

**STATEMENT OF
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DIRECTOR FOR TRANSITION
DEFENSE COMMISSARY AGENCY**

**BEFORE THE
MORALE, WELFARE AND RECREATION PANEL
OF THE
COMMITTEE ON NATIONAL SECURITY
UNITED STATES HOUSE OF REPRESENTATIVES**

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Mr. Chairman and Members of the Panel, it is my pleasure to appear before you in my new capacity as Director for Transition of the Defense Commissary Agency (DeCA).

As you know, DeCA was nominated as the Department's candidate to be a Performance Based Organization (PBO). We were anxious to accept that mantle and pleased with the level of confidence the Department showed in DeCA in making that nomination. We were even more pleased when the Vice President formally designated DeCA as the Government's first transitional PBO on October 1, 1996. I appear before you today, confident that DeCA will once again succeed as we enter this new role, thus safeguarding the commissary's important contribution to the total compensation package for the soldiers, sailors, airmen and marines.

Many still wonder what a PBO is. As a PBO, DeCA will be a discrete activity of the Department of Defense that commits to clear management objectives, measurable goals, customer service standards, and specific targets for improved performance. DeCA will remain under the policy guidance and direction of the Secretary. It will still be subject to government-wide regulations, rules, policies, and procedures, unless specific waivers are granted. With greater managerial flexibilities in personnel, procurement, and financial areas, DeCA will be able to improve organizational performance. As the name implies, DeCA's agreement with the Secretary makes it accountable for meeting its performance goals. Finally, DeCA will be submitting an annual report to the Secretary and Congress, which will include, at a minimum, the results of an independent financial audit, compliance with various reporting laws, as well as other information on DeCA's operations.

Becoming a full-fledged PBO will be a detailed and involved process, but we are on our way! I view our PBO process in essentially four steps.

The first was to obtain relief from regulatory requirements that hamper DeCA's ability to adopt the best commercial practices. Second, was to identify required changes in the law and draft our legislative proposal, which if enacted by this body will make DeCA a full-fledged PBO. Third, is a complete review of our business practices. The fourth stage will be the implementation of the changes to law enacted by you and the findings in our business review.

Where we are at present? Step one is both complete and continuing. We've received some waivers, but are constantly looking for new opportunities to enhance DeCA's performance. We have completed a legislative package which is in the final stages of Administration clearance and will hopefully be submitted soon for your consideration. I have recently ordered a comprehensive review of business processes to determine how we can improve and streamline each process. The intent of this review is to move us from operating within a government framework toward a business framework. After a year of operation as a full fledged PBO, I anticipate a report that will demonstrate dramatic change.

We are already beginning to receive benefits from the administrative waivers designed to further streamlined our acquisition program. The Agency has been provided more flexibility to deviate from acquisition regulatory requirements not dictated by statute which will result in both manpower and dollar savings. This gives DeCA authority to waive acquisition rules such as the time limitations imposed on basic ordering agreements DeCA uses to procure resale items. We also expect to generate additional savings as well as reduce the acquisition time line based upon our recent implementation of a waiver from the requirement to purchase commissary specific equipment through the Defense Logistics Agency. Another waiver received exempts DeCA Information Technology

procurements from the Department's Major Automation Information Systems Review Council (MAISRC) review process.

The major enhancement in the financial area would be to establish a single fund which would provide better cost visibility and more closely resemble the commercial sector. The redundancies and costs associated with government budgeting, accounting, reporting, and managing our three separate types of funding accounts would be reduced by using a single revolving fund. It would eliminate errors that occur in billings and/or recording accounting transactions caused by posting multiple funding accounts. Finally, and perhaps most importantly, it would allow the allocation of funding based upon sound business decisions as opposed to the sources or "color" of money involved.

As I told you last year, "I believe that becoming a Performance Based Organization will provide further opportunities for reducing the commissary system's dependence on appropriated funds. I believe becoming a Performance Based Organization will allow DeCA to maintain a high level of customer satisfaction in an environment of downsizing and reduced resources. I believe becoming a Performance Based Organization will afford DeCA greater operational flexibility and increased opportunities for cost efficiencies while holding the Agency accountable for its performance." Now a year later, I am even more convinced that becoming a full PBO is the best way to maximize the commissary benefit for the soldiers, sailors, airmen and marines who so justly deserve it.

Yet some still question if we are sacrificing the commissary benefit in favor of the almighty dollar. My answer is a resounding No! While PBO will provide the streamlining changes necessary to take DeCA into the twenty-first century, the very essence of the benefit--selling groceries at cost and collecting a uniform surcharge remains unchanged. Although

some anxiety is to be expected as we make the changes necessary to realize the full promise of PBO, many of those changes involve the adaptation of proven commercial practices and innovations undertaken jointly with our commercial and federal business partners. I trust that your examination will also lead to the conclusion that the advantages granted DeCA by virtue of being a PBO will be in the best interests of both the government and the patron.

I will be happy to answer any questions you may have.