

**STATEMENT BY**

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**UNITED STATES ARMY**

**BEFORE THE**

**COMMITTEE ON ARMED SERVICES**

**DEFENSE FINANCIAL MANAGEMENT AND AUDITABILITY REFORM PANEL**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**FIRST SESSION, 112TH CONGRESS**

**ON ORGANIZATIONAL CHALLENGES IN ACHIEVING SOUND FINANCIAL MANAGEMENT AND**

**AUDIT READINESS**

**SEPTEMBER 15, 2011**

**NOT FOR PUBLICATION**

**UNTIL RELEASED BY THE**

**COMMITTEE ON ARMED SERVICES**

Chairman Conaway, Ranking Member Andrews and members of the panel, thank you for the inviting me to appear before the panel. I appreciate the opportunity to discuss the importance of auditability and accountability as part of U.S. Army logistics operations. At the outset, let me state that we appreciate your continuous support of Soldiers, Civilians and their Families. As the current Army Deputy Chief of Staff, G-4, I am responsible for the policies and budget requests related to sustaining, preparing, resetting, and transforming the Army in support of full spectrum operations. In the FY 2012 President's Budget, the Army requested \$5.7 billion for; engineering and sustainment support to fielded weapons systems; global transportation of supplies, demilitarization, storage and safety of chemical and conventional ammunition stockpiles, support to automation in support of the logistics business infrastructure to sustain the Army, funding for Army Prepositioned Stocks and Depot Maintenance.

**Importance of Auditability:**

I applaud this panel's efforts to examine the financial management systems of the Department of Defense and possible ways to improve its financial management and audit readiness effort. While we still have a lot of work to do in order to meet our goal by 2017, as an Army logistician, I am encouraged by the progress we have made to date. Specifically, we have laid some of the ground work for a successful audit of logistics processes through our work to improve accountability over all the Army's capital equipment; this effort is instrumental in demonstrating both existence and completeness of the equipment accounts recorded in our financial and logistics data bases.

We are also nearly ready to implement the Global Combat Support System-Army (GCSS-Army), an SAP Enterprise Resource Planning (ERP) program, which links logistics transactions, such as the acquisition of capital property, the performance of maintenance work orders and the receipt, storage

and issue of supplies, to their financial consequences at the transaction level. This is a first for our Army and, I believe, a key cornerstone in establishing auditable and repeatable business processes.

My staff is working closely with the Assistant Secretary of the Army (Financial Management and Comptroller)'s staff to ensure our logistics and asset management processes, including GCSS-Army and other systems, adhere to appropriate federal accounting and systems regulations to support financial statement audits. By implementing a compliant logistics system that integrates seamlessly with the financial system, in addition to confirming our policies and processes meet audit standards, our logisticians only have to focus on executing their work according to established policy to directly support the Army's auditability efforts. Together, these efforts both support the Army's plan to achieve audit readiness, and they help the Army to be better stewards of hard earned taxpayers' dollars.

### **Army Campaign on Property Accountability**

Property Accountability is the foundation of good stewardship and a top priority of the Army's leadership. Accurate property accountability enables the Army to make prudent use of its resources.

Under an execution order signed by the Chief of Staff of the Army, the Army launched a Property Accountability Campaign on July 9, 2010. This is an enduring campaign to inculcate a culture of stewardship and supply discipline after ten long years at war.

It is, of course, quite a challenge to maintain property accountability of Army-owned equipment for an expeditionary Army in an era of persistent conflict. Accountability requires senior leader participation and oversight at every command level, uses the Army inspection and audit agencies to ensure

compliance, and requires recurring command progress reports. From the beginning of the campaign through the third quarter of FY 2011, the Army has brought considerable amount of equipment to record, most of which is being redistributed to fill Army shortages, thus negating the need to purchase more equipment for these shortfalls.

The Campaign also mandates all Army Commands, Army Service Component Commands and Direct Supporting Units establish programs that emphasize care and oversight for property recovery, redistribution, inspections and training initiatives – reinforcing Army internal control processes already codified in policy. We have ensured that property accountability is taught at all officer advanced courses in order to reinforce a culture of responsible property management early in an officer's career. Through the efforts of the Campaign, the Army authorized and assigned senior Chief Warrant Officers to division and corps logistics staffs. These experienced Warrant Officers provide oversight, training and mentorship to both commanders and unit supply personnel. This action reinforced emphasis on mentoring and training junior leaders in property accountability and supply discipline. The U.S. Training and Doctrine Command continues to review the Officer and Non-commissioned Officer Education System to ensure that junior leaders are trained on the basics of responsible property accountability. Army units report an increase in property accountability Training/Mentoring Events, and there has been significant increase in command supply discipline inspections conducted across the Army.

In summary, our campaign to improve our property accountability knowledge, processes, systems, and data, directly supports the Army's efforts to meet the Congressional and the Under Secretary of Defense (Comptroller)-directed interim milestone of demonstrating existence and completeness of mission critical assets, and the ultimate goal of auditable financial statements by FY 2017.

## **Current Logistics Systems:**

While the Army has made progress in tightening up property accountability, it remains challenged by the fact that our legacy Standard Army Management Information Systems (STAMIS) for logistics are stand-alone, functional stovepipes that are not financially auditable and do not take advantage of current, commercially designed business Information Technology capabilities. Our current tactical logistics systems are made up of over 40,000 separate instances of legacy custom coded software and databases that are expensive to maintain and do not give us the accurate common operating picture or real time asset visibility.

## **Two Major Logistics Enterprise Resource Planning (ERP) Programs**

The Army is replacing our current logistics systems with two major logistics ERPs are the Logistics Modernization Program (LMP) and the Global Combat Support System-Army (GCSS-Army), both of which are SAP-based.

LMP is the Army's Wholesale (National) logistics system now deployed throughout the Army Materiel Command, and at the Army's depots and arsenals, to over 25,000 users. LMP is a logistics system but it is also the financial system of record for Army Working Capital Funds. This program, which has been fully fielded since October 2010, replaced multiple instances of two 1960 and 1970 vintage information technology systems. LMP supports the Army Materiel Command and Defense Finance and Accounting Services by providing improved data and reports to Item Managers and Depot and Arsenal Commanders. LMP is helping the Army to more accurately capture the data associated with a \$22 billion inventory and \$2 million in daily transactions.

The Global Combat Support System-Army (GCSS-Army) is a web-based business system which supports tactical level logistics. Once fully fielded, GCSS-Army will provide users real time data and will replace several tactical level STAMIS: Standard Army Retail Supply System (SARSS); Standard Army Ammunition System (SAAS); Standard Army Maintenance System-Enhanced (SAMS-E); Unit Level Logistics System-Aviation (ULLS-A); and Property Book Unit Supply Enhanced (PBUSE). GCSS-Army is currently fully deployed at the 11<sup>th</sup> Armored Cavalry Regiment (National Training Center) at Fort Irwin, California, and the Army is pleased that this program recently achieved Milestone C on August 9, 2011, providing approval to conduct Initial Operational Test and Evaluation (IOTE) at Fort Bliss, Texas in October. The program continues to maintain cost and schedule within the established Acquisition Program Baseline. After a successful IOTE, the Army will begin fielding GCSS-Army in the summer of 2012 to all tactical and installation sites -- Active, National Guard and Reserve -- a total of 160,000 users and 40,000 instances. GCSS-Army is a good business decision; the enterprise view it provides is estimated to generate over \$8 billion in net savings between 2017 and 2027, and it will provide increased accountability of Army assets, link logistics processes to financial outcomes, and provide better information for business decisions – and it is essential to meeting our auditability goals.

To ensure we meet our auditability goals, the ASA(FM&C) is providing the resources, guidance, and assessments to ensure GCSS-Army complies with federal financial systems requirements, integrates seamlessly with the General Fund Enterprise Business System (also SAP-based), and ultimately supports our audit readiness milestones, including the General Fund Statement of Budgetary Resources assertion in FY 2015, and all financial statements in FY 2017.

Together, LMP and GCSS-Army make up what we call our "Single Army Logistics Enterprise (SALE)," which will address the challenges of legacy logistics systems by providing an integrated,

accessible view of logistics data. The SALE is a solution that will provide Commanders with immediate logistics readiness status and timely, accurate, integrated and near real time information. The SALE will also help the Army to achieve financial auditability by integrating financial data as part of end-to-end logistics business processes using LMP and GCSS-Army as the logistics and financial systems of record. With these systems, Army will finally be able to accurately and immediately track logistics operations costs and provide transparency of logistics operations. Army leaders will have more confidence in their data, and that will help them to make more informed decisions, thereby reducing waste and thus saving the taxpayer money.

**Closing:**

Chairman Conaway, Ranking Member Andrews, and other Members of the panel, thank you again for the opportunity to testify today. The Army is working hard to address its challenges of property accountability and to achieve financial auditability. Our Property Accountability Campaign has yielded positive results, but the Army must maintain its commitment to these efforts and successfully implement GCSS-Army . Through these efforts, the Army will achieve increased accountability of its assets and financial transparency of logistics processes. I look forward to your questions.

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