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# United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

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June 25, 2013

VIA U.S. MAIL & EMAIL (Chad.Heyen@pentagon.af.mil)

The Honorable Eric K. Fanning  
Acting Secretary of the Air Force  
U.S. Department of the Air Force  
U.S. Department of Defense  
1670 Air Force Pentagon  
Washington, DC 20330-1670

Dear Acting Secretary Fanning:

As you know, the FY2013 National Defense Authorization Act (NDAA) requires the Department of Defense's Statement of Budgetary Resources (SBR) to be audit-ready by September 30, 2014. Concurrently, the FY2010 NDAA requires the Air Force's consolidated financial statements to be audit-ready by September 30, 2017. We were therefore disappointed to hear then-Secretary Donley testify on May 7, 2013 at the Senate Armed Services Committee Air Force Posture hearing that there was a "risk" the Air Force would not meet these deadlines. The FY10 NDAA was signed into law on October 28, 2009, and the Air Force has had sufficient time to generate an auditability strategy and put in place sufficient contingency plans. Secretary Donley's testimony did not leave us with adequate confidence that this has occurred.

In our view, we must redouble our efforts towards achieving auditability while avoiding the colossal waste of taxpayer money such as the Expeditionary Combat Support System (ECSS), which was recently cancelled after the Air Force wasted about \$1 billion. We are very troubled that, according to the May 2013 Biannual Financial Improvement and Audit Readiness (FIAR) Plan Status Report, the Air Force has thus far missed 10 deadlines, pushed back 20 upcoming deadlines, and only achieved three milestones.<sup>1</sup>

With the next FIAR Plan Status Report due in November, it is deeply disturbing that Acting Chief Management Officer of the Air Force Jamie Morin believes the Air Force is on a "risky path" to auditability. The Air Force must make quantifiable strides to meet statutory deadlines and achieve full auditability. The Air Force is entrusted with the stewardship of taxpayer dollars and must adopt an audit-ready plan that honors its commitment to efficiently spend taxpayer money. The Air Force cannot continue to avoid accountability by delaying auditability.

Accordingly, please provide a staff level briefing on July 15, 2013, as well as written responses to the following questions by July 8, 2013.

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<sup>1</sup> U.S. DEP'T OF DEF., FINANCIAL IMPROVEMENT AND AUDIT READINESS (FIAR) PLAN STATUS REPORT (MAY 2013), available at [http://comptroller.defense.gov/fiar/documents/FIAR\\_Plan\\_May\\_2013.pdf](http://comptroller.defense.gov/fiar/documents/FIAR_Plan_May_2013.pdf).

1. According to Frank Kendall, Undersecretary of Defense for Acquisition Technology & Logistics (AT&L), after having canceled its ECSS, the Air Force is currently evaluating how its legacy systems for logistics and global supply chain management can help it achieve auditability. That plan will not be reviewed and approved until September 2013. Considering this delay, when does the Air Force anticipate its Statement of Budgetary Resources (SBR) and consolidated financial statements will become audit-ready? Is this view shared by the Deputy Chief Management Officer and the Undersecretary of Defense, Comptroller? If not, what are their assessments?
2. Following the May 2013 FIAR Plan Status Report citing the Air Force's missed deadlines and milestone delays, what corrective actions are being taken to address schedule delays?
3. According to the May 2013 FIAR Plan Status Report, Jamie Morin, Acting Chief Management Officer of the Air Force, stated that although several immediate milestones were delayed, the Air Force was "able to make progress on important enabling goals, such as helping to build an Air Force-wide culture that supports a clean audit." Exactly what "enabling goals" have been achieved, and what future enabling goals must be met before which particular milestones can be reached? What are the specific attributes of this culture, and how specifically is the Air Force reinforcing this culture among its personnel, both military and civilian? How does the Air Force intend to build an Air Force-wide culture so quickly when previous attempts of implementing cultural change, such as Business Process Reengineering (BPR), have failed?
4. How is the Air Force ensuring its compliance as mandated by Section 1072 of the FY10 NDAA for both existing and new defense business system modernization efforts? What safeguards are in place to ensure this compliance is met at all levels of the Air Force?
5. According to the May 2013 FIAR Plan Status Report, the Air Force is only testing a limited number of controls to expedite its auditability strategy and to make up for schedule delays. While this may expedite testing, what risk does the Air Force now incur with this new strategy? How were the controls selected for testing?
6. According to the May 2013 FIAR Plan Status Report, the Air Force established a 6-month uniform delay across all audit categories due to a contract protest. Describe that protest action. Also, was contract protest the only contributing factor to this 6-month delay? Please describe your methodology for determining the revised timelines for auditability.
7. According to the May 2013 FIAR Plan Status Report, the Air Force Audit Agency examined elements of Military Pay to identify weakness and appropriate corrective actions. What weaknesses were identified, and what corrective actions will be implemented?
8. Under the Reimbursement Budget Authority and Execution SBR assessable unit in the May 2013 FIAR report, the Air Force states, "Air Force Materiel Command (AMC) is hosting a pilot test to separate reimbursable authority into budget activity codes from the apportionment of the funds throughout the lifecycle." What is the projected completion

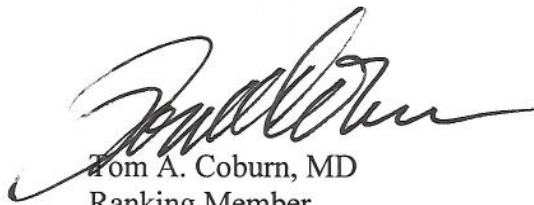


date for this pilot test? Is the Air Force or a private contractor overseeing the pilot test? If the pilot test is not successful, what is the contingency plan?

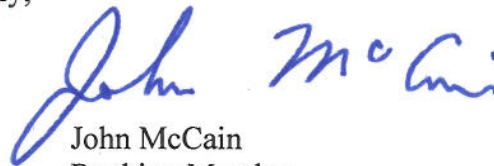
9. According to the May 2013 FIAR Plan Status Report, the Air Force determined the initial analysis of process flows and controls for both Net Outlays and Major Contracts revealed more work is needed as all processes, controls, and roles and responsibilities have yet to be identified. As this work will be done in partnership with Defense Finance and Accounting Services (DFAS) and the Air Force Acquisition Community, how can the Air Force be confident its revised milestone completion dates are achievable, firm deadlines?
10. According to the May 2013 FIAR Plan Status Report, the Air Force analysis of the General Equipment Inventory discusses a strategy of conducting 100 percent equipment accountability inventory to capture accurate baseline in the discovery milestone phase. To date, what percentage of the Air Force's general equipment has been accounted for, and what discrepancies have been found while undertaking this inventory? To what extent may the Air Force not be able to resolve observed and expected discrepancies in this Inventory timely to achieve its auditability goals?
11. What is the current status of the OSD and Air Force internal reviews of ECSS? Please provide an estimated date for final report submission. If the reports have been released, please provide copies of each report. If they have not yet been released, please forward copies to our offices after they are completed.
12. If the Air Force does not meet the 2014 and 2017 audit deadlines, which Air Force official should Congress hold responsible?

Thank you for your continued attention to these important matters. Should you have any questions, please contact Brad Patout, Senior Policy Advisor to the Minority, Permanent Subcommittee on Investigations, at 202/224-3721.

Sincerely,



Tom A. Coburn, MD  
Ranking Member  
Committee on Homeland Security and  
Governmental Affairs



John McCain  
Ranking Member  
Permanent Subcommittee on Investigations



Kelly Ayotte  
United States Senator