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United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-6100

TELEPHONE: (202) 224-0642 FAX: (202) 224-4835

ELIZABETH McDONNELL, REPUBLICAN STAFF DIRECTOR
WARREN GUNNELS, MINORITY STAFF DIRECTOR
www.budget.senate.gov

July 12, 2018

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street N.W.
Washington, D.C. 20548

Dear Comptroller General Dodaro:

We write to request that the Government Accountability Office (GAO) conduct an independent review of the Department of Defense's (DOD) plans to acquire modern financial information technology (IT) systems capable of generating reliable information and supporting credible financial statements in the near term.

Underpinning this inquiry is a simple question: Why has DOD, which routinely fields history's most technologically advanced weapons, been unable to develop or acquire modern financial IT systems? Since Congress enacted the Chief Financial Officers Act of 1990 (CFO Act) which calls for the modernization of federal financial management systems, most federal agencies have developed or acquired financial IT systems that generate auditable financial statements. The Pentagon, however, has failed to comply with the intent of the CFO Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) which builds on the CFO Act's requirements for financial management systems. Today, DOD remains mired in a morass of antiquated and incompatible financial IT systems.

To his credit, during his first year on the job, DOD Chief Financial Officer and Comptroller David Norquist has prodded the Pentagon to take some steps in the right direction. DOD currently is undergoing a full financial statement audit for the first time in its history, which is good news. Still, many senators remain frustrated with DOD's timeline for completing this undertaking. Comptroller Norquist testified at a recent Senate Budget Committee hearing that it might take another ten years or more for DOD to earn a clean audit opinion. The Pentagon has had decades to obtain a clean opinion. Why does this goal still seem so far out of DOD's reach?

We believe your April 2016 testimony before the Senate Budget Committee offers valuable insight. Since Congress enacted the CFO Act and FFMIA, DOD has invested billions of dollars to acquire modern financial IT systems. Unfortunately, as you told the committee, these investments have not yielded positive results. They have not produced better systems or fixed underlying problems. Critically, you suggested that DOD officials need to be held accountable for these investments.

You are not the only person to make these observations. DOD's 2017 Annual Financial Report cites financial IT systems as the "most pervasive" challenge to achieving progress in its audits. Of particular concern, while much attention has been paid to the deployment of Enterprise Resource Planning systems, comparatively little attention has been paid to the feeder systems—the foundation of effective financial systems architecture. Indeed, some analysts are questioning whether it makes sense to keep patching these old systems when DOD could move to the modern, fully integrated systems envisioned by the CFO Act. Against that backdrop, we urge you to review this matter and address these questions:

- 1) Why can't DOD acquire financial IT systems capable of generating reliable financial information that the CFO Act and FFMIA require? To what extent were financial management and feeder systems designed without considering the need for the department to be auditable? Has DOD invested in the wrong financial IT systems? How much money was spent on those systems? Has DOD held anybody accountable for these questionable decisions?
- 2) Does DOD have the requisite management skills and technical expertise to effectively acquire modern financial IT systems? Does it need to hire outside experts to solve the problem? Would integration of new specialized software development teams, such as the Defense Digital Service, improve the management of DOD financial IT systems modernization?
- 3) Has DOD, under the leadership of Comptroller Norquist, invested in new technology that may be more readily available and better suited to DOD's needs? Will the DOD financial management plan put the department on track to produce reliable financial data, effective internal controls, and clean audit opinions? When will these new financial IT systems be fully operational and positioned to begin supporting clean opinions? How much will the new systems cost? Is DOD acquiring a fully integrated agency system envisioned in the CFO Act?
- 4) Are there alternatives to the DOD financial management plan that might produce clean opinions within reasonable lengths of time?
- 5) Does DOD need additional authority from Congress to implement a more effective financial IT systems acquisition and management strategy?
- 6) Would the consolidated audit effort benefit from a pause to allow financial IT systems modernization to catch up? Would it be wise to test and verify feeder system data reliability first?
- 7) Would additional upfront investment in financial IT systems modernization hasten the delivery of improved management and a clean opinion? How much more is needed?

We remain deeply concerned that DOD's vast array of accounting systems is unable to produce reliable information and, ultimately, to earn clean opinions. We seek your advice on

these matters in your capacity as the government's leading authority on accounting. We appreciate your assistance and look forward to your response.

We understand that GAO has an ongoing study regarding DOD financial IT systems, and that the questions above would be complementary to that effort. Therefore, we request to join this ongoing study as co-requestors, with an expanded scope responding to the questions posed in this letter.

If you have any questions regarding this request, please have your staff contact Rick Berger of the Budget Committee at (202) 224-0564.

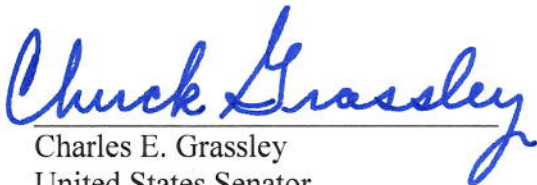
Sincerely,



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Chairman



Bernard Sanders
Ranking Member



Charles E. Grassley
United States Senator



Ron Wyden
United States Senator