Statement

Of

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Chairman Tierney ... Ranking Member Flake ... Members of the Committee ... thank you for the opportunity to participate in this hearing and for your support of America's Armed Forces.

I am here today representing the Office of the Comptroller and the annual budget process of the Department of Defense. The budgets we develop for Congressional consideration each year include the amounts requested for acquisitions. As a result, our office has considerable interest in acquisition reform, which is the subject of today's hearing.

We are presently executing the FY 2010 budget, working with Congress on the FY 2011 request, and preparing a budget for Fiscal Year 2012.

As we proceed, we have been directed by Secretary Gates to take an "unsparing look" at how the Department operates. In a recent speech, the Secretary explained: "The goal is to cut overhead costs and to transfer those savings to force structure and modernization within the programmed budget. In other words, to convert sufficient 'tail' to 'tooth' to provide the equivalent of ... roughly two-to-three percent real growth – resources needed to sustain our combat power at a time of war and make investments to prepare for an uncertain future."

This policy builds on the progress that has been made over the past couple of years, including initiatives with a significant impact on Defense spending:

First, it builds on the Department's progress in acquisition reform, including creation of the Office of Cost Assessment and Program Evaluation -- or CAPE – as well as implementation of the Defense Acquisition Workforce Development Fund. Through March 31st of this year, almost half of the amount appropriated for DAWDF – nearly $400 million -- has been obligated, and 3,200 new DAWDF-funded employees have been brought on board. This is a critical first step in strengthening the in-house acquisition work force. Hiring projections for the remainder of FY 2010 are on track to meet the Department's targets. The FY 2011 budget request includes another $218 million for the DAWDF.

Acquisition workforce development is part of a much larger effort to reduce the Department's reliance on contractors by in-sourcing what is considered to be essential government work. The goal is to reduce contractors from the recent high of 39 percent of the DoD workforce, to 26 percent, the level that existed before 2001.

Second, in addition to the Department's progress in acquisition reform, the budget request for FY 2011 takes account of the savings generated by cancelling programs that were deemed under-performing or over-budget. The Secretary has clearly demonstrated his commitment to making difficult choices on acquisition programs, including an unprecedented number of program cancellations in the FY 2010 budget. Among them were the VH-71 Presidential helicopter, the F-22, and the Army's Future Combat Systems ground vehicle program. Further cancellations recommended for FY 2011 include the alternate engine for the F-35; additional acquisitions of the C-17; the Next Generation Cruiser (CG-X); a new Navy Intelligence Aircraft (EP-X); and DIMHRS, the Defense Integrated Military Human Resources System, which failed to live up to expectations.

Lastly, the Secretary's guidance to DoD budgeteers follows several years of significant progress in financial management, especially in the areas of financial information and audit readiness. Several of our Defense agencies now maintain auditable statements. Two large trust funds managed by DoD have either qualified or unqualified opinions. The Marine Corps has asserted audit readiness for their FY 2010 Statement of Budgetary Resources, and an audit is currently underway. The dollar value of those elements of Defense currently either auditable or under audit is greater than that of 10 of the current CFO agencies, though there is still much more to accomplish.

In addition, the Department has introduced a change of emphasis that reinforces the fact that a financial audit is really an enterprise initiative. We are now concentrating on the kinds of budgetary information DoD managers use every day – specifically budgetary information and existence and completeness of assets. A stronger, better controlled business environment will produce both improved quality and more transparent financial information. We appreciate the support of the Congress for this new approach, and we have pledged to keep you apprised of our progress through semi-annual reports on financial improvement and audit readiness.

Mr. Chairman, this concludes my opening statement. I welcome your questions concerning the budgetary aspects of the acquisition program.