Business IT Transformation Town Hall with Mr. Terry Halvorsen, Department of the Navy Chief Information Officer
DON IT Conference - May 16, 2012, Virginia Beach, VA

**Mr. Halvorsen:** Welcome, we have a fairly large crowd today. Some of this will be repeat to some of you, and so my general plan is to talk for 20 or 30 minutes, and then we've got at least 1 mic here and I'll be happy to take your questions.

So a couple of the themes, and before I start if I can't answer your questions… Where did Janice [Haith] go? Janice Haith is here, Kevin Cooley is also here so if I can't answer your question I'll send it over to them.

I think what I want to start with is, I had mentioned OPSEC, and we have gotten quite a collection of emails so this is on everyone's mind. I think instead of using any prepared remarks I will just try to answer the questions from those emails.

I get a lot of questions about why are we having to focus on IT; IT's underfunded, we've got these cyber initiatives that we keep putting more money on and all you ever talk about is businesses. But we, the Department of Defense, the Department of the Navy, the Marine Corps and the Navy have less money. My opinion only, I have no inside knowledge, I can read, but I don't think we are done having less money.  I think we are going to have even lesser money. That means we've got to make some hard decisions.

In one case a hard decision has already been made for us by the SECNAV, the Commandant and the CNO. They have said we are going to take risks with Business IT systems; we want to protect warfare capabilities. I don't see how anybody can argue with that statement.  We are in the business of war, so we have to protect that capability to do that business. That's why we are looking at taking efficiencies in business IT systems. It is as simple as that. We are willing to take risks in that area, and I will tell you that I think that is an absolutely good decision based on some facts. We can afford to take risks there.

I have an idea, but I don't know how much money we spend on IT and cyber systems in the Department. I should know that, and the fact that I don't, tells me we have some issues with the way we track and spend our money. I also look at some of the things we buy, and frankly, we don't buy all the things that we should. We buy too many things that we shouldn't in some cases, and we buy lots of versions of the same software.  That's discipline we need inside our business. Is that hard to accomplish? Absolutely, but we're going to deal with that.

It also means that we've got to do some better analysis that says if I have a system that can meet, out of the box, 70 percent of the DON requirement, I've got to tweak the other 30 percent of that system to make it fit the requirements.

There are some second, third and I would argue fourth order effects to doing that which will also help us. We run today, with the help of HP, the most complex network in the world. There is no doubt about it. Ask anyone who has had to come look at our network today and they just shake their head and say

"This is the most complex network we have ever had." Complexity costs money. We are guilty of putting complexity in the network where it doesn't need to be. We are guilty of doing that. We do that because we are maintaining… Bill, I think we run every variant of Microsoft 2000, is that correct?

**Bill:** I think we have a couple 98s as well.

**Mr. Halvorsen:** Well, good, good. That makes it even better. We are running variants of all kind of stuff. Variants add complexity. They add cost that we have to pay to maintain them. In some cases, we are having to write special checks because the people who eventually did those apps no longer exist; they are gone. We are still paying for them. That makes no sense. That's just from a cost perspective.

We have applications that we are running out there that cannot be sustained from a security standpoint. They have to go. We have put that decision off, but no more. They are gone – they are going to go.

Where's my good friend Charlie [Cook]? Is Ray Letteer here? Ray had to leave. But we have told Charlie and Ray from the perspective of the Marine Corps and the Navy that like the fifth time you come up and you are still a big vulnerability and the mitigation plan is that you will get off this system in 2027, that's not mitigation in the interest of the Department and we're going to stop doing it.

There is direction in the current communications process that says you will spend money to fix those big vulnerabilities. If you don't do that we're not committed and we'll have another discussion and be more blunt. We have got to stop that. It is costing us money and it is costing us security and we've got to stop it. So that's going to happen.

We have buying power that we're not using. That is not the fault of acquisition. That's our fault. Blame it on me, we don't bundle our money. Marine Corps has got that right and bundle their money to one BSO. The Navy, we still operate on the fact that many of these cases, I'm going to get the number wrong but I'll just give you this - some of our big software cases we execute over 70 or 80 different contracts to buy the same things, that makes no sense. And what it doesn't do, it doesn't empower acquisition to come to the table and say "We are your biggest customer." There is great value in being anyone's biggest customer. You all know that, you have bigger money you come to the table and get a better deal. We've got to take advantage of that.

So, I think those are the big reasons that we are looking at IT Efficiencies. The money is there for us to take; we have to have the will power and the business savvy to go do that. It doesn't mean it won't be painful and it doesn't mean it's not hard, but we get paid to do some things that are difficult and we get paid to do some things that are hard. It's something we've got to do, and that's why we are looking at IT Efficiencies.

A couple of other things that I think people should know that have happened, it's been a busy week for the Under this week. He has signed out, amongst other things, three memorandums. One of these has positioned the DON CIO as the Department senior official for FOIA, Privacy, Civil Liberties and COMSEC. The CIO will now have the DON responsibility for COMSEC. What that means is that we are going to look at having a DON policy on COMSEC and how we operate COMSEC, not at the operational level but how

we operate globally and what we do.  We know we have some issues there we need to look over, and we've got some problems coming up in that area, and we already know that, but we will be working with both Janice Haith and BGen. Kevin Nally on that.

FOIA and Privacy are very important for a couple of reasons.  Some of you heard this yesterday as I have been getting data from different periods and teams. One of the things I do know is that we are putting data in databases that we don't need to. Now that's bad, but it's really bad when we are starting to track individual identifiable medical information in databases that we don't have a need for. Not only is it bad on the medical side but it's against the law. It's not guidance, it's not an instruction, it's an actual law that we have to comply with. So you will see Friday on the DON CIO webpage an article from me, luckily not written by me, but with my thoughts on some of the things we need to start looking at with respect to privacy and data.

The first question you need to ask yourself is what's the requirement, and what is my requirement to have this data? By definition the requirement needs to be around that you can take actionable data on that specific element, meaning that you absolutely have a requirement to possess this medical data that has individual medical diagnoses in it, and you require it. I look at some people who have it and I see no reason that they should have possession of it. If you can't make an actionable decision on it then you shouldn't have it.

There is a second problem with that, and that is that we've got databases that are starting to collect that data and other databases are starting pull their information from that secondary source. That starts to create a real problem with accuracy and the authority of the data. In simple terms, BUMED owns medical data in the Department. If you need medical data, you are obviously getting it from BUMED and have a real reason you need it, then that's where you would get it from.

N1 owns personnel data. If you need that data, that's where you should go to get it. You should not be using a fourth related database that somebody happened to put personnel data in because it was unique. We are really going to go after that hard. Both of them are costing us money and frankly they are causing us some very significant liberal problems which we can't continue to have. So we have to go over and really go hard after the PII and the medical data that is down at the individual level in databases where it doesn't belong and that are not authoritative for that topic.

That's a little scary if you think about it: someone pulling medical data from a database that is not BUMED. Who is validating the authority? Now part of that is my fault, because frankly we have not written good policy on how to do that and make that enforced. We are going to fix that. You will see that first article out on Friday, but followed by that quickly you will see changes in some policies. Some of it I think some of you will find slightly becoming, I get it, you will tailor it, but we've got to start. I have found that sometimes starting at the edges and moving to the center is often better than starting at the center and moving out. So we're going to do some of that.

We need to look at how we develop an overall data strategy. That's how we're going to manage our data and how we define additions to our data. That's going to become critical. Right now we are somewhat hindered in making decisions, in all of it, but particularly at the very senior levels so as we try

to aggregate data, the definition of that data changes by command, by element, by sponsor, by all of it. You can't make decisions on aggregate data that isn't the same, it just won't work. So we are going to go after how we come up with some better data strategies.

You will see a policy coming out that basically says that customization is really bad, standardization is good, and there will be some language that says the only way you can customize COTS software is to get approval from either Kevin Nally, Janice Haith, the Secretary of the Navy or the DON CIO. Is that going to be cumbersome? Yes. Will it slow you down? Yes. My answer to that is because that's exactly what I want to happen. More importantly that decision was reached by the ACMC, the Vice Chief and the Under. They are the ones publicizing that decision so I think we are on pretty firm ground with that.

We will also start looking at how does that build into the greater data strategy. Where's Scott? Scott did a lot of good things yesterday, which he does everday, but Scott made a good point. He pointed out that we haven't dusted off a lot of the old FAM policies that state what are their roles and responsibilities in terms of data because we have not really given them clear guidance on how to do that. We need to work with the services and the FAMS on that. That is a fault on my part and we are going to fix that. We have got to get this done if we are going to get to where our systems can provide us the right data and the right timelines for the key decision-makers to make accurate decisions.

An interesting question for us today is, and some of you heard me say this yesterday, but what has changed, I think is the question we are asking. Maybe for the last ten years we were asking the question: "What do we need to spend money on to execute the mission?" Today the question is "What can we not spend money on to keep up mission capabilities?" What investments do we have to make to ensure that combat capability is there, but it's still got to come out of available money, and that available money will become less. I think that's going to happen. So that's a different set of questions to ask and answer.

The other thing I'm going to tell you is this, we've got to get more accurate with our range. The fact is when you are in a position where you have your "growing in" money, sometimes you make a mistake and you can buy your way out of that mistake with the application of some more money to correct that issue. We are not going to have that luxury. Our decisions are going to have to be more accurate and timely the first time around. Now every decision we make over the next 2 or 3 years is going to be part of history where we are going to be impacting what happens for the next 25 years, good or bad. That's really where we are at.

Industry, you've got to help us with that by doing some things, and you've heard this from me before, you need to bring mature ideas that help us better leverage products we already have. I absolutely understand and fully support industry and one of your main goals is to make more money - good goal. How much money you make, that seems to be up for debate. I like to think that my role is to help you decide just how much money you need to make. When you do that, you've got to look at everything you do within your company, and I think we need to stop looking at individual portions and projects and look at our investment in you as a whole and how do we better leverage that. That's my message to you and you need to be better prepared to have conversations about that.

Tell us what you think we're doing wrong. In fact I probably think you guys could help us. But be prepared for the follow-on questions that we ask you about, ok so you said we are doing this wrong and you want us to do "x," but what do we get out of "x" and what are you getting out of "x?" I think that's a fair question. We are going to ask more of those almost directly in that way in our strategic planning.

I think if you heard General Cartwright yesterday, I think that he had some really powerful remarks, and we do need a strategy and we need a strategy for IT/Cyber law. We need a strategy for data center consolidation and we need a strategy for our business.

So another thing I would talk about is we are embarking right now, under the lead of Eric Fanning, and in the CIO's office we are certainly his partner in this, looking at both process and IT together. I get this question all the time, what's more important the IT or the process? And I say you've got to understand the business processes. We are not one business; we are a multi-national corporation in the DON. If we were a fortune 500 company, depending on how you count the money on a given day, we'd be fortune 3 or 4. That's pretty good; it means we are worth a lot of money. That means we want to balance process and investment in IT. So in some cases we should change process, in some cases we should change IT, but in some cases we should change both.

We have in the past had some problems where we automate bad processes. We have successfully automated processes we knew were old based on what we knew was to come. But now the times have changed. The technology and the capabilities have changed. We've got to try new things and work out new processes. We've got to do that, and that is a big effort. That's what we're working; we are doing work with DoD on that. We've got some direction from Congress that we need to make sure we understand.

We will continue to be up on that, and we will continue to listen to industry where they can provide us good solutions that are both effective and more efficient. Can everything go to industry? No. We need to work on getting a blend of what percentage of our data should go commercial, what percentage of our data should be commercial but in a government owned facility, what percentage of our data needs to be from the government… We need to think and answer some hard questions on that, and industry you need to be prepared to respond to that.

There are the key things today that we're working on. I do think it is absolutely critical that we ring every dime out of the business systems because every time that we don't, the money is going to come out of capabilities that we don't want it to come out of. That is the equation; if we don't save it in business somewhere, in somewhere that is not capabilities, then it's coming out of money that could go to capabilities.

I will end this again with, and then I'll take questions, we are in the business of war. That's what we get paid for.

Ok, questions?

**Audience member:** You talked about the need to reduce, and squeeze the most value out of business IT systems, and so forth, but as an engineering activity we are developing tactical operations systems, and it appears that there has been some inflation of business IT infrastructure in the process to reduce that cost with requirements to produce tactical operations systems. In particular, we are being stymied by some processes that are necessary to slow the expansion of business IT but it delays our development of tactical systems. We have cases where this delay perils scheduled missions. So the question is how do we break through those admin choke points, such as NAV-IDAS as it's being enforced?

**Mr. Halvorsen:** You don't have any problems with NAV-IDAS. I was waiting for that question and knew it was going to come up, so in prep for this I went and pulled the backup I keep hearing about with NAV-IDAS equipment. At the DON CIO level I have one and at the CNO level they have three. The rejection rates are pretty low and the rejections with NAV-IDAS are because people don't know how to read and answer basic questions. That's a fact. So, you give me an example of where one of yours is delayed when you used the right format and I'll fix it.

**Audience member:** It's not being delayed, it's that we have not seen it go that high yet. We're being delayed at the lower levels.

**Mr. Halvorsen:** Tell me where that's happening, because I don't see it.

**Audience member:** It can't be talked about in this forum.

**Mr. Halvorsen:** I don't want to talk about it in this forum. You have a specific answer, so go talk to Ms. Haith. But what I can tell you is that Janice and I prepped for this, and I cannot find any background of delay and I see the ones that were disapproved were frankly so badly written that they should have never made it to the level they got to.

**Audience member:** Well, what we are seeing is differing interpretations at lower levels.

**Mr. Halvorsen:** Here's what I can tell you, that could be happening. I'm Echelon 0, Janice is Echelon 1; we published the rule set, and if someone is interpreting it differently they're wrong. That's all I can tell you.

Thank you, that was a good question though.

**Audience member:** This is a similar question to the gentleman before me, but the consolidation efforts are stymieing are ability to complete R&D on schedule.

**Mr. Halvorsen:** So here is my general answer: are we slowing some things up? Yes we are. And are we ok with that? Yes we are. Are we going to cause some delay as we gain more transparency with the money, better visibility with the buying and better value? Probably. What I'm not seeing today, and I have talked to the key Navy fleet commanders, they're not seeing backlogs either ; I'm ok with my risks.

Any other questions? I probably scared anyone else off from asking questions.

Those are good questions. But my answers have got to be harsh on them because when I pull the facts I'm not seeing the delay, but I am seeing better visibility, better control of the dollars and better value for them.

**Audience member:** My question is, a lot of stuff that was previously asked about was about procurements of IT. The exemptions in the Clinger Cohen Act, I believe there are about five of them, and we typically have three out of those five, but we still have to call it a process. I believe in the Clinger Cohen Act it says "exclusion," but maybe I'm misunderstanding the meaning of those words - if we still have to call it a process to do procurements of IT in this realm.

**Mr. Halvorsen:** So you have two things going on. You have the MDAA which put out some good guidelines that we must now get approval from either the DoD CIO or at the DON CIO level. You also have the CNO direction for those activities for the Navy that says "I want more visibility on IT spending." So now I know the NAV-IDAS has come up; I don't know of any pending approvals. If you have a specific send it to Janice.

**Audience member:** My problem with NAV-IDAS is, even in all the trainings I have sat in on, are more telling me what this program is, not exactly what you all are wanting. The training needs to be more about what you all are wanting to see. When it comes to purchasing, in the old days you use to just be able to go out and buy things, but now you are wanting me to know all the laws and regulations and that's very difficult.

**Mr. Halvorsen:** So I think that there are a couple things that we all need to understand. As you said, in the old days you use to just be able to go out and buy things. But by most standards we were spending a fairly significant amount of money on IT that was above what we had budgeted for. We no longer want to do that. The second thing, is that there has always been a requirement when you are buying IT to look and see if there is already an existing system or app that meets the same requirements. We didn't enforce it and we didn't ask any questions about it. Well, we are now enforcing it and we are asking questions.

However, I will talk to Janice and we will see if we can put some better training out. The intent is though, visibility on the dollars to make sure that we actually have to spend that money on this requirement and that we don't already have something in place that can meet that requirement and that when we spend that money, the other thing that frankly we were guilty of, was spending the front-end money with no tail-end dollars and then having a system that because we bought it we were forced to use with a fairly significant maintenance cost that nobody budgeted money for. Those are the things we want to stop doing. That is the whole point of the system. However, there was already a system in place before the MDAA came out.

In fact, we already had a policy inside the Navy, inside the DON that said you couldn't buy any data storage without this approval process. So that's not new.

What else?

**Audience member:** Right now we are talking about NAV-IDAS, we all get that. Find the grey money, identify it, and that's great. There is also a continuing flow of edicts about from what color shoes to buy to multifunction devices that sound like change between the couch cushions. But I know if you have a lot of couches you can find a lot of change. I know there are edicts about that, and that's one strategy. One strategy could be to find a couple of big items and make them go away, so my question for you is what's the strategy the DON is taking?

**Mr. Halvorsen:** So let's just take one of my favorite topics… Where's Scott? Scott, you've got the answer of the day right? So Scott, what would you guess that we spend on printing on a yearly basis?

**Scott:** 100 million dollars.

**Mr. Halvorsen:** Scott you would be right! That's the total for the ink, the toner, the paper, everything. I don't know that I would consider that couch change.

**Audience member:** It's from a lot of couches.

**Mr. Halvorsen:** That's still 100 million dollars and we think we can save pretty quickly 20 to 30 million a year. So my answer in general is that we are going after a lot of couches and everything big.

Over the FYDP, we have taken, it is gone, erased, the money is burned… We have taken over 2 billion dollars out of IT. That money no longer exists. We have got to get there. Every dime we don't get of that comes out of capabilities. So yes, I'm after the couch change, the big things, money under the car seat, anywhere. I want all the money.

What else?

**Audience member:** My question has to do with data center consolidation. As we move on to the next phase, are we going to start identifying data centers of excellence? Sort of like if DISA becomes the center of excellence for SharePoint, someone else becomes the center of excellence for the Oracle backbone… Have you thought about this at all or the geographic logistics of consolidation?

**Mr. Halvorsen:** We're not doing it geographical or functional. We are doing it financial. Frankly that's just the answer. Will we have places where we are consolidating the control of certain types of data, like SharePoint? I think the answer is yes we will. It will be based on some pretty straightforward criteria. We have today definitions set up for how you define data. Many people think that they need to have their data right under their chair, and that there needs to be a backup so that the moment it goes down it can be restored. Now I am ok with that if that's the requirement but tell me what that's going to cost. Cause that adds a cost that is slightly different than tier 3 data which says it can live without the data being close. I've got a certain set of algorithms that can restore the data anywhere that you can get to it, not necessarily under your chair.

We've got to look at those things and figure out what the right answer is. Now here's the other thing we've got to learn, if we are going to come up with different answers we are going to have to be

prepared to reevaluate those all the time as technology changes, and weigh the cost of the changes that might need to be made.

The other message I will leave us on, we've focused on the IT efficiency efforts and the business transformation efforts to get started. It is in fact never going to go away. It can't, not on the IT side. We change too fast. The cost factors and answers we would have gotten 5 years ago to the same questions are significantly different. We've got to be very sophisticated in analyzing, when is the tide going to change? What's the financial upside? Is there an operational downside? We've got to get much more both aggressive and talented at how we do those equations. They are not all about economics; we've got to factor in security. We are going to get to that consolidated view that will last a certain period of time, which is probably shorter than I hope. It's not going to be easy.

What else?

**Audience member:** It's my understanding that the Army is moving some of their Exchange capabilities underneath DISA. I was wondering if that was something that the DON is potentially looking at, and to follow that up to support it at least from ashore bases, if anyone is looking at the bandwidth issues that we have in NMCI. Right now I have an NMCI machine at home to support operations whenever I need to do that, and I can actually open emails and work faster at home than I can at my desk.

**Mr. Halvorsen:** I can too. The answer is we are looking at bandwidth; absolutely. The Army is looking at DISA, but they are moving to what they like to call enterprise email. They now have the ability within the Army to go and get an email address and send an email without having to go to an enterprise network. Let's see, we implemented that when? We have had that. We will continue to move further when it makes financial sense.

Right now, Army's doing some really good things; DISA's doing some really good things. I think one of the things you have to understand is that the Army saves money on collapsing multiple network infrastructures and old network directories. We have already done that. We will go to DISA when it makes operational and financial sense to the DON.

Now about bandwidth, have you seen the movie "Field of Dreams?" If you build it they will come? If you have bandwidth, they will use it. I am very concerned about bandwidth and it is a big problem. We bought the absolute biggest bandwidth pipe in the world, there is nothing bigger. We increased the flow. I think it lasted a whole 63 days before we were back up running at the same level we were at before we got the big pipe. We are going to have to do something about what we let on the network. The number 1 bandwidth uses on our network are non-mission related. I can't buy anymore. So we are going to have to figure out some new rules until we find some new technology.

**Audience member:** The other thing I wanted to add, and I get the pipe, but I am usually in my office by 6 AM. Typically the rush doesn't start until 8 or 9. I'm not talking about going out to the internet, I'm talking about from my desktop going to an NMCI file share or my Exchange server and that's where it's painful.

**Mr. Halvorsen:** It could be, and I'm not going to lie to you but we have not made some of the investments that we are going to need to in that last mile. You might be at 1 of those places where we have not kept pace and put that interior pipe to match what we are trying to get out of our bandwidth capabilities. That will take time, and I know this is not a good answer but we will get there.

Thank all of you for your time. If you get back and you have a question that you didn't want to shout in front of everybody shoot me an email at [terry.halvorsen@navy.mil](mailto:terry.halvorsen@navy.mil). If you really want to get an answer, shoot it to [jeanne.burckart@navy.mil](mailto:jeanne.burckart@navy.mil). Jeanne will make sure that I see it. I will get back to you; it may take me a few days but I will answer your email.

Thanks for your time.