

defense committees [Committees on Armed Services and Appropriations of Senate and House of Representatives] a report on the pilot programs. The report shall contain the following:

“(1) A description of the acquisition programs designated as pilot programs under subsection (a).

“(2) For each such acquisition program, the specific management actions taken to ensure that the program manager has the responsibility for oversight of the performance of the product support functions.

“(3) Any proposed change to law, policy, regulation, or organization that the Secretary considers desirable, and determines feasible to implement, for ensuring that the program managers are fully responsible under the pilot programs for the performance of all such responsibilities.”

#### ENHANCED SYSTEM OF PERFORMANCE INCENTIVES

Pub. L. 103-355, title V, §5001(b), Oct. 13, 1994, 108 Stat. 3350, provided that: “Within one year after the date of the enactment of this Act [Oct. 13, 1994], the Secretary of Defense shall review the incentives and personnel actions available to the Secretary of Defense for encouraging excellence in the management of defense acquisition programs and provide an enhanced system of incentives to facilitate the achievement of goals approved or defined pursuant to section 2220(a) of title 10, United States Code. The enhanced system of incentives shall, to the maximum extent consistent with applicable law—

“(1) relate pay to performance (including the extent to which the performance of personnel in such programs contributes to achieving the cost goals, performance goals, and schedule goals established for acquisition programs of the Department of Defense pursuant to section 2220(a) of title 10, as added by subsection (a)); and

“(2) provide for consideration, in personnel evaluations and promotion decisions, of the extent to which the performance of personnel in such programs contributes to achieving the cost goals, performance goals, and schedule goals established for acquisition programs of the Department of Defense pursuant to section 2220(a) of title 10, United States Code, as added by subsection (a).”

#### RECOMMENDED LEGISLATION

Pub. L. 103-355, title V, §5001(c), Oct. 13, 1994, 108 Stat. 3350, directed the Secretary of Defense, not later than one year after Oct 13, 1994, to submit to Congress any recommended legislation that the Secretary considered necessary to carry out this section and otherwise to facilitate and enhance management of Department of Defense acquisition programs on the basis of performance.

#### **[§ 2221. Repealed. Pub. L. 105-261, div. A, title IX, § 906(f)(1), Oct. 17, 1998, 112 Stat. 2096]**

Section, added Pub. L. 104-106, div. A, title IX, §914(a)(1), Feb. 10, 1996, 110 Stat. 412; amended Pub. L. 104-201, div. A, title X, §1008(a), Sept. 23, 1996, 110 Stat. 2633; Pub. L. 105-85, div. A, title X, §1006(a), Nov. 18, 1997, 111 Stat. 1869; Pub. L. 105-261, div. A, title X, §1069(b)(2), Oct. 17, 1998, 112 Stat. 2136, related to Fisher House trust funds. See section 2493 of this title.

#### EFFECTIVE DATE OF REPEAL

Repeal effective 90 days after Oct. 17, 1998, see section 906(f)(3) of Pub. L. 105-261, set out as an Effective Date of 1998 Amendment note under section 1321 of Title 31, Money and Finance.

#### **§ 2222. Defense business systems: architecture, accountability, and modernization**

(a) CONDITIONS FOR OBLIGATION OF FUNDS FOR DEFENSE BUSINESS SYSTEM MODERNIZATION.—Funds appropriated to the Department of Defense may not be obligated for a defense busi-

ness system modernization that will have a total cost in excess of \$1,000,000 unless—

(1) the appropriate chief management officer for the defense business system modernization has determined whether or not—

(A) the defense business system modernization is in compliance with the enterprise architecture developed under subsection (c); and

(B) appropriate business process re-engineering efforts have been undertaken to ensure that—

(i) the business process to be supported by the defense business system modernization will be as streamlined and efficient as practicable; and

(ii) the need to tailor commercial-off-the-shelf systems to meet unique requirements or incorporate unique interfaces has been eliminated or reduced to the maximum extent practicable;

(2) the approval authority designated for the defense business system certifies to the Defense Business Systems Management Committee established by section 186 of this title that the defense business system modernization—

(A) has been determined by the appropriate chief management officer to be in compliance with the requirements of paragraph (1);

(B) is necessary to achieve a critical national security capability or address a critical requirement in an area such as safety or security; or

(C) is necessary to prevent a significant adverse effect on a project that is needed to achieve an essential capability, taking into consideration the alternative solutions for preventing such adverse effect; and

(3) the certification by the approval authority and the determination by the chief management officer are approved by the Defense Business Systems Management Committee.

(b) OBLIGATION OF FUNDS IN VIOLATION OF REQUIREMENTS.—The obligation of Department of Defense funds for a business system modernization in excess of the amount specified in subsection (a) that has not been certified and approved in accordance with such subsection is a violation of section 1341(a)(1)(A) of title 31.

(c) ENTERPRISE ARCHITECTURE FOR DEFENSE BUSINESS SYSTEMS.—Not later than September 30, 2005, the Secretary of Defense, acting through the Defense Business Systems Management Committee, shall develop—

(1) an enterprise architecture to cover all defense business systems, and the functions and activities supported by defense business systems, which shall be sufficiently defined to effectively guide, constrain, and permit implementation of interoperable defense business system solutions and consistent with the policies and procedures established by the Director of the Office of Management and Budget, and

(2) a transition plan for implementing the enterprise architecture for defense business systems.

(d) COMPOSITION OF ENTERPRISE ARCHITECTURE.—The defense business enterprise architec-

ture developed under subsection (c)(1) shall include the following:

(1) An information infrastructure that, at a minimum, would enable the Department of Defense to—

(A) comply with all Federal accounting, financial management, and reporting requirements;

(B) routinely produce timely, accurate, and reliable financial information for management purposes;

(C) integrate budget, accounting, and program information and systems; and

(D) provide for the systematic measurement of performance, including the ability to produce timely, relevant, and reliable cost information.

(2) Policies, procedures, data standards, and system interface requirements that are to apply uniformly throughout the Department of Defense.

(e) COMPOSITION OF TRANSITION PLAN.—(1) The transition plan developed under subsection (c)(2) shall include the following:

(A) The acquisition strategy for new systems that are expected to be needed to complete the defense business enterprise architecture.

(B) A listing of the defense business systems as of December 2, 2002 (known as “legacy systems”), that will not be part of the objective defense business enterprise architecture, together with the schedule for terminating those legacy systems that provides for reducing the use of those legacy systems in phases.

(C) A listing of the legacy systems (referred to in subparagraph (B)) that will be a part of the objective defense business system, together with a strategy for making the modifications to those systems that will be needed to ensure that such systems comply with the defense business enterprise architecture.

(2) Each of the strategies under paragraph (1) shall include specific time-phased milestones, performance metrics, and a statement of the financial and nonfinancial resource needs.

(f) APPROVAL AUTHORITIES AND ACCOUNTABILITY FOR DEFENSE BUSINESS SYSTEMS.—(1) The Secretary of Defense shall delegate responsibility for review, approval, and oversight of the planning, design, acquisition, deployment, operation, maintenance, and modernization of defense business systems as follows:

(A) The Under Secretary of Defense for Acquisition, Technology and Logistics shall be responsible and accountable for any defense business system the primary purpose of which is to support acquisition activities, logistics activities, or installations and environment activities of the Department of Defense.

(B) The Under Secretary of Defense (Comptroller) shall be responsible and accountable for any defense business system the primary purpose of which is to support financial management activities or strategic planning and budgeting activities of the Department of Defense.

(C) The Under Secretary of Defense for Personnel and Readiness shall be responsible and accountable for any defense business system the primary purpose of which is to support

human resource management activities of the Department of Defense.

(D) The Assistant Secretary of Defense for Networks and Information Integration and the Chief Information Officer of the Department of Defense shall be responsible and accountable for any defense business system the primary purpose of which is to support information technology infrastructure or information assurance activities of the Department of Defense.

(E) The Deputy Secretary of Defense or an Under Secretary of Defense, as designated by the Secretary of Defense, shall be responsible for any defense business system the primary purpose of which is to support any activity of the Department of Defense not covered by subparagraphs (A) through (D).

(2) For purposes of subsection (a), the appropriate chief management officer for a defense business system modernization is as follows:

(A) In the case of an Army program, the Chief Management Officer of the Army.

(B) In the case of a Navy program, the Chief Management Officer of the Navy.

(C) In the case of an Air Force program, the Chief Management Officer of the Air Force.

(D) In the case of a program of a Defense Agency, the Deputy Chief Management Officer of the Department of Defense.

(E) In the case of a program that will support the business processes of more than one military department or Defense Agency, the Deputy Chief Management Officer of the Department of Defense.

(g) DEFENSE BUSINESS SYSTEM INVESTMENT REVIEW.—(1) The Secretary of Defense shall require each approval authority designated under subsection (f) to establish, not later than March 15, 2005, an investment review process, consistent with section 11312 of title 40, to review the planning, design, acquisition, development, deployment, operation, maintenance, modernization, and project cost benefits and risks of all defense business systems for which the approval authority is responsible. The investment review process so established shall specifically address the responsibilities of approval authorities under subsection (a).

(2) The review of defense business systems under the investment review process shall include the following:

(A) Review and approval by an investment review board of each defense business system as an investment before the obligation of funds on the system.

(B) Periodic review, but not less than annually, of every defense business system investment.

(C) Representation on each investment review board by appropriate officials from among the armed forces, combatant commands, the Joint Chiefs of Staff, and Defense Agencies.

(D) Use of threshold criteria to ensure an appropriate level of review within the Department of Defense of, and accountability for, defense business system investments depending on scope, complexity, and cost.

(E) Use of procedures for making certifications in accordance with the requirements of subsection (a).

(F) Use of procedures for ensuring consistency with the guidance issued by the Secretary of Defense and the Defense Business Systems Management Committee, as required by section 186(c) of this title, and incorporation of common decision criteria, including standards, requirements, and priorities that result in the integration of defense business systems.

(h) BUDGET INFORMATION.—In the materials that the Secretary submits to Congress in support of the budget submitted to Congress under section 1105 of title 31 for fiscal year 2006 and fiscal years thereafter, the Secretary of Defense shall include the following information:

(1) Identification of each defense business system for which funding is proposed in that budget.

(2) Identification of all funds, by appropriation, proposed in that budget for each such system, including—

(A) funds for current services (to operate and maintain the system); and

(B) funds for business systems modernization, identified for each specific appropriation.

(3) For each such system, identification of the official to whom authority for such system is delegated under subsection (f).

(4) For each such system, a description of each certification made under subsection (d) with regard to such system.

(i) CONGRESSIONAL REPORTS.—Not later than March 15 of each year from 2005 through 2013, the Secretary of Defense shall submit to the congressional defense committees a report on Department of Defense compliance with the requirements of this section. The first report shall define plans and commitments for meeting the requirements of subsection (a), including specific milestones and performance measures. Subsequent reports shall—

(1) describe actions taken and planned for meeting the requirements of subsection (a), including—

(A) specific milestones and actual performance against specified performance measures, and any revision of such milestones and performance measures; and

(B) specific actions on the defense business system modernizations submitted for certification under such subsection;

(2) identify the number of defense business system modernizations so certified;

(3) identify any defense business system modernization with an obligation in excess of \$1,000,000 during the preceding fiscal year that was not certified under subsection (a), and the reasons for the waiver; and

(4) discuss specific improvements in business operations and cost savings resulting from successful defense business systems modernization efforts.

(j) DEFINITIONS.—In this section:

(1) The term “approval authority”, with respect to a defense business system, means the Department of Defense official responsible for the defense business system, as designated by subsection (f).

(2) The term “defense business system” means an information system, other than a national security system, operated by, for, or on behalf of the Department of Defense, including financial systems, mixed systems, financial data feeder systems, and information technology and information assurance infrastructure, used to support business activities, such as acquisition, financial management, logistics, strategic planning and budgeting, installations and environment, and human resource management.

(3) The term “defense business system modernization” means—

(A) the acquisition or development of a new defense business system; or

(B) any significant modification or enhancement of an existing defense business system (other than necessary to maintain current services).

(4) The term “enterprise architecture” has the meaning given that term in section 3601(4) of title 44.

(5) The terms “information system” and “information technology” have the meanings given those terms in section 11101 of title 40.

(6) The term “national security system” has the meaning given that term in section 3542(b)(2) of title 44.

(Added Pub. L. 108-375, div. A, title III, § 332(a)(1), Oct. 28, 2004, 118 Stat. 1851; amended Pub. L. 109-364, div. A, title IX, § 906(a), Oct. 17, 2006, 120 Stat. 2354; Pub. L. 110-417, [div. A], title III, § 351, Oct. 14, 2008, 122 Stat. 4425; Pub. L. 111-84, div. A, title X, § 1072(a), Oct. 28, 2009, 123 Stat. 2470; Pub. L. 111-383, div. A, title X, § 1075(b)(29), Jan. 7, 2011, 124 Stat. 4370.)

#### PRIOR PROVISIONS

A prior section 2222, added Pub. L. 105-85, div. A, title X, § 1008(a)(1), Nov. 18, 1997, 111 Stat. 1870; amended Pub. L. 107-107, div. A, title X, § 1009(b)(1)-(3)(A), Dec. 28, 2001, 115 Stat. 1208, 1209, required Secretary of Defense to submit to Congress an annual strategic plan for improvement of financial management within Department of Defense and specified statements and matters to be included in the plan, prior to repeal by Pub. L. 107-314, div. A, title X, § 1004(h)(1), Dec. 2, 2002, 116 Stat. 2631.

#### AMENDMENTS

2011—Subsec. (a). Pub. L. 111-383 substituted “Funds” for “Effective October 1, 2005, funds”.

2009—Subsec. (a). Pub. L. 111-84, § 1072(a)(1)(A), (B), added par. (1) and redesignated former pars. (1) and (2) as (2) and (3), respectively.

Subsec. (a)(2)(A). Pub. L. 111-84, § 1072(a)(1)(C), added subpar. (A) and struck out former subpar. (A), which read as follows: “is in compliance with the enterprise architecture developed under subsection (c);”.

Subsec. (a)(3). Pub. L. 111-84, § 1072(a)(1)(D), substituted “the certification by the approval authority and the determination by the chief management officer are” for “the certification by the approval authority is”.

Subsec. (f). Pub. L. 111-84, § 1072(a)(2), designated existing provisions as par. (1), redesignated former pars. (1) to (5) as subpars. (A) to (E), respectively, of par. (1), in subpar. (E) substituted “subparagraphs (A) through (D)” for “paragraphs (1) through (4)”, and added par. (2).

2008—Subsec. (i). Pub. L. 110-417 substituted “2013” for “2009” in introductory provisions.

2006—Subsec. (j)(6). Pub. L. 109-364 substituted “in section 3542(b)(2) of title 44” for “in section 2315 of this title”.

## REVIEW OF OBLIGATION AND EXPENDITURE THRESHOLDS

Pub. L. 111-383, div. A, title VIII, §882, Jan. 7, 2011, 124 Stat. 4308, provided that:

“(a) PROCESS REVIEW.—Not later than one year after the date of the enactment of this Act [Jan. 7, 2011], the Chief Management Officer of the Department of Defense, in coordination with the Chief Management Officer of each military department, the Director of the Office of Performance Assessment and Root Cause Analysis, the Under Secretary of Defense (Comptroller), and the Comptrollers of the military departments, shall complete a comprehensive review of the use and value of obligation and expenditure benchmarks and propose new benchmarks or processes for tracking financial performance, including, as appropriate—

“(1) increased reliance on individual obligation and expenditure plans for measuring program financial performance;

“(2) mechanisms to improve funding stability and to increase the predictability of the release of funding for obligation and expenditure; and

“(3) streamlined mechanisms for a program manager to submit an appeal for funding changes and to have such appeal evaluated promptly.

“(b) TRAINING.—The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller) shall ensure that, as part of the training required for program managers and business managers, an emphasis is placed on obligating and expending appropriated funds in a manner that achieves the best value for the Government and that the purpose and limitations of obligation and expenditure benchmarks are made clear.

“(c) REPORT.—The Deputy Chief Management Officer of the Department of Defense shall include a report on the results of the review under this section in the next update of the strategic management plan transmitted to the Committees on Armed Services of the Senate and the House of Representatives under section 904(d) of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181; 122 Stat. 275; 10 U.S.C. note prec. 2201) after the completion of the review.”

## AUDIT READINESS OF FINANCIAL STATEMENTS OF THE DEPARTMENT OF DEFENSE

Pub. L. 111-383, div. A, title VIII, §881, Jan. 7, 2011, 124 Stat. 4306, provided that:

“(a) INTERIM MILESTONES.—

“(1) REQUIREMENT.—Not later than 90 days after the date of the enactment of this Act [Jan. 7, 2011], the Under Secretary of Defense (Comptroller), in consultation with the Deputy Chief Management Officer of the Department of Defense, the secretaries of the military departments, and the heads of the defense agencies and defense field activities, shall establish interim milestones for achieving audit readiness of the financial statements of the Department of Defense, consistent with the requirements of section 1003 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84; 123 Stat. 2439; 10 U.S.C. 2222 note).

“(2) MATTERS INCLUDED.—The interim milestones established pursuant to paragraph (1) shall include, at a minimum, for each military department and for the defense agencies and defense field activities—

“(A) an interim milestone for achieving audit readiness for each major element of the statement of budgetary resources, including civilian pay, military pay, supply orders, contracts, and funds balance with the Treasury; and

“(B) an interim milestone for addressing the existence and completeness of each major category of Department of Defense assets, including military equipment, real property, inventory, and operating material and supplies.

“(3) DESCRIPTION IN SEMIANNUAL REPORTS.—The Under Secretary shall describe each interim milestone established pursuant to paragraph (1) in the next semiannual report submitted pursuant to sec-

tion 1003(b) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84; 123 Stat. 2439; 10 U.S.C. 2222 note). Each subsequent semiannual report submitted pursuant to section 1003(b) shall explain how the Department has progressed toward meeting such interim milestones.

“(b) VALUATION OF DEPARTMENT OF DEFENSE ASSETS.—

“(1) REQUIREMENT.—Not later than 120 days after the date of the enactment of this Act, the Under Secretary of Defense (Comptroller) shall, in consultation with other appropriate Federal agencies and officials—

“(A) examine the costs and benefits of alternative approaches to the valuation of Department of Defense assets;

“(B) select an approach to such valuation that is consistent with principles of sound financial management and the conservation of taxpayer resources; and

“(C) begin the preparation of a business case analysis supporting the selected approach.

“(2) The Under Secretary shall include information on the alternatives considered, the selected approach, and the business case analysis supporting that approach in the next semiannual report submitted pursuant to section 1003(b) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84; 123 Stat. 2439; 10 U.S.C. 2222 note).

“(c) REMEDIAL ACTIONS REQUIRED.—In the event that the Department of Defense, or any component of the Department of Defense, is unable to meet an interim milestone established pursuant to subsection (a), the Under Secretary of Defense (Comptroller) shall—

“(1) develop a remediation plan to ensure that—

“(A) the component will meet the interim milestone no more than one year after the originally scheduled date; and

“(B) the component’s failure to meet the interim milestone will not have an adverse impact on the Department’s ability to carry out the plan under section 1003(a) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84; 123 Stat. 2439; 10 U.S.C. 2222 note); and

“(2) include in the next semiannual report submitted pursuant to section 1003(b) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84; 123 Stat. 2439; 10 U.S.C. 2222 note)—

“(A) a statement of the reasons why the Department of Defense, or component of the Department of Defense, will be unable to meet such interim milestone;

“(B) the revised completion date for meeting such interim milestone; and

“(C) a description of the actions that have been taken and are planned to be taken by the Department of Defense, or component of the Department of Defense, to meet such interim milestone.

“(d) INCENTIVES FOR ACHIEVING AUDITABILITY.—

“(1) REVIEW REQUIRED.—Not later than 120 days after the date of the enactment of this Act, the Under Secretary of Defense (Comptroller) shall review options for providing appropriate incentives to the military departments, Defense Agencies, and defense field activities to ensure that financial statements are validated as ready for audit earlier than September 30, 2017.

“(2) OPTIONS REVIEWED.—The review performed pursuant to paragraph (1) shall consider changes in policy that reflect the increased confidence that can be placed in auditable financial statements, and shall include, at a minimum, consideration of the following options:

“(A) Consistent with the need to fund urgent warfighter requirements and operational needs, priority in the release of appropriated funds.

“(B) Relief from the frequency of financial reporting in cases in which such reporting is not required by law.

“(C) Relief from departmental obligation and expenditure thresholds to the extent that such

thresholds establish requirements more restrictive than those required by law.

“(D) Increases in thresholds for reprogramming of funds.

“(E) Personnel management incentives for the financial and business management workforce.

“(F) Such other measures as the Under Secretary considers appropriate.

“(3) REPORT.—The Under Secretary shall include a discussion of the review performed pursuant to paragraph (1) in the next semiannual report pursuant to section 1003(b) of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111–84; 123 Stat. 2439; 10 U.S.C. 2222 note) and for each option considered pursuant to paragraph (2) shall include—

“(A) an assessment of the extent to which the implementation of the option—

“(i) would be consistent with the efficient operation of the Department of Defense and the effective funding of essential Department of Defense programs and activities; and

“(ii) would contribute to the achievement of Department of Defense goals to prepare auditable financial statements; and

“(B) a recommendation on whether such option should be adopted, a schedule for implementing the option if adoption is recommended, or a reason for not recommending the option if adoption is not recommended.”

Pub. L. 111–84, div. A, title X, §1003, Oct. 28, 2009, 123 Stat. 2439, provided that:

“(a) FINANCIAL IMPROVEMENT AUDIT READINESS PLAN.—

“(1) IN GENERAL.—The Chief Management Officer of the Department of Defense shall, in consultation with the Under Secretary of Defense (Comptroller), develop and maintain a plan to be known as the ‘Financial Improvement and Audit Readiness Plan’.

“(2) ELEMENTS.—The plan required by paragraph (1) shall—

“(A) describe specific actions to be taken and the costs associated with—

“(i) correcting the financial management deficiencies that impair the ability of the Department of Defense to prepare timely, reliable, and complete financial management information; and

“(ii) ensuring the financial statements of the Department of Defense are validated as ready for audit by not later than September 30, 2017;

“(B) systematically tie the actions described under subparagraph (A) to process and control improvements and business systems modernization efforts described in the business enterprise architecture and transition plan required by section 2222 of title 10, United States Code;

“(C) prioritize—

“(i) improving the budgetary information of the Department of Defense, in order to achieve an unqualified audit opinion on the Department’s statements of budgetary resources; and

“(ii) as a secondary goal, improving the accuracy and reliability of management information on the Department’s mission-critical assets (military and general equipment, real property, inventory, and operating materials and supplies) and validating its accuracy through existence and completeness audits; and

“(D) include interim goals, including—

“(i) the objective of ensuring that the financial statement of each of the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Defense Logistics Agency is validated as ready for audit; and

“(ii) a schedule setting forth milestones for elements of the military departments and financial statements of the military departments to be made ready for audit as part of the progress required to meet the objectives established pursuant to clause (i) of this subparagraph and clause (ii) of subparagraph (A) of this paragraph.

“(b) SEMI-ANNUAL REPORTS ON FINANCIAL IMPROVEMENT AND AUDIT READINESS PLAN.—

“(1) IN GENERAL.—Not later than May 15 and November 15 each year, the Under Secretary of Defense (Comptroller) shall submit to the congressional defense committees [Committees on Armed Services and Appropriations of the Senate and the House of Representatives] a report on the status of the implementation by the Department of Defense of the Financial Improvement and Audit Readiness Plan required by subsection (a).

“(2) ELEMENTS.—Each report under paragraph (1) shall include, at a minimum—

“(A) an overview of the steps the Department has taken or plans to take to meet the objectives specified in subsection (a)(2)(A), including progress toward achieving the interim goals and milestone schedule established pursuant to subsection (a)(2)(D); and

“(B) a description of any impediments identified in the efforts of the Department to meet such objectives, and of the actions the Department has taken or plans to take to address such impediments.

“(3) ADDITIONAL ISSUES TO BE ADDRESSED IN FIRST REPORT.—The first report submitted under paragraph (1) after the date of the enactment of this Act [Oct. 28, 2009] shall address, in addition to the elements required by paragraph (2), the actions taken or to be taken by the Department as follows:

“(A) To develop standardized guidance for financial improvement plans by components of the Department.

“(B) To establish a baseline of financial management capabilities and weaknesses at the component level of the Department.

“(C) To provide results-oriented metrics for measuring and reporting quantifiable results toward addressing financial management deficiencies.

“(D) To define the oversight roles of the Chief Management Officer of the Department of Defense, the chief management officers of the military departments, and other appropriate elements of the Department to ensure that the requirements of the Financial Improvement and Audit Readiness Plan are carried out.

“(E) To assign accountability for carrying out specific elements of the Financial Improvement and Audit Readiness Plan to appropriate officials and organizations at the component level of the Department.

“(F) To develop mechanisms to track budgets and expenditures for the implementation of the requirements of the Financial Improvement and Audit Readiness Plan.

“(G) To develop a mechanism to conduct audits of the military intelligence programs and agencies and to submit audited financial statements for such agencies to Congress in a classified manner.

“(c) RELATIONSHIP TO EXISTING LAW.—The requirements of this section shall be implemented in a manner that is consistent with the requirements of section 1008 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107–107; 115 Stat. 1204; 10 U.S.C. 2222 [113] note).”

#### BUSINESS PROCESS REENGINEERING EFFORTS; ONGOING PROGRAMS

Pub. L. 111–84, div. A, title X, §1072(b), Oct. 28, 2009, 123 Stat. 2471, provided that:

“(1) IN GENERAL.—Not later than one year after the date of the enactment of this Act [Oct. 28, 2009], the appropriate chief management officer for each defense business system modernization approved by the Defense Business Systems Management Committee before the date of the enactment of this Act that will have a total cost in excess of \$100,000,000 shall review such defense business system modernization to determine whether or not appropriate business process reengineering efforts have been undertaken to ensure that—

“(A) the business process to be supported by such defense business system modernization will be as streamlined and efficient as practicable; and

“(B) the need to tailor commercial-off-the-shelf systems to meet unique requirements or incorporate unique interfaces has been eliminated or reduced to the maximum extent practicable.

“(2) ACTION ON FINDING OF LACK OF REENGINEERING EFFORTS.—If the appropriate chief management officer determines that appropriate business process reengineering efforts have not been undertaken with regard to a defense business system modernization as described in paragraph (1), that chief management officer—

“(A) shall develop a plan to undertake business process reengineering efforts with respect to the defense business system modernization; and

“(B) may direct that the defense business system modernization be restructured or terminated, if necessary to meet the requirements of paragraph (1).

“(3) DEFINITIONS.—In this subsection:

“(A) The term ‘appropriate chief management officer’, with respect to a defense business system modernization, has the meaning given that term in paragraph (2) of subsection (f) of section 2222 of title 10, United States Code (as amended by subsection (a)(2) of this section).

“(B) The term ‘defense business system modernization’ has the meaning given that term in subsection (j)(3) of section 2222 of title 10, United States Code.”

#### BUSINESS TRANSFORMATION INITIATIVES FOR THE MILITARY DEPARTMENTS

Pub. L. 110-417, [div. A], title IX, §908, Oct. 14, 2008, 122 Stat. 4569, provided that:

“(a) IN GENERAL.—The Secretary of each military department shall, acting through the Chief Management Officer of such military department, carry out an initiative for the business transformation of such military department.

“(b) OBJECTIVES.—The objectives of the business transformation initiative of a military department under this section shall include, at a minimum, the following:

“(1) The development of a comprehensive business transformation plan, with measurable performance goals and objectives, to achieve an integrated management system for the business operations of the military department.

“(2) The development of a well-defined enterprise-wide business systems architecture and transition plan encompassing end-to-end business processes and capable of providing accurately and timely information in support of business decisions of the military department.

“(3) The implementation of the business transformation plan developed pursuant to paragraph (1) and the business systems architecture and transition plan developed pursuant to paragraph (2).

“(c) BUSINESS TRANSFORMATION OFFICES.—

“(1) ESTABLISHMENT.—Not later than 180 days after the date of the enactment of this Act [Oct. 14, 2008], the Secretary of each military department shall establish within such military department an office (to be known as the ‘Office of Business Transformation’ of such military department) to assist the Chief Management Officer of such military department in carrying out the initiative required by this section for such military department.

“(2) HEAD.—The Office of Business Transformation of a military department under this subsection shall be headed by a Director of Business Transformation, who shall be appointed by the Chief Management Officer of the military department, in consultation with the Director of the Business Transformation Agency of the Department of Defense, from among individuals with significant experience managing large-scale organizations or business transformation efforts.

“(3) SUPERVISION.—The Director of Business Transformation of a military department under paragraph (2) shall report directly to the Chief Management Of-

ficer of the military department, subject to policy guidance from the Director of the Business Transformation Agency of the Department of Defense.

“(4) AUTHORITY.—In carrying out the initiative required by this section for a military department, the Director of Business Transformation of the military department under paragraph (2) shall have the authority to require elements of the military department to carry out actions that are within the purpose and scope of the initiative.

“(d) RESPONSIBILITIES OF BUSINESS TRANSFORMATION OFFICES.—The Office of Business Transformation of a military department established pursuant to subsection (b) may be responsible for the following:

“(1) Transforming the budget, finance, accounting, and human resource operations of the military department in a manner that is consistent with the business transformation plan developed pursuant to subsection (b)(1).

“(2) Eliminating or replacing financial management systems of the military department that are inconsistent with the business systems architecture and transition plan developed pursuant to subsection (b)(2).

“(3) Ensuring that the business transformation plan and the business systems architecture and transition plan are implemented in a manner that is aggressive, realistic, and accurately measured.

“(4) Such other responsibilities as the Secretary of that military department determines are appropriate.

“(e) REQUIRED ELEMENTS.—In carrying out the initiative required by this section for a military department, the Chief Management Officer and the Director of Business Transformation of the military department shall ensure that each element of the initiative is consistent with—

“(1) the requirements of the Business Enterprise Architecture and Transition Plan developed by the Secretary of Defense pursuant to section 2222 of title 10, United States Code;

“(2) the Standard Financial Information Structure of the Department of Defense;

“(3) the Federal Financial Management Improvement Act of 1996 [section 101(f) [title VIII] of title I of div. A of Pub. L. 104-208, 31 U.S.C. 3512 note] (and the amendments made by that Act); and

“(4) other applicable requirements of law and regulation.

“(f) REPORTS ON IMPLEMENTATION.—

“(1) INITIAL REPORTS.—Not later than nine months after the date of the enactment of this Act [Oct. 14, 2008], the Chief Management Officer of each military department shall submit to the congressional defense committees [Committees on Armed Services and Appropriations of the Senate and the House of Representatives] a report on the actions taken, and on the actions planned to be taken, by such military department to implement the requirements of this section.

“(2) UPDATES.—Not later than March 1 of each of 2010, 2011, and 2012, the Chief Management Officer of each military department shall submit to the congressional defense committees a current update of the report submitted by such Chief Management Officer under paragraph (1).”

#### FINANCIAL MANAGEMENT TRANSFORMATION INITIATIVE FOR THE DEFENSE AGENCIES

Pub. L. 110-181, div. A, title X, §1005, Jan. 28, 2008, 122 Stat. 301, provided that:

“(a) FINANCIAL MANAGEMENT TRANSFORMATION INITIATIVE.—

“(1) IN GENERAL.—The Director of the Business Transformation Agency of the Department of Defense shall carry out an initiative for financial management transformation in the Defense Agencies. The initiative shall be known as the ‘Defense Agencies Initiative’ (in this section referred to as the ‘Initiative’).

“(2) SCOPE OF AUTHORITY.—In carrying out the Initiative, the Director of the Business Transformation Agency may require the heads of the Defense Agencies to carry out actions that are within the purpose and scope of the Initiative.

“(b) PURPOSES.—The purposes of Initiative shall be as follows:

“(1) To eliminate or replace financial management systems of the Defense Agencies that are duplicative, redundant, or fail to comply with the standards set forth in subsection (d).

“(2) To transform the budget, finance, and accounting operations of the Defense Agencies to enable the Defense Agencies to achieve accurate and reliable financial information needed to support financial accountability and effective and efficient management decisions.

“(c) REQUIRED ELEMENTS.—The Initiative shall include, to the maximum extent practicable—

“(1) the utilization of commercial, off-the-shelf technologies and web-based solutions;

“(2) a standardized technical environment and an open and accessible architecture; and

“(3) the implementation of common business processes, shared services, and common data structures.

“(d) STANDARDS.—In carrying out the Initiative, the Director of the Business Transformation Agency shall ensure that the Initiative is consistent with—

“(1) the requirements of the Business Enterprise Architecture and Transition Plan developed pursuant to section 2222 of title 10, United States Code;

“(2) the Standard Financial Information Structure of the Department of Defense;

“(3) the Federal Financial Management Improvement Act of 1996 [section 101(f) [title VIII] of title I of div. A of Pub. L. 104-208, 31 U.S.C. 3512 note] (and the amendments made by that Act); and

“(4) other applicable requirements of law and regulation.

“(e) SCOPE.—The Initiative shall be designed to provide, at a minimum, capabilities in the major process areas for both general fund and working capital fund operations of the Defense Agencies as follows:

“(1) Budget formulation.

“(2) Budget to report, including general ledger and trial balance.

“(3) Procure to pay, including commitments, obligations, and accounts payable.

“(4) Order to fulfill, including billing and accounts receivable.

“(5) Cost accounting.

“(6) Acquire to retire (account management).

“(7) Time and attendance and employee entitlement.

“(8) Grants financial management.

“(f) CONSULTATION.—In carrying out subsections (d) and (e), the Director of the Business Transformation Agency shall consult with the Comptroller of the Department of Defense to ensure that any financial management systems developed for the Defense Agencies, and any changes to the budget, finance, and accounting operations of the Defense Agencies, are consistent with the financial standards and requirements of the Department of Defense.

“(g) PROGRAM CONTROL.—In carrying out the Initiative, the Director of the Business Transformation Agency shall establish—

“(1) a board (to be known as the ‘Configuration Control Board’) to manage scope and cost changes to the Initiative; and

“(2) a program management office (to be known as the ‘Program Management Office’) to control and enforce assumptions made in the acquisition plan, the cost estimate, and the system integration contract for the Initiative, as directed by the Configuration Control Board.

“(h) PLAN ON DEVELOPMENT AND IMPLEMENTATION OF INITIATIVE.—Not later than six months after the date of the enactment of this Act [Jan. 28, 2008], the Director of the Business Transformation Agency shall submit to

the congressional defense committees [Committees on Armed Services and Appropriations of the Senate and the House of Representatives] a plan for the development and implementation of the Initiative. The plan shall provide for the implementation of an initial capability under the Initiative as follows:

“(1) In at least one Defense Agency by not later than eight months after the date of the enactment of this Act.

“(2) In not less than five Defense Agencies by not later than 18 months after the date of the enactment of this Act.”

#### LIMITATION ON FINANCIAL MANAGEMENT IMPROVEMENT AND AUDIT INITIATIVES WITHIN THE DEPARTMENT OF DEFENSE

Pub. L. 109-364, div. A, title III, §321, Oct. 17, 2006, 120 Stat. 2144, as amended by Pub. L. 111-383, div. A, title X, §1075(g)(1), Jan. 7, 2011, 124 Stat. 4376, provided that:

“(a) LIMITATION.—The Secretary of Defense may not obligate or expend any funds for the purpose of any financial management improvement activity relating to the preparation, processing, or auditing of financial statements until the Secretary submits to the congressional defense committees [Committees on Armed Services and Appropriations of the Senate and the House of Representatives] a written determination that each activity proposed to be funded is—

“(1) consistent with the financial management improvement plan of the Department of Defense required by section 376(a)(1) of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163; 119 Stat. 3213); and

“(2) likely to improve internal controls or otherwise result in sustained improvements in the ability of the Department to produce timely, reliable, and complete financial management information.

“(b) EXCEPTION.—The limitation in subsection (a) shall not apply to an activity directed exclusively at assessing the adequacy of internal controls and remediating any inadequacy identified pursuant to such assessment.”

#### TIME-CERTAIN DEVELOPMENT FOR DEPARTMENT OF DEFENSE INFORMATION TECHNOLOGY BUSINESS SYSTEMS

Pub. L. 109-364, div. A, title VIII, §811, Oct. 17, 2006, 120 Stat. 2316, provided that:

“(a) MILESTONE A LIMITATION.—The Department of Defense executive or entity that is the milestone decision authority for an information system described in subsection (c) may not provide Milestone A approval for the system unless, as part of the decision process for such approval, that authority determines that the system will achieve initial operational capability within a specified period of time not exceeding five years.

“(b) INITIAL OPERATIONAL CAPABILITY LIMITATION.—If an information system described in subsection (c), having received Milestone A approval, has not achieved initial operational capability within five years after the date of such approval, the system shall be deemed to have undergone a critical change in program requiring the evaluation and report required by section 2445c(d) of title 10, United States Code (as added by section 816 of this Act).

“(c) COVERED SYSTEMS.—An information system described in this subsection is any Department of Defense information technology business system that is not a national security system, as defined in 3542(b)(2) of title 44, United States Code.

“(d) DEFINITIONS.—In this section:

“(1) MILESTONE DECISION AUTHORITY.—The term ‘milestone decision authority’ has the meaning given that term in Department of Defense Instruction 5000.2, dated May 12, 2003.

“(2) MILESTONE A.—The term ‘Milestone A’ has the meaning given that term in Department of Defense Instruction 5000.2, dated May 12, 2003.”

**§ 2223. Information technology: additional responsibilities of Chief Information Officers**

(a) ADDITIONAL RESPONSIBILITIES OF CHIEF INFORMATION OFFICER OF DEPARTMENT OF DEFENSE.—In addition to the responsibilities provided for in chapter 35 of title 44 and in section 11315 of title 40, the Chief Information Officer of the Department of Defense shall—

(1) review and provide recommendations to the Secretary of Defense on Department of Defense budget requests for information technology and national security systems;

(2) ensure the interoperability of information technology and national security systems throughout the Department of Defense;

(3) ensure that information technology and national security systems standards that will apply throughout the Department of Defense are prescribed;

(4) provide for the elimination of duplicate information technology and national security systems within and between the military departments and Defense Agencies; and

(5) maintain a consolidated inventory of Department of Defense mission critical and mission essential information systems, identify interfaces between those systems and other information systems, and develop and maintain contingency plans for responding to a disruption in the operation of any of those information systems.

(b) ADDITIONAL RESPONSIBILITIES OF CHIEF INFORMATION OFFICER OF MILITARY DEPARTMENTS.—In addition to the responsibilities provided for in chapter 35 of title 44 and in section 11315 of title 40, the Chief Information Officer of a military department, with respect to the military department concerned, shall—

(1) review budget requests for all information technology and national security systems;

(2) ensure that information technology and national security systems are in compliance with standards of the Government and the Department of Defense;

(3) ensure that information technology and national security systems are interoperable with other relevant information technology and national security systems of the Government and the Department of Defense; and

(4) coordinate with the Joint Staff with respect to information technology and national security systems.

(c) DEFINITIONS.—In this section:

(1) The term “Chief Information Officer” means the senior official designated by the Secretary of Defense or a Secretary of a military department pursuant to section 3506 of title 44.

(2) The term “information technology” has the meaning given that term by section 11101 of title 40.

(3) The term “national security system” has the meaning given that term by section 3542(b)(2) of title 44.

(Added Pub. L. 105–261, div. A, title III, § 331(a)(1), Oct. 17, 1998, 112 Stat. 1967; amended Pub. L. 106–398, § 1 [[div. A], title VIII, § 811(a)], Oct. 30, 2000, 114 Stat. 1654, 1654A–210; Pub. L.

107–217, § 3(b)(1), Aug. 21, 2002, 116 Stat. 1295; Pub. L. 109–364, div. A, title IX, § 906(b), Oct. 17, 2006, 120 Stat. 2354.)

AMENDMENTS

2006—Subsec. (c)(3). Pub. L. 109–364 substituted “section 3542(b)(2) of title 44” for “section 11103 of title 40”.

2002—Subsecs. (a), (b). Pub. L. 107–217, § 3(b)(1)(A), (B), substituted “section 11315 of title 40” for “section 5125 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1425)” in introductory provisions.

Subsec. (c)(2). Pub. L. 107–217, § 3(b)(1)(C), substituted “section 11101 of title 40” for “section 5002 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1401)”.

Subsec. (c)(3). Pub. L. 107–217, § 3(b)(1)(D), substituted “section 11103 of title 40” for “section 5142 of the Clinger-Cohen Act of 1996 (40 U.S.C. 1452)”.

2000—Subsec. (a)(5). Pub. L. 106–398 added par. (5).

EFFECTIVE DATE

Pub. L. 105–261, div. A, title III, § 331(b), Oct. 17, 1998, 112 Stat. 1968, provided that: “Section 2223 of title 10, United States Code, as added by subsection (a), shall take effect on October 1, 1998.”

CONTINUOUS MONITORING OF DEPARTMENT OF DEFENSE INFORMATION SYSTEMS FOR CYBERSECURITY

Pub. L. 111–383, div. A, title IX, § 931, Jan. 7, 2011, 124 Stat. 4334, provided that:

“(a) IN GENERAL.—The Secretary of Defense shall direct the Chief Information Officer of the Department of Defense to work, in coordination with the Chief Information Officers of the military departments and the Defense Agencies and with senior cybersecurity and information assurance officials within the Department of Defense and otherwise within the Federal Government, to achieve, to the extent practicable, the following:

“(1) The continuous prioritization of the policies, principles, standards, and guidelines developed under section 20 of the National Institute of Standards and Technology Act (15 U.S.C. 278g–3) with agencies and offices operating or exercising control of national security systems (including the National Security Agency) based upon the evolving threat of information security incidents with respect to national security systems, the vulnerability of such systems to such incidents, and the consequences of information security incidents involving such systems.

“(2) The automation of continuous monitoring of the effectiveness of the information security policies, procedures, and practices within the information infrastructure of the Department of Defense, and the compliance of that infrastructure with such policies, procedures, and practices, including automation of—

“(A) management, operational, and technical controls of every information system identified in the inventory required under section 3505(c) of title 44, United States Code; and

“(B) management, operational, and technical controls relied on for evaluations under section 3545 of title 44, United States Code.

“(b) DEFINITIONS.—In this section:

“(1) The term ‘information security incident’ means an occurrence that—

“(A) actually or potentially jeopardizes the confidentiality, integrity, or availability of an information system or the information such system processes, stores, or transmits; or

“(B) constitutes a violation or imminent threat of violation of security policies, security procedures, or acceptable use policies with respect to an information system.

“(2) The term ‘information infrastructure’ means the underlying framework, equipment, and software that an information system and related assets rely on to process, transmit, receive, or store information electronically.

“(3) The term ‘national security system’ has the meaning given that term in section 3542(b)(2) of title 44, United States Code.”