

Tom Coburn
11/28/12
1:20p

AMENDMENT NO. _____ Calendar No. _____

Purpose: To provide for auditable financial statements for the Department of Defense.

IN THE SENATE OF THE UNITED STATES—112th Cong., 2d Sess.

S. 3254

To authorize
activities
construction
ment
strengthen

AMENDMENT NO 3111

By *Coburn*
To: _____
S. 3254
28
Page(s)

Referred to

Or

GPO: 2010 68-070 (nac)

AMENDMENT intended to be proposed by Mr. COBURN (*for himself and Mr. MANCHEN*)

Viz:

- 1 At the end of division A, add the following:
- 2 **TITLE XVIII—AUDIT OF DEPARTMENT OF DEFENSE FINANCIAL STATEMENTS**
- 3
- 4
- 5 **SEC. 1801. SHORT TITLE.**
- 6 This title may be cited as the “Audit the Pentagon
- 7 Act of 2012”.
- 8 **SEC. 1802. FINDINGS.**
- 9 Congress makes the following findings:

1 (1) Section 9 of Article 1 of the Constitution of
2 the United States requires all agencies of the Fed-
3 eral Government, including the Department of De-
4 fense, to publish “a regular statement and account
5 of the receipts and expenditures of all public
6 money”.

7 (2) Section 3515 of title 31, United States
8 Code, requires the agencies of the Federal Govern-
9 ment, including the Department of Defense, to
10 present auditable financial statements beginning not
11 later than March 1, 1997. The Department has not
12 complied with this law.

13 (3) The Federal Financial Management Im-
14 provement Act of 1996 (31 U.S.C. 3512 note) re-
15 quires financial systems acquired by the Federal
16 Government, including the Department of Defense,
17 to be able to provide information to leaders to man-
18 age and control the cost of government. The Depart-
19 ment has not complied with this law.

20 (4) The financial management of the Depart-
21 ment of Defense has been on the “High-Risk” list
22 of Government Accountability Office, which means
23 that the Department is not consistently able to “con-
24 trol costs; ensure basic accountability; anticipate fu-
25 ture costs and claims on the budget; measure per-

1 formance; maintain funds control; [and] prevent and
2 detect fraud, waste, and abuse”.

3 (5) The National Defense Authorization Act for
4 Fiscal Year 2002 (Public Law 107–107) requires
5 the Secretary of Defense to report to Congress an-
6 nually on the reliability of the financial statements
7 of the Department of Defense, to minimize resources
8 spent on producing unreliable financial statements,
9 and to use resources saved to improve financial man-
10 agement policies, procedures, and internal controls.

11 (6) In 2005, the Department of Defense cre-
12 ated a Financial Improvement and Audit Readiness
13 (FIAR) Plan, overseen by a directorate within the
14 office of the Under Secretary of Defense (Comp-
15 troller), to improve Department business processes
16 with the goal of producing timely, reliable, and accu-
17 rate financial information that could generate an
18 audit-ready annual financial statement. In December
19 2005, that directorate, known as the FIAR Direc-
20 torate, issued the first of a series of semiannual re-
21 ports on the status of the Financial Improvement
22 and Audit Readiness Plan.

23 (7) The National Defense Authorization Act for
24 Fiscal Year 2010 (Public Law 111–84) requires reg-
25 ular status reports on the Financial Improvement

1 and Audit Readiness Plan described in paragraph
2 (6), and codified as a statutory requirement the goal
3 of the Plan in ensuring that Department of Defense
4 financial statements are validated as ready for audit
5 not later than September 30, 2017.

6 (8) At a September 2010 hearing of the Senate,
7 the Government Accountability Office stated that
8 past expenditures by the Department of Defense of
9 \$5,800,000,000 to improve financial information,
10 and billions of dollars more of anticipated expendi-
11 tures on new information technology systems for
12 that purpose, may not suffice to achieve full audit
13 readiness of the financial statement of the Depart-
14 ment. At that hearing, the Government Account-
15 ability Office could not predict when the Department
16 would achieve full audit readiness of such state-
17 ments.

18 **SEC. 1803. AUDIT READINESS OF THE FINANCIAL STATE-**
19 **MENTS OF THE DEPARTMENT OF DEFENSE.**

20 (a) INCLUSION OF STATEMENT OF BUDGET RE-
21 SOURCES WITHIN FIAR PLAN.—Subsection (a)(2)(A) of
22 section 1003 of the National Defense Authorization Act
23 for Fiscal Year 2010 (Public Law 111–84; 123 Stat.
24 2439; 10 U.S.C. 2222 note) is amended—

25 (1) in clause (i), by striking “and” at the end;

1 (2) by redesignating clause (ii) as clause (iv);

2 and

3 (3) by inserting after clause (i) the following

4 new clauses:

5 “(ii) ensuring that a complete and
6 validated statement of budgetary resources
7 of the Department of Defense is ready by
8 not later than September 30, 2014;

9 “(iii) ensuring that the full set of con-
10 solidated financial statements of the De-
11 partment for the fiscal year ending Sep-
12 tember 30, 2017, and each fiscal year
13 thereafter, are ready in a timely manner
14 and in preparation for an audit, including
15 submitting the reports not later than No-
16 vember 15, 2017, and each year thereafter,
17 in order to seek an audit opinion on its fi-
18 nancial statements; and”.

19 (b) DEFINITION OF VALIDATED AS READY FOR
20 AUDIT.—Such section is further amended by adding at
21 the end the following new subsection:

22 “(d) VALIDATED AS READY FOR AUDIT DEFINED.—
23 In this section, the term ‘validated as ready for audit’
24 means the following:

1 “(1) In the case of the financial statements of
2 a military department, that the audit agencies of the
3 military department have reviewed such statements
4 and determined, in writing, that such statements are
5 ready for audit.

6 “(2) In the case of the financial statements of
7 a Defense Agency, that the audit agencies of the De-
8 fense Agency have reviewed such statements and de-
9 termined, in writing, that such statements are ready
10 for audit.”.

11 **SEC. 1804. CESSATION OF APPLICABILITY OF REPORTING**
12 **REQUIREMENTS REGARDING THE FINANCIAL**
13 **STATEMENTS OF THE DEPARTMENT OF DE-**
14 **FENSE.**

15 (a) CESSATION OF APPLICABILITY.—

16 (1) MILITARY DEPARTMENTS.—The financial
17 statements of a military department shall cease to
18 be covered by the reporting requirements specified in
19 subsection (b) upon the issuance of an unqualified
20 audit opinion on such financial statements.

21 (2) DEPARTMENT OF DEFENSE.—The reporting
22 requirements specified in subsection (b) shall cease
23 to be effective when an unqualified audit opinion is
24 issued on the financial statements of the Depart-

1 ment of Defense, including each of the military de-
2 partments and the Defense Agencies.

3 (b) REPORTING REQUIREMENTS.—The reporting re-
4 quirements specified in this subsection are the following:

5 (1) The requirement for semi-annual reports in
6 section 1003(b) of the National Defense Authoriza-
7 tion Act for Fiscal Year 2010 (Public Law 111–84;
8 123 Stat. 2440; 10 U.S.C. 2222 note).

9 (2) The requirement for annual reports in sec-
10 tion 1008(a) of the National Defense Authorization
11 Act for Fiscal Year 2002 (Public Law 107–107; 115
12 Stat. 1204; 10 U.S.C. 113 note).

13 **SEC. 1805. REPORT ON DEPARTMENT OF DEFENSE REPORT-**
14 **ING REQUIREMENTS MADE OBSOLETE BY OR**
15 **AFFECTING AUDITS WITH UNQUALIFIED**
16 **OPINIONS.**

17 Not later than 180 days after the date of the enact-
18 ment of this Act, the Under Secretary of Defense (Comp-
19 troller) shall submit to Congress a report setting forth the
20 following:

21 (1) A list of each report of the Department of
22 Defense required by law to be submitted to Congress
23 which, in the opinion of the Under Secretary, would
24 no longer be necessary if the financial statements of

1 the Department of Defense were audited with an un-
2 qualified opinion.

3 (2) A list of each report of the Department re-
4 quired by law to be submitted to Congress which, in
5 the opinion of the Under Secretary, interferes with
6 the capacity of the Department to achieve an audit
7 of the financial statements of the Department with
8 an unqualified opinion.

9 **SEC. 1806. ENHANCED REPROGRAMMING AUTHORITY FOL-**
10 **LOWING ACHIEVEMENT BY MILITARY DE-**
11 **PARTMENTS OF AUDIT WITH UNQUALIFIED**
12 **OPINION OF STATEMENT OF BUDGETARY RE-**
13 **SOURCES FOR FISCAL YEARS AFTER FISCAL**
14 **YEAR 2013.**

15 (a) IN GENERAL.—Subject to section 1809(a)(1), if
16 a military department obtains an audit with an unquali-
17 fied opinion on its statement of budgetary resources for
18 any fiscal year after fiscal year 2013, the thresholds for
19 reprogramming of funds without prior notice to Congress
20 for the succeeding fiscal year shall be deemed to be the
21 thresholds as follows:

22 (1) In the case of an increase or decrease to the
23 program base amount for a procurement program,
24 \$60,000,000.

1 (2) In the case of an increase or decrease to the
2 program base amount for a research program,
3 \$30,000,000.

4 (3) In the case of an increase or decrease to the
5 amount for a budget activity for operation and
6 maintenance, \$45,000,000.

7 (4) In the case of an increase or decrease to the
8 amount for a budget activity for military personnel,
9 \$30,000,000.

10 (b) CONSTRUCTION.—Nothing in this section shall be
11 construed to alter or revise any requirement (other than
12 a threshold amount) for notice to Congress on
13 reprogrammings covered by subsection (a) under any
14 other provision of law.

15 (c) DEFINITIONS.—In this section, the terms “pro-
16 gram base amount”, “procurement program”, “research
17 program”, and “budget activity” have the meanings given
18 such terms in chapter 6 of volume 3 of the Financial Man-
19 agement Regulation of the Department of Defense (DoD
20 7000.14R), dated March 2011, or any successor docu-
21 ment.

1 **SEC. 1807. AVAILABILITY OF EXPIRING FUNDS FOLLOWING**
2 **ACHIEVEMENT BY MILITARY DEPARTMENTS**
3 **OF AUDIT WITH UNQUALIFIED OPINION OF**
4 **STATEMENT OF BUDGETARY RESOURCES**
5 **FOR FISCAL YEARS AFTER FISCAL YEAR 2013.**

6 (a) IN GENERAL.—Subject to section 1809(a)(1), if
7 a military department obtains an audit with an unquali-
8 fied opinion on its statement of budgetary resources for
9 a fiscal year after fiscal year 2013 (in this section referred
10 to as a “covered fiscal year”), the amount described in
11 subsection (b) shall be available for the purposes specified
12 in subsection (c) at the end of such covered fiscal year
13 without fiscal year limitation.

14 (b) AVAILABLE AMOUNT.—The amount described in
15 this subsection is the amount equal to five percent of the
16 aggregate amount of unobligated appropriations available
17 to the military department concerned for a covered fiscal
18 year that would otherwise expire at the end of such cov-
19 ered fiscal year by law.

20 (c) PURPOSES.—

21 (1) IN GENERAL.—Except as provided in para-
22 graph (2) and subject to paragraph (3), amounts
23 available under subsection (a) shall, at the election
24 of the Secretary of the military department con-
25 cerned, be available for purposes as follows:

1 (A) Payment in accordance with applicable
2 law of bonuses authorized by law (including
3 awards authorized by subchapter I of chapter
4 45 of title 5, United States Code) for civilian
5 employees of the military department, including
6 employees determined to have made beneficial
7 contributions to the achievement of the mission
8 of the military department.

9 (B) Procurement of weapons and weapon
10 systems.

11 (C) Military education and training pro-
12 grams and activities of the military department.

13 (2) EXCLUSION.—Amounts available under sub-
14 section (a) shall not be available for purposes as fol-
15 lows:

16 (A) Research, development, test, and eval-
17 uation.

18 (B) Military construction.

19 (3) LIMITATIONS ON BONUSES.—

20 (A) LIMITATION ON BONUS AMOUNT.—The
21 amount of the bonus payable to a civilian em-
22 ployee of a military department under para-
23 graph (1)(A) in any year may not exceed the
24 amount equal to 25 percent of the base pay of
25 the employee in such year.

1 (B) LIMITATION ON AGGREGATE AMOUNT
2 OF BONUSES.—The total amount of bonuses
3 payable to civilian employees of a military de-
4 partment under paragraph (1)(A) in any year
5 may not exceed \$5,000,000.

6 (C) CONSTRUCTION.—Nothing in para-
7 graph (1)(A) may be construed to authorize or
8 provide for the payment of a bonus to an officer
9 or employee of a contractor of the Department
10 of Defense.

11 (d) TRANSFERS.—

12 (1) IN GENERAL.—Notwithstanding any other
13 provision of law, the Secretary of a military depart-
14 ment may transfer amounts described in subsection
15 (b) that are available under subsection (a) among
16 accounts of the military department for purposes of
17 exercising the authority in subsection (a) with re-
18 spect to such amounts. Amounts so transferred shall
19 be merged with amounts in the account or fund to
20 which transferred and shall be available under the
21 same terms and conditions as the amounts with
22 which merged for the purposes specified in sub-
23 section (c).

1 (2) NO NEW APPROPRIATION.—A transfer
2 under paragraph (1) shall not be treated as a new
3 appropriation of the amount so transferred.

4 (e) REPORTS.—

5 (1) ANNUAL REPORTS.—The Secretary of De-
6 fense shall submit to Congress each year (at the
7 same time the budget of the President for a fiscal
8 year is submitted to Congress in such year pursuant
9 to section 1105 of title 31, United States Code) a
10 report on the exercise of the authority under this
11 section during the previous fiscal year. Each report
12 under this subsection shall include, for the fiscal
13 year covered by such report, the following:

14 (A) The amounts transferred under sub-
15 section (d), including the total amount trans-
16 ferred and the amounts transferred to each ac-
17 count to which transferred.

18 (B) The purposes, and amounts, for which
19 amounts transferred were used.

20 (2) NOTICE ON PROCUREMENT.—Not later than
21 30 days before using amounts available under sub-
22 section (a) for the procurement of weapons or a
23 weapon system, the Secretary of the military depart-
24 ment concerned shall submit to Congress a report,
25 in writing, on the use of such amounts for that pur-

1 pose. Each report shall include a statement of the
2 weapons or weapon system to be procured and the
3 amount to be used for such procurement.

4 **SEC. 1808. FAILURE TO OBTAIN AUDITS WITH UNQUALI-**
5 **FIED OPINION OF FISCAL YEAR 2014 STATE-**
6 **MENT OF BUDGETARY RESOURCES OF THE**
7 **DEPARTMENT OF DEFENSE.**

8 (a) IN GENERAL.—If the Department of Defense
9 fails to obtain an audit with an unqualified opinion on its
10 statement of budgetary resources for fiscal year 2014, the
11 following shall take effect, effective as of the date of the
12 issuance of the opinion on such audit:

13 (1) ADDITIONAL QUALIFICATIONS AND DUTIES
14 OF USD (COMPTROLLER).—

15 (A) QUALIFICATIONS.—Any individual
16 nominated for appointment to the position of
17 Under Secretary of Defense (Comptroller)
18 under section 135 of title 10, United States
19 Code, shall be an individual who has served—

20 (i) as the chief financial officer of a
21 Federal or State agency that has received
22 an audit with an unqualified opinion on
23 such agency's financial statements during
24 the time of such individual's service; or

1 (ii) as the chief financial officer of a
2 public company that has received an audit
3 with an unqualified opinion on such com-
4 pany's financial statements during the
5 time of such individual's service.

6 (B) DUTIES AND POWERS.—The duties
7 and powers of the individual serving as Under
8 Secretary of Defense (Comptroller) shall in-
9 clude, in addition to the duties and powers
10 specified in section 135(c) of title 10, United
11 States Code, such duties and powers with re-
12 spect to the financial management of the De-
13 partment of Defense as the Deputy Secretary of
14 Defense (acting in the capacity of Chief Man-
15 agement Officer of the Department of Defense)
16 or a successor official in the Department of De-
17 fense (acting in such capacity) may prescribe.

18 (2) ADDITIONAL QUALIFICATIONS AND RESPON-
19 SIBILITIES OF ASA FOR FINANCIAL MANAGEMENT.—

20 (A) QUALIFICATIONS.—Any individual
21 nominated for appointment to the position of
22 Assistant Secretary of the Army for Financial
23 Management under section 3016 of title 10,
24 United States Code, shall be an individual who
25 has served—

1 (i) as the chief financial officer of a
2 Federal or State agency that has received
3 an audit with an unqualified opinion on
4 such agency's financial statements during
5 the time of such individual's service; or

6 (ii) as the chief financial officer of a
7 public company that has received an audit
8 with an unqualified opinion on such com-
9 pany's financial statements during the
10 time of such individual's service.

11 (B) RESPONSIBILITIES.—The responsibil-
12 ities of the individual serving as Assistant Sec-
13 retary of the Army for Financial Management
14 shall include, in addition to the responsibilities
15 specified in section 3016(b)(4) of title 10,
16 United States Code, such responsibilities as the
17 Deputy Secretary of Defense (acting in the ca-
18 pacity of Chief Management Officer of the De-
19 partment of Defense) or a successor official in
20 the Department of Defense (acting in such ca-
21 pacity) may prescribe.

22 (3) ADDITIONAL QUALIFICATIONS AND RESPON-
23 SIBILITIES OF ASN FOR FINANCIAL MANAGEMENT.—

24 (A) QUALIFICATIONS.—Any individual
25 nominated for appointment to the position of

1 Assistant Secretary of the Navy for Financial
2 Management under section 5016 of title 10,
3 United States Code, shall be an individual who
4 has served—

5 (i) as the chief financial officer of a
6 Federal or State agency that has received
7 an audit with an unqualified opinion on
8 such agency's financial statements during
9 the time of such individual's service; or

10 (ii) as the chief financial officer of a
11 public company that has received an audit
12 with an unqualified opinion on such com-
13 pany's financial statements during the
14 time of such individual's service.

15 (B) RESPONSIBILITIES.—The responsibil-
16 ities of the individual serving as Assistant Sec-
17 retary of the Navy for Financial Management
18 shall include, in addition to the responsibilities
19 specified in section 5016(b)(4) of title 10,
20 United States Code, such responsibilities as the
21 Deputy Secretary of Defense (acting in the ca-
22 pacity of Chief Management Officer of the De-
23 partment of Defense) or a successor official in
24 the Department of Defense (acting in such ca-
25 pacity) may prescribe.

1 (4) ADDITIONAL QUALIFICATIONS AND RESPON-
2 SIBILITIES OF ASAF FOR FINANCIAL MANAGE-
3 MENT.—

4 (A) QUALIFICATIONS.—Any individual
5 nominated for appointment to the position of
6 Assistant Secretary of the Air Force for Finan-
7 cial Management under section 8016 of title 10,
8 United States Code, shall be an individual who
9 has served—

10 (i) as the chief financial officer of a
11 Federal or State agency that has received
12 an audit with an unqualified opinion on
13 such agency's financial statements during
14 the time of such individual's service; or

15 (ii) as the chief financial officer of a
16 public company that has received an audit
17 with an unqualified opinion on such com-
18 pany's financial statements during the
19 time of such individual's service.

20 (B) RESPONSIBILITIES.—The responsibil-
21 ities of the individual serving as Assistant Sec-
22 retary of the Air Force for Financial Manage-
23 ment shall include, in addition to the respon-
24 sibilities specified in section 8016(b)(4) of title
25 10, United States Code, such responsibilities as

1 the Deputy Secretary of Defense (acting in the
2 capacity of Chief Management Officer of the
3 Department of Defense) or a successor official
4 in the Department of Defense (acting in such
5 capacity) may prescribe.

6 (b) PUBLIC COMPANY DEFINED.—In this section, the
7 term “public company” has the meaning given the term
8 “issuer” in section 2(a)(7) of the Sarbanes-Oxley Act of
9 2002 (15 U.S.C. 7201(a)(7)).

10 **SEC. 1809. FAILURE TO OBTAIN AUDITS WITH UNQUALI-**
11 **FIED OPINION OF FISCAL YEAR 2017 FINAN-**
12 **CIAL STATEMENTS OF THE DEPARTMENT OF**
13 **DEFENSE.**

14 (a) MILITARY DEPARTMENTS.—

15 (1) CESSATION OF AUTHORITIES ON RE-
16 PROGRAMMING AND AVAILABILITY OF FUNDS.—If a
17 military department fails to obtain an audit with an
18 unqualified opinion on its financial statements for
19 fiscal year 2017, effective as of the date of the
20 issuance of the opinion on such audit, the authorities
21 in sections 1806 and 1807 shall cease to be available
22 to the military department for fiscal year 2017 or
23 any fiscal year thereafter.

24 (2) PROHIBITION ON EXPENDITURE OF FUNDS
25 FOR CERTAIN MDAPS PAST MILESTONE B.—

1 (A) PROHIBITION.—If a military depart-
2 ment fails to obtain an audit with an unquali-
3 fied opinion on its financial statements for fis-
4 cal year 2017, effective as of the date of the
5 issuance of the opinion on such audit, amounts
6 may not be expended by the military depart-
7 ment for a weapon or weapon system or plat-
8 form being acquired as a major defense acquisi-
9 tion program for any activity beyond Milestone
10 B approval unless such program has already
11 achieved Milestone B approval of the date of
12 the issuance of the opinion on such audit.

13 (B) DEFINITIONS.—In this paragraph:

14 (i) The term “major defense acquisi-
15 tion program” has the meaning given that
16 term in section 2430 of title 10, United
17 States Code.

18 (ii) The term “Milestone B approval”
19 has the meaning given that term in section
20 2366(e)(7) of title 10, United States Code.

21 (b) DEPARTMENT OF DEFENSE.—If the Department
22 of Defense fails to obtain an audit with an unqualified
23 opinion on its financial statements for fiscal year 2017,
24 the following shall take effect, effective as of the date of
25 the issuance of the opinion on such audit:

1 (1) REORGANIZATION OF RESPONSIBILITIES OF
2 CHIEF MANAGEMENT OFFICER.—

3 (A) POSITION OF CHIEF MANAGEMENT OF-
4 FICER.—Section 132a of title 10, United States
5 Code, is amended to read as follows:

6 **“§ 132a. Chief Management Officer**

7 “(a) IN GENERAL.—(1) There is a Chief Manage-
8 ment Officer of the Department of Defense, appointed
9 from civilian life by the President, by and with the advice
10 and consent of the Senate.

11 “(2) Any individual nominated for appointment as
12 Chief Management Officer shall be an individual who
13 has—

14 “(A) extensive executive level leadership and
15 management experience in the public or private sec-
16 tor;

17 “(B) strong leadership skills;

18 “(C) a demonstrated ability to manage large
19 and complex organizations; and

20 “(D) a proven record in achieving positive oper-
21 ational results.

22 “(b) POWERS AND DUTIES.—The Chief Management
23 Officer shall perform such duties and exercise such powers
24 as the Secretary of Defense may prescribe.

1 “(c) SERVICE AS CHIEF MANAGEMENT OFFICER.—

2 (1) The Chief Management Officer is the Chief Manage-
3 ment Officer of the Department of Defense.

4 “(2) In serving as the Chief Management Officer of
5 the Department of Defense, the Chief Management Offi-
6 cer shall be responsible for the management and adminis-
7 tration of the Department of Defense with respect to the
8 following:

9 “(A) The expenditure of funds, accounting, and
10 finance.

11 “(B) Procurement, including procurement of
12 any enterprise resource planning (ERP) system and
13 any information technology (IT) system that is a fi-
14 nancial feeder system, human resources system, or
15 logistics system.

16 “(C) Facilities, property, nonmilitary equip-
17 ment, and other resources.

18 “(D) Strategic planning, and annual perform-
19 ance planning, and identification and tracking of
20 performance measures.

21 “(E) Internal audits and management analyses
22 of the programs and activities of the Department,
23 including the Defense Contract Audit Agency.

24 “(F) Such other areas or matters as the Sec-
25 retary of Defense may designate.

1 “(3) The head of the Defense Contract Audit Agency
2 shall be under the supervision of, and shall report directly
3 to, the Chief Management Officer.

4 “(d) PRECEDENCE.—The Chief Management Officer
5 takes precedence in the Department of Defense after the
6 Secretary of Defense and the Deputy Secretary of De-
7 fense.”.

8 (B) CONFORMING AMENDMENTS.—

9 (i) Section 131(b) of title 10, United
10 States Code, is amended—

11 (I) by striking paragraph (3);

12 (II) by redesignating paragraph

13 (2) as paragraph (3); and

14 (III) by inserting after paragraph

15 (1) the following new paragraph (2):

16 “(2) The Chief Management Officer of the De-
17 partment of Defense.”.

18 (ii) Section 132 of such title is
19 amended—

20 (I) by striking subsection (c);

21 and

22 (II) by redesignating subsections

23 (d) and (e) as subsections (c) and (d),

24 respectively.

1 (iii) Section 133(e)(1) of such title is
2 amended by striking “and the Deputy Sec-
3 retary of Defense” and inserting “, the
4 Deputy Secretary of Defense, and the
5 Chief Management Officer of the Depart-
6 ment of Defense”.

7 (iv) Such title is further amended by
8 inserting “the Chief Management Officer
9 of the Department of Defense,” after “the
10 Deputy Secretary of Defense,” each place
11 it appears in the provisions as follows:

12 (I) Section 133(e)(2).

13 (II) Section 134(c).

14 (v) Section 137a(d) of such title is
15 amended by striking “the Secretaries of
16 the military departments,” and all that fol-
17 lows and inserting “the Chief Management
18 Officer of the Department of Defense, the
19 Secretaries of the military departments,
20 and the Under Secretaries of Defense.”.

21 (vi) Section 138(d) of such title is
22 amended by striking “the Secretaries of
23 the military departments,” and all that fol-
24 lows through the period and inserting “the
25 Chief Management Officer of the Depart-

1 ment of Defense, the Secretaries of the
2 military departments, the Under Secre-
3 taries of Defense, and the Director of De-
4 fense Research and Engineering.”.

5 (C) CLERICAL AMENDMENT.—The table of
6 sections at the beginning of chapter 4 of such
7 title is amended by striking the item relating to
8 section 132a and inserting the following new
9 item:

“132a. Chief Management Officer.”.

10 (D) EXECUTIVE SCHEDULE.—Section
11 5313 of title 5, United States Code, is amended
12 by adding at the end the following:

13 “Chief Management Officer of the Department
14 of Defense.”.

15 (E) REFERENCE IN LAW.—Any reference
16 in any provision of law to the Chief Manage-
17 ment Officer of the Department of Defense
18 shall be deemed to refer to the Chief Manage-
19 ment Officer of the Department of Defense
20 under section 132a of title 10, United States
21 Code (as amended by this paragraph).

22 (2) JURISDICTION OF DFAS.—

23 (A) TRANSFER TO DEPARTMENT OF
24 TREASURY.—Jurisdiction of the Defense Fi-
25 nance and Accounting Service (DFAS) is trans-

1 ferred from the Department of Defense to the
2 Department of the Treasury.

3 (B) ADMINISTRATION.—The Secretary of
4 the Treasury shall administer the Defense Fi-
5 nance and Accounting Service following transfer
6 under this paragraph through the Financial
7 Management Service of the Department of
8 Treasury.

9 (C) MEMORANDUM OF UNDERSTANDING.—
10 The Secretary of Defense and the Secretary of
11 the Treasury shall jointly enter into a memo-
12 randum of understanding regarding the trans-
13 fer of jurisdiction of the Defense Finance and
14 Accounting Service under this paragraph. The
15 memorandum of understanding shall provide for
16 the transfer of the personnel and other re-
17 sources of the Service to the Department of the
18 Treasury and for the assumption of responsi-
19 bility for such personnel and resources by the
20 Department of the Treasury.

21 (D) CONSTRUCTION.—Nothing in this
22 paragraph shall be construed as terminating, al-
23 tering, or revising any responsibilities or au-
24 thorities of the Defense Finance and Account-
25 ing Service (other than responsibilities and au-

1 thorities in connection with the exercise of ju-
2 risdiction of the Service following transfer
3 under this paragraph).

4 **SEC. 1810. ENTERPRISE RESOURCE PLANNING.**

5 The Secretary of Defense shall amend the acquisition
6 guidance of the Department of Defense to provide for the
7 following:

8 (1) The Defense Business System Management
9 Committee may not approve procurement of any En-
10 terprise Resource Planning (ERP) business system
11 that is independently estimated to take longer than
12 three years to procure from initial obligation of
13 funds to full deployment and sustainment.

14 (2) Any contract for the acquisition of an En-
15 terprise Resource Planning business system shall in-
16 clude a provision authorizing termination of the con-
17 tract at no cost to the Government if procurement
18 of the system takes longer than three years from ini-
19 tial obligation of funds to full deployment and
20 sustainment.

21 (3) The Deputy Secretary of Defense (acting in
22 the capacity of Chief Management Officer of the De-
23 partment of Defense) or a successor official in the
24 Department of Defense (acting in such capacity)
25 shall have the authority to replace any program

1 manager (whether in a military department or a De-
2 fense Agency) for the procurement of an Enterprise
3 Resource Planning business system if procurement
4 of the system takes longer than three years from ini-
5 tial obligation of funds to full deployment and
6 sustainment.

7 (4) Any integrator contract for the implementa-
8 tion of an Enterprise Resource Planning business
9 system shall only be awarded to companies that have
10 a history of successful implementation of other En-
11 terprise Resource Planning business systems for the
12 Federal Government (whether with the Department
13 of Defense or another department or agency of the
14 Federal Government), including meeting cost and
15 schedule goals.