



Financial Management Modernization Program

**Office of the Under Secretary of Defense
(Comptroller)**

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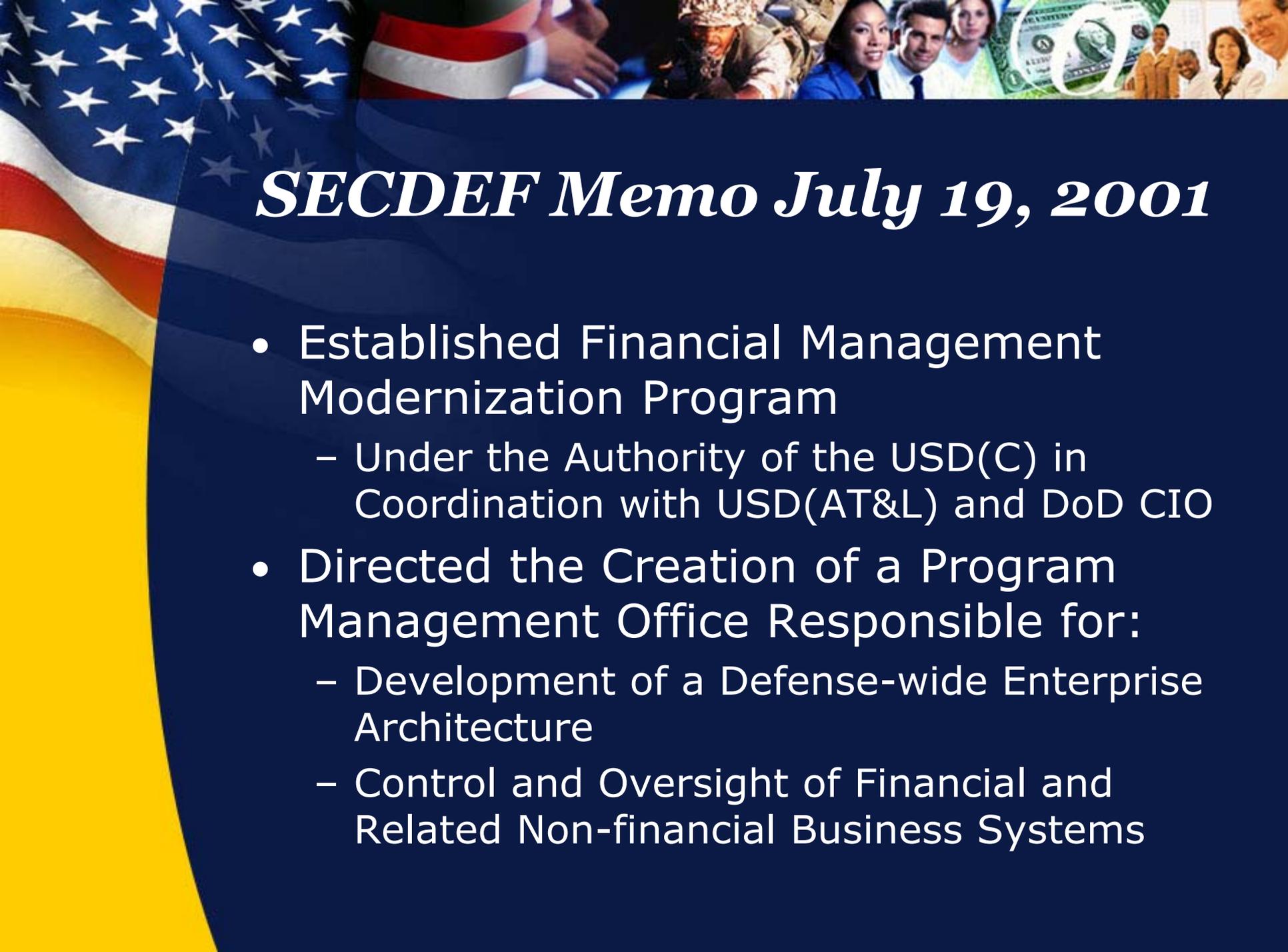
Friedman Study

- “Transforming Department of Defense Financial Management”
 - Lack of Overarching Approach to Financial Management
 - Overly Complex Data Requirements
 - Convoluted Business Processes
 - Inability to Produce Reliable Annual Financial Statements



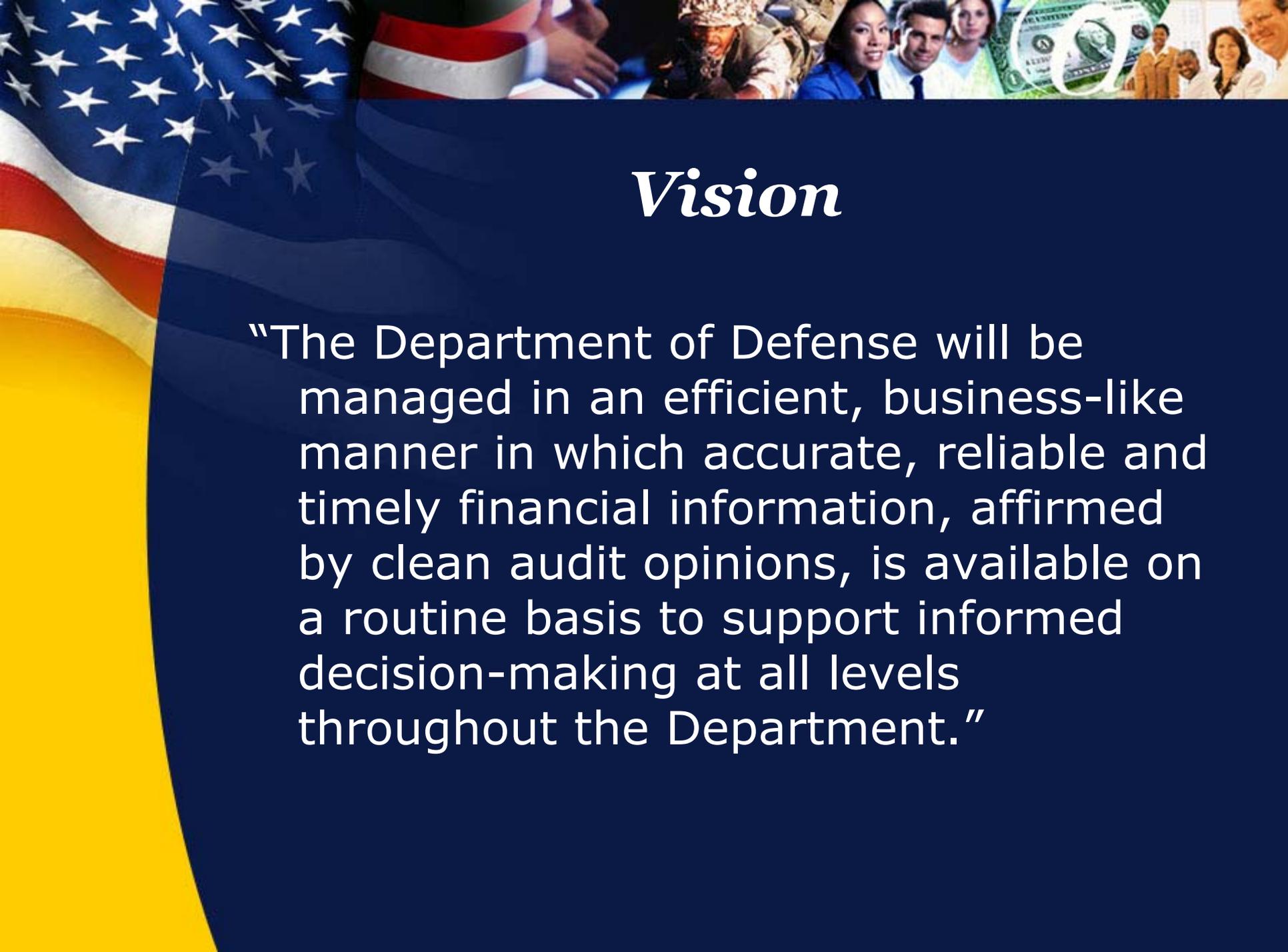
General Accounting Office

- “Architecture Needed to Guide Modernization of DoD’s Financial Management Operations”
 - Financial Management Improvement Plan is not an Enterprise Architecture
 - Financial and Feeder System Compliance does not include an Architecture
 - Structures and Processes are not in Place to Effectively Develop and Implement an Enterprise Architecture



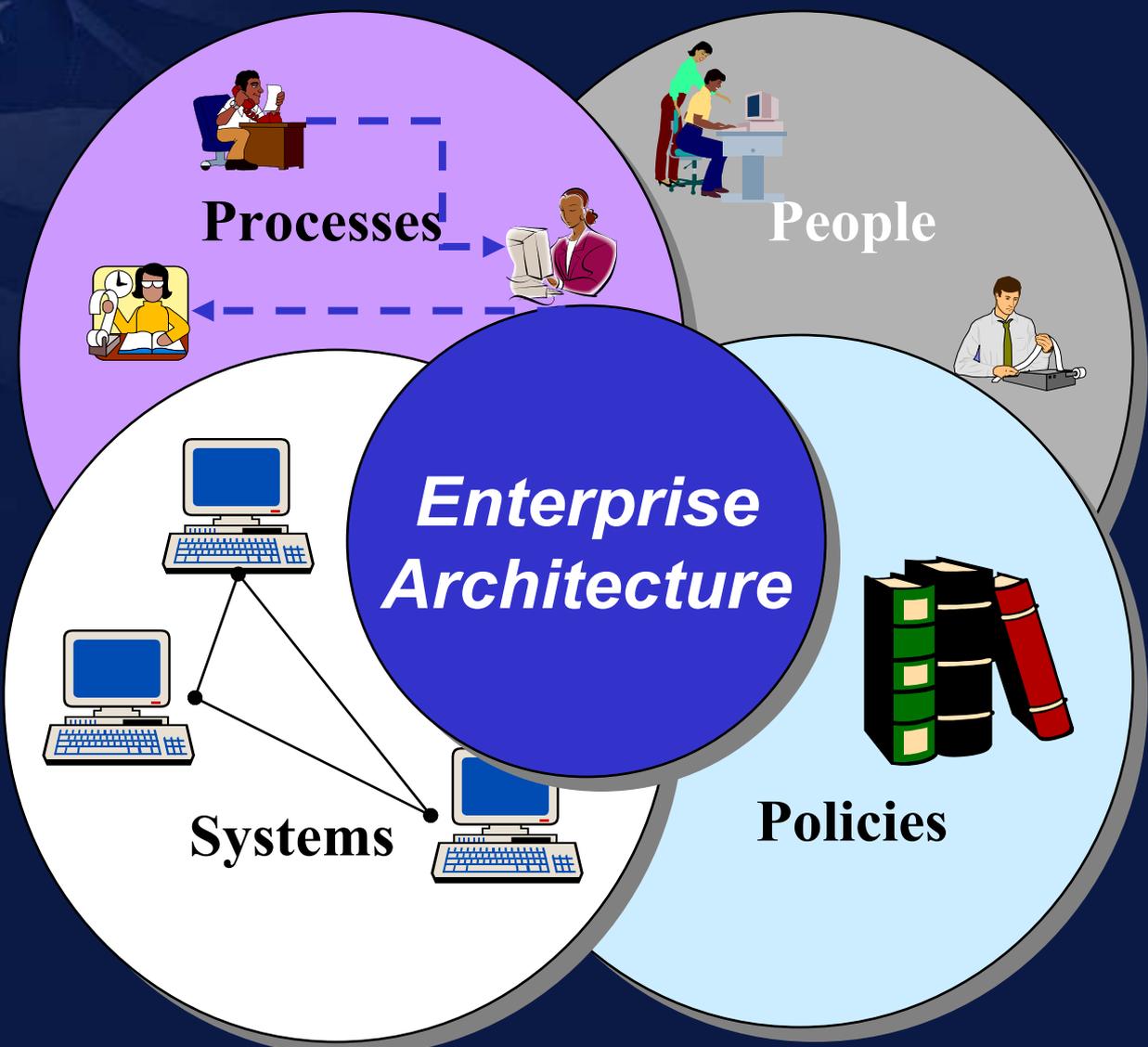
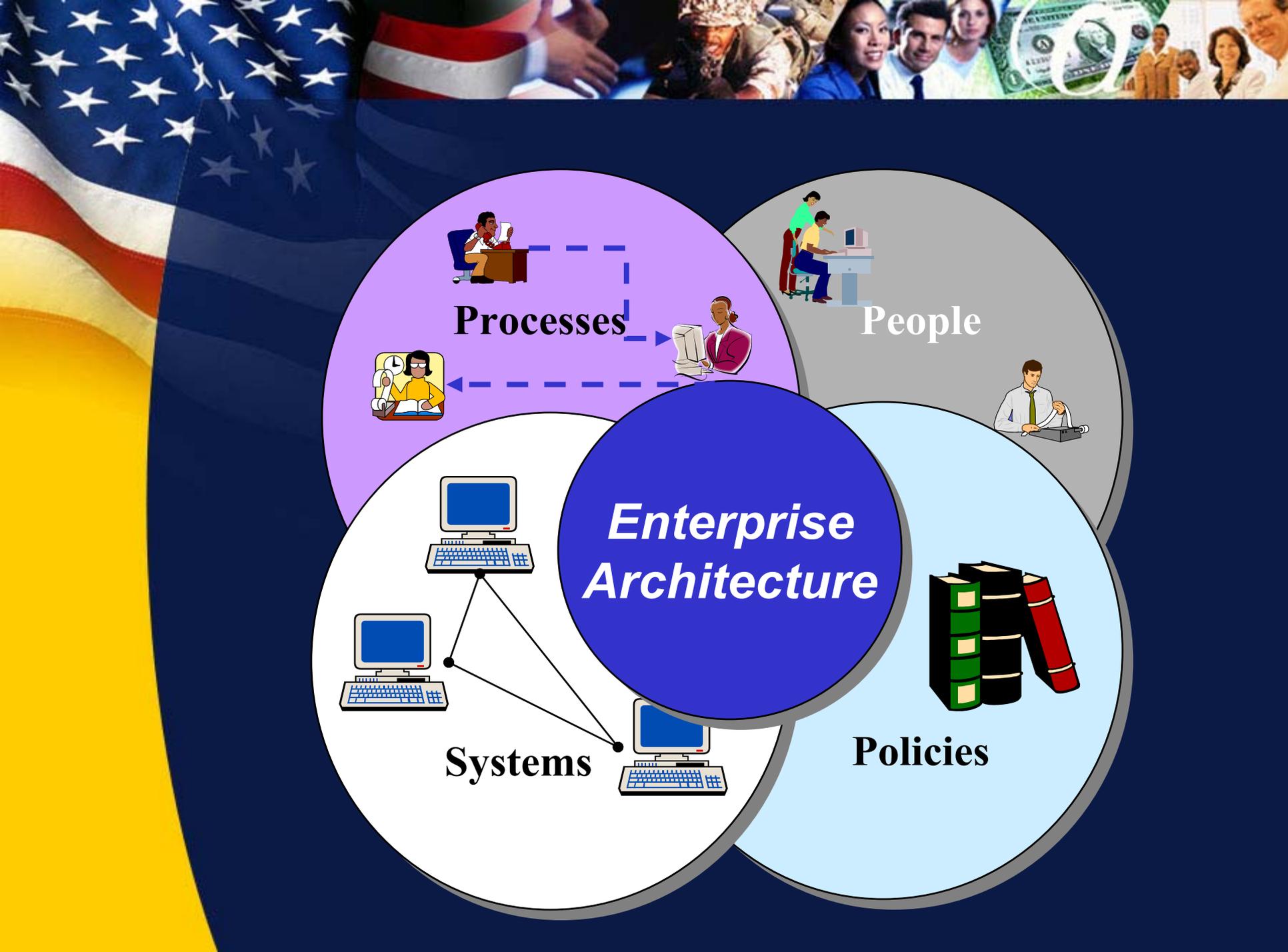
SECDEF Memo July 19, 2001

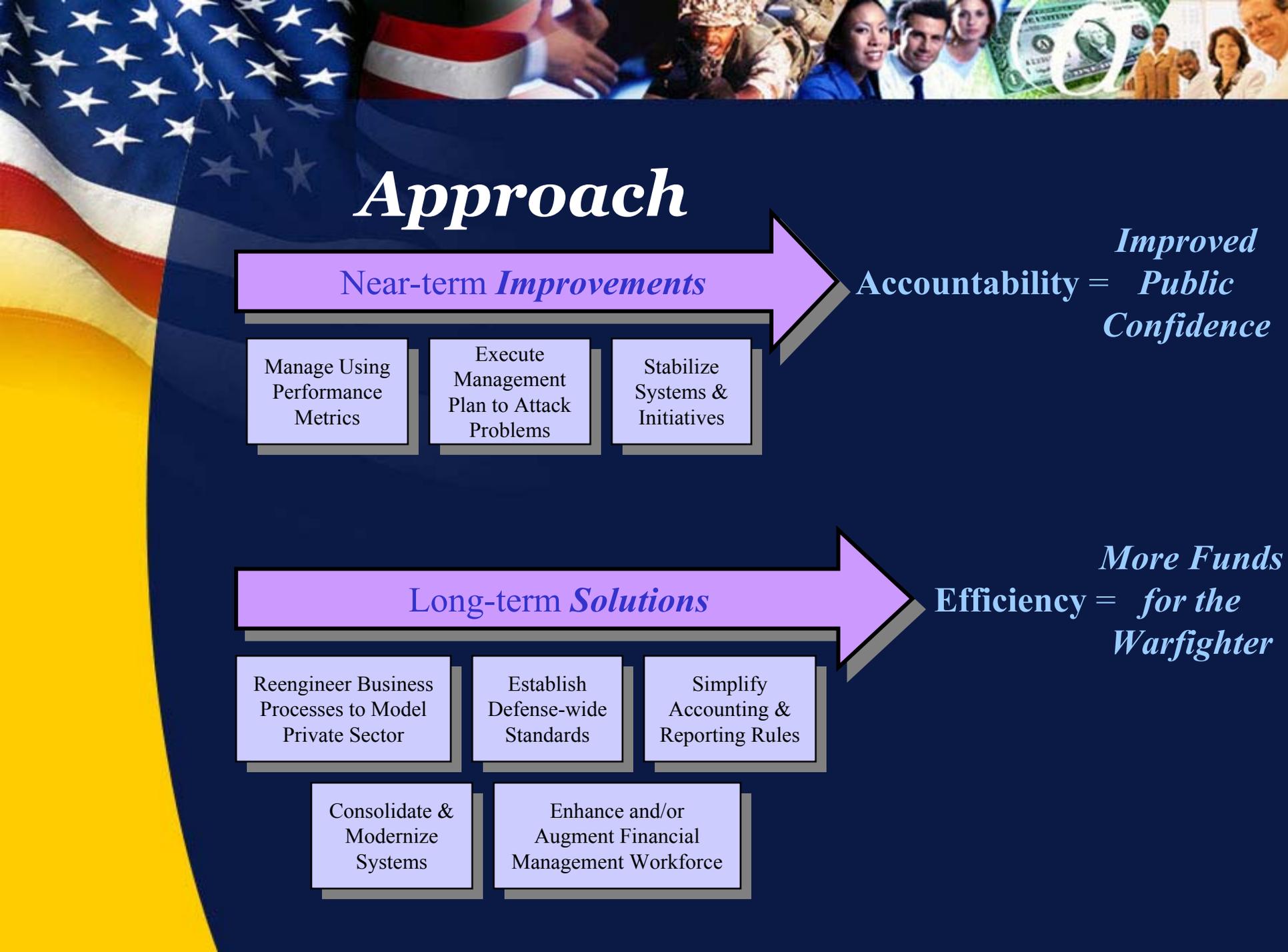
- Established Financial Management Modernization Program
 - Under the Authority of the USD(C) in Coordination with USD(AT&L) and DoD CIO
- Directed the Creation of a Program Management Office Responsible for:
 - Development of a Defense-wide Enterprise Architecture
 - Control and Oversight of Financial and Related Non-financial Business Systems



Vision

“The Department of Defense will be managed in an efficient, business-like manner in which accurate, reliable and timely financial information, affirmed by clean audit opinions, is available on a routine basis to support informed decision-making at all levels throughout the Department.”





Approach

Near-term *Improvements*

Manage Using
Performance
Metrics

Execute
Management
Plan to Attack
Problems

Stabilize
Systems &
Initiatives

Improved
Accountability = *Public*
Confidence

Long-term *Solutions*

Reengineer Business
Processes to Model
Private Sector

Establish
Defense-wide
Standards

Simplify
Accounting &
Reporting Rules

Consolidate &
Modernize
Systems

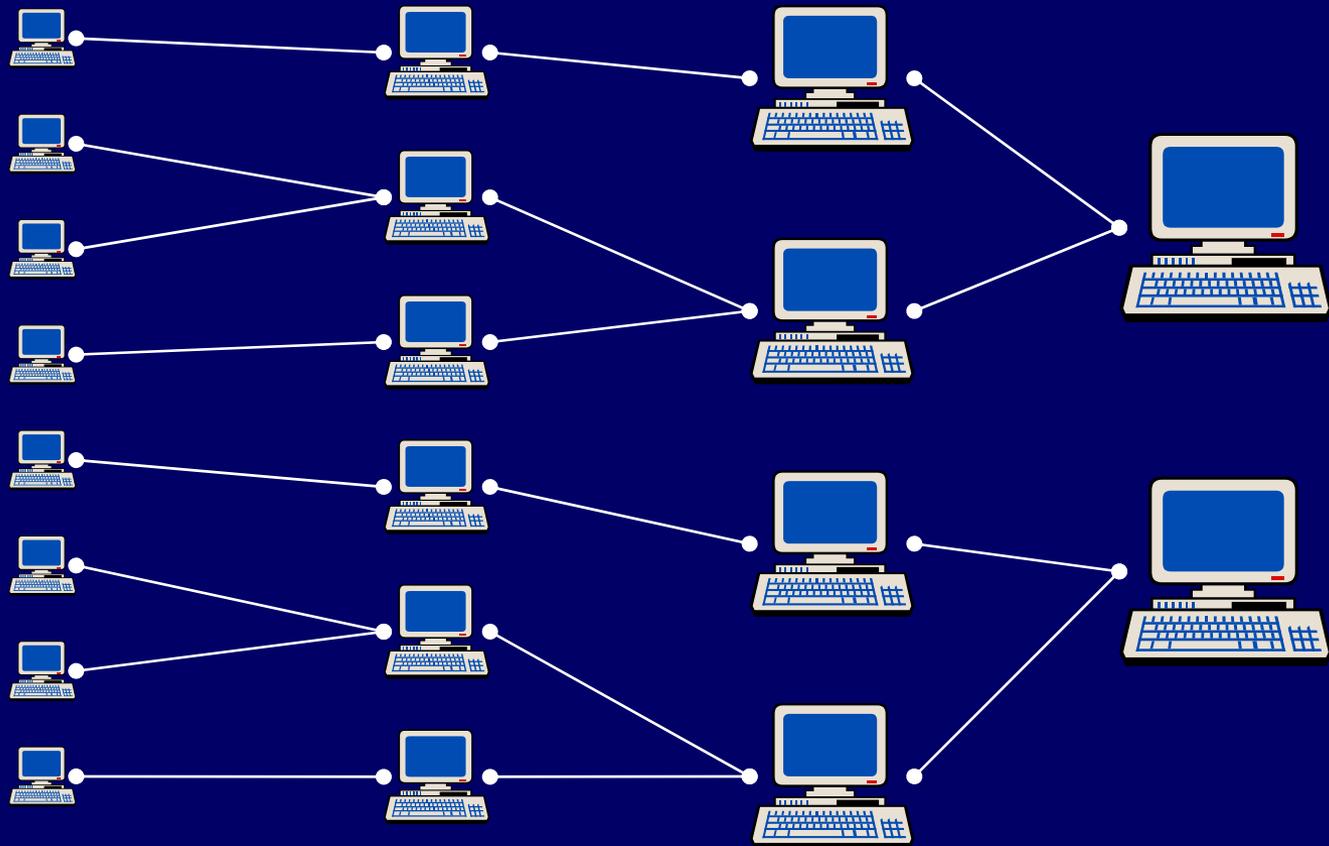
Enhance and/or
Augment Financial
Management Workforce

More Funds
Efficiency = *for the*
Warfighter



“Jump Start Initiatives”

- “As Is” Inventory of:
 - Financial and Non-financial Systems
 - Business Lines
 - Financial Data Requirements
- Industry “Best Practices”
 - Enterprise Architectures
 - Performance Metrics
 - Data Standards



Tier 3

Tier 2

Tier 1

Core



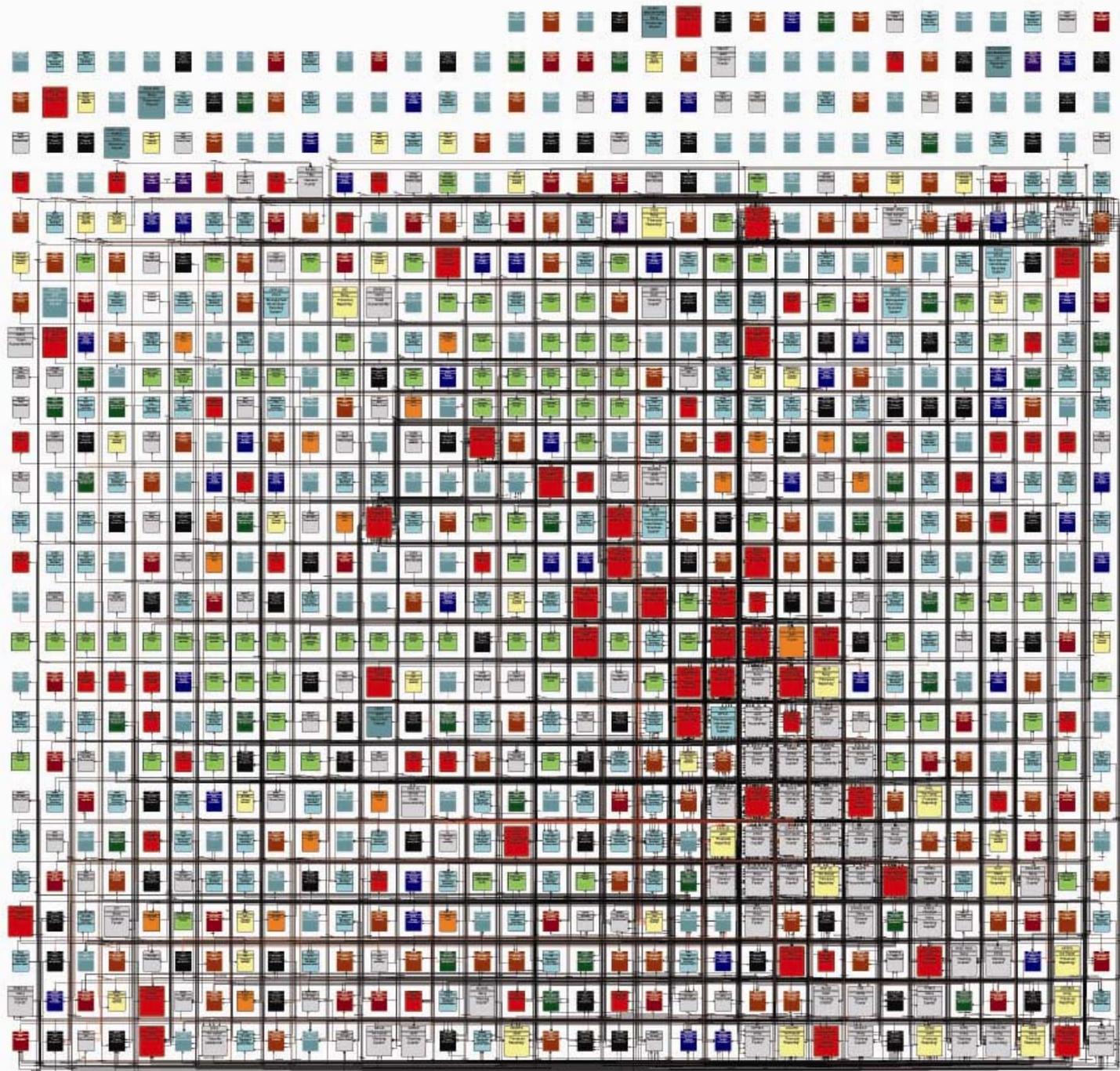
110+ Systems

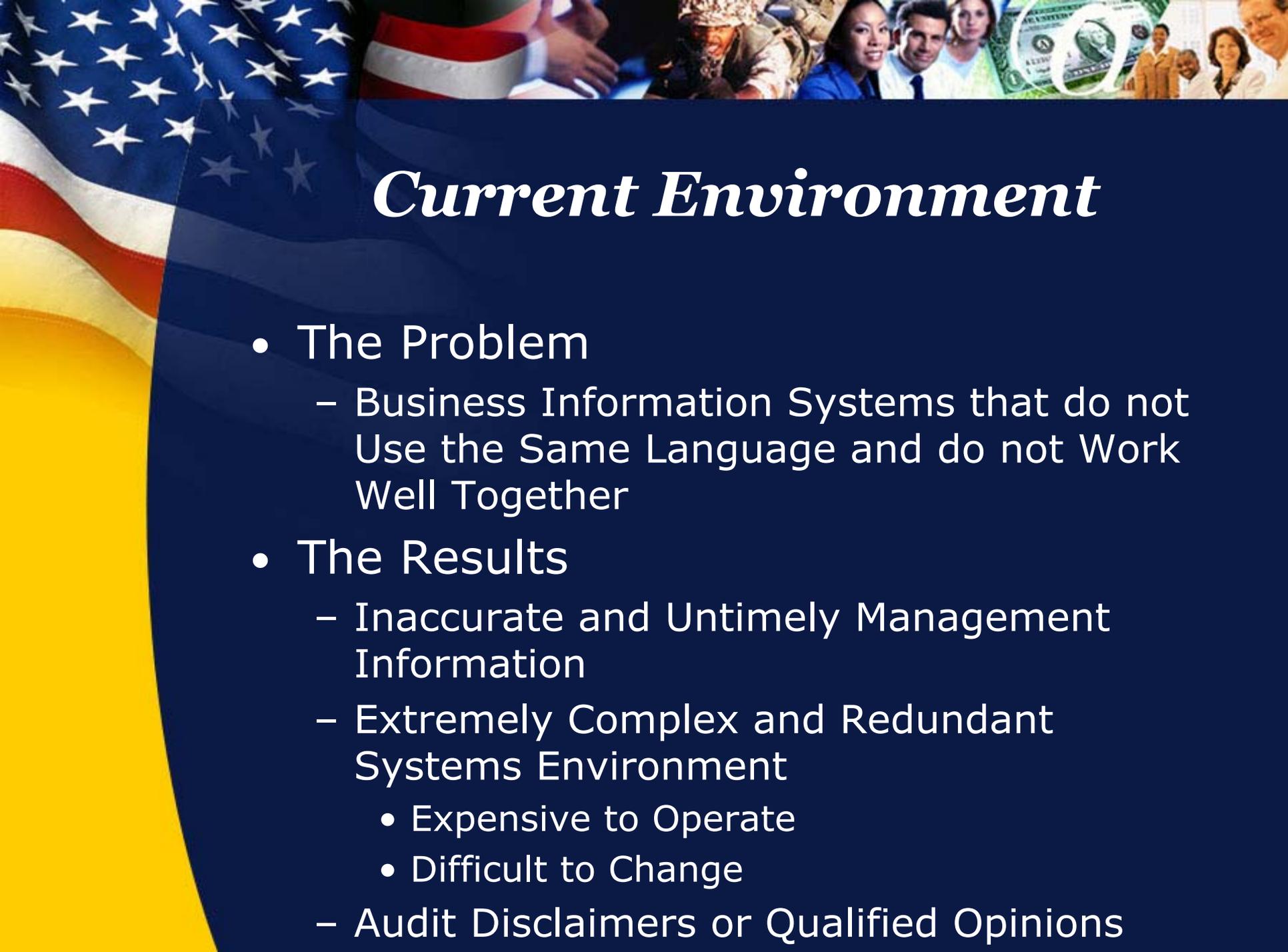
Inefficient and Costly

Point of
Entry

Jeopardizes Reliability and Timeliness

Statements
& Reports





Current Environment

- The Problem
 - Business Information Systems that do not Use the Same Language and do not Work Well Together
- The Results
 - Inaccurate and Untimely Management Information
 - Extremely Complex and Redundant Systems Environment
 - Expensive to Operate
 - Difficult to Change
 - Audit Disclaimers or Qualified Opinions



Business Lines Analysis

- What Business Lines are Performed by the Department?
- What Systems Support These Business Lines?
- What Standards Could Be Adopted From Industry?
- Ultimate Goals
 - Common Business Processes Across Components
 - “Best-in-Industry” Performance Metrics

Business Lines and Measurements

DEPARTMENT OF DEFENSE

United States
Army

United States
Air Force

United States
Navy

DEPARTMENT OF DEFENSE
Agencies

DEPARTMENT OF DEFENSE
Field Activities

Bureau of
Naval Personnel

Naval Air
Systems Command

Naval Facilities
Engineering Command

Naval Sea
Systems Command

Naval Supply
Systems Command

Space and Naval
Warfare Systems Command

Engineering
Field Divisions

Engineering
Field Activities (EFA)

Officers in Charge
of Construction

Public Works
Centers (PWC)

Specialty
Units

EFA
Midwest

EFA
Chesapeake

EFA
Southeast

PWC
Great Lakes

PWC
San Diego

PWC
Yokosuka

North American Industry
Classification System
56173
Architectural Services

North American Industry
Classification System
54133
Engineering Services

North American Industry
Classification System
22111
Electric Power Generation

Raytheon -- Purchased parts lead time

United Kingdom -- Construction Engineering Services - Client Satisfaction - Timely Delivery

Boeing -- Product Development - Cycle time

Carolina Power & Light Company -- Energy - Monthly peaks and outputs

American Electric Power -- 500 Megawatt-hours of annual
wheeling for others (deliveries plus losses)

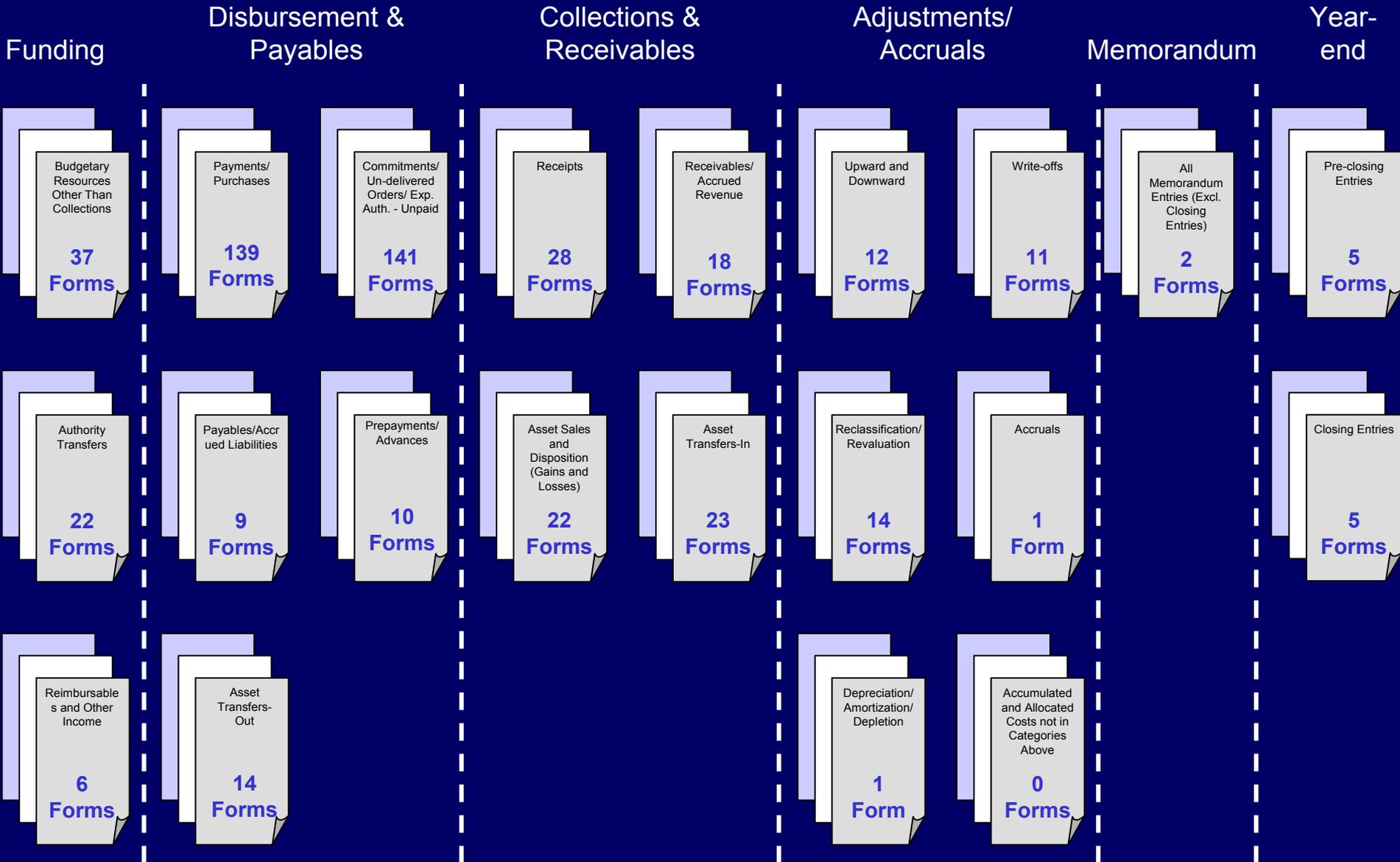
Tennessee Valley Authority -- Energy - Generation unit availability

North American Industry
Classification System
2.3821
Plumbing, Heat & Air Conditioning

North American Industry
Classification System
56121
Facilities Support Services

North American Industry
Classification System
92411
Administration of Environment

21 Financial Transaction Categories & 415 Associated Forms





Comptroller's ERP Memo

- Deployment of Financial Management Enterprise Resource Planning Systems
 - ERP Initiatives are important, but must be assessed against the Enterprise Architecture
 - Components may continue up to completion of a pilot/prototype
 - Third party assessments and Comptroller approval required before proceeding to Milestone C approval



FMMP - System Initiatives

- Applies to Operational, Developmental and New System Initiatives (including ERPs)
- Operational Systems
 - Limits System Change Requests to Priority 1 or 2
- Developmental Systems
 - Requires Comptroller Approval Beyond Prototype



Best Practices: Purpose

- Which Organizations have Developed Enterprise Architectures?
 - Commercial Organizations
 - State, Foreign and Federal Governments
- What was their Scope?
- What was their Methodology?



Best Practices: Purpose

- What Advice can They Give Us?
 - Critical Success Factors
 - Best Practices
 - Lessons learned
- What Were Some of Their Problems & Opportunities?



Study Participants

	Initial Interviews	Formal Interviews
Federal Agencies	3	1
Internal Defense Agencies	2	0
State Governments	4	1
Private Sector Companies	6	4
Other National Defense Agencies	2	2

Best Practices: Partners





Cisco Systems

- \$22B; 38,000 Employees; 50 Business Units; 200 Locations; 46 Countries
- “Best of Breed” Enterprise Architecture; Best-in-Class Virtual Close Process; Dashboard Metrics; Intra-company Transactions



Hershey Food Corporation

- \$5B Revenue; 14,300 Employees, 11 Business Lines; 60 Locations; 40 Countries
- EA Experienced a Failure in Logistics



UK Ministry of Defence

- \$35B Budget; 300,000 Employees; 3 Services and Defense Logistics and Procurement Organizations
- No Formal Enterprise Architecture; Architecture for Finance & Accounting, now Working on Logistics and Procurement



Best Practices: Results

- Few Organizations have Developed Complete Enterprise Architectures
 - Developed Portions: One of the Three Architecture Views (Operational, Technical, or System)
 - Implemented Enterprise Resource Planning (ERP) Systems, and Later “Back Fitted” Architecture Documentation
- Few Enterprise Architectures were Developed Using a Single “Framework”



Critical Success Factors

- Top Leadership Must Visibly Support and Commit to the EA Effort
- Change Management Must be Effectively Planned and Executed Throughout the Effort
- Allow the EA to be Driven by Business Needs and Enabled by the Technology



Critical Success Factors

- The Project Team Must be Staffed with Top Talent, Committed to the Long-term Effort
- The Project Must be Expertly Managed and Monitored
- End-users Must be Involved Throughout the Process



Best Practices

- Leverage “Quick Wins” to Gain Buy-in and Momentum
- Business Process Reengineering Must be Effectively Planned Before Selecting a Technology Solution
- Begin with the Organization that Offers the Least Resistance



Best Practices

- Enforce Compliance Through an Effective Governance Structure with Authority at the Highest Level of the Organization
- Manage the EA as a Continuous Process



Lessons Learned

- Do not Allow Major Functions the Choice of Participating in the EA
- Do not Underestimate the impact of logistics
- Use COTS Software and Minimize Customizations
- Do not be Quick to Grant Exceptions to Standard Software Solutions



Develop a “Road Map” for the Future

An Enterprise Architecture Documents the Department’s Future Business Environment

- Operational: New Business Practices
- Technical: Defense-wide Standards
- Systems: Investment Strategy



Develop a “Road Map” for the Future

Architecture will Guide the Department’s Transformation

- Fewer, More-capable & Integrated Systems
- Reduced Cost of Business Operations
- Supported by a Skilled Work Force
- Better Information for Decisionmaking



*Financial Management
Modernization Program
plan receives “Green” on
President’s Management
Scorecard*



Department-wide Effort

- Executive Committee
 - Comptroller, chair
 - Under Secretaries - AT&L, P&R, Army, Navy, Air Force
 - DoD CIO
- Steering Committee
 - Principal Deputy Comptroller, chair
 - Assistant Secretary level OSD and Services
- Financial and CIO Working Groups



Program Team

- Program Management Office
 - Dedicated Government Staff
 - Service/Agency 1 Year Full-time Assignments
 - In Process Teams
- Contract Support
 - IBM, KPMG LLP, AMS, SAIC, Accenture, DynCorp
 - Vendor Deliverables
 - Enterprise Architecture
 - Transition Plan



Schedule

- Develop Enterprise Architecture
 - April 2002 - April 2003
- Prototype DoD-wide Solution
 - April 2003 - April 2005
- Deploy Solution Department-wide
 - July 2005 - December 2007



*This is not just a “debits
and credits” drill --it will
require....*



Success Requires

- A Major Cultural Change
 - Eliminates “Stovepipes” & Facilitates Data Sharing
- Long-term Commitment
 - Sustain Congressional and Administration Momentum Through Leadership Changes
- Cooperation from all Components
 - Best and Brightest People Needed to Transform the Business of DoD