

Statement of
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Panel on Defense Financial Management
and Auditability Reform

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Chairman Conaway, Congressman Andrews, members of the Panel, thank you for the opportunity to testify today regarding the Army's efforts to implement its Enterprise Resource Planning (ERP) systems. This is an important topic in the ongoing discussions with regard to the efforts of the Department of Defense to achieve auditability by FY 2017, and I am honored to have the opportunity to represent the Army before your panel. Your Army senior leadership: the Secretary of the Army, the Chief of Staff Army, the Undersecretary of the Army serving as the Chief Management Officer (CMO) and I, remain committed to improving the Army's business systems that facilitate the financial processes and controls to assist in meeting the auditability requirements as mandated in law. In a period of declining budgets, efficient and effective use of our resources is paramount. Good stewardship of our Nation's resources is not negotiable.

The Assistant Secretary of the Army for Financial Management and Comptroller, the Honorable Dr. Mary Sally Matiella testified before this distinguished panel in September and reported that the Department of the Army would be audit ready by September 2017. I, too, believe the Army will meet that requirement by leveraging our business management forums to ensure that our Army ERP and supporting systems will support auditable business processes. The key leaders within the Department understand the necessity of this goal and are committed to reaching it on schedule. We are working with the offices of the Under Secretary of Defense (Comptroller) and the Department of Defense Deputy Chief Management Officer to clearly identify, communicate, and account for any adjustments we must make to meet Secretary Panetta's recent directive to have an auditable Statement of Budgetary Resources

(SBR) by FY 2014. Currently, we are in the 60-day period that Secretary Panetta directed we use to adjust our plans toward audit readiness.

Standardized processes, effective internal controls, and auditable, U.S. Standard General Ledger-compliant business systems will assist in achieving auditability. Having financially compliant systems with integrated automated controls is key to having Army business processes that reduce or mitigate financial risks. The Army Financial Improvement Plan (FIP) and Business Systems Information Technology (BSIT) Strategy complement each other to achieve this goal. A primary goal of the Army BSIT Strategy is supporting auditable financial statements. The Army FIP supports and synchronizes the deployments of ERPs by requiring independent financial audits of the Army's ERP systems as they are implemented.

The Army FIP is the Army's roadmap to achieving and sustaining a business environment that publishes auditable financial statements. The FIP aligns with the Office of the Under Secretary Defense (Comptroller) Financial Improvement Audit Readiness (FIAR) Guidance and documents the key control objectives to be met with both manual and automated controls, including corrective actions. The critical connection of our Financial Improvement Plan with our business systems strategy assures us that the development and modernization of business systems is synchronized with audit readiness requirements.

The Army is investing in modernized business systems which are centered around the fielding of our four Enterprise Resource Planning (ERP) systems. The Integrated Personnel and Pay System – Army (IPPS-Army) will consolidate personnel processes and management across the Active Army, U.S. Army Reserve and Army National Guard. This will enhance the management of Army military personnel in support of the Combatant Commanders while also

providing an authoritative source for personnel pay and entitlements. The Global Combat Support System – Army (GCSS-Army) will modernize logistics and supply management for tactical and installation units as well as consolidate reporting for all Army equipment. The Logistics Modernization Program (LMP) is already improving the visibility and reliability of national level depot maintenance activities within the Army Materiel Command. Collectively these three ERP systems provide support to Army readiness while also improving our financial reporting. The General Fund Enterprise Business System (GFEBS), our fourth ERP and backbone of our reporting system, unifies the financial reporting and management and controls across the Army. There is a close linkage between GFEBS, the Army's other ERPs, and multiple other Army business systems that provide feeder information to the ERPs. The Army's goal is to have a systems architecture consisting of business systems that are financially compliant with streamlined business processes that are effective enablers for generating unit readiness while being as efficient as possible. The ERPs are the nucleus for this environment, supported by a reduced number of legacy systems. The four Army ERPs are in various stages of deployment or development. The Army is experiencing successes and has achieved the requisite milestones in the fielding of business systems. First, we have fielded GFEBS, the general fund's business and accounting system, to approximately 38,000 users at more than 160 Deployment Sites, and currently have an independent public accounting firm auditing selected business processes and controls in the GFEBS environment. As of July 1, 2012, GFEBS will be fully fielded to all approved users and the Army will begin FY 2013 with the material balance of current and future general funds distributed and accounted for within GFEBS. The remaining ERPs will be

completely or substantially deployed in time to support the FY 2017 financial auditability timelines.

As an interim milestone, we plan to complete our internal assessment of GFEBS against Federal Information System Control Audit Manual (FISCAM) standards in December 2011, and conduct an audit examination by an independent public accountant in FY 2012 that will include an assessment of the system's access, process, and interface controls. The results of our FY 2011 FISCAM assessment and the FY 2012 follow-up systems audit will provide assurance that the GFEBS is able to fully support the Army's audit readiness goals well in advance of our FY 2014 Statement of Budgetary Resources assertion. In September, we began a similar FISCAM assessment of the Global Combat Support System-Army (GCSS-Army). We expect to complete this internal assessment in FY 2012 and will work concurrently to address any deficiencies we identify. The Army FIP calls for including GCSS-Army in future independent audit examinations in the GFEBS environment to ensure that the system supports auditable business processes. Currently, GCSS-Army is being operationally tested at Fort Bliss, Texas. GFEBS is also currently deployed to Fort Bliss. Finally, we are working with the program office for Integrated Personnel and Pay System-Army (IPPS-Army), the ERP that will support Army military pay, to provide an understanding of the system's auditability requirements and to make sure we can audit the more than \$50 billion in annual appropriations that will flow through IPPS-Army to the Army's SBR.

Continued investments in our ERPs along with improvements to enduring non-ERP feeder systems will be instrumental for reaching the FY 2014 (SBR) and FY 2017 (audit readiness) goals. The Army's planned activities and systems investments represent our path to

auditability. However, this does not mean we will completely avoid additional challenges. The Army recognizes areas in which we must make further improvements and will continue to identify additional areas throughout system deployments and audits.

Recent reviews of our ERP schedules and costs have focused on how each developing program supports financial auditability. Program delays or resource constraints will require adjustments as they occur; however, we are confident that our program schedules are optimized to support FY 2017 and our cost estimates reasonable. Unplanned delays or constrained funding may, in fact, cost more as the result of having to rely on manpower intensive and manual audit processes. The best course for the Army is to continue the current paths for GCSS-Army, GFEBS, LMP and IPPS-Army.

In summary, we have committed significant resources to developing and fielding our ERPs because we believe they are an essential element to transforming the way business is done within the Department of the Army and an important aspect to meeting the mandate to be fully auditable by FY 2017. The Army is making progress because of the robust support from our senior Army leaders and business process owners. As the Deputy Chief Management Officer, I am committed to this effort and working closely with Secretary Matiella's team to ensure the Army can meet these important goals. The Army's Chief Management Officer assures synchronization and cooperation among all parties to success. The offices of the Under Secretary of Defense (Comptroller) and Department of Defense Deputy Chief Management Officer have greatly assisted the Department of the Army in its systems' investments, process mapping, and direction. We will continue to work closely with the Department of Defense

leadership, the General Accounting Office and, of course, the members of this Panel and the United States House of Representatives and the United States Senate to improve the business transformation of the Department of the Army. We will continue to keep you informed. Thank you for allowing me to appear before you today and thank you for your support of the U.S. Army. I look forward to your questions.