

STATEMENT BY
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Emerging Threats and Capabilities
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HONORABLE ELIZABETH A. MCGRATH
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SUBMITTED STATEMENT
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON EMERGING THREATS AND CAPABILITIES
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Mr. Chairman, Congressman Langevin, members of the Subcommittee:

Thank you for the opportunity to discuss the Department of Defense's efforts to improve its business operations and, specifically, its acquisition and management of business Information Technology (IT) systems. As the Department of Defense Deputy Chief Management Officer, I am the Deputy Secretary of Defense's primary agent for integrating and improving our critical business operations. I am responsible for creating a framework to define clear business goals, create meaningful performance measures and align activities via established and repeatable processes. The purpose of DoD's overarching management agenda, and the focus of the work undertaken by my office, is creation of an effective, agile and innovative business environment that is fiscally responsible. There are a number of on-going efforts that are crucial to achieving this agenda, and today, I would like to highlight not only our IT acquisition reform efforts and other business IT initiatives, but also some successful, cross-agency management efforts that are well underway.

End-to-End Defense Business Operations

We have embarked upon, for the first time ever, a significant initiative to optimize the "end-to-end" business processes used throughout the Department. Fundamentally, the Department's business IT systems are essential **enablers of a broader set of integrated business operations**, rather than ends unto themselves. Too often, there is an inclination to jump straight to a material solution to solve a business problem without first thinking about the

problem holistically. Taking a more comprehensive view of the business environment requires us to think differently. **We must approach our business as a cross-functional, integrated enterprise** comprised of a series of end-to-end processes, rather than individual stove-piped organizations performing specific and oftentimes disconnected business functions. For example, paying our Service members on-time is a shared responsibility among numerous members of our enterprise; including human resources and financial professionals. Additionally, it is not an issue that can be addressed solely through new IT systems; but instead requires reform of our processes, governance, and policies. Similarly, achieving financial auditability within DoD is a shared responsibility across multiple business domains (e.g., contracting, real property and supply chain), not just the financial management community.

To establish a framework for thinking about our business in this way, we identified 15 essential end-to-end processes, such as Hire-to-Retire and Procure-to-Pay. These end-to-end processes are represented in our Strategic Management Plan and Business Enterprise Architecture, and our senior governance bodies have embraced and are managing within the end-to-end construct to identify the sub-processes, systems, data standards, performance measures and laws, regulations, and policies necessary to improve our business and drive better IT implementations. This more holistic understanding of our business will allow us to make more informed Enterprise-wide decisions. It will also allow us to make targeted investments in business IT capabilities and ensure those investments are interoperable, efficient and non-duplicative - regardless of whether those investments are Enterprise or component systems, Enterprise Resource Planning (ERP) systems or distributed services.

We have already made progress in this area, by focusing on process improvement first, and then ensuring the right tools and governance structures are in place. Our Business Enterprise

Architecture is maturing and serves as a tool that guides our investment decisions as well as aligning the Department to common standards and approaches. Our investment management process, from our Invest Review Boards to the Defense Business System Management Committee (DBSMC) provide us the ability to ensure planned investments fit the target environment, align to the architecture and have successfully undertaken business process reengineering. These efforts, coupled with our on-going work to reform acquisition of information capabilities is delivering better results for the business operations our Warfighters depend upon.

A key critical enabler to the integrated approach of our significant transformation opportunities is integrated and effective governance. The DBSMC is the corporate governance board for our business operations and establishes goals, processes, policies and management practices that enable efficient and effective business outcomes. The DBSMC endorses the integrated end-to-end approach that will serve as a catalyst for change. Additionally, there are subordinate governance bodies focused on specific business areas that understand the importance of thinking through our business using an end-to-end lens. For example, the Financial Improvement and Audit Readiness Governance Board, co-chaired by the Department's Comptroller and myself, oversees progress toward achieving financial auditability and will use end-to-end processes to understand the non-financial aspects of our business that must change in order to reach our stated audit goals. The Investment Review Boards will use the end-to-end construct to guide business related IT investments versus making investments in stove-piped capabilities that sub-optimize the overall business objectives of the Enterprise.

Though these planning activities are critical to sustained long term success, they are not enough. I have charged the business mission area of the Department to use the end-to-end

framework as a reference for rationalizing our current business IT investments. We are starting with the end-to-end process for Procure-to-Pay and using a multi-phased approach to evaluate our existing portfolio to determine which investments fit best with our business strategy and which investments to brown out or sunset.

IT Acquisition Reform

While an integrated end-to-end focus and strong governance are critical to success, a new approach to organizing our business is not enough. We must change our approach to acquiring information capabilities. There has been no shortage of studies and reports, including one by this Committee last year, that concluded the Department's method for acquiring IT systems takes too long, costs too much, and does not always deliver the desired capability to users. Steps are being taken to address these problems.

Section 804 of the Fiscal Year (FY) 2010 National Defense Authorization Act directed DoD to develop and implement a new acquisition process for IT systems that included greater user involvement, incremental capability releases and improved governance. In response to this requirement, the Department established an IT Acquisition Task Force. The Task Force, chaired by me, includes extensive participation from across the Department and is regularly engaged with key stakeholders within DoD and industry, to identify and deliver significant reforms. The IT Task Force is charged with addressing the unique challenges associated with the different types of IT the Department relies on – warfighting systems, infrastructure, communications and command and control systems and defense business systems.

The guiding principles adopted by the IT Task Force incorporate several recommendations from the Defense Science Board Report and include:

- Deliver Early and Often, with Delivery of Capability in 12 to 18 months
- Incremental and Iterative Development and Testing
- Rationalized Requirements
- Tailored and Flexible Processes
- Knowledgeable and Experienced IT Workforce

These principles, as well as the approach the Department is taking, are outlined in more detail in the November 2010 Report, “A New Approach for Delivering Information Technology Capabilities in the Department of Defense,” submitted to Congress last year. As stated in the report, we have formed a number of working groups to address specific elements of the acquisition process, including governance, requirements, portfolio management, contracting, funding, acquisition process, testing, workforce, architecture and metrics. Areas we are addressing include but are not limited to: establishing a robust set of metrics that include leading indicators to assess overall health of a program; combining certification and accreditation with traditional test and evaluation activities; and assessing contracting strategies that enable more modular delivery of capability. Recommendations from our work groups are being reviewed by members of the IT Task Force and consolidated into a draft policy that we expect will be promulgated this summer. The Department is using a pilot-based approach to validate the new policy and will modify it as necessary based on lessons learned prior to final issuance.

Defense Business System IT -- Acquisition Reform Efforts Underway

While I support our longer term strategic acquisition reform initiatives, I think it’s important to test these changes to business system acquisitions to ensure our proposed policies and approaches are working. On November 15, 2010, the Under Secretary of Defense for Acquisition,

Technology and Logistics (USD(AT&L)) signed a new acquisition policy for defense business systems, the Business Capability Lifecycle or BCL. BCL provides a streamlined framework for structuring definition, development, testing, production, deployment and support of defense business IT systems. It consolidates oversight requirements (i.e., funding, requirements and acquisition) into one integrated structure, the Investment Review Board, while streamlining documentation requirements. The principle focus of BCL is program implementation.

Using BCL and the tenets of IT reform as a reference point we challenged the Air Force to propose an acquisition approach that would deliver capabilities for the Defense Enterprise Accounting and Management System (DEAMS) in 18 month increments. DEAMS is a financial management initiative that will transform business and financial management processes and systems to provide accurate, reliable and timely business information in support of effective business decision making for the Air Force and U.S. Transportation Command. DEAMS recently completed a technology demonstration and is positioned to be deployed throughout the Air Force. Originally, DEAMS was structured as a traditional weapons system acquisition and as such the program office proposed a schedule that would deliver DEAMS capability to the Air Force no later than 2017, with an initial DEAMS release in 2014. This schedule did not meet Air Force goals to achieve auditable financial statements.

The program office, in close coordination with its functional sponsor and the Air Force Deputy Chief Management Officer, initiated a requirements validation effort and reordered program priorities to leverage completed development activities. Using these reordered priorities, the program office proposed a streamlined acquisition approach with the potential to field initial DEAMS capability as soon as 2012 and full DEAMS capability by 2015, two years earlier than previously projected. DEAMS presented their approach to me as the Milestone

Decision Authority via the Investment Review Board process and I approved their strategy and asked the program office to propose an acquisition strategy consistent with the proposed accelerated approach.

Cross-Agency Reform Efforts

The following two examples highlight business IT efforts that embrace our end-to-end approach and the tenets of IT acquisition reform: our efforts in Electronic Health Records (EHR) and security clearance reform.

To successfully address today's challenges, **we must approach our business as a cross-functional, integrated enterprise.** We have discovered that sometimes we must also approach business as a cross-agency undertaking. While this requires engaged senior-level participation from across the government, the results are greatly encouraging. The following two examples of work being led by my office illustrate what will and can be done when we reform business operations across agencies.

In the field of health IT, DoD and the Department of Veterans Affairs (VA) have committed to a full and seamless electronic exchange and record portability of healthcare information in a secure and private format, wherever needed, to ensure the highest quality and effective delivery of healthcare services for our Military Service members and Veterans, from their accession into Service and throughout the rest of their lives. To this end, the Departments are collaborating on a common framework and approach to modernize our Electronic Health Record (EHR) applications. On March 17th, the Secretary of Defense and Secretary of Veterans Affairs affirmed we will continue to synchronize our EHR planning activities to accommodate

the rapid evolution of healthcare practices and data sharing needs, and to speed fielding of new capabilities. The Departments have already identified many synergies and common business processes, including common data standards and data center consolidation, common clinical applications and a common user interface.

In the area of personnel security clearances the Department, led by my office, invested significant effort on improvement of personnel security clearance processes, both within the Department and as part of an integrated federal reform effort. In 2005, the Government Accountability Office (GAO) placed the Department of Defense Personnel Security Clearance Program on its High Risk List due to serious timeliness issues, which included extensive backlogs and significant delays in the clearance process. Each year since then, we have taken proactive steps and made incremental improvements. This included direct leadership engagement, sufficient resources to resolve risk, a corrective action plan, presence of a program to monitor and independently validate effectiveness and sustainability of corrective actions and the ability to demonstrate implementation of corrective measures.

The work required a concerted, long term effort by DoD, the Office of the Director of National Intelligence, the Office of Personnel Management and the Office of Management and Budget, but results have been truly noteworthy. As a point of reference, the executive branch in Fiscal Year 2006 averaged 165 days to complete a security clearance investigation. The bulk of those actions can be attributed to DoD, which accounts for approximately 87 percent of that workload. As of the fourth quarter of FY 2010, 90 percent of investigations and adjudications for DoD were completed in an average of only 47 days. This performance is attributable to a thorough assessment of the end-to-end process and the development and deployment of our automated Case Adjudication and Tracking System (CATS). CATS eliminated unnecessary

caseworker intervention in over 70,000 cases last year alone, and was a key factor in reducing clearance adjudication time from over 70 days in FY 2009 to an average of 9 days in the fourth quarter of FY 2010. Begun as an Army IT pilot, CATS is now Web-based and used DoD-wide. It will soon be adopted as a Web service by other agencies, including the Department of Energy. The progress made in security clearance processing was so significant that, in February this year, the issue was removed from the GAO High Risk List.

Closing

In closing, the Department is committed to improving management and acquisition of IT systems and as well as its overall business operations. These issues receive significant management attention and are a key part of our overarching strategy to build better business processes that will create lasting results our men and women in uniform need, and that you and our taxpayers expect. I look forward to continuing our work with this Committee in the months and years ahead as we work toward greater efficiency, increased effectiveness and further agility in the business space of the Department, enabled by modern, interoperable IT capabilities.

I look forward to your questions.