

112TH CONGRESS  
2D SESSION

# S. 3487

To provide for auditable financial statements for the Department of Defense,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

AUGUST 2, 2012

Mr. COBURN (for himself, Mr. MANCHIN, Ms. AYOTTE, Mrs. McCASKILL, Mr. CORNYN, Mr. GRASSLEY, Mr. JOHNSON of Wisconsin, and Mr. PAUL) introduced the following bill; which was read twice and referred to the Committee on Armed Services

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## A BILL

To provide for auditable financial statements for the  
Department of Defense, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Audit the Pentagon  
5 Act of 2012”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Section 9 of Article 1 of the Constitution of  
9 the United States requires all agencies of the Fed-

1       eral Government, including the Department of De-  
2       fense, to publish “a regular statement and account  
3       of the receipts and expenditures of all public  
4       money”.

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

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

18          (4) The financial management of the Depart-  
19      ment of Defense has been on the “High-Risk” list  
20      of Government Accountability Office, which means  
21      that the Department is not consistently able to “con-  
22      trol costs; ensure basic accountability; anticipate fu-  
23      ture costs and claims on the budget; measure per-  
24      formance; maintain funds control; [and] prevent and  
25      detect fraud, waste, and abuse”.

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

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

21           (7) The National Defense Authorization Act for  
22 Fiscal Year 2010 (Public Law 111–84) requires reg-  
23 ular status reports on the Financial Improvement  
24 and Audit Readiness Plan described in paragraph  
25 (6), and codified as a statutory requirement the goal

1 of the Plan in ensuring that Department of Defense  
2 financial statements are validated as ready for audit  
3 not later than September 30, 2017.

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

16 **SEC. 3. AUDIT READINESS OF THE FINANCIAL STATEMENTS**  
17 **OF THE DEPARTMENT OF DEFENSE.**

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

23 (1) in clause (i), by striking “and” at the end;  
24 (2) by redesignating clause (ii) as clause (iv);  
25 and

1           (3) by inserting after clause (i) the following  
2 new clauses:

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

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

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

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

23                   “(1) In the case of the financial statements of  
24 a military department, that the audit agencies of the  
25 military department have reviewed such statements

1 and determined, in writing, that such statements are  
2 ready for audit.

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

8 **SEC. 4. CESSATION OF APPLICABILITY OF REPORTING RE-**  
9 **QUIREMENTS REGARDING THE FINANCIAL**  
10 **STATEMENTS OF THE DEPARTMENT OF DE-**  
11 **FENSE.**

12 (a) CESSATION OF APPLICABILITY.—

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

18 (2) DEPARTMENT OF DEFENSE.—The reporting  
19 requirements specified in subsection (b) shall cease  
20 to be effective when an unqualified audit opinion is  
21 issued on the financial statements of the Depart-  
22 ment of Defense, including each of the military de-  
23 partments and the Defense Agencies.

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

1           (1) The requirement for semi-annual reports in  
2           section 1003(b) of the National Defense Authoriza-  
3           tion Act for Fiscal Year 2010 (Public Law 111–84;  
4           123 Stat. 2440; 10 U.S.C. 2222 note).

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

9 **SEC. 5. REPORT ON DEPARTMENT OF DEFENSE REPORT-**  
10 **ING REQUIREMENTS MADE OBSOLETE BY OR**  
11 **AFFECTING AUDITS WITH UNQUALIFIED**  
12 **OPINIONS.**

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

17           (1) A list of each report of the Department of  
18           Defense required by law to be submitted to Congress  
19           which, in the opinion of the Under Secretary, would  
20           no longer be necessary if the financial statements of  
21           the Department of Defense were audited with an un-  
22           qualified opinion.

23           (2) A list of each report of the Department re-  
24           quired by law to be submitted to Congress which, in  
25           the opinion of the Under Secretary, interferes with

1 the capacity of the Department to achieve an audit  
2 of the financial statements of the Department with  
3 an unqualified opinion.

4 **SEC. 6. ENHANCED REPROGRAMMING AUTHORITY FOL-**  
5 **LOWING ACHIEVEMENT BY MILITARY DE-**  
6 **PARTMENTS OF AUDIT WITH UNQUALIFIED**  
7 **OPINION OF STATEMENT OF BUDGETARY RE-**  
8 **SOURCES FOR FISCAL YEARS AFTER FISCAL**  
9 **YEAR 2013.**

10 (a) IN GENERAL.—Subject to section 9(a)(1), if a  
11 military department obtains an audit with an unqualified  
12 opinion on its statement of budgetary resources for any  
13 fiscal year after fiscal year 2013, the thresholds for re-  
14 programming of funds without prior notice to Congress  
15 for the succeeding fiscal year shall be deemed to be the  
16 thresholds as follows:

17 (1) In the case of an increase or decrease to the  
18 program base amount for a procurement program,  
19 \$60,000,000.

20 (2) In the case of an increase or decrease to the  
21 program base amount for a research program,  
22 \$30,000,000.

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



1           (4) In the case of an increase or decrease to the  
2           amount for a budget activity for military personnel,  
3           \$30,000,000.

4           (b) CONSTRUCTION.—Nothing in this section shall be  
5           construed to alter or revise any requirement (other than  
6           a threshold amount) for notice to Congress on  
7           reprogrammings covered by subsection (a) under any  
8           other provision of law.

9           (c) DEFINITIONS.—In this section, the terms “pro-  
10          gram base amount”, “procurement program”, “research  
11          program”, and “budget activity” have the meanings given  
12          such terms in chapter 6 of volume 3 of the Financial Man-  
13          agement Regulation of the Department of Defense (DoD  
14          7000.14R), dated March 2011, or any successor docu-  
15          ment.

16       **SEC. 7. AVAILABILITY OF EXPIRING FUNDS FOLLOWING**  
17                               **ACHIEVEMENT BY MILITARY DEPARTMENTS**  
18                               **OF AUDIT WITH UNQUALIFIED OPINION OF**  
19                               **STATEMENT OF BUDGETARY RESOURCES**  
20                               **FOR FISCAL YEARS AFTER FISCAL YEAR 2013.**

21          (a) IN GENERAL.—Subject to section 9(a)(1), if a  
22          military department obtains an audit with an unqualified  
23          opinion on its statement of budgetary resources for a fiscal  
24          year after fiscal year 2013 (in this section referred to as  
25          a “covered fiscal year”), the amount described in sub-

1 section (b) shall be available for the purposes specified in  
2 subsection (c) at the end of such covered fiscal year with-  
3 out fiscal year limitation.

4 (b) AVAILABLE AMOUNT.—The amount described in  
5 this subsection is the amount equal to five percent of the  
6 aggregate amount of unobligated appropriations available  
7 to the military department concerned for a covered fiscal  
8 year that would otherwise expire at the end of such cov-  
9 ered fiscal year by law.

10 (c) PURPOSES.—

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

16 (A) Payment in accordance with applicable  
17 law of bonuses authorized by law (including  
18 awards authorized by subchapter I of chapter  
19 45 of title 5, United States Code) for civilian  
20 employees of the military department, including  
21 employees determined to have made beneficial  
22 contributions to the achievement of the mission  
23 of the military department.

24 (B) Procurement of weapons and weapon  
25 systems.

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

3 (2) EXCLUSION.—Amounts available under sub-  
4 section (a) shall not be available for purposes as fol-  
5 lows:

6 (A) Research, development, test, and eval-  
7 uation.

8 (B) Military construction.

9 (3) LIMITATIONS ON BONUSES.—

10 (A) LIMITATION ON BONUS AMOUNT.—The  
11 amount of the bonus payable to a civilian em-  
12 ployee of a military department under para-  
13 graph (1)(A) in any year may not exceed the  
14 amount equal to 25 percent of the base pay of  
15 the employee in such year.

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

21 (C) CONSTRUCTION.—Nothing in para-  
22 graph (1)(A) may be construed to authorize or  
23 provide for the payment of a bonus to an officer  
24 or employee of a contractor of the Department  
25 of Defense.

1 (d) TRANSFERS.—

2 (1) IN GENERAL.—Notwithstanding any other  
3 provision of law, the Secretary of a military depart-  
4 ment may transfer amounts described in subsection  
5 (b) that are available under subsection (a) among  
6 accounts of the military department for purposes of  
7 exercising the authority in subsection (a) with re-  
8 spect to such amounts. Amounts so transferred shall  
9 be merged with amounts in the account or fund to  
10 which transferred and shall be available under the  
11 same terms and conditions as the amounts with  
12 which merged for the purposes specified in sub-  
13 section (c).

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

17 (e) REPORTS.—

18 (1) ANNUAL REPORTS.—The Secretary of De-  
19 fense shall submit to Congress each year (at the  
20 same time the budget of the President for a fiscal  
21 year is submitted to Congress in such year pursuant  
22 to section 1105 of title 31, United States Code) a  
23 report on the exercise of the authority under this  
24 section during the previous fiscal year. Each report

1 under this subsection shall include, for the fiscal  
2 year covered by such report, the following:

3 (A) The amounts transferred under sub-  
4 section (d), including the total amount trans-  
5 ferred and the amounts transferred to each ac-  
6 count to which transferred.

7 (B) The purposes, and amounts, for which  
8 amounts transferred were used.

9 (2) NOTICE ON PROCUREMENT.—Not later than  
10 30 days before using amounts available under sub-  
11 section (a) for the procurement of weapons or a  
12 weapon system, the Secretary of the military depart-  
13 ment concerned shall submit to Congress a report,  
14 in writing, on the use of such amounts for that pur-  
15 pose. Each report shall include a statement of the  
16 weapons or weapon system to be procured and the  
17 amount to be used for such procurement.

18 **SEC. 8. FAILURE TO OBTAIN AUDITS WITH UNQUALIFIED**  
19 **OPINION OF FISCAL YEAR 2014 STATEMENT**  
20 **OF BUDGETARY RESOURCES OF THE DE-**  
21 **PARTMENT OF DEFENSE.**

22 (a) IN GENERAL.—If the Department of Defense  
23 fails to obtain an audit with an unqualified opinion on its  
24 statement of budgetary resources for fiscal year 2014, the

1 following shall take effect, effective as of the date of the  
2 issuance of the opinion on such audit:

3 (1) ADDITIONAL QUALIFICATIONS AND DUTIES  
4 OF USD (COMPTROLLER).—

5 (A) QUALIFICATIONS.—Any individual  
6 nominated for appointment to the position of  
7 Under Secretary of Defense (Comptroller)  
8 under section 135 of title 10, United States  
9 Code, shall be an individual who 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) DUTIES AND POWERS.—The duties  
21 and powers of the individual serving as Under  
22 Secretary of Defense (Comptroller) shall in-  
23 clude, in addition to the duties and powers  
24 specified in section 135(c) of title 10, United  
25 States Code, such duties and powers with re-

1 spect to the financial management of the De-  
2 partment of Defense as the Deputy Secretary of  
3 Defense (acting in the capacity of Chief Man-  
4 agement Officer of the Department of Defense)  
5 or a successor official in the Department of De-  
6 fense (acting in such capacity) may prescribe.

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

9 (A) QUALIFICATIONS.—Any individual  
10 nominated for appointment to the position of  
11 Assistant Secretary of the Army for Financial  
12 Management under section 3016 of title 10,  
13 United States Code, shall be an individual who  
14 has served—

15 (i) as the chief financial officer of a  
16 Federal or State agency that has received  
17 an audit with an unqualified opinion on  
18 such agency's financial statements during  
19 the time of such individual's service; or

20 (ii) as the chief financial officer of a  
21 public company that has received an audit  
22 with an unqualified opinion on such com-  
23 pany's financial statements during the  
24 time of such individual's service.

1           (B) RESPONSIBILITIES.—The responsibil-  
2           ities of the individual serving as Assistant Sec-  
3           retary of the Army for Financial Management  
4           shall include, in addition to the responsibilities  
5           specified in section 3016(b)(4) of title 10,  
6           United States Code, such responsibilities as the  
7           Deputy Secretary of Defense (acting in the ca-  
8           pacity of Chief Management Officer of the De-  
9           partment of Defense) or a successor official in  
10          the Department of Defense (acting in such ca-  
11          pacity) may prescribe.

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

14           (A) QUALIFICATIONS.—Any individual  
15           nominated for appointment to the position of  
16           Assistant Secretary of the Navy for Financial  
17           Management under section 5016 of title 10,  
18           United States Code, shall be an individual who  
19           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) RESPONSIBILITIES.—The responsibil-  
7 ities of the individual serving as Assistant Sec-  
8 retary of the Navy for Financial Management  
9 shall include, in addition to the responsibilities  
10 specified in section 5016(b)(4) of title 10,  
11 United States Code, such responsibilities as the  
12 Deputy Secretary of Defense (acting in the ca-  
13 pacity of Chief Management Officer of the De-  
14 partment of Defense) or a successor official in  
15 the Department of Defense (acting in such ca-  
16 pacity) may prescribe.

17 (4) ADDITIONAL QUALIFICATIONS AND RESPON-  
18 SIBILITIES OF ASAF FOR FINANCIAL MANAGE-  
19 MENT.—

20 (A) QUALIFICATIONS.—Any individual  
21 nominated for appointment to the position of  
22 Assistant Secretary of the Air Force for Finan-  
23 cial Management under section 8016 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 Air Force for Financial Manage-  
14 ment shall include, in addition to the respon-  
15 sibilities specified in section 8016(b)(4) of title  
16 10, United States Code, such responsibilities as  
17 the Deputy Secretary of Defense (acting in the  
18 capacity of Chief Management Officer of the  
19 Department of Defense) or a successor official  
20 in the Department of Defense (acting in such  
21 capacity) may prescribe.

22 (b) PUBLIC COMPANY DEFINED.—In this section, the  
23 term “public company” has the meaning given the term  
24 “issuer” in section 2(a)(7) of the Sarbanes-Oxley Act of  
25 2002 (15 U.S.C. 7201(a)(7)).

1 **SEC. 9. FAILURE TO OBTAIN AUDITS WITH UNQUALIFIED**  
2 **OPINION OF FISCAL YEAR 2017 FINANCIAL**  
3 **STATEMENTS OF THE DEPARTMENT OF DE-**  
4 **FENSE.**

5 (a) **MILITARY DEPARTMENTS.—**

6 (1) **CESSATION OF AUTHORITIES ON RE-**  
7 **PROGRAMMING AND AVAILABILITY OF FUNDS.—**If a  
8 military department fails to obtain an audit with an  
9 unqualified opinion on its financial statements for  
10 fiscal year 2017, effective as of the date of the  
11 issuance of the opinion on such audit, the authorities  
12 in sections 6 and 7 shall cease to be available to the  
13 military department for fiscal year 2017 or any fis-  
14 cal year thereafter.

15 (2) **PROHIBITION ON EXPENDITURE OF FUNDS**  
16 **FOR CERTAIN MDAPS PAST MILESTONE B.—**

17 (A) **PROHIBITION.—**If a military depart-  
18 ment fails to obtain an audit with an unquali-  
19 fied opinion on its financial statements for fis-  
20 cal year 2017, effective as of the date of the  
21 issuance of the opinion on such audit, amounts  
22 may not be expended by the military depart-  
23 ment for a weapon or weapon system or plat-  
24 form being acquired as a major defense acquisi-  
25 tion program for any activity beyond Milestone  
26 B approval unless such program has already

1           achieved Milestone B approval of the date of  
2           the issuance of the opinion on such audit.

3           (B) DEFINITIONS.—In this paragraph:

4           (i) The term “major defense acquisition  
5           program” has the meaning given that  
6           term in section 2430 of title 10, United  
7           States Code.

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

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

16          (1) REORGANIZATION OF RESPONSIBILITIES OF  
17          CHIEF MANAGEMENT OFFICER.—

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

21          **“§ 132a. Chief Management Officer**

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

1       “(2) Any individual nominated for appointment as  
2 Chief Management Officer shall be an individual who  
3 has—

4           “(A) extensive executive level leadership and  
5 management experience in the public or private sec-  
6 tor;

7           “(B) strong leadership skills;

8           “(C) a demonstrated ability to manage large  
9 and complex organizations; and

10          “(D) a proven record in achieving positive oper-  
11 ational results.

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

15          “(c) SERVICE AS CHIEF MANAGEMENT OFFICER.—  
16 (1) The Chief Management Officer is the Chief Manage-  
17 ment Officer of the Department of Defense.

18          “(2) In serving as the Chief Management Officer of  
19 the Department of Defense, the Chief Management Offi-  
20 cer shall be responsible for the management and adminis-  
21 tration of the Department of Defense with respect to the  
22 following:

23           “(A) The expenditure of funds, accounting, and  
24 finance.

1           “(B) Procurement, including procurement of  
2           any enterprise resource planning (ERP) system and  
3           any information technology (IT) system that is a fi-  
4           nancial feeder system, human resources system, or  
5           logistics system.

6           “(C) Facilities, property, nonmilitary equip-  
7           ment, and other resources.

8           “(D) Strategic planning, and annual perform-  
9           ance planning, and identification and tracking of  
10          performance measures.

11          “(E) Internal audits and management analyses  
12          of the programs and activities of the Department,  
13          including the Defense Contract Audit Agency.

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

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

19          “(d) PRECEDENCE.—The Chief Management Officer  
20          takes precedence in the Department of Defense after the  
21          Secretary of Defense and the Deputy Secretary of De-  
22          fense.”.

23                               (B) CONFORMING AMENDMENTS.—

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

1 (I) by striking paragraph (3);

2 (II) by redesignating paragraph

3 (2) as paragraph (3); and

4 (III) by inserting after paragraph

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

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

8 (ii) Section 132 of such title is  
9 amended—

10 (I) by striking subsection (c);

11 and

12 (II) by redesignating subsections

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

14 respectively.

15 (iii) Section 133(e)(1) of such title is

16 amended by striking “and the Deputy Sec-

17 retary of Defense” and inserting “, the

18 Deputy Secretary of Defense, and the

19 Chief Management Officer of the Depart-

20 ment of Defense”.

21 (iv) Such title is further amended by

22 inserting “the Chief Management Officer

23 of the Department of Defense,” after “the

24 Deputy Secretary of Defense,” each place

25 it appears in the provisions as follows:

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

2 (II) Section 134(c).

3 (v) Section 137a(d) of such title is  
4 amended by striking “the Secretaries of  
5 the military departments,” and all that fol-  
6 lows and inserting “the Chief Management  
7 Officer of the Department of Defense, the  
8 Secretaries of the military departments,  
9 and the Under Secretaries of Defense.”.

10 (vi) Section 138(d) of such title is  
11 amended by striking “the Secretaries of  
12 the military departments,” and all that fol-  
13 lows through the period and inserting “the  
14 Chief Management Officer of the Depart-  
15 ment of Defense, the Secretaries of the  
16 military departments, the Under Secre-  
17 taries of Defense, and the Director of De-  
18 fense Research and Engineering.”.

19 (C) CLERICAL AMENDMENT.—The table of  
20 sections at the beginning of chapter 4 of such  
21 title is amended by striking the item relating to  
22 section 132a and inserting the following new  
23 item:

“132a. Chief Management Officer.”.



1           (D) EXECUTIVE SCHEDULE.—Section  
2           5313 of title 5, United States Code, is amended  
3           by adding at the end the following:

4           “Chief Management Officer of the Department  
5           of Defense.”.

6           (E) REFERENCE IN LAW.—Any reference  
7           in any provision of law to the Chief Manage-  
8           ment Officer of the Department of Defense  
9           shall be deemed to refer to the Chief Manage-  
10          ment Officer of the Department of Defense  
11          under section 132a of title 10, United States  
12          Code (as amended by this paragraph).

13          (2) JURISDICTION OF DFAS.—

14           (A) TRANSFER TO DEPARTMENT OF THE  
15           TREASURY.—Jurisdiction of the Defense Fi-  
16           nance and Accounting Service (DFAS) is trans-  
17           ferred from the Department of Defense to the  
18           Department of the Treasury.

19           (B) ADMINISTRATION.—The Secretary of  
20           the Treasury shall administer the Defense Fi-  
21           nance and Accounting Service following transfer  
22           under this paragraph through the Financial  
23           Management Service of the Department of the  
24           Treasury.

1 (C) MEMORANDUM OF UNDERSTANDING.—  
2 The Secretary of Defense and the Secretary of  
3 the Treasury shall jointly enter into a memo-  
4 randum of understanding regarding the trans-  
5 fer of jurisdiction of the Defense Finance and  
6 Accounting Service under this paragraph. The  
7 memorandum of understanding shall provide for  
8 the transfer of the personnel and other re-  
9 sources of the Service to the Department of the  
10 Treasury and for the assumption of responsi-  
11 bility for such personnel and resources by the  
12 Department of the Treasury.

13 (D) CONSTRUCTION.—Nothing in this  
14 paragraph shall be construed as terminating, al-  
15 tering, or revising any responsibilities or au-  
16 thorities of the Defense Finance and Account-  
17 ing Service (other than responsibilities and au-  
18 thorities in connection with the exercise of ju-  
19 risdiction of the Service following transfer  
20 under this paragraph).

21 **SEC. 10. ENTERPRISE RESOURCE PLANNING.**

22 The Secretary of Defense shall amend the acquisition  
23 guidance of the Department of Defense to provide for the  
24 following:

1           (1) The Defense Business System Management  
2           Committee may not approve procurement of any En-  
3           terprise Resource Planning (ERP) business system  
4           that is independently estimated to take longer than  
5           three years to procure from initial obligation of  
6           funds to full deployment and sustainment.

7           (2) Any contract for the acquisition of an En-  
8           terprise Resource Planning business system shall in-  
9           clude a provision authorizing termination of the con-  
10          tract at no cost to the Government if procurement  
11          of the system takes longer than three years from ini-  
12          tial obligation of funds to full deployment and  
13          sustainment.

14          (3) The Deputy Secretary of Defense (acting in  
15          the capacity of Chief Management Officer of the De-  
16          partment of Defense) or a successor official in the  
17          Department of Defense (acting in such capacity)  
18          shall have the authority to replace any program  
19          manager (whether in a military department or a De-  
20          fense Agency) for the procurement of an Enterprise  
21          Resource Planning business system if procurement  
22          of the system takes longer than three years from ini-  
23          tial obligation of funds to full deployment and  
24          sustainment.

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

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