air Force, Army, Navy and Marine Corps effort using test facilities at Joint Forces Command. Lessons from this Joint collaboration are being used to redirect data efforts across the DoD.

It is critical for organizations that deal with the Global Information Grid (GIG) and component infrastructure to coordinate future plans, especially when lack of doing so will cause major disruptions to large scale Enterprise Resource Programs (ERPs). Synchronization of infrastructure with systems is difficult across an organization as large as the DoD enterprise. As a result, we have recently been discussing how to move in a more agile, federated fashion with infrastructure upgrades that allow us to keep these efforts on track. We encourage additional discussion on these issues within the DBSMC and recommend that OSD/NII adopt the DoD BTA's model of tiered accountability aligned to a well understood architecture, working through the Components to help solve related issues.

DoD's Approach to ERPs

We believe we have adopted an approach to ERP implementation that will allow success. In general, the DoD is not implementing a single instance of an ERP that spans the entire DoD enterprise. Benchmarking with large corporations indicates that such a monolithic approach would be unsuccessful. Instead, each of the Components has analyzed the effectiveness of ERP systems in its operations, and has recommended slightly different approaches. As a result, there is no single ERP adoption model. The Air Force recognizes the risks associated with moving away from the current IT environment based on hundreds of stovepiped and interconnected information systems, and is monitoring closely the successes and difficulties of ERP implementations in government

and in the private sector. We have reduced ERP fielding risks to the lowest possible level through senior leadership governance and direction, a unified well articulated enterprise vision, use of enterprise architecture, process re-engineering with enterprise goals in mind, a well thought out change management strategy and use of pilot programs to prove, and when necessary, modify processes. Finally, accounting for legacy systems that must be phased out over time, incremental and synchronized ERP fielding across the Air Force, will reduce risk as we move forward. We obtained benchmark information from major ERP users and are paying particular attention to our breadth of scope and integration with the legacy systems. We believe that these measures, combined with strong program management and oversight, will enable the Air Force to successfully implement our planned ERPs.

The Air Force is pursuing two ERP efforts with different scopes. The Enterprise Combat Support System (ECSS) focuses on supply chain and logistics support functions such as material management, product data management, configuration and bill of materials, advanced planning and scheduling, customer relationship management, order management, quality control, distribution and transportation, repair and maintenance, budgeting, facilities management, document management, and decision support. ECSS will replace over 400 systems and applications, enable worldwide total asset visibility, and support global synchronization of the supply chain and integration with operations. Work on the ECSS started in early 2003, building a transformation strategy, creating the needed enterprise architecture to guide transformation, implementing a change management program, and designing a process to capture and understand the current information system and data environment. We have established integrated product teams

to facilitate logistics and financial process and information integration between our major ERPs.

Our second effort, the Defense Enterprise Accounting Management System (DEAMS), will handle financial management, including general ledger, requirements initiation and fund control, cost and revenue, budget, accounts receivable, accounts payable, plant, property and equipment. DEAMS will replace current systems supporting both Transportation Working Capital Fund (TWCF) and general funds including the General Accounting and Fund System (GAFS), Integrated Accounts Payable System (IAPS), Automated Business Services System (ABSS), and Airlift Services Industrial Fund Integrated Computer System (ASIFICS). DEAMS will deliver accurate, reliable, and timely financial information for decision makers, incorporating industry leading best practices and supporting Chief Financial Officer Act Compliance within the Air Force. This ERP, although broad in applicability, has a focused financial management scope (General Ledger and associated applications) and will not handle many of the transactional processes performed in logistics and personnel systems. The re-engineering of financial processes, involving an in-depth review of the financial service delivery model, is also preceding the system implementation.

Additionally, the Air Force will leverage the large-scale Global Combat Support System – Air Force (GCSS-AF) infrastructure to host the ERPs and interconnect systems. We have also created an integrator unit within the Air Force Materiel Command, which is specifically charged with managing the interoperability of our ERPs between themselves and with the legacy systems. The implementation of a service-oriented architecture that

allows the net-centric exchange of information between various systems will further reduce the quantity of point-to-point interfaces.

Air Force Financial Audits

We wholeheartedly concur with the committee that the most effective way to address the Air Force's financial management issues is to focus our efforts on our core business systems and processes as embodied in section 313, S.2766, the John Warner National Defense Authorization Act for Fiscal Year 2007. This focus is embodied in the DoD Financial Improvement and Audit Readiness (FIAR) Plan, a key component of which is the Air Force Information Reliability and Integration (AFIR&I) Plan. The AFIR&I Plan is the Air Force's roadmap toward financial transparency and details our ongoing commitment to ensuring the absolute highest level of stewardship of the taxpayers' investments in the Air Force. Our financial improvement activities related to the preparation, processing, or auditing of financial statements are included as part of this plan and are designed to produce sustained improvements in our ability to deliver accurate, timely, reliable, and complete financial management information.

Major Automated Information System (MAIS) Reporting Requirements

We think the requirements of section 804, S.2766, the John Warner National Defense Authorization Act for Fiscal Year 2007 are a positive step in putting more discipline in the process; MAIS implementation throughout the Air Force is critical for the automation and integration of our business processes. It will provide consistent and timely information for decision-making and performance measurement. MAIS will provide access to data in a near real-time environment and allow the Air Force to make official decisions from current, relevant information.

The Air Force has established its own defined and repeatable process, with detailed reviews of the modernization efforts occurring at several management levels. All systems with modernization funding in excess of \$1 million over the FYDP require certification and approval by OSD. Air Force MAIS systems categorized as business systems are reviewed under this process. Each of these business systems (MAIS and non-MAIS) undergo a follow-up review annually whereby cost, schedule, and performance are evaluated for continued funding. Systems that fail to perform within set criteria are required to present risk mitigation plans to a senior executive working group or face possible prohibition on future modernization funding. A process is being developed whereby all defense business systems will be reviewed on an annual basis, whether they are modernizing or only sustaining capabilities.

Consistent with OSD direction the Air Force will revise its procedures to ensure MAIS programs are reviewed quarterly with findings reported to the designated authority in a manner similar to that being utilized on Major Defense Acquisition Programs (MDAPs) in the Selected Acquisition Report (SAR).

Use of Highly Qualified Experts

The Air Force embraces the use of the Highly Qualified Experts (HQEs) hiring vehicle per OSD guidance entitled "Employment of Highly Qualified Experts" dated 27 Jun 06, and appreciates the authority given by Congress to pursue such hires. The Air Force has hired seven HQEs so far. Four of these HQEs are currently serving and three have left the government at the completion of the projects for which they were hired. The AF is investigating the hiring of two more at this time.

The guidance for hiring HQEs is controlled by the Air Force Executive Resources Board (AF ERB). The AF ERB has never turned down a valid application for an HQE hire, nor has the ERB added further guidance above or beyond what is found in the June 06 OSD Memorandum. Since the OSD Memorandum does not dictate how HQEs should be evaluated or rewarded, the AF ERB performs due diligence on this process for the Secretary of the Air Force.

Conclusion

I want to close, Mister Chairman, by thanking you and members of this committee, on behalf of the Secretary and Chief of Staff, for your continued support of our Airmen and their families in so many areas, particularly by providing them what they need to fight the Global War on Terror and defend our great nation.

I assure you that the people of the United States can count on their Air Force Financial Managers, working together with our colleagues throughout the Department of Defense to provide reliable, timely, and accurate financial and management information and analysis to enhance decision-making and customer service throughout the Air Force.

As financial managers, we understand that Joint operations are not the exclusive domain of the battlefield. We must remain ready to tackle the ever-changing budget realities of a fiscally constrained environment and a vast array of unexpected events, especially those brought on by the Global War on Terror, and disasters – man made or natural – whether at home or abroad. Public money is truly a public trust and we are grateful to serve as Air Force stewards.

I would like to conclude today by thanking the Armed Services Committee for your support during this important business transformation. We are proud to stand by your side in support of our nation at war.