When You Get to The Fork in the Road, Take It!

Lessons from the

DoD FM Transformation Journey

[Workshop #116]

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Mr. Drew Morgan, Deputy Chief of Staff (G-8)
US Army Training and Doctrine Command
Thursday 30 MAY 2019
DoD Transformation Topics

• Background: Defense Budget and Funding
• The Launch 2001: A Defense Odyssey
• The Leap FY16-20: DoD FM Functional Strategy “Playbook”
• The Pivot FY19/20: The Army FM Functional Strategy
• The Reach FY23: The DON FM Transformation
• Lessons for Successful Outcomes
Outlays by Budget Enforcement Category, FY2001- FY2029


Notes: Figures from FY2001 through FY2019 from OMB; projections from FY2020 through FY2029 from CBO.
FY2020 National Defense Budget Request

(in billions of dollars of budget authority)

Source: Office of Management and Budget, Analytical Perspectives, Table 29-I, Budget Authority and Outlays by Function, Category, and Program; Department of Defense, Defense Budget Overview for Fiscal Year 2020, March 2019.

Notes: Totals may not sum due to rounding.
Defense Outlays as a Share of Discretionary Outlays and GDP, FY1962- FY2024

(As a Share of Discretionary Outlays)

Source: OMB Public Budget Database, Outlays XLS; for GDP, OMB Historical Tables, Table 10.1 Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2024

Notes: FY2019 through FY2024 reflect estimated amounts.
DOD Budget Authority: A Historical Perspective

Source: CRS analysis of Department of Defense, Defense Budget Overview for FY2020, March 2019; DOD, National Defense Budget Estimates for FY2019; Table 6-8: DOD Budget Authority by Public Law Title (FY1948-FY2023), Table 2-1: Base Budget, war Funding and Supplementals by Military Department, by P.L. Title (FY2001-FY2019), and Table I-9: National Defense Budget Authority-Discretionary and Mandatory, April 2019; DOD, FAD-809 table, January 1978; Congressional Budget Office, Final Fiscal Year 2018 House Current Status of Discretionary Appropriations, as of September 30, 2018; Congressional Budget Office, Fiscal Year 2019 house Current Status of Discretionary Appropriations, as of October 5, 2018; Congressional Budget Office, Supplemental appropriations reports from the 1970s -2000s; Office of Management and Budget, Historical Tables, 10.1, and Analytical Perspectives, 29-I.

Notes: 1950-2017 nominal DOD funding from DOD Table 6-8; 2018, 2019, and 2020 nominal DOD funding from OMB Table 29-I and DOD Defense Budget Overview; 1950-1977 nominal DOD non-base funding from DOD FAD-809 table; 1978-2000 nominal DOD non-base funding from CRS research; 2001-2017 nominal DOD non-base funding from DOD Table 2-1; 2018-2019 nominal DOD non-base funding from CBO Current Status of Discretionary Appropriations tables and DOD table I-9; 2020 nominal DOD non-base funding from DOD; nominal figures adjusted to constant FY2020 dollars using calculations based deflators in OMB Table 10.1.
The Defense Transformation Launch 2001: DoD’s Business Management Modernization Program

“Interoperable, standards-based, information-driven, secure, and technology-enabled business environment”

“As Is” System Inventory: 2000+ Systems!

Technical (TV) Criteria:
- GIG Compliant/Web-based
- COTS/GOTS
- High availability
- Documented open APIs
- NII/JFMIP Certified
- Information Assurance Certification

Business Operations (OV, SV) Criteria:
- DoD-wide
- Blue Book compliant
- Business Case - ROI
- Operational architecture: core processes, data, reports

BMMP C4ISR Methodology

Standardization Improves Mission Capabilities via Information Assurance...
- Timely, Accurate, Secure, & Reliable Information for Strategic Decision Making!

“As Is” System Inventory: 2000+ Systems!

“To Be” System Inventory: 100+ Core Business Systems By 2007

Source: BMMP 2002
20+ Years of Massive DoD Resourcing Has Not Produced Operational and Audit Outcomes

<table>
<thead>
<tr>
<th>Funding Request</th>
<th>PRIOR</th>
<th>FY12</th>
<th>FY13</th>
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<td>ODO-DAI***</td>
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<td>AF-DEAMS</td>
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<td>126M</td>
<td>92M</td>
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<td>66M</td>
<td>$637M</td>
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</table>

Sources: FY12 Budget, ETP, FM Dashboard, DMAG Jan 2012
**Amounts do not include DIMHRS/IPPS costs. Does not include sustainment funds.**
*Amounts do not include DLA EBS, JS, COCOMS ERP costs.

Need to Change the Approach!
Standard FM ERPs Allow You to Answer Business Questions Faster and Accurately

Old way of answering a simple question...

What are your budget and actuals for your project labor and non-labor?

Budget Data
- Spreadsheet
- Budget Amount

Execution Data
- DJMS
- DCPS
- DCDPS
- WAWF
- EDA
- DTS
- WAAS
- GAPS
- STANFINS
- SABRS

Accurate, Auditable, Affordable way of answering a simple question

What are your budget and actuals for your project labor and non-labor?

Standard FM ERP
- Budget
- Planning
- A/P
- Contract
- Invoices
- G/L
- Receipts
The Playbook: DoD Functional Strategy FY2016-2020
Approved USD-C 2016

Concentrate on What’s Essential/Material at Each Level

**FY2016-FY2017**
Achieve audit readiness Department-wide

**FY2018-2020**
Achieve positive audit opinions across the Department

**FY2021 +**
Achieve and institutionalize a sustainable audit business environment that is effective, efficient and affordable secure

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**Build to the Future**
- Achieve Interoperability
- Manage via business analytics and cost management
- Standardized shared service environment
- Institutionalize best audit and internal controls business practices

**Fix the Surroundings**
- Fix critical feeder/reporting systems
- Aggressive sunset of legacy systems
- Finish implementing direct treasury disbursing, IGT, Cash Reporting, and P2P “Handshakes”

**Fix the Foundation**
- USSG, SFIS/SLOA (GEX) Compliance
- Finalize legacy Data Migration & Sensitive Data Strategies
- Resolve “audit deal-breakers”
- Continue examinations, mock audits, resolution of NFRs

**Foundation=Standard ERP**

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**Incremental Achievable Milestones**

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**Continuous Financial Improvement**
We Can Achieve This by *Jointly* Executing the FM Functional Strategy with a *Y2K-Like Urgency*
Standard ERPs Enable Speed to Outcomes!

#1. Fix & Fully Use our ERPs
#2. Rapidly Reduce Legacy Systems
#3. Establish Evidence-based Business Management Via Authoritative Information
#4. Simplify/Consolidate/Outsource Financial Operations

Foundation for DoD Reform & Audit!
DoD Financial Management Reform FY18

Mission: Enable data-driven decisions through improved quality and timeliness of financial, audit, and cost information and process improvements, resulting in cost savings and opportunities to invest in lethality across the Department.

Three Primary Lines of Effort:

- Cost Management
- Data Analytics
- Compliance

The “Latest” Push...

DSD directed the Department to establish reform teams to improve the quality and productivity of the business operations of the Department, including moving toward more use of enterprise services.

The FM Reform Team will plan and execute the transformation of all financial management processes within the Department.

The FM Reform Team will deliver a time-phased roadmap that evolves and deploys systems to support business reforms, reduced the total number of systems, and ensure systems have the necessary controls to support audit and information integrity.

“Effort is admirable. Achievement is valuable.”
Army FM Transformation Leap FY19/20

-----Original Message-----
From: Whitley, John E
HON USARMY HQDA ASA FM (USA) <john.e.whitley2.civ@mail.mil>
Sent: Tuesday, February 5, 2019 4:29 PM
To: All: Army FM
Subject: 2019 FM&C Goals

FM&C Team,

I hope everyone had a great holiday season and has settled into 2019. I look forward to seeing you at our all hands tomorrow morning.

In our all hands meeting in November, I said that I would begin developing my priorities for our organization after 90 days on the job. Attached is the first product of this effort, my goals for FM&C for 2019. FM&C engages in a wide range of activities that support our soldiers and Army readiness and modernization and, of course, not everything we do is covered in this document. The included goals are focused on key strategic issues of particular relevance to the Army this year. I have discussed these goals with the Secretary and will be briefing him periodically on our progress. I look forward to working on them together with you.

These goals are only one part of a larger strategic picture. The attached goals are focused on things our organization will be focused on in calendar year 2019. MG Coburn has developed a concept plan for USAFMCOM and is developing similar goals. DASA-FIM is leading the development of the Financial Management Functional Strategy focused on a longer time horizon that includes an outward looking focus across the Army financial management enterprise. In addition, LTG Horlander is working on the future of our military financial management force structure. All of these efforts are being developed together to create full strategic vision for the vital role our community plays in making our Army succeed.

John Whitley
ASA(FM&C) Leadership “Intent”

A Top-Down Army FM Functional Strategy
That Provides Unity of Purpose & Effort to Increase FM Value to Army

Simple ➔

Actionable ➔

Information-Based ➔

Outcome-Driven ➔
# Army FM Strategic Vision, Goals, Objectives

*Simple, Actionable, Information-Based, Outcome-Driven*

## Vision/Mission
Optimally resource the Army to fight and win our Nation’s wars. Resource America’s Army through sound finance operations and comptrollership, from budget formulation to auditable financial statements.

### Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readiness</td>
<td>Optimize Army Resource Utilization and Purchasing Power</td>
</tr>
<tr>
<td>Modernization</td>
<td>Modernize, Standardize and Simplify the FM Environment</td>
</tr>
<tr>
<td>Reform</td>
<td>Manage the Enterprise Using Cost/Performance-Driven Information for Operational Effectiveness</td>
</tr>
</tbody>
</table>

### Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Establish a Single FM Analytic Decision-Making Capability</td>
<td></td>
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<tr>
<td>Exploit Army FM Resources, IT Investments and Innovation</td>
<td></td>
</tr>
<tr>
<td>Increase Accountability and Accounting Control/Establish a Cost/Performance Culture</td>
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</tbody>
</table>

### Integrated Campaigns

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA-FA – Establish Enterprise Data Analytics (EDA) Capability</td>
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<tr>
<td>PA-FO – Improve Financial Operations</td>
<td></td>
</tr>
<tr>
<td>PA-AO&amp;A – Execute Army Accounting Oversight and Operations and Support Audibility</td>
<td></td>
</tr>
<tr>
<td>PA-BU – Simplify Budget and Management of Resources to Achieve Army Priorities</td>
<td></td>
</tr>
<tr>
<td>PA-CPM – Institutionalize Cost/Performance Mgmt &amp; Analysis to Inform Decisions at All Levels</td>
<td></td>
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</tbody>
</table>

## # Outcome

<table>
<thead>
<tr>
<th>Outcome</th>
<th>High-Level Metric</th>
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<tbody>
<tr>
<td><strong>1</strong> Unified budget, execution, cost (processes, systems, data) for optimized ROI on Army’s budget/cost-driven resource-informed decisions and culture</td>
<td>$ Reduction in O&amp;M Budget Authority Returned</td>
</tr>
<tr>
<td></td>
<td>$ Reduction in UFRs</td>
</tr>
<tr>
<td><strong>2</strong> Empowered global force decision making, prioritization and tradeoffs</td>
<td># Command and DASA Top-Priority Analytic Requirements Met</td>
</tr>
<tr>
<td><strong>3</strong> Workforce transformed into modern, ready, accountable, high-value FM advisors</td>
<td>% Workforce Trained on Modern FM Capabilities/Processes, Including Analytics</td>
</tr>
<tr>
<td><strong>4</strong> Non-value work eliminated, particularly related to reconciliation and reporting</td>
<td># Process Steps Eliminated or Automated</td>
</tr>
<tr>
<td></td>
<td>$ Reduction in DFAS Bill</td>
</tr>
<tr>
<td><strong>5</strong> Auditable, compliant, standard, simplified, affordable, secure, modern FM environment (processes, systems, data)</td>
<td>$ Reduction in Audit Cost</td>
</tr>
<tr>
<td></td>
<td>$ Reduction in Legacy System/Process Costs</td>
</tr>
</tbody>
</table>
Army FM Leadership Should Pressurize to Rapidly Achieve Army Future FM Environment Via Standard ERPs

**WHAT?**
- Standard Modern Systems/Capabilities and FM Directives
- Legacy Shutdowns (Systems and Processes)
- Streamlined Processes with Standard Data
- SHIFTS from Non-Value Work & Ensures compliance
- Aligned Workforce of Modern FM Advisors

**WHY?**
- Auditability, Accounting Control, Budget/Exec/Cost Visibility
- Faster, Better Decision-Making
- Increased Resource Optimization & Purchasing Power = VALUE for Soldier

**DRIVE**
- Standard Enterprise capabilities drive transformation

#1 – FDA [EUoT]
#2 – GFEBS/GFEBS-SA
#3 – LMP
#4 – GCSS-Army
#5 – IPPS-A

**READINESS**
The Benefit: Operational FM Information Enhancing Army Readiness & Enabling Audit

Multi-Faceted “Views” from the Army’s Single Authoritative Financial Information Source (FDA/EUoT)
By The Beginning Of FY 2023:

- Operate **one general ledger** with a clean audit opinion.

- Standardize financial & other business processes with documented internal controls tested annually.

- Include enterprise risk management & zero based budgeting in POM development.

- Manage budget authority inside the general ledger--minimal reimbursables.

*January 2019*
## DON Financial Management Transformation

### Primary Goals

| AUDIT | Continue full-scope audit with full transparency:  
| • Prioritize and remediate findings  
| • Strengthen internal controls  
| • Improve the accuracy of financial reports |

| BUDGETARY REFORM | Rigorously execute the budget  
| • Improve execution effectiveness & transparency  
| • Reduce reimbursable work |

| CONSOLIDATION OF SYSTEMS | Consolidate and reduce feeder and general ledger systems  
| • Modernize Navy ERP employing standard business processes |
Navy Must Change Now!

- 20-30% Inventory Error Rates
- Lack of Integration Within End-to-End Business Processes
- Redundant Financial Management Processes
- $ Billions in Annual De-obligations
- Fragmented, Localized Systems
Transformation Will Bring:

- The right part in the right place at the right time, every time!
- Clear accountability of property, plant & equipment leading to increased warfighter strength & sustainability.
- Increased operational effectiveness & readiness.
- Improved accuracy & reliability of asset information to make better-informed readiness & warfighting decisions.
- More accurate readiness & warfighting requirements.
- Improved flexibility & speed in getting capability to the warfighter.

[Lethality, Readiness, Modernization]
Why Should This Matter to Us?
Surging National Defense Resourcing Requirements
To Ensure US Dominance in Global Security/Lethality

Achieve Desired End-states

Political Feasibility
Fiscal Reality
Operational Necessity

Budget Control Act
Strategic Readiness Review
National Security Strategy
Defense Planning Guidance (DPG)

FY18/19 Budget
Bipartisan Budget Act (x3)

Assure - Deter - Deny - Defeat

Ukraine, Russia, ISIS, Taliban, AL Qaeda, Hamas, Hezbollah, Iran, North Korea, nuclear symbol
Our Challenge: The Overall Budget will be smaller, and more funds must shift to our National Security Mission!

Must improve the DoD “Tooth to Tail” Ratio!

DoD Budget FY19 $750 B [with OCO]

DoD Budget FY22 ~$500 B [without OCO]
REAL CHANGE IS VITAL AS DOD CONTINUES TO LAG

• If technology is obsolete in 12 months, what does this portend for 18 month acquisition cycles & 60+ month ERP modernization & RLS implementation schedules?

• If information sharing is the #1 priority of leadership and their biggest challenge, why are we still modernizing business operations within functional and organizational silos?

BTW, WHO is responsible for Strategic Planning ... contemplating the 2\textsuperscript{nd} and 3\textsuperscript{rd} order effects? WHO should be?
So what does all this mean?

• This is YOUR future!
• Budget environment necessitates us to make and advise better resource decisions
• Need to embrace & upgrade IT tools
• Data analytics enables professional and organizational relevance
• Wise man say: “He who learn data analytics feed family for long, long time.”
Insight to Action

This all means nothing, unless …

Local
• Willingness to make reconciliation a DAILY habit
• Willingness to change – systems, processes, procedures

Shared Services
• Willingness to adopt culture of information
• Willingness to take calculated risks

System Level
• Willingness to standardize/maximize ERP use
• Willingness to make affordability and agency performance priorities
• Willingness of Leadership to act on information

OSD – DAI
Army-GFEBS
Air Force-DEAMS
Navy - NERP
DLA - EBS
Centralized, standardized CFO function: real time insights

Role of the CFO

CFO Role: Financial Reporting
- Analytics Performed:
  - Sound transaction processing (e.g., receivables, payables)
  - Ability to link transaction process data to traditional finance reports (e.g., balance sheet, obligation and expenditure reports)
- Time: Quarterly/Annually
- Data Architecture: Distributed, Non-standard
- Role of UoT:
  - Disaggregated systems (e.g., GFEBS, RPAD, PBSS-ID, NAV-FITAS, Navy ERP ITFRAS, SABRS, CRIS/DEAMS, WAAS, DAI)
  - No enterprise view

CFO Role: Compliance/Control
- Analytics Performed:
  - Provide assurance on strength of internal controls over financial reporting and other financial risks (e.g., debt, collections, erroneous payments)
- Time: Quarterly
- Data Architecture: Distributed, Standard
- Role of UoT:
  - Central "translation" ability (e.g., CODE frameworks, FARR)
  - UoT collecting multiple sources

CFO Role: Decision Analytics on Financial Performance
- Analytics Performed:
  - Perform cost management analysis
  - Provide reporting on risk and performance of transaction processing (e.g., improper payments, prompt pay, debt collection)
- Time: Monthly or Better
- Data Architecture: Centralized, Standard
- Role of UoT:
  - UoT central host system
  - UoT leverages existing data and accesses key data extracts from source systems for cost and audit

CFO Role: Decision Analytics on Mission Performance
- Analytics Performed:
  - Link cost performance data to related priority mission objectives
  - Strategic partner on cost and mission analytics
- Time: Daily/Real Time
- Data Architecture: Centralized, Standard, Automated
- Role of UoT:
  - UoT central host system
  - Automated feeds for cost & audit
  - Shared service provider for analytics on financial performance and cost

Timeliness of Data
- From: Quarterly/Annually
- To: Daily/Near Real Time

CFO Organizational Impact
- Lower
- CFO impact
- Higher
Comptroller/CFO of the Future – Strategic Advisors to Leadership Via Authoritative Information

Evolving the role of the CFO to a Data Driven Performance Management Organization

We Develop:
- Applications
- Dashboards
- Interfaces
- Training
- Onboarding
- User Forums

We Provide:
- Pre-Canned Dashboards
- Self-Service Analytics
- Ad-Hoc Query

We Maintain:
- Automated Data Pipelines
- Analytic Queries
- Data Access Solutions
- Custom Data Views
- Accredited Infrastructure
It Takes LEADERSHIP Vision & Resolve Driving to Rapid Outcomes!

#1. Fix & Fully Use our ERPs
#2. Rapidly Reduce Legacy Systems
#3. Establish Evidence-based Business Management Via Authoritative Information
#4. Simplify/Consolidate/Outsource Financial Operations

Foundation for DoD Reform & Audit!
When asked, “Why are you so good? How is it that you are so successful?”

Wayne Gretzky said:
“Anyone can be where the puck is... I always try to be where the puck is gonna be.”
The Air Force
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