DoD Business Reform: Translating Good Ideas into Fiscal Reality

Presentation to the ASMC National PDI
Workshop #36
May 30, 2019
The Elements of Reform Appear in Legislation, Strategy, and Policy

FY 2020 Budget Request

2018 National Defense Strategy

CFO Act of 1990

National Defense Authorization Act

President’s Management Agenda
Reform Is a Catalyst for Changing Our Business

**National Defense Strategy**

- **Compete, Deter, and Win to Preserve Peace through Strength**
  - Expand the competitive space leveraging all elements of national power

- **Competition with China and Russia is central challenge**
  - Continue efforts to deter and counter North Korea, Iran, and terrorists

- **Sustain U.S. influence and ensure favorable regional balances of power**
  - Build a more lethal, resilient, agile, and ready Joint Force
  - Strengthen alliances and attract new partners
  - **Reform the Department’s business practices for greater performance and affordability**

Better management begins with effective financial stewardship. The Department will continue its plan to achieve full auditability of all its operations, improving its financial processes, systems, and tools to understand, manage, and improve cost.

- National Defense Strategy

The Secretary of Defense’s Three Lines of Efforts
What is Reform?

• Reform is a catalyst for changing our business processes.

• The National Defense Strategy’s third line of effort is to “Reform the Department for greater performance and affordability.” We’ll achieve this by:
  - Delivering performance at the “speed of relevance”;
  - Organizing for innovation; and
  - Driving discipline and affordability to achieve solvency.

• Reform should result in better use of resources.

Reform = Change that reduces cost, improves performance, or both.
TRADITION

JUST BECAUSE YOU’VE ALWAYS DONE IT THAT WAY
DOESN’T MEAN IT’S NOT INCREDIBLY STUPID.
Today’s Panelists

• **Mr. Mitchell Lawrie**
  Director, DoD Business Transformation and Reform
  Office of the Chief Management Officer

• **Ms. Lora Muchmore**
  Director, Business Integration Office
  Office of the Under Secretary of Defense (Comptroller)
Office of the Chief Management Officer Goals

- Create a long-lasting culture of innovation, empowerment, and improvement to reduce the cost of doing business throughout the Department.
- Lead the integration and optimization of enterprise business operations throughout the Department.
- Deliver performance-driven shared services and an exceptional customer experience.
- Expand our data analytics capability and cultivate data-driven solutions.
- Decrease overlap and duplication throughout Defense business operations to increase mission focused funding.

Implementing ambitious reforms and unprecedented business process improvements throughout the Department requires creation of the organizational means, mechanisms, and resident skills necessary to drive change and reform.
Organizational Levers of Transformation

**CHIEF MANAGEMENT OFFICER**
- **Establish Standards, Processes, Policy, & Frameworks**
- **Conduct Reviews & Provide Recommendations**
- **Implement and Execute**
  - Measure Performance

**4TH ESTATE MANAGEMENT OFFICE/CIO BUSINESS SYSTEMS**
- Establish standards, processes, policies, and collaboration framework
- Issue annual guidance to DAFAs
- Conduct budget/management reviews and provide recommendations
- Support DBS policy, guidance, execution, and investment management process
- Review/Direct Changes of IT investments throughout the Fourth Estate

**DATA INSIGHTS**
- Supports business decision making through development of performance management tools
- Manages all DoD data assets, maximizes utilization of data throughout the Department, and ensures data conforms with best practices
- Develops a data governance process for transparency of common enterprise data
- Provides for the availability of common, usable, department-wide data sets in the DRCED

**TRANSFORMATION & REFORM**
- Supports reform and business transformation through assessment, execution, and realization of opportunities
- Oversees reform team initiatives and Reform Management Group engagements
- Drives large-scale Reform efforts throughout the Department
- Enhances organizational alignment, process improvement, and resource efficiencies
- Manages DoD-wide change management and communications related to reform and other CMO-related initiatives

**REFORM INITIATIVES FUNNEL INTO A REPEATABLE MANAGEMENT PROCESS**

**REFORM MANAGEMENT FRAMEWORK**

Department of Defense
Reform Management Framework Overview

- Composed of major activity groups
  - Initiation
  - Planning & Solution Development
  - Transition Implementation
  - Benefit & Sustainment
- Two (2) Decision Points simplifies and focuses effort(s):
  - Tollgate 1: DoD RMG Confirms after Stakeholder Approval
  - Tollgate 2: Charter Update & Solution Implementation Approval
- Initiatives are managed in four (4) primary screens:
  1. Initiative Detail with description and net benefits
  2. Charter management (new feature) and approvals
  3. Major Milestone List for real-time reporting of high-level milestones
  4. Balance Scorecard
Reform Approach – Process, Benefits & Sources

- Reform Framework Process Applied to RMG Reform Initiatives
- DoD Benefits Definitions Applied to all Reform Benefits
- Comptroller Validation of Budgeted/Programmed
- Stories (Vignettes) Tied to Benefits
- Extending Opportunity Sources
  - Audit/NFR’s
  - DRCED (Enterprise Data Analytics)
  - End-to-End Process Reviews (E.g., DAFA Deep Dives)
- RMG Engagement vs. Briefings

Comptroller Validated Reform

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The Department realized a total of $4.702 billion in programmed savings in FY17 and FY18.

The OCMO Regulatory Reform Task Force reviewed all of DoD’s 716 rules and regulations, and recommended 243 rules for repeal. To date, 57 repeals are completed and expected cost savings to the public are $5.1M, with potential additional savings of $25.2M.

The Service Requirements Review Board team assisted more than 60 organizations in tracking identified efficiencies and reinvestments in the contracting process, resulting in $517M in programmed savings over FY 2017 and FY 2018.

With zero net growth, the CMO organization restructured and aligned to successfully execute responsibilities, authorities, and statutory requirements resulting in means, mechanisms, and resident skills that catalyze ambitious reforms, and business process improvement, throughout the Department.

The Department is committed to meeting the Office of Management and Budget savings target of $46 billion over the next five years through ongoing reform initiatives, and is on track to exceed the annual goals for Fiscal Years 2019 and 2020.
• Category Management

• IT Reform

• Health Care Management
Where Are the Opportunities in Financial Management Reform?

Financial Management Reform Strategic Objectives

- Simplify and standardize DoD processes
- Development and enforcement of enterprise data standards
- Fewer and better integrated systems
DFAS Legacy System Retirement Plan

• Retire 20 legacy systems

• Simplify and standardize the business environment; improve interoperability/maximize transactions on target systems

• Eliminate duplicative capabilities

• Strengthen auditability and cybersecurity
IPPS – Planning for Standard DFAS Role

- The Military Departments are implementing Integrated Personnel and Pay Systems (IPPS)
- Army and Navy plan to go live in 2020
- Opportunities exist to standardize roles and responsibilities between DFAS and the Military Departments
- All Military Departments plan to implement Treasury Direct Disbursing
- Currently finalizing agreements between Military Departments and DFAS
Financial Standards

• Standard and simplified business environment with common FM business language

• Minimizes the need for data conversions

• Initial findings point to the complicated business and accounting systems environment as being too complex as well as weak governance

• Summer study will focus on rationalizing business and accounting systems
Robotic Process Automation

- Robotic Process Automation (RPA) is software that can easily be programmed, at the user interface level, to complete standard, repetitive tasks that enables organization to focus on higher value/more complex activities and analysis.

- Initial opportunities are with Defense Agencies Initiative and Washington Headquarters Services – building up to additional larger opportunities.

- Establishes a comprehensive audit trail of all process steps.

- Setting up a Center of Excellence.
FM Reform Insights

• We have too many accounting and business systems

• We need stronger governance

• FM objectives rely on partnerships with other communities

• For Procure to Pay to be optimized, we need to ensure that FM requirements are included in the front end of end to end processes

• The culture has changed, there is more collaboration across the business areas and the workforce is more open to accepting technology solutions

• It’s’s not just about technology – it’s also about workforce, policy and processes
Questions?