

Chairman's Statement
Senator Tom Coburn, M.D. (R-OK)
"Financial Management at the Department of Defense"
August 3, 2006

On September 10, 2001—the day before the terrorist attacks that shook our nation-- Secretary of Defense Donald Rumsfeld stated that, "... financial management efforts at the Pentagon are not just about money or waste...in the end, it is really a matter of life and death-- ultimately every American's..." Secretary Rumsfeld continued: "Our job is defending America, and if we cannot change the way we do business then we cannot do our job well, and we must."

The United States Department of Defense fiscal year 2006 budget was more than the combined defense spending of the rest of the world. We are currently debating a proposed \$441.2 billion dollar budget for DoD on the Senate floor right now. This, of course, does not include money the Department receives through supplemental appropriations to pay for the Iraq war. This amount reflects a 7 percent increase over 2006 and a 48 percent increase over 2001 – again, and that doesn't even include war expenses.

It's difficult for most of us to wrap our heads around a budget that big. Let's put it in more tangible terms: US defense spending will exceed \$513 billion next year, the highest amount at any time since World War II. It also exceeds the rest of the world's military spending – combined.

We must secure America – that's not negotiable – whatever it costs. But do we really know what it costs? When we don't know how we're spending that money, and if it's being managed well, we have no idea what areas of the budget are really necessary for the nation's defense and what areas aren't. And there's quite a bit of evidence that the amounts lost to payment errors, waste, fraud and abuse each year could be in the tens of billions.

The most glaring problem has been the Department's inability to produce auditable financial statements – in other words, they can't undergo an audit, much less pass one. If DoD were a privately-owned company, it would have been bankrupt long, long ago. In 2004, the Department set the goal of undergoing a full audit by 2007. That deadline has not been met, and in fact, has been moved to the year 2016. That's 10 years from today. Americans are being asked to wait a full 10 years before their dollars are tracked well enough for the Department to fail an audit. And that seems to be the new objective of financial managers at DoD - to get to a place where DoD can actually fail an audit. Passing the audit is a pipedream for some future date beyond 2016.

Don't get me wrong. I understand that merely undergoing an audit is real and measurable progress. The President inherited a Department in financial disarray, and many hardworking folks have been making slow but steady progress. I am pleased that the Government Accountability Office and the Office of Management and Budget believe that goal is realistic and can be met. Just being able to get a financial audit of all components of the Department will be a measurable improvement.

Over the past five years, GAO has made a series of recommendations to DoD, which they are in the process of implementing. They deserve to be commended for their work so far. The Financial Audit and Improvement Readiness (FIAR) Plan to incrementally move the Department to an auditable state by 2016 and the Standard Financial Information Structure (SFIS) to categorize DoD financial information are two key elements driving this plan for financial management improvement. These are both promising steps. We still need, however, rigorous oversight to see that these plans are on track and receiving the attention necessary within DoD, and that these efforts yield the intended results. This Subcommittee will be watching closely, and asking for regular updates every few months.

DoD's plans to improve the financial management of our defense system will not happen without sustained leadership. Leadership is essential to obtaining outlined results, benchmarks, and meeting the goals the Department has set. GAO has recommended the position of Chief Management Officer be established within the Department of Defense to keep the business transformation intact as a new Administration is ushered in. I am interested to hear more about the role and function of such a position within DoD to see how this organizational change could help maintain continuity during times of transition.

GAO has been reporting to Congress that DoD is at the top of its "High-risk" list for years. Of the 26 "high-risk" areas, 14 are at DoD. While sustained leadership at the agency is critical to achieving success with financial management improvement at DoD, continued oversight by Congress is just as important. And as the Secretary's quote reminds us, none of this is trivial or optional. The financial management of the world's largest and most competent military force affects not only the stewardship of taxpayer dollars, but the safety and well being of real men and women on the battlefield, the security of our civilian population at home and abroad, and indeed the freedom and peace of the world.

Beyond these life and death issues, there are fundamental issues of respect and how we treat our sons and daughters in harm's way every day. During this time of war, GAO reported that our battle-wounded soldiers were hounded by debt collectors for debt they incurred by no fault of their own. In fact, GAO found that as many as 73 percent of the reported debts were caused by overpayments of pay allowances, pay calculation errors, and erroneous leave payments.

Every dollar wasted or misspent is a dollar we don't spend preparing and equipping our warfighters. Recently, Lt. Gen. H. Steven Blum, the top National Guard general, said that two-thirds of the active Army's brigades are not rated "ready for war." Army officials, analysts and some of my colleagues have complained that there just isn't enough money to complete the personnel training and equipment repairs and replacement that must be done when units return home after deploying to Iraq or Afghanistan.

If there is one agency in the government where corners can be cut, it is NOT DoD. If there is one agency where we should ensure an abundance of resources – it is DoD. My colleagues know this, and that perhaps explains why so much money has rolled out the door to DoD with so little oversight. That same desire to give our armed forces whatever they need may be what has hampered us from following what we do give them. It is not enough just to write blank checks to DoD without effective oversight, call ourselves patriots and go home. It is a perverse world when we can roll out the types of appropriations – both through regular order, and emergency war supplementals – and still hear complaints of equipment and training of warfighters that the Department can't afford.

It is time for Congress to match the level of its abundant provision of resources with an intensity and frequency of financial oversight. The safety and protection of our country should be our top priority; however, I have a hard time justifying continued multiple emergency war supplementals for the Department when we don't know exactly what that money is buying, and neither does the Department.

I would like to stress that this hearing is not a policy debate about whether or not U.S. troops should be present in Afghanistan or Iraq: We're there and we must win. We must be prepared to win next time, and the time after that. The Department of Defense has an adopted motto: "Check it. What gets checked, gets done."

Senator Carper and I are committed to some Congressional "checking." Thank you to each of our witnesses for appearing before the Subcommittee today.