



Department of the Navy

*Office of the Assistant Secretary of the Navy
(Financial Management and Comptroller)*

Department of the Navy Financial Management

Shifting Course

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ASN (FM&C) FMO

Presented to DON Comptrollers and Deputy Comptrollers

5 March 2002



◆ Past Guidance and Strategy

◆ DoD Direction

◆ DON Course of Action

- Supporting OSD

- Impact on DON Strategy

◆ Actions Underway

- Financial Statement Preparation
- Implementation of USSGL
- Implement Process Changes
- Reduction of Problem Disbursements
- Accounting System Changes
- Non-financial Feeder Systems
- Enterprise Resource Planning (ERP)

◆ Conclusion



Federal Financial Management Requirements

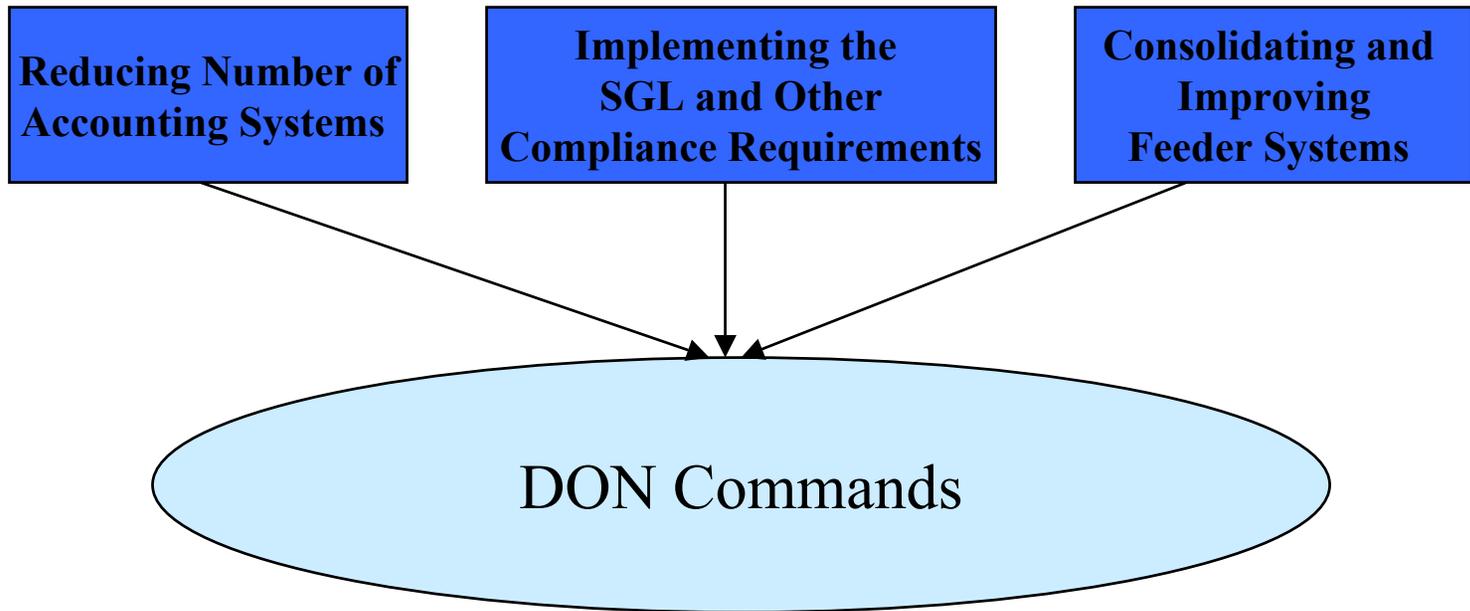
- ◆ **Federal Management Financial Integrity Act of 1982** - Internal accounting and administrative controls
- ◆ **Chief Financial Officers Act of 1990** - Integration of accounting and financial management systems and internal controls, producing pilot financial statements
- ◆ **Government Management Reform Act of 1994** - Production of Formal, Audited Financial Statements
- ◆ **Federal Financial Management Improvement Act of 1996** - Compliance with financial management systems requirements and transaction-level USSGL



- ◆ Build a compliant financial management system architecture by -
 - Reducing the number of accounting systems
 - Implementing the USSGL and other compliance requirements
 - Consolidating and improving feeder systems
- ◆ Take a “top-down” approach to ensure standardization



Top Down Systems Approach



The migratory strategy is managed generally from the top down in order to ensure standardization across the DON Commands



What Was Accomplished

- ◆ **USSGL:** Implemented in GF and most WCF accounting systems
- ◆ **Accounting Systems:** Reduced number from 54 to 14; target 10
- ◆ **Feeder Systems:** DON standard systems selected for
 - GF Personal property (DPAS),
 - Real Property (NFADS/NFADB),
 - Inventory (MFCS – Navy)
 - Time and Attendance (SLDCADA),
 - Environmental Restoration (NORM),
 - Heritage Assets (DONHAMS)
- ◆ **Problem Disbursements:** Significant improvements continue
- ◆ **Financial Statements:** Developed and implemented DDRS and DCI as reporting/collecting tools



What Still Needs To Be Done?

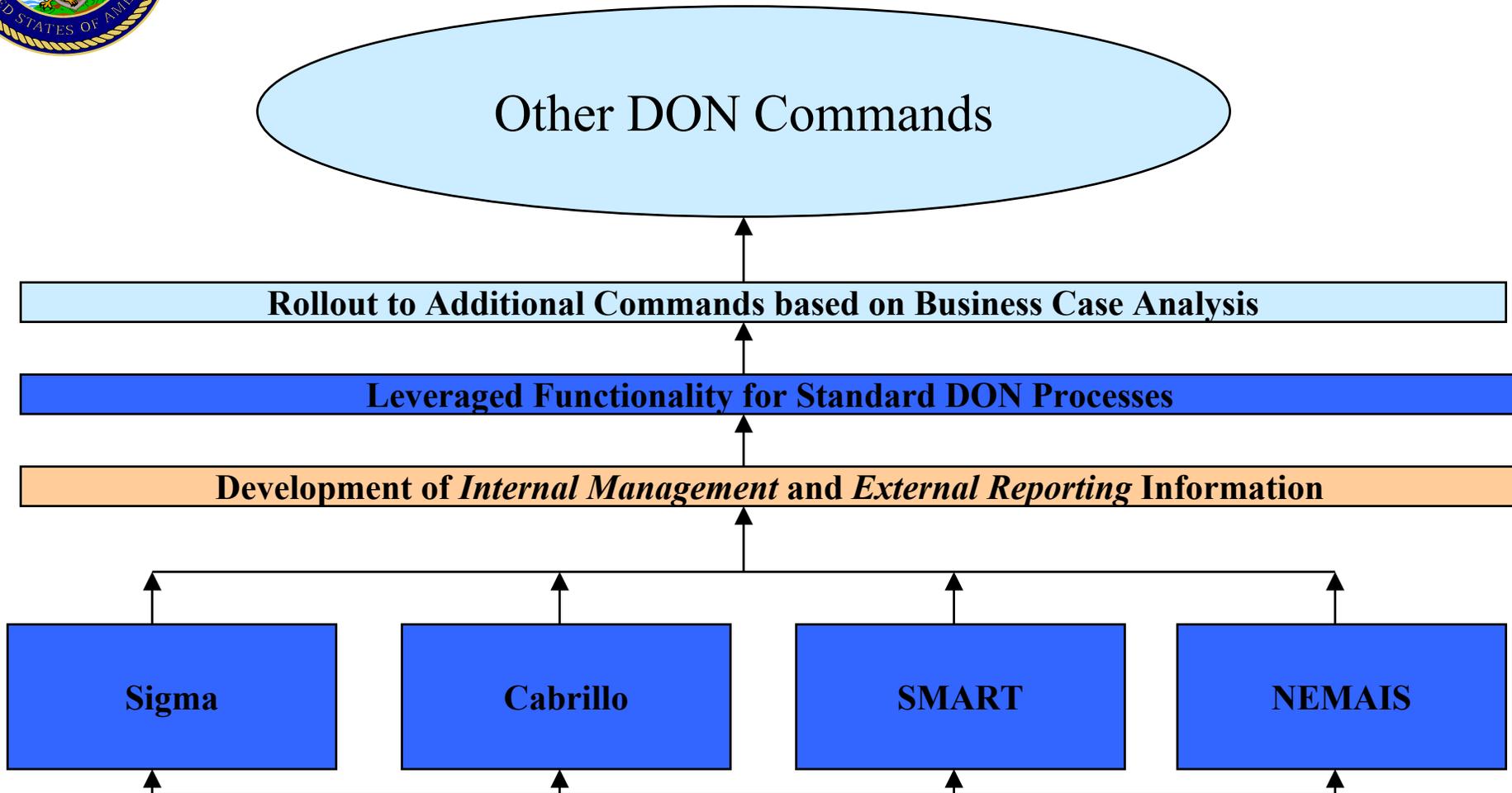
- ◆ Process & procedural changes necessary to complete implementation of USSGL
 - Proprietary Accounting in General Funds
 - Budgetary Accounting in Working Capital Funds
- ◆ Plans to develop, build, and operate
 - Interfaces between non-financial and accounting systems
 - Databases to hold data



- ◆ Differs from and competes with migratory strategy
- ◆ Focuses on business process reengineering
- ◆ But builds a compliant financial management system architecture by -
 - Providing a fully integrated systems approach
 - Including proprietary and budgetary accounting
- ◆ Takes a “bottom-up” approach to ensure an integrated solution



Focus of the ERP Strategy



The ERP strategy is currently managed from Command level pilots with an emphasis on leveraging functionality, developing internal management and external reporting information, and rolling out to additional Commands where appropriate



USD(C) Memo of 5 January 2001

- ◆ Chartered the Senior Financial Management Oversight Council to provide guidance on compliance
 - Chaired by USD(C)
 - Provide oversight and guidance, and act as approval authority of the compliance process
 - Approve and verify exit criteria for all phases of the process
 - Establish a System Compliance Working Group



USD(C) Memo of 5 January 2001 (con't)

- ◆ Established the Financial and Feeder Systems Compliance Process
 - Patterned after Y2K
 - Used to monitor efforts to develop and modify critical systems
 - Set roles and responsibilities
 - Established a five phase process to achieve compliance with Federal Financial Management Requirements





- ◆ Designate financial management modernization a Departmental priority
- ◆ Direct DEPSECDEF to lead an integrated program to modernize and optimize financial management operations and systems.
- ◆ Issue policy to direct the development, implementation, and maintenance of financial management enterprise architecture



- ◆ Until an architecture is developed, components' financial management investments are limited to:
 - Deployment of developed systems
 - Maintenance of existing systems
 - New systems or changes to existing systems that are directed by Congress or are small, cost effective, low risk and delivered quickly



- ◆ **Friedman Report of 13 Apr 01 - *DoD-wide Standardization***
- ◆ **SECDEF Memo of 19 Jul 01 - *DoD financial management modernization program***
- ◆ **USD(C) Memo of 21 Aug 01 - *ERP Initiatives***
- ◆ **USD(C) Memo of 12 Oct 01 - *Executive and Steering Committee***
- ◆ **USD(C) Memo of 12 Oct 01 - *System Initiatives***



VISION

The study group envisions a future in which relevant, reliable and timely financial information, affirmed by a clean audit opinion, is available on a routine basis **to support management decision making at all levels** throughout DoD.



Friedman Report of 13 April 2001 (con't)

Current Situation

- ◆ Situations and problems associated with the current DoD environment include:
 - Inability to consistently provide reliable financial and managerial data
 - Lack of an overarching approach to financial management
 - Overly complex data requirements
 - “Convolutted” business processes
 - Changing federal financial management standards
 - Difficulty in obtaining financially based, outcome-oriented management metrics
 - Inability to produce CFO Act compliant financial statements
 - Disproportionate budget dollars appear to support non-value added activities
 - Cultural bias toward status quo
 - Requires an infusion of personnel with technical and financial skills



Friedman Report of 13 April 2001 (con't)

Significant Challenges

- ◆ Developing an integrated system architecture
- ◆ Standardizing DoD-wide “core” accounting and data classification
- ◆ Engaging Congress and OMB to ameliorate certain rules
- ◆ Providing DoD management with
 - enhanced financial intelligence,
 - incentives and tools, and
 - encouragement to maximize the efficiencies and effectiveness of their operations and suppliers
- ◆ Imbuing the culture with a sense of urgency for DoD-wide financial management information transformation



DoD Direction
SECDEF Memo of 19 July 2001

- ◆ States a vision
- ◆ Includes non-financial business processes
- ◆ Establishes a Department-wide financial management modernization program
 - Places leadership with the USD(C), in coordination with USD(AT&L) and CIO
 - Establishes a Program Management Office under USD(C)
 - SECDEF to hold Military Department Secretaries accountable for results



VISION

“One of my highest priorities is to have reliable, accurate, and timely financial management information upon which to make the most effective business decisions. Because we do not always have that information, we must **change the Department’s business operations** and systems.”



Non-financial Business Operations and Systems

- ◆ Acquisition
- ◆ Medical
- ◆ Transportation
- ◆ Property
- ◆ Inventory
- ◆ Supply
- ◆ Personnel
- ◆ Other



Program Management Office Responsibilities

- ◆ Develop DoD-wide blueprint (enterprise architecture) that prescribes interaction of financial and non-financial systems and business processes
- ◆ Control and oversight of systems development, acquisition, upgrade, deployment of all financial and related non-financial business systems
- ◆ Any other efforts directed by USD(C)



DoD Direction on ERP Systems

USD(C) memo of 21 August 2001

- ◆ ERP Systems are important, but must be assessed within the context of the pending DoD enterprise architecture
- ◆ May continue with ERP initiative up to and including completion of the pilot/prototype evaluation
- ◆ Must have a third-party assessment and brief the results to the USD(C) for approval to enter production/deployment



DoD Direction on Oversight Committees

USD(C) memo of 12 October 2001

- ◆ Resestablishes/renames executive oversight and steering committees
 - Executive chaired by USD(C), Steering by PD USD(C)
- ◆ Financial and feeder system compliance process
 - Does not change the 5 phase compliance process
 - Increased oversight, greater controls while architecture being developed
- ◆ Codified in FY 2002 Authorization Act



DoD Direction on System Initiatives

USD(C) memo of 12 October 2001

- ◆ Places USD(C) in approval chain for financial and non-financial system changes
 - Operational Systems - limits DON authority to approval of priority 1 or 2 changes; priority 3 or 4 require DoD Comptroller approval
 - Development Systems - requires DoD Comptroller approval beyond prototype
 - New System Initiatives - requires DoD Comptroller approval; requirements include
 - Business process reengineering
 - Mission needs statement
 - Trade-off studies



◆ OMB Bulletin 01-09 - 25 Sept 2001

- Interim unaudited reports required (without footnotes) semiannually for FY 2002 and Quarterly for FY 2003
- Annual reports required earlier consistent with annual Budget submission to Congress
- Comparative reporting required starting in FY 2001 for both annual and interim reports

◆ Established Agency Scorecard

- Financial one of the functions graded
- DoD “Red”



Department of Defense Authorization Act for Fiscal Year 2002

- ◆ Encourages reductions in resources dedicated for an annual report that is known to contain unreliable data
 - Production Resources
 - Audit Resources
- ◆ Establishes Financial Management Modernization Executive Oversight Committee
- ◆ Codifies the five phase compliance process





Department of Defense Appropriations Act for Fiscal Year 2002

- ◆ All system development efforts must be in accord with DoD's Financial Management Modernization Plan
- ◆ Financial management information technology must be registered with the Chief Information Officer of the DoD to receive funding





USD(C) Implementation Efforts

On Long Term Solution

- ◆ Established a financial management modernization working group
- ◆ Established two oversight groups - Executive Committee and Steering Committee
- ◆ Established a program management office
- ◆ Contractual support for architecture effort
- ◆ Begun to define “as is” environment
 - Development of DoD’s “As Is” system inventory
 - Classification of DoD’s business lines using the NAICS
 - Benchmarking industry best practices for developing Enterprise Architecture
 - Identification of DoD’s “As Is” data elements



VISION

The DoD will be managed in an efficient, *business-like* manner in which relevant, reliable and timely information, affirmed by clean audit opinions, is available on a routine basis to support *informed decision-making* at all levels throughout the Department

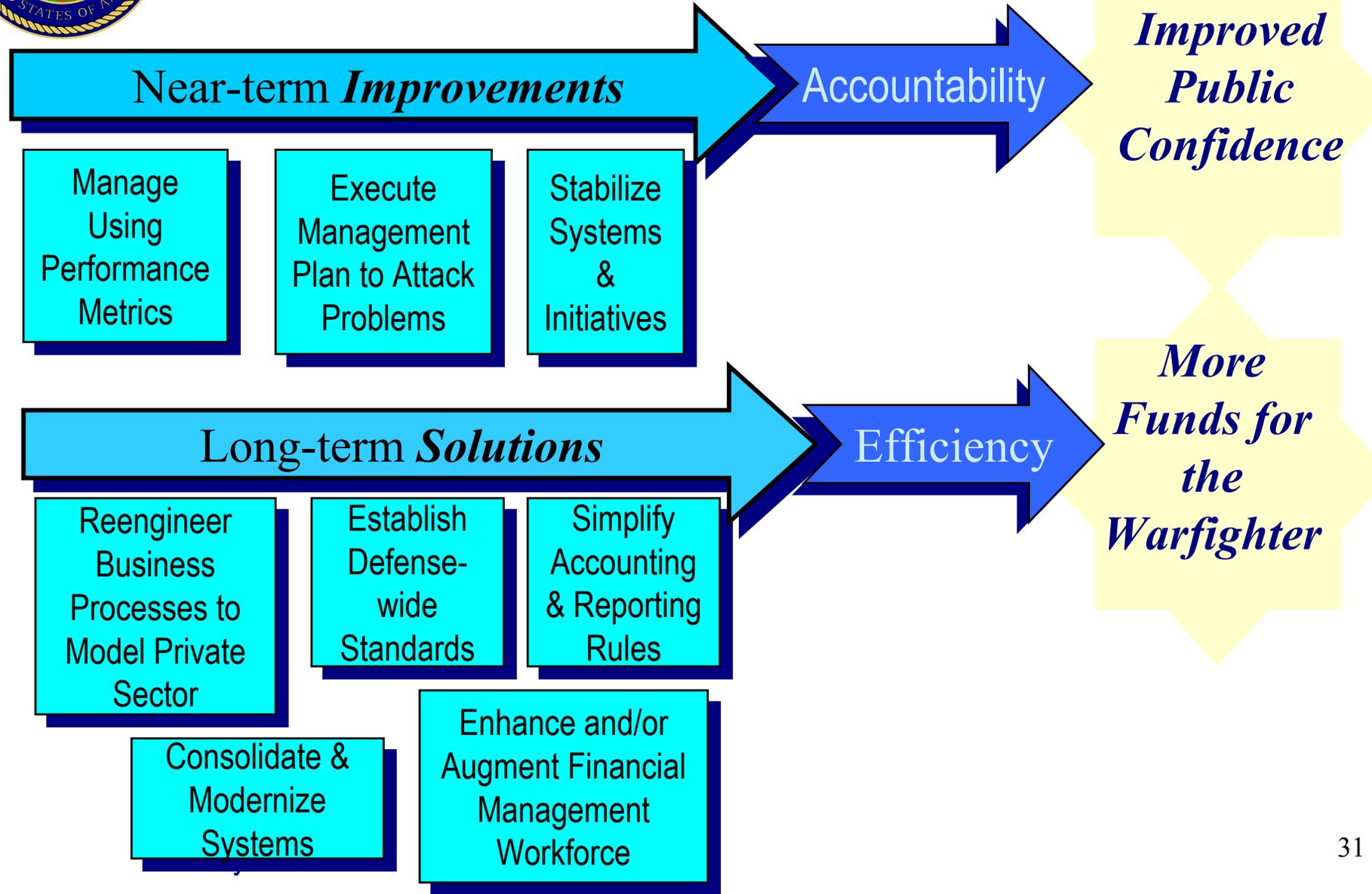


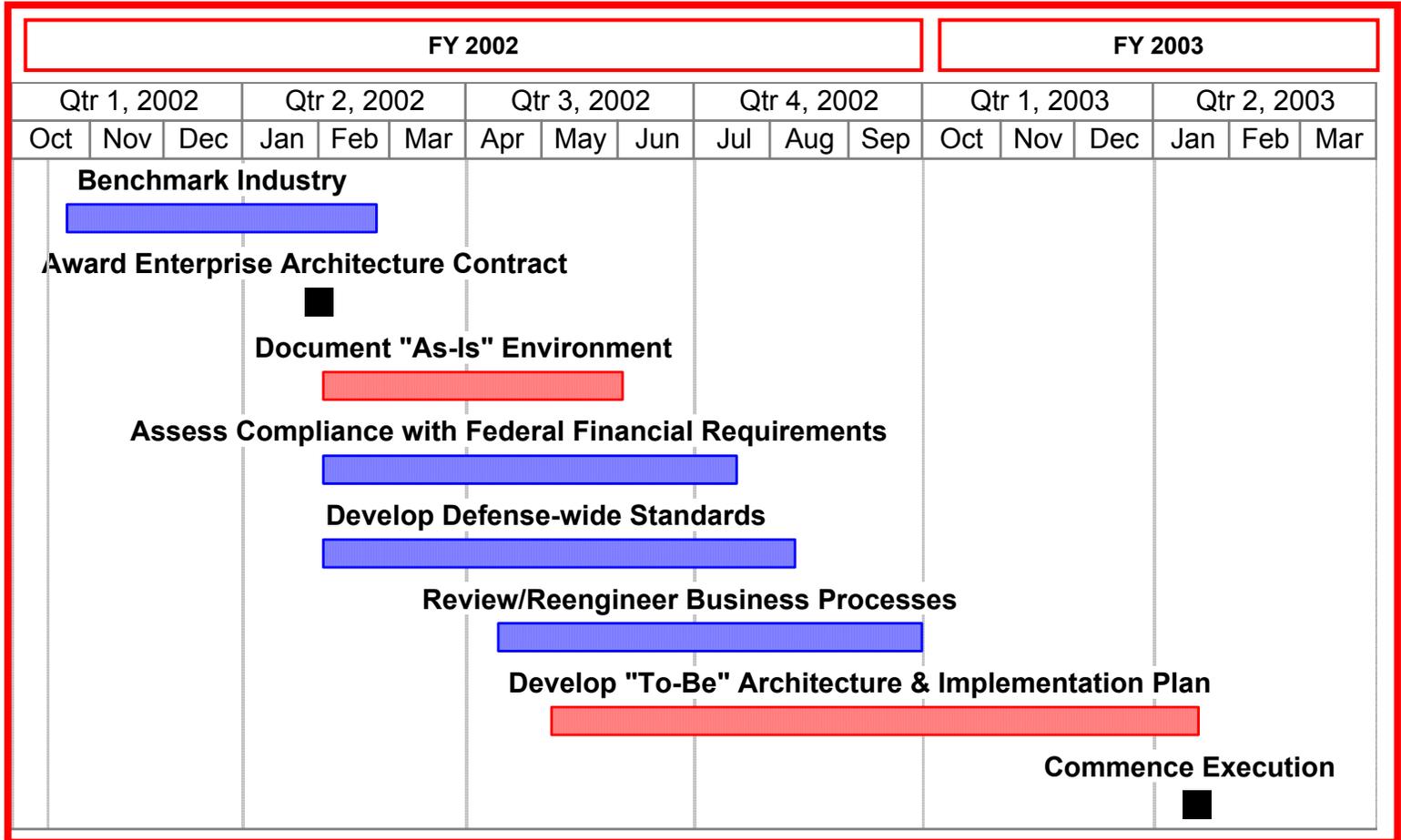
SCOPE

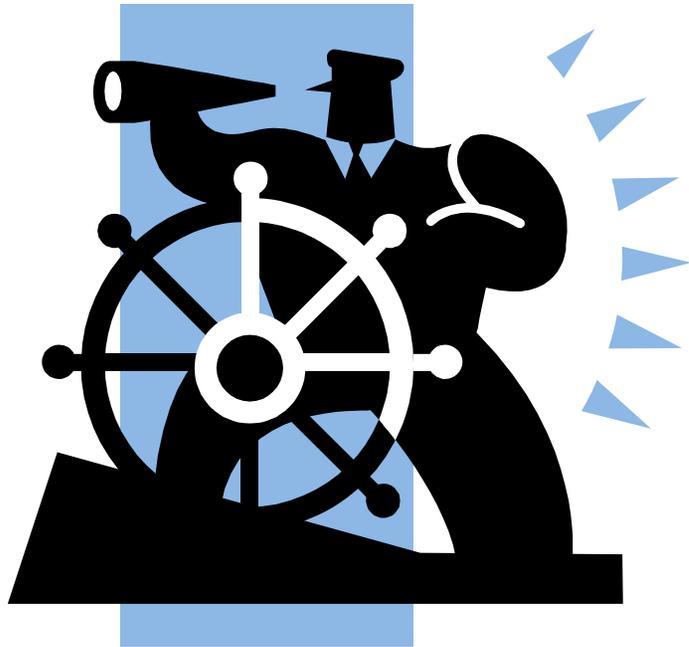
- ◆ Financial information - necessary to manage the Department's business and report the results of its operations - is a product of virtually every action taken by the Department
 - Policies - Systems - People - Processes
 - Which Guide, Perform, or Support all aspects of financial management
 - Includes Financial Feeder Systems
 - Logistics, Supply Management
 - Personnel, Medical, Acquisition, etc.



Approach







Influence on DON Course of Action



◆ Follow Financial and Feeder Systems Guidance

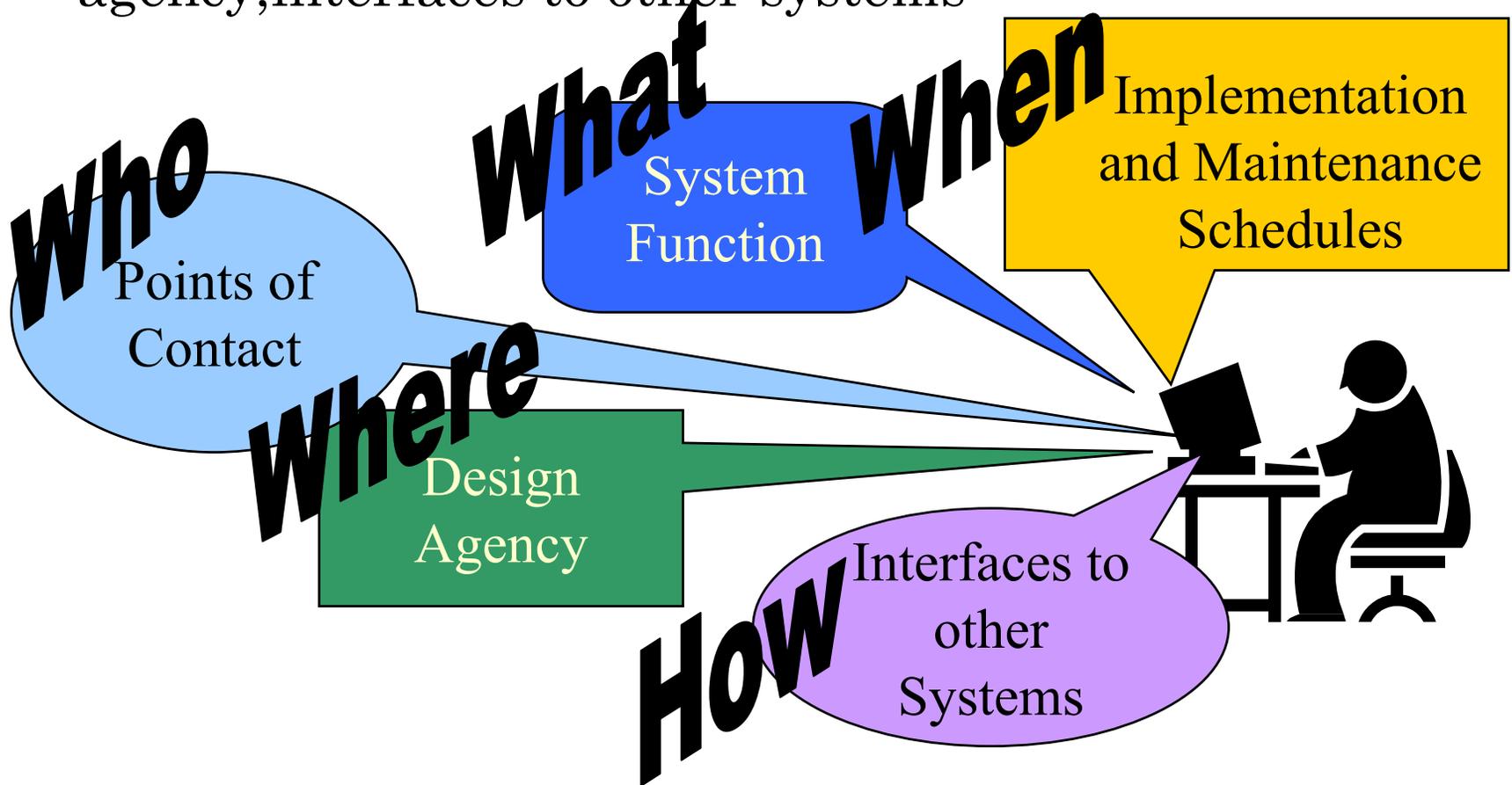
- **14 Feb 01** - Provided overview of DoD five phase compliance process and established ASN(FM&C) in oversight role
 - **30 Nov 01** - Provided DoD system change approval guidance with ASN(FM&C) in approval role
 - **19 Dec 01** - Outlined ASN(FM&C) approval process and provided briefing requirements
- ## ◆ Participate in FMMP working group



Basis for “as is” Architecture

Encyclopedia of Existing DON Systems

- ◆ Accumulate a database of financial and feeder systems - e.g., points of contact, system functionality, design agency, interfaces to other systems



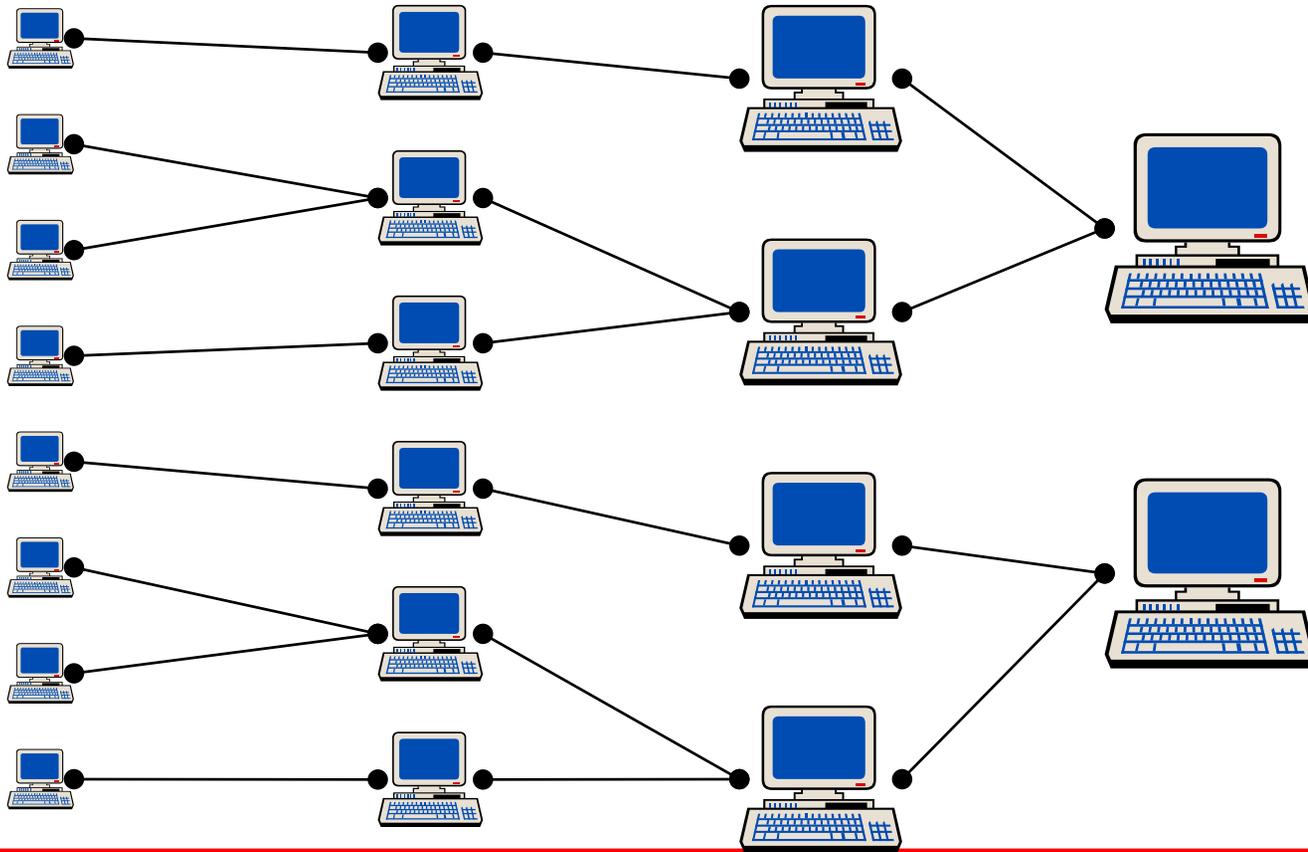


Basis for “as is” Architecture System Mapping

- ◆ System Mapping: identify financial and feeder systems
 - Technical Information(e.g., hardware, software, etc.)
 - Interfaces (including data supporting the Balance Sheet)
- ◆ Cross-referencing templates for interfaces
- ◆ System data base of 500+ systems (many with ownership outside the DON)
 - ensure all system relationships
- ◆ Providing to USD(C) for DoD Architecture
- ◆ Preliminary to specific system data mapping



“Perfect World” Systems Inventory



Tier 3

??? Systems

Tier 2

??? Systems

Tier 1

??? Systems

Core

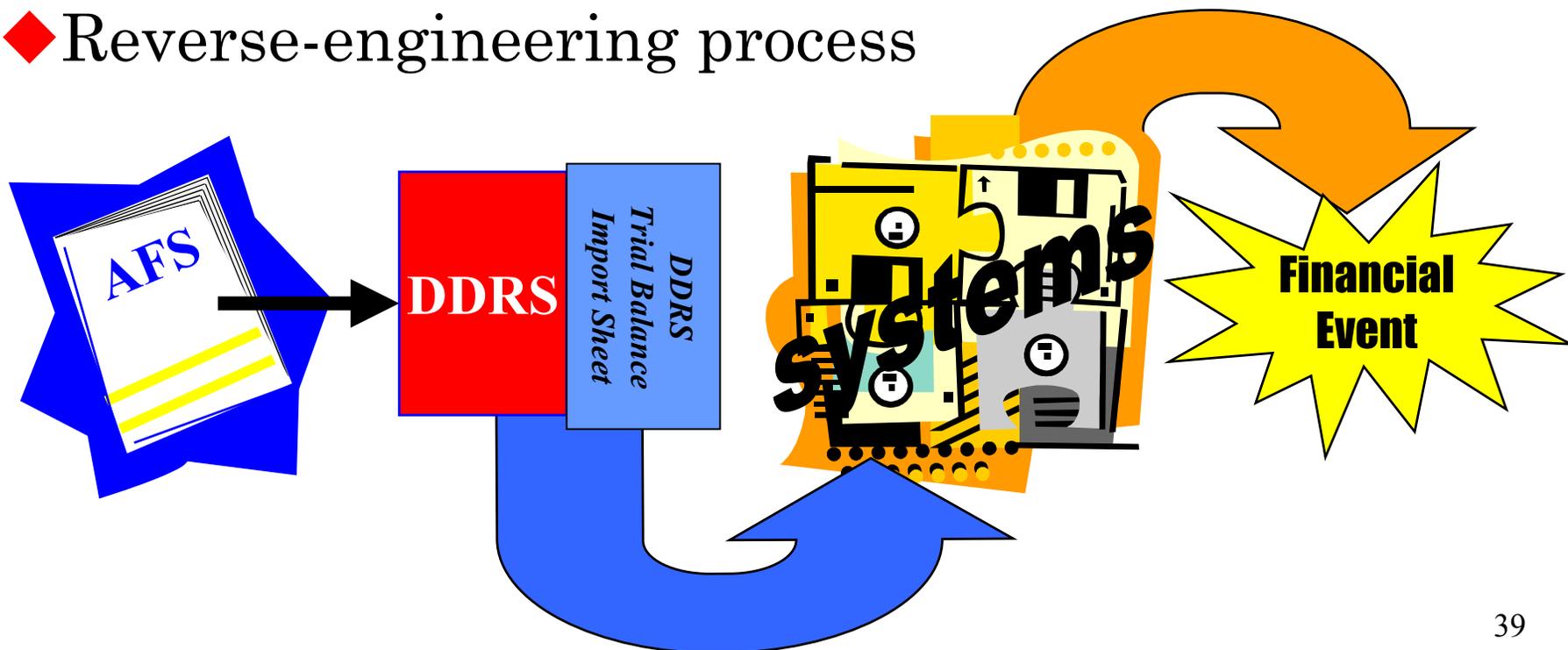
??? Systems

In a perfect world, the 300+ DON systems would fall neatly into one of these categories.....



Basis for "as is" Architecture Data Mapping

- ◆ Requirement to describe Financial Event flow from Point of Entry to the general ledger and Financial Statements
- ◆ Reverse-engineering process





Data Mapping: Business Line Identification

◆ Adopting Industry practices to identify standard business lines - North American Industrial Classification System (NAICS)

- Based upon one principle that activities using similar processes are classified together
- A way to improve basic benchmarks and current performance statistics





How will NAICS be used?

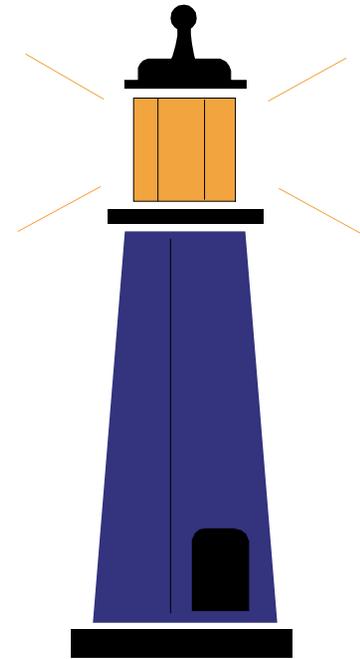
- ◆ **The PMO plan:**
- ◆ The PMO will develop a “Straw Man” of activity to NAICS mapping
- ◆ The PMO will identify the supporting financial systems to activities
- ◆ The DoD Components will verify mapping of business lines to NAICS classifications and systems
- ◆ The PMO will identify industry best practices/performance metrics by business line
- ◆ The PMO will develop a plan to transition to solution(s) and industry performance metrics



- ◆ Data standardization Working Group of FMMP
 - Promoting standard data
 - Common financial events generate standard financial postings
- ◆ Support USD(C) and USD(AT&L) Working Groups
 - Developing policies/procedures in areas such as inventory and personnel property
 - Developing standard transactions and account postings



- ◆ DON Financial Management Goal
- ◆ Impact on DON Financial Management
 - History and Culture
 - Organization
 - Responsibilities
- ◆ Likely High-level Architecture
- ◆ Likely Time Frame





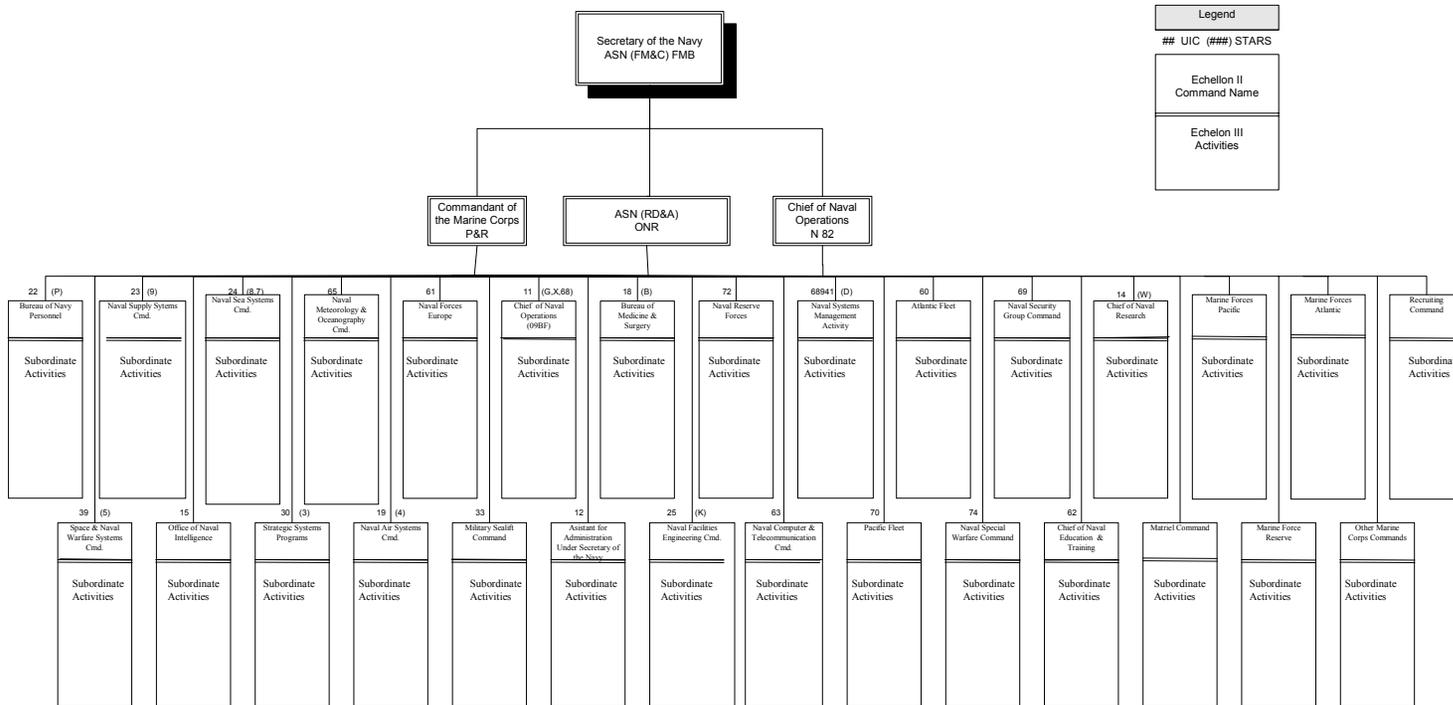
- ◆ To provide managers information they need to manage
- ◆ To obtain Compliance with systems, financial management/accounting and reporting requirements





DON FM History and Culture

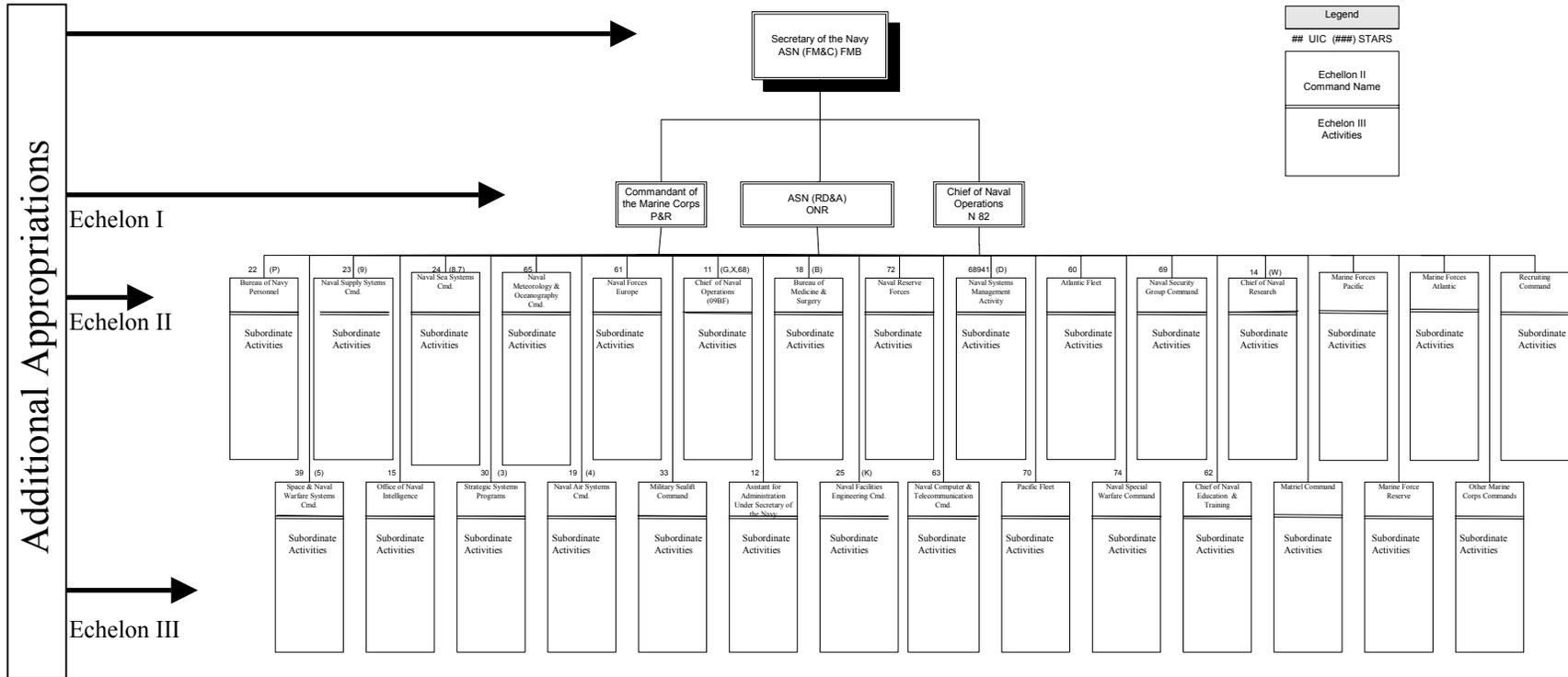
DON FM Organizational Structure





DON FM History and Culture

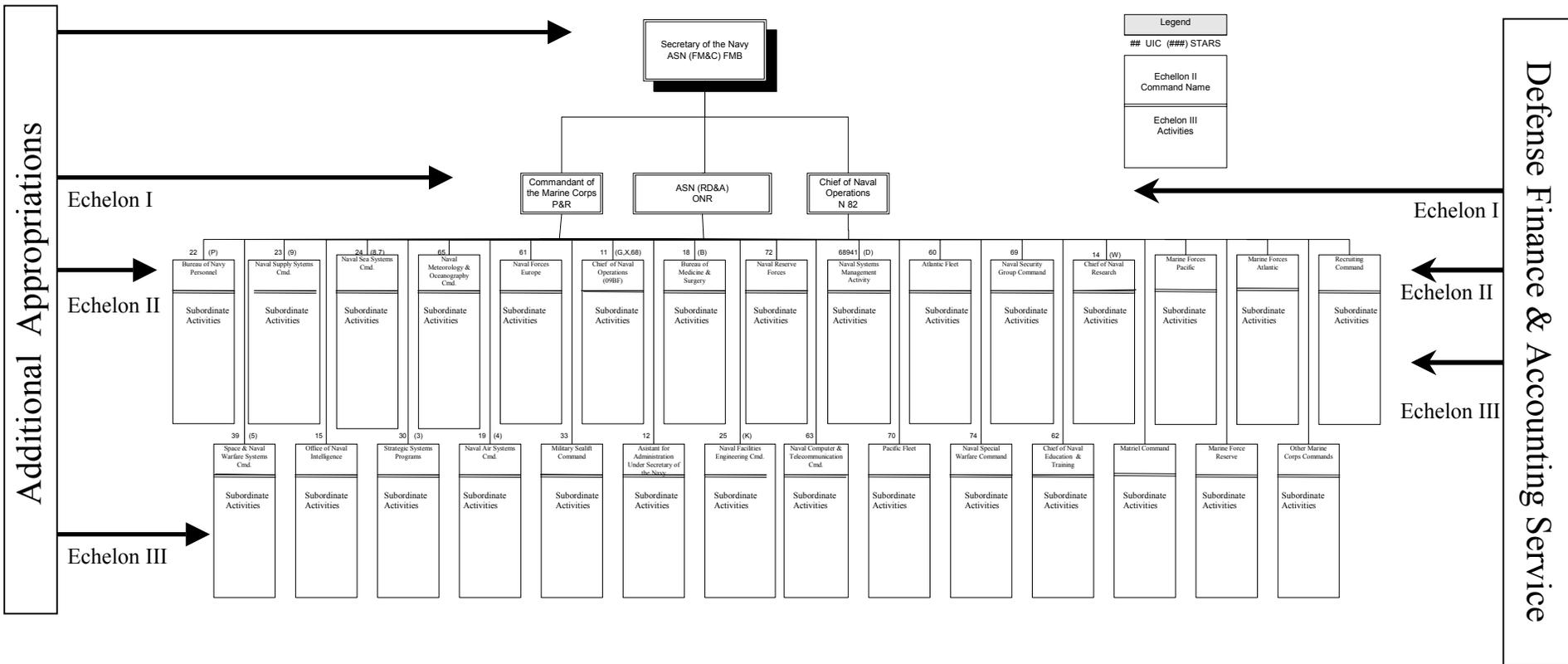
DON FM Organizational Structure





DON FM History and Culture

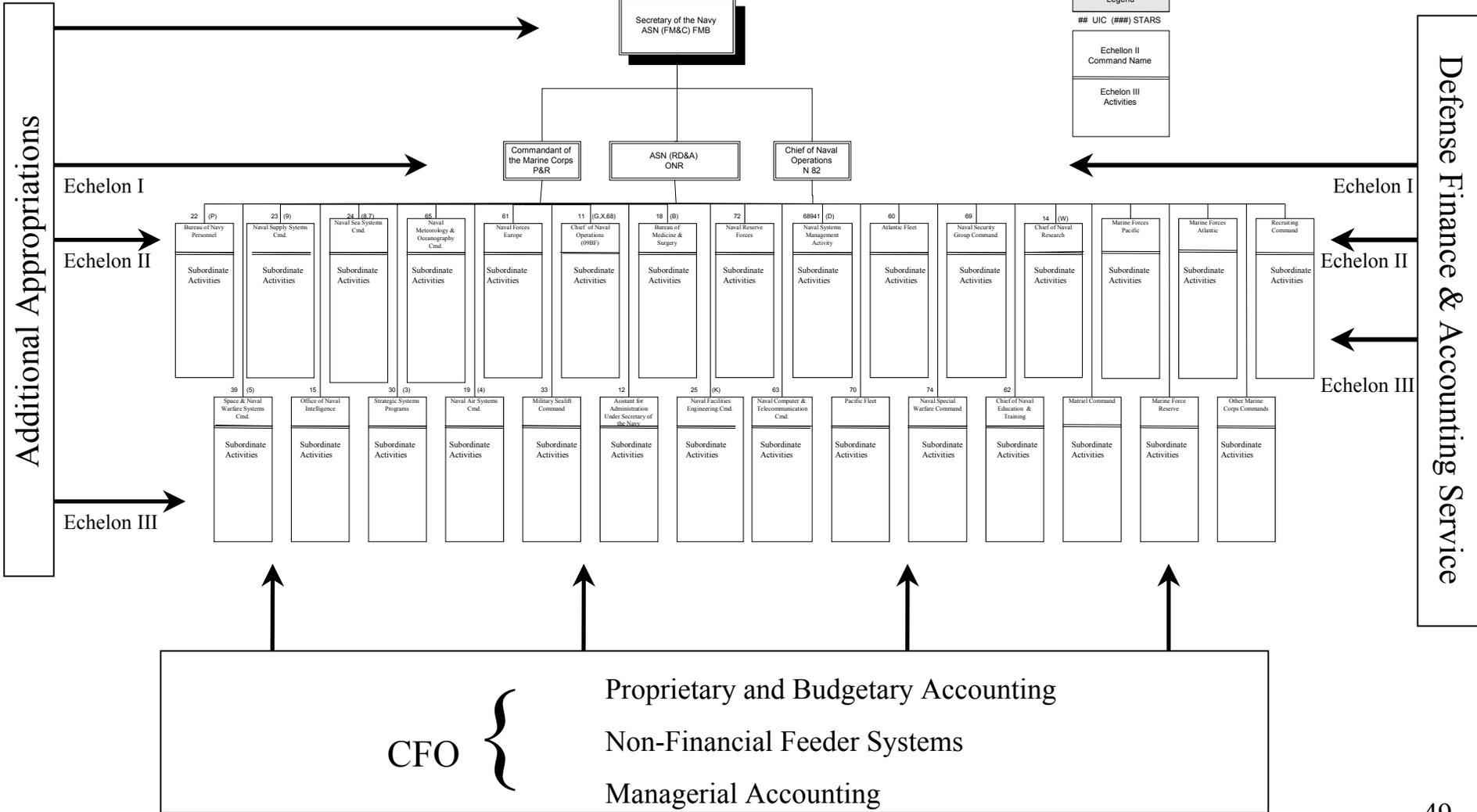
DON FM Organizational Structure





DON FM History and Culture

DON FM Organizational Structure





Financial Management Organization

- ◆ Financial management organization remains decentralized with command focus following chain of command
- ◆ But must embrace new DON and DoD-wide financial management requirements





Financial Management Responsibilities

- ◆ Funds control
 - Posting authorizations
 - Ensuring proper use of funds
 - Posting commitments & obligations
- ◆ More recently resolving disbursement issues
 - Matching disbursements to obligations
 - Pre-validating disbursements
 - Certifying disbursements



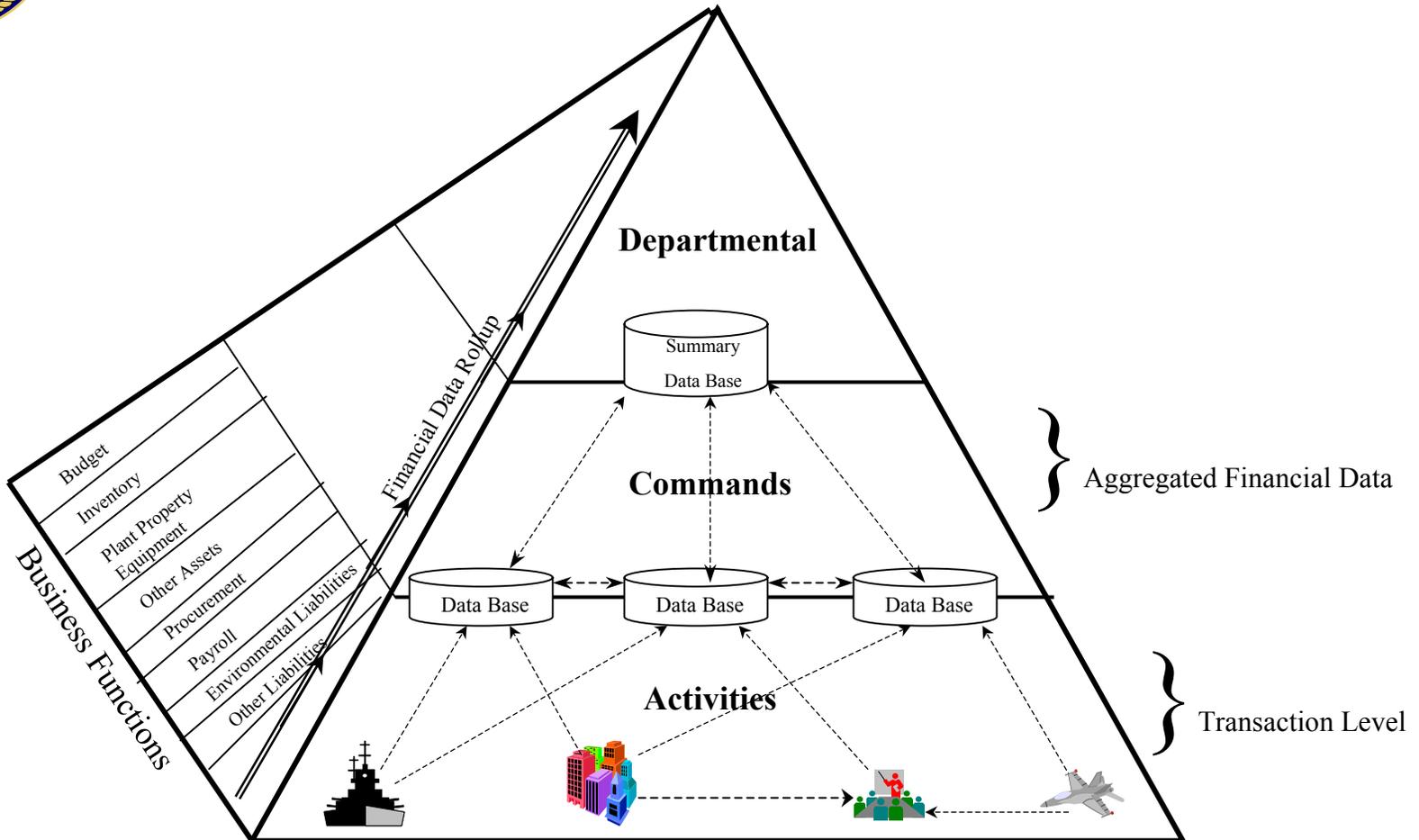
Financial Management Responsibilities

(con't)

- ◆ Add proprietary accounting in General Funds
 - Posting assets, liabilities, and expenses
 - Involvement in process of receipt and acceptance of goods and services
 - Continue budgetary accounting
- ◆ Add budgetary accounting in the NWCF
 - Posting commitments and obligations
 - Continue proprietary accounting but meet DoD/DON standards
- ◆ Add cost accounting to provide management information at all levels



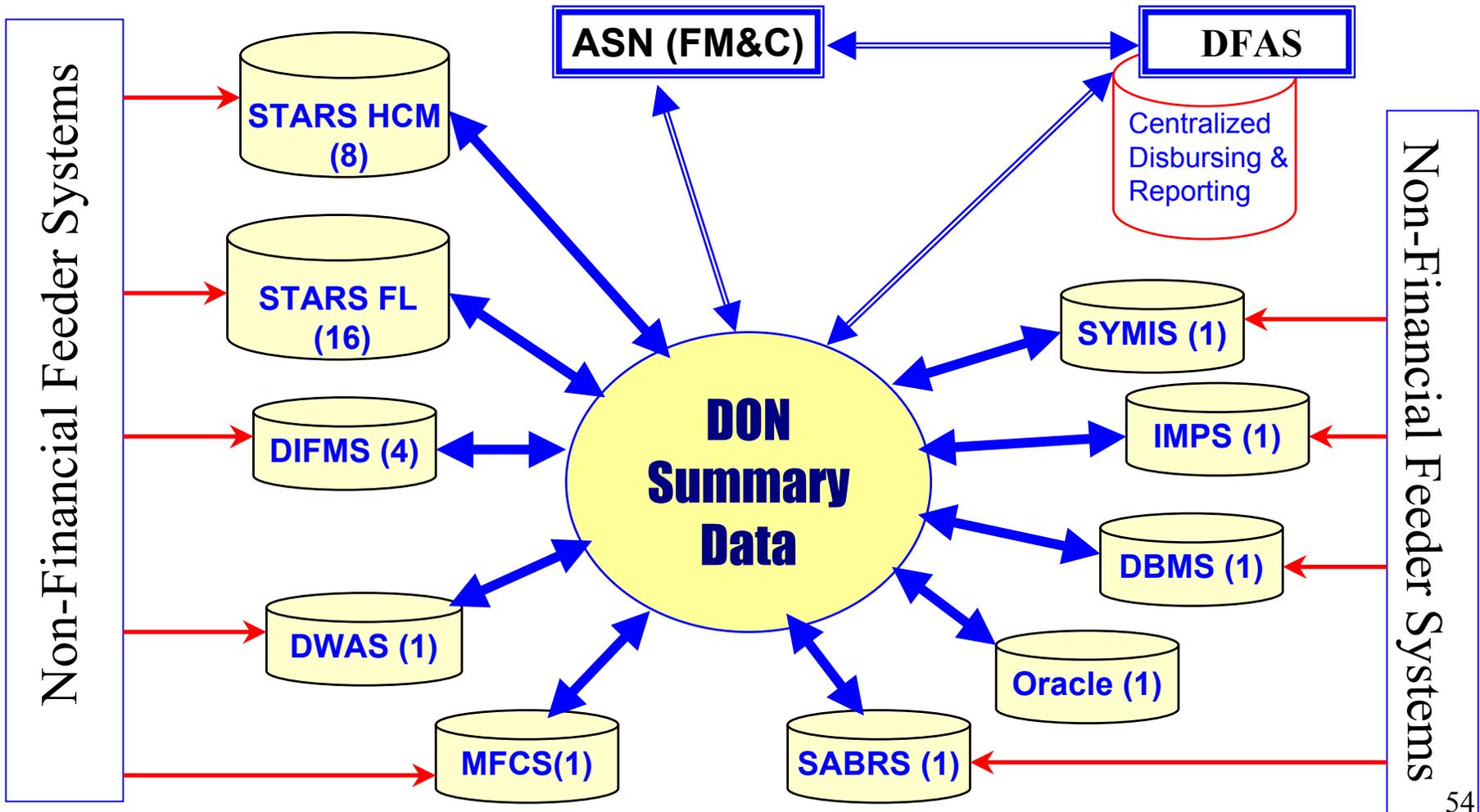
Assumptions Architecture



Using Standard Chart of Accounts



Near-term Future Vision

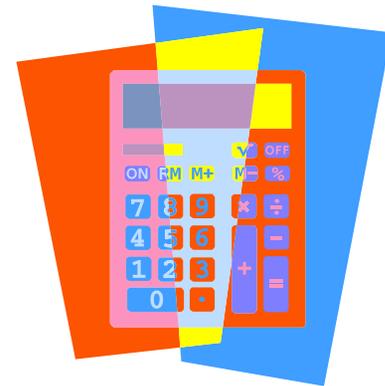




Assumptions

Time Frame

- ◆ **DoD target of one year for top-level architecture**
 - But many years to implement throughout the DoD
 - Likely to require detailed Component Plans
- ◆ **DON Initiatives must be oriented to top-level architecture**
 - Be part of a “need to do regardless” scenario or
 - Be economically beneficial





Impact on Actions Underway

- ◆ Change focus in preparation of financial statements
- ◆ Develop standard accounting data for DON via a standard chart of accounts
- ◆ Develop processes necessary for posting assets liabilities, and expenses
- ◆ Reduce Problem Disbursements
- ◆ Identify accounting system changes
- ◆ Support non-financial feeder efforts
- ◆ Pursue Enterprise Resource Planning initiatives



Financial Statement Preparation





What are Financial Statements?

- ◆ Financial display of assets, liabilities, equity, and operating results of an entity.
- ◆ Management's representation of the financial condition and operations of the entity.
- ◆ Final output of DFAS accounting systems.
- ◆ Result from transaction level events in DFAS and DON financial and non-financial feeder systems.



What are Auditable Financial Statements?

- ◆ Financial statements on which the auditors can express an opinion.
- ◆ Auditors form an opinion by testing five management assertions:
 - Existence or Occurrence
 - Completeness
 - Rights and Obligations
 - Valuation or Allocation
 - Presentation and Disclosure





What are Audit Opinions?

- ◆ Auditors express an independent and expert opinion on the fairness of financial statements.
 - Unqualified: “clean opinion.” 😊
 - Qualified: fairly presented with certain material exceptions. 😐
 - Adverse: not fairly presented. ☹️
 - Disclaimer: auditors were unable to form an opinion on the fairness of the financial statements. ☹️

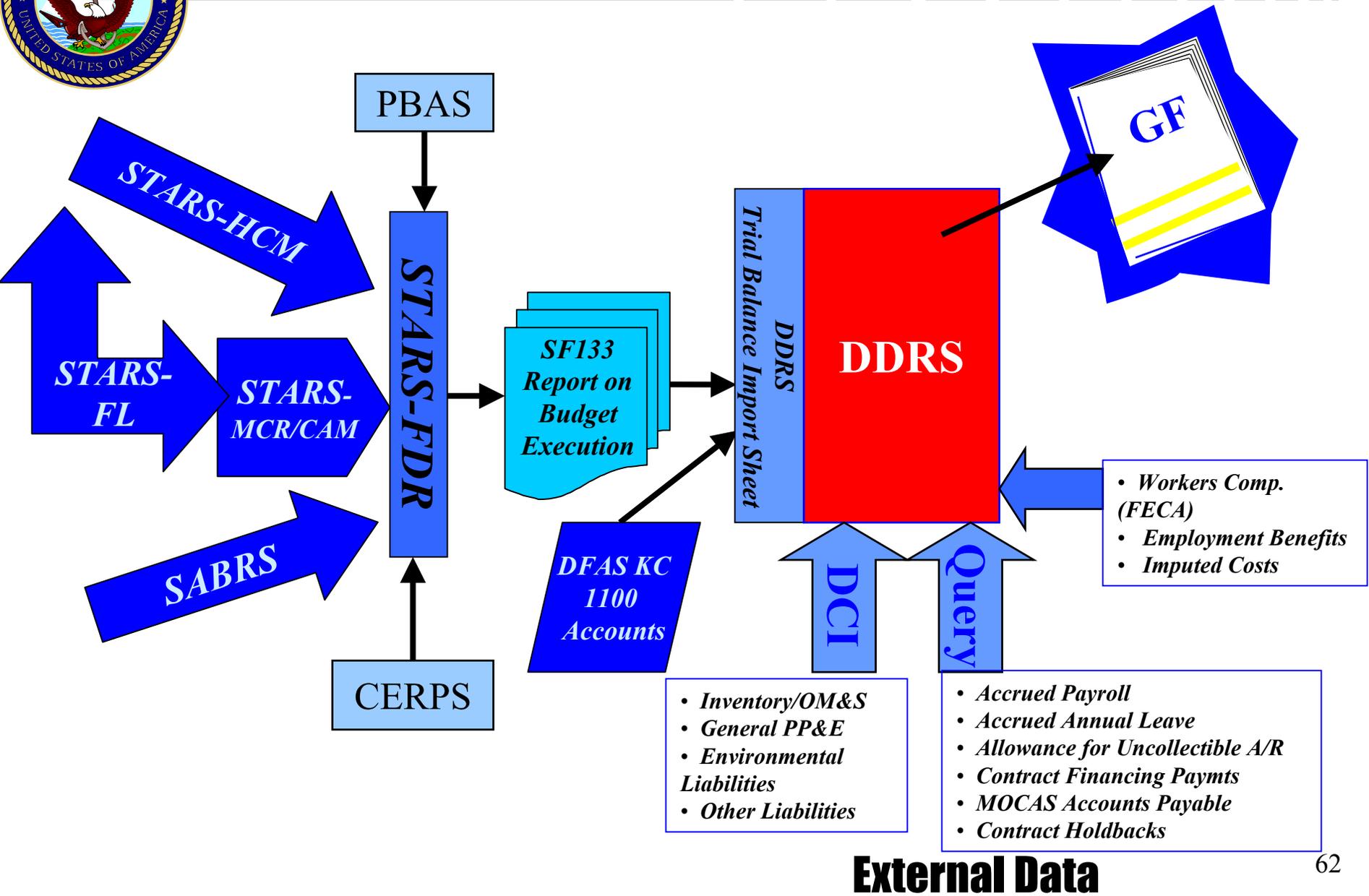


Financial Statement Production

- ◆ DON responsible for two reporting entities:
 - DON General Fund (GF)
 - Navy Working Capital Fund (NWCF)
- ◆ ASN(FM&C) FMO and DFAS prepare the statements:
 - GF - Manual roll-up of data
 - NWCF - Automated update of the DFAS Central Data Base
 - DFAS prepares statements via Defense Departmental Reporting System(DDRS)
 - FMO prepares Overview and Notes/Disclosures for the Statements



DON General Fund AFS Process



External Data



NWCF AFS Process

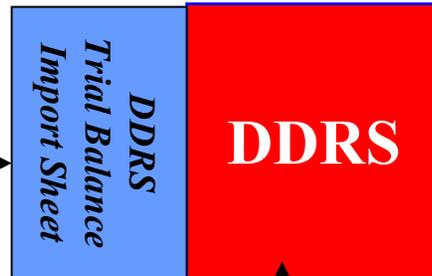
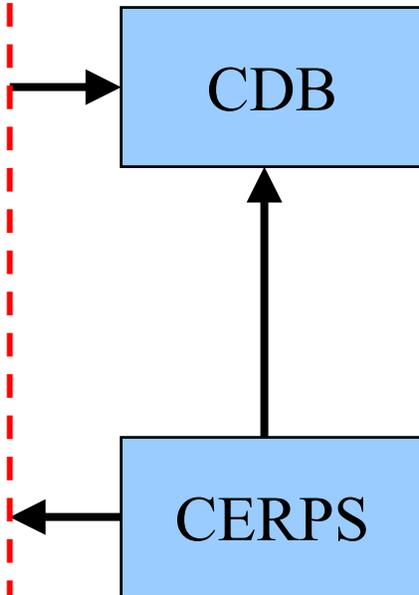


External Data

- FECA Data
- Elimination Entries
- MSC Service Fees
- OPM Benefits

Activities

- DIFMS
- DWAS
- IMPS
- RIMS
- DBMS
- MFCS
- SYMIS
- MC SM
- SPAWAR



- ### Activity Groups
- ★ Review Statements
 - ★ Provide Supplemental Note information



Change Focus - Preparation of Financial Statements

- ◆ Prepare more frequently (OMB)
 - Semiannual(FY 2002)
 - Quarterly(FY 2003)
- ◆ Increase Command-level involvement
 - Shift preparation, review, and analysis efforts
 - Develop efficiencies in data collection efforts
- ◆ Push accounting for financial events to lowest level
 - Modify accounting systems/interfaces to receive data
 - Modify feeder systems to provide data



Implement USSGL



DON Standard Chart of Accounts

- ◆ Summary of financial transactions
- ◆ Framework for reporting
- ◆ Standardized at highest level



Where we've been.....

- ✪ Variety of charts of accounts
- ✪ System-specific
- ✪ Specialized application

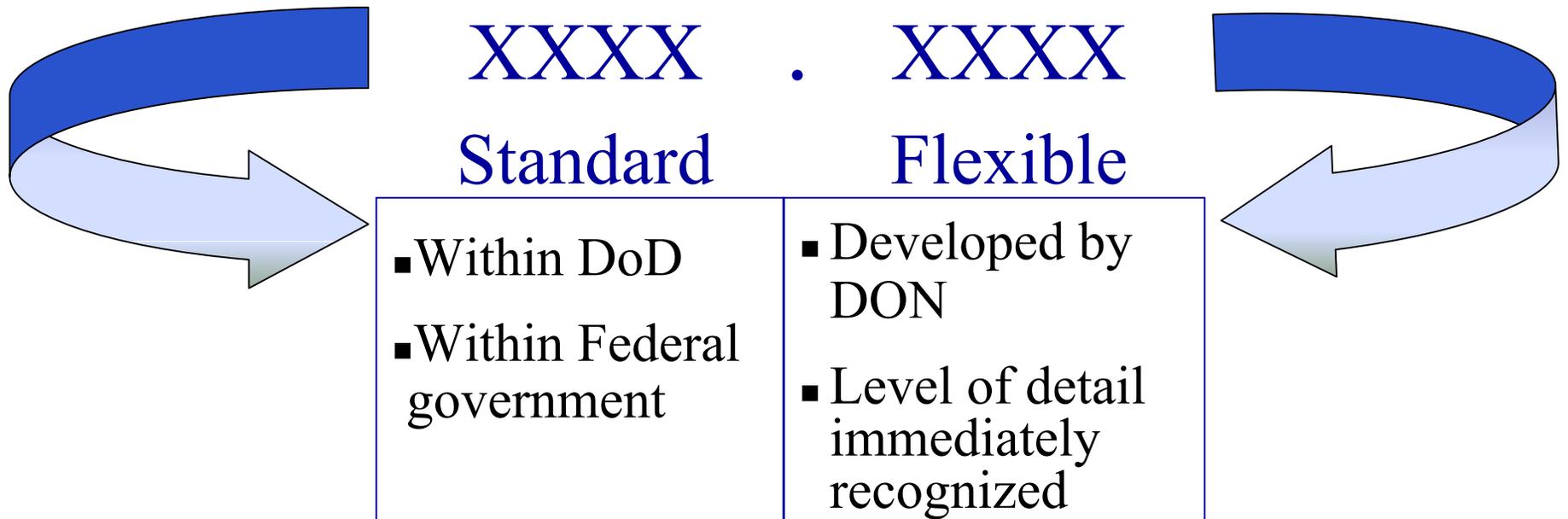
Where we're going.....

- ★ One DON Chart of Accounts
 - ★ **USSGL Compliant**
 - ★ Adaptable to all systems
 - ★ Flexible application



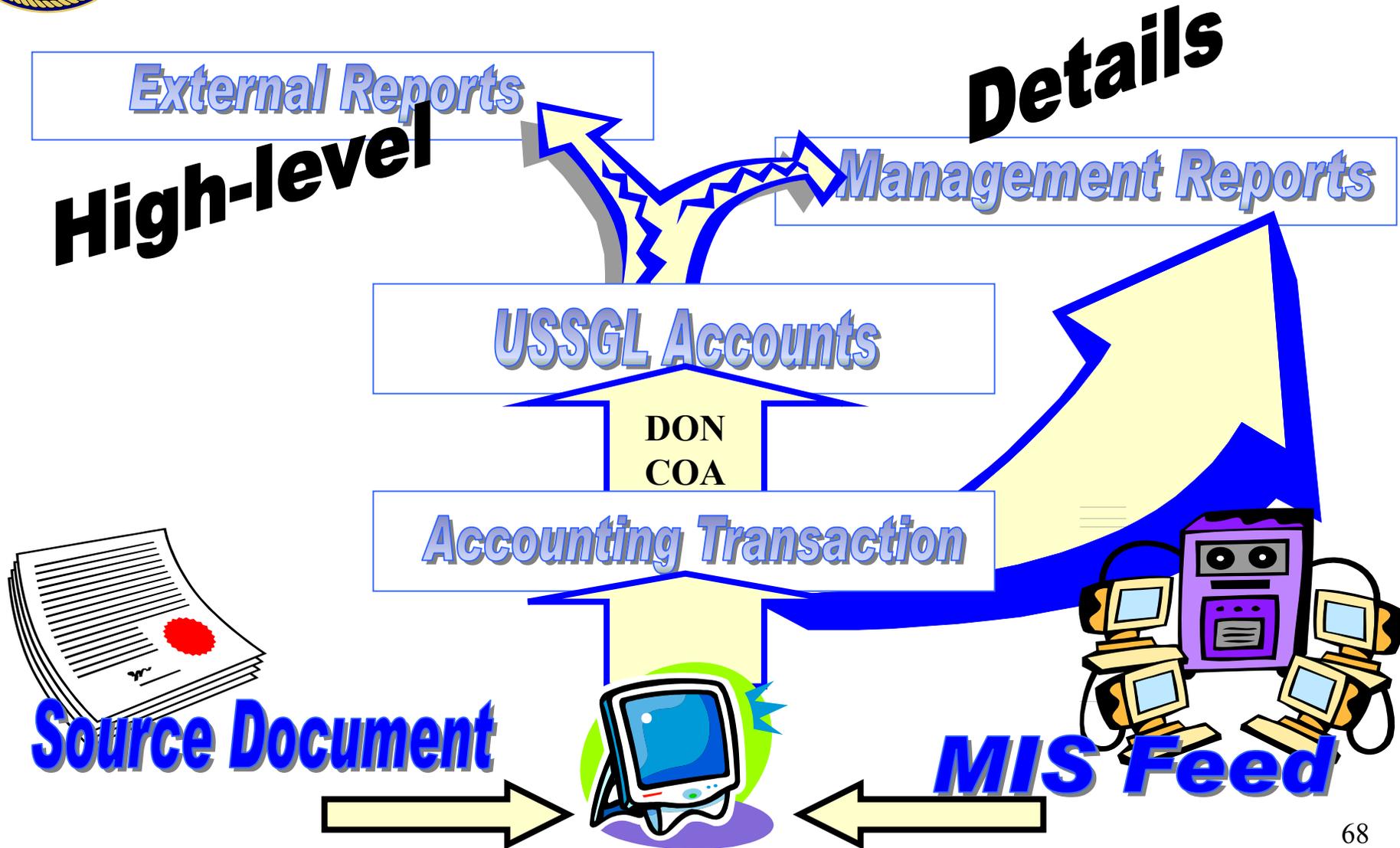
USSGL Account Structure

- ◆ Based on a four-digit USSGL account
- ◆ Further defined by attributes, expressed in a point-account structure





Delivery Streams

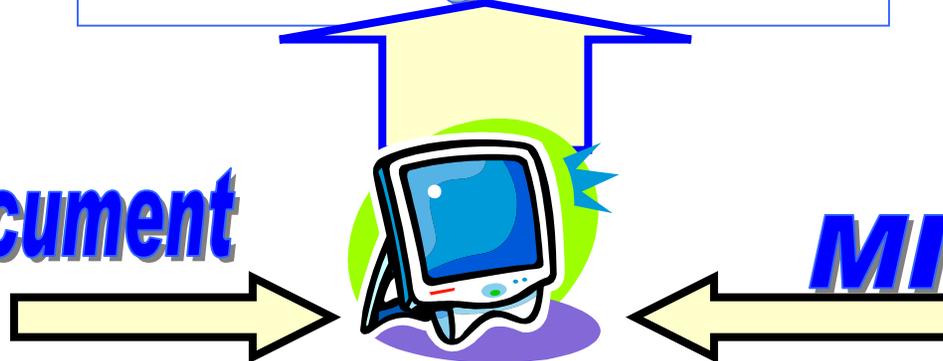
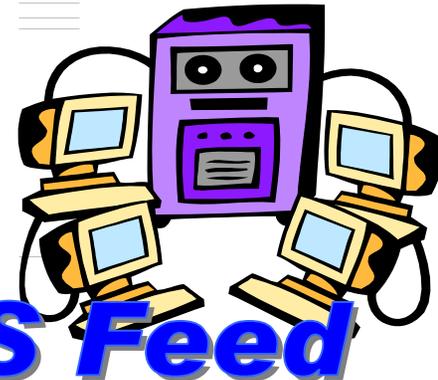




DON USSGL Integration Transaction Library

The DON Standard Transaction Library focuses on applying the USSGL in the accounting transactions triggered by financial events.

Accounting Transaction





DON USSGL Integration Transaction Library

- ◆ Transaction Library built to comply with USSGL/FMR and applicable guidance
- ◆ Existing transactions from STARS and SPAWAR ERP used as a baseline for development
- ◆ Three Volumes to be released:
 - General Fund - Direct
 - General Fund - Reimbursable
 - Working Capital Fund



DON SGL Integration: Status and Next Steps

- ◆ Command comments received (mostly) on DON USSGL draft #2
 - Scheduling review sessions as warranted
 - Project release of final product March-April
- ◆ Command review of transaction library
 - Targeted review session March-May
 - Project release of draft product(s) May-July
- ◆ Establish Review Panel
 - DON & DFAS participation
 - Review changes for Chart of Accounts and Transaction Library



Develop Process Changes





Process Changes Necessary

Liabilities

- Payables
- Environmental
- Deferred Maintenance

Expenses

- Accrued Labor
- Accrued Contractual Services
- Supplies & Equipment
- Travel

Cost Accounting

- Support Local Managers
- Support SECDEF

Assets

- Personal Property
- Real Property
- Operational Material & Supplies
- Inventory Held for Sale
- National Defense Equipment

Budgetary

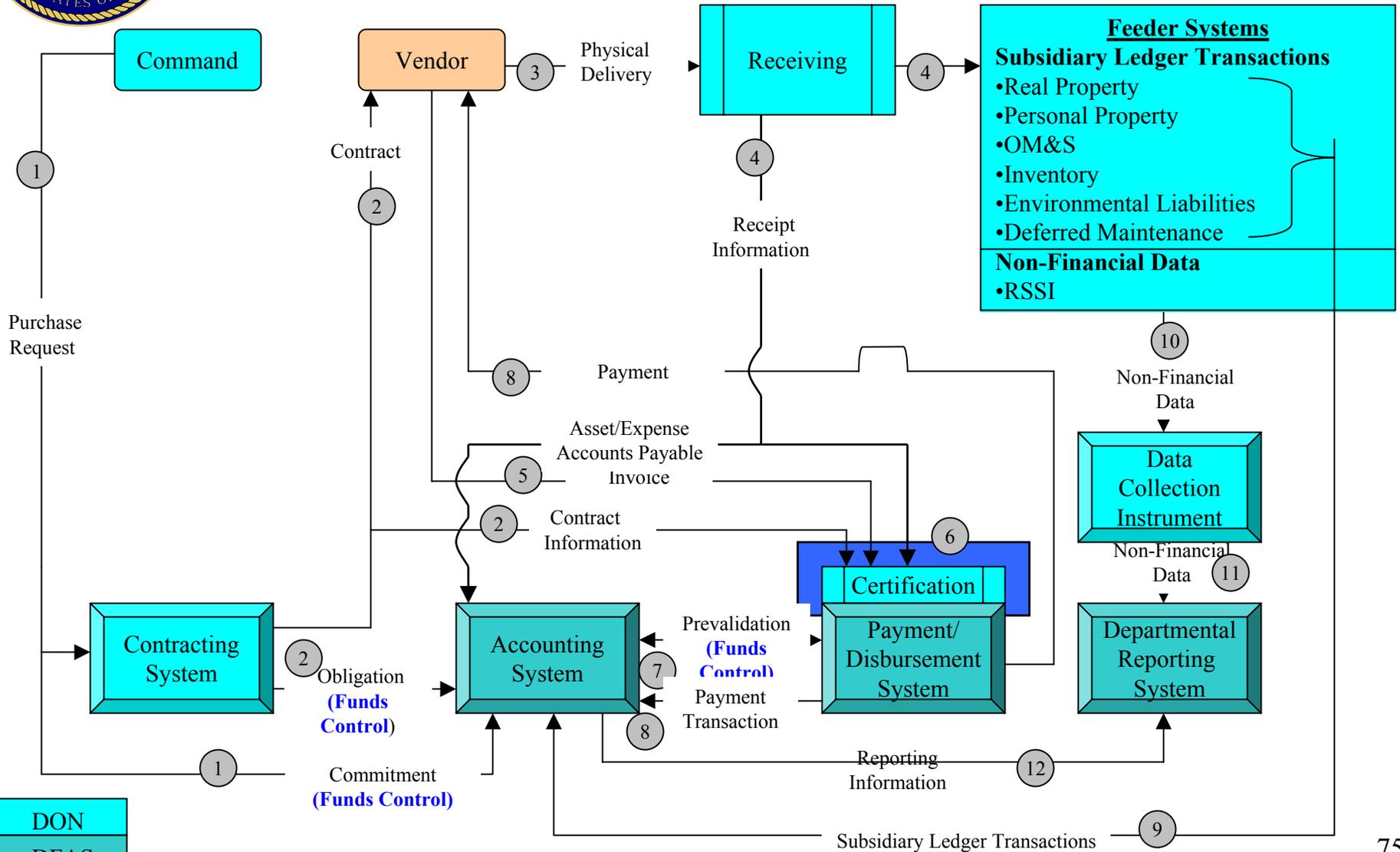
- Authorizations
- Commitments
- Obligations
- Disbursements



- ◆ Perform Gap Analysis to identify major process deficiencies
- ◆ Map the “as is” processes for the ordering, delivery, and payment for goods and services
- ◆ Analyze and implement commercial and governmental best practices for these processes



Requirements Environment Procurement Process





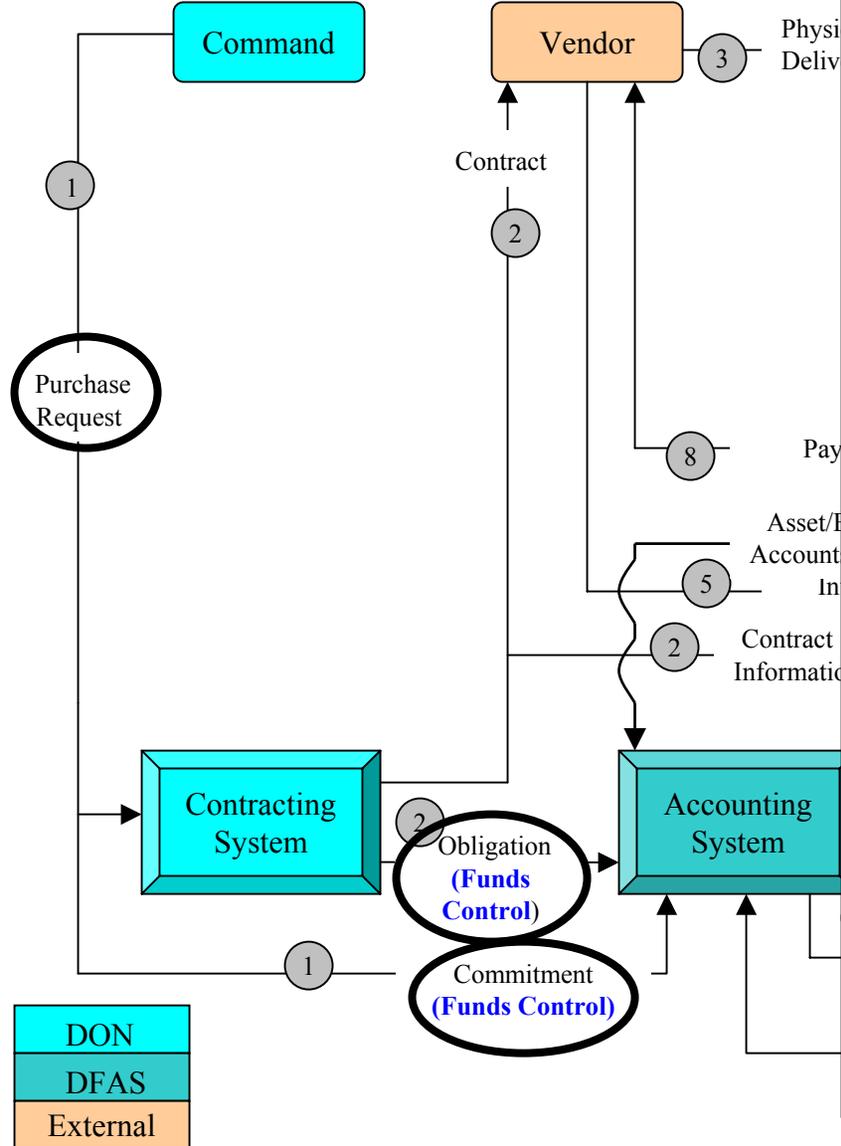
Requirements Environment Procurement Process

Roles and Responsibilities

- ◆ Review Purchase Orders and ensure that Commitments and Obligations are posted to the Accounting System.
- ◆ Perform Funds Control checks at the Commitment, Obligation, and Disbursement stages.
- ◆ Post Assets/Expenses and Accounts Payable to the Accounting System upon valid receipt of goods and services.
- ◆ Manage subsidiary ledger feeder information and ensure that subsidiary ledger transaction information is sent to the Accounting System.
- ◆ Certify invoices for payment based on a three-way match of Contract information, Receipt information, and Invoice information.
- ◆ Manage Non-Financial data and the annual Data Collection process.
- ◆ Assume reporting responsibility for the Command-level information that is consolidated in DDRS.



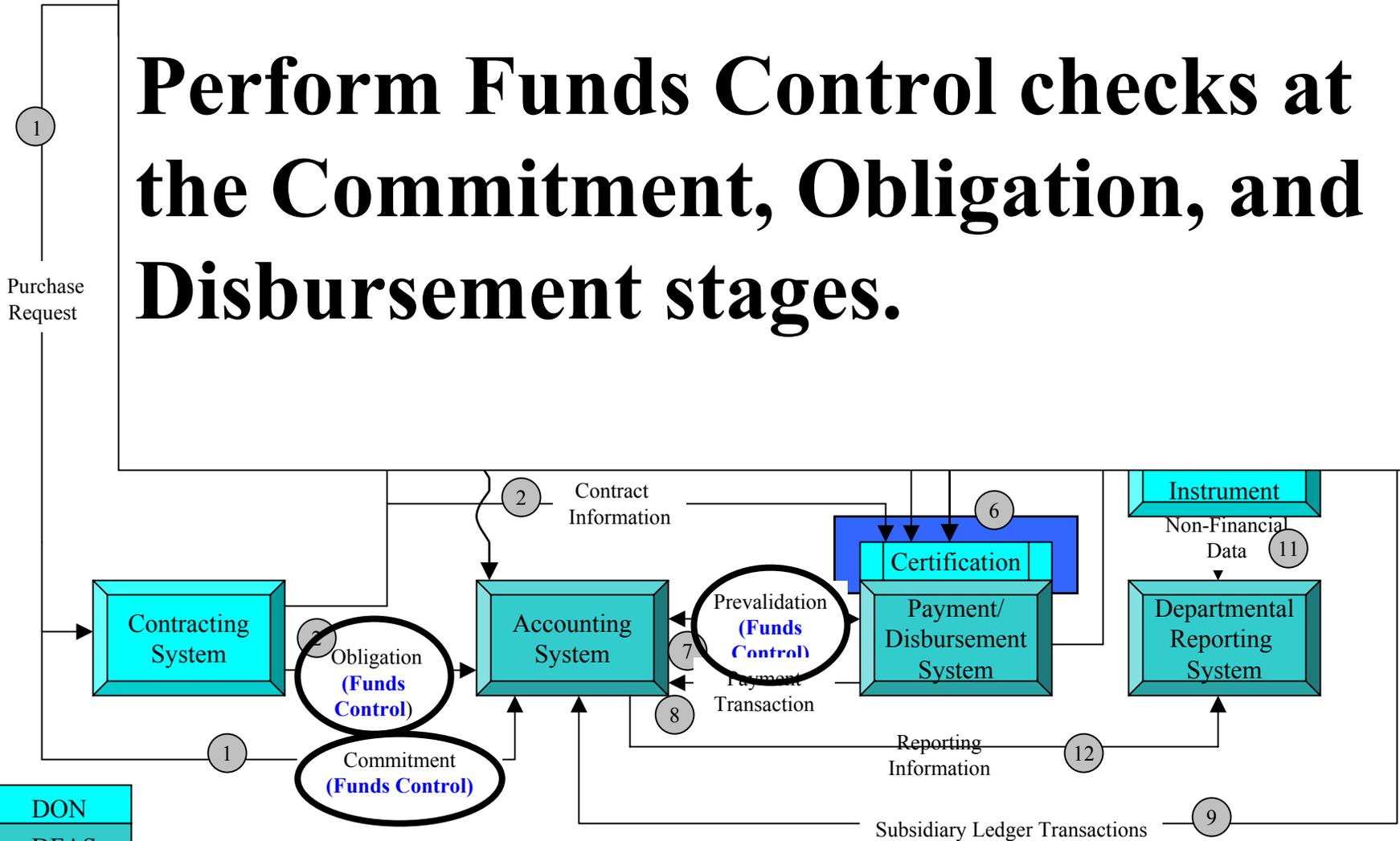
Requirements Environment Procurement Process



Review Purchase Orders and ensure that Commitments and Obligations are posted to the Accounting System.



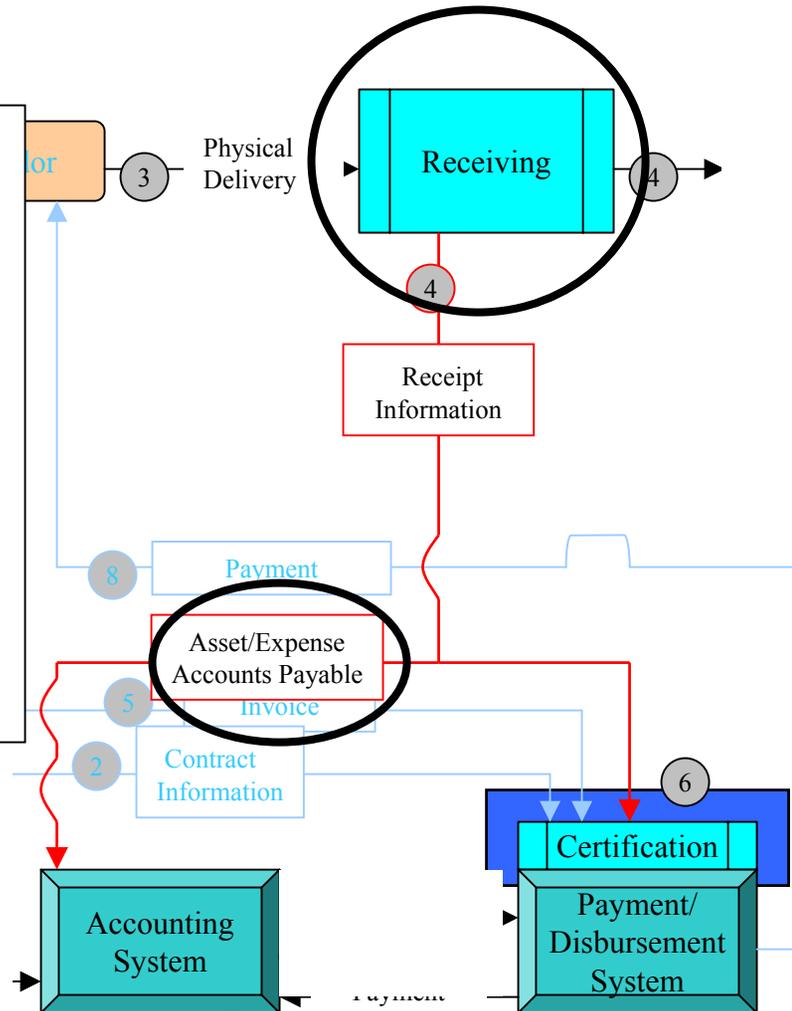
Perform Funds Control checks at the Commitment, Obligation, and Disbursement stages.





Requirements Environment Procurement Process

Post Assets/Expenses and Accounts Payable to the Accounting System upon valid receipt of goods and services.





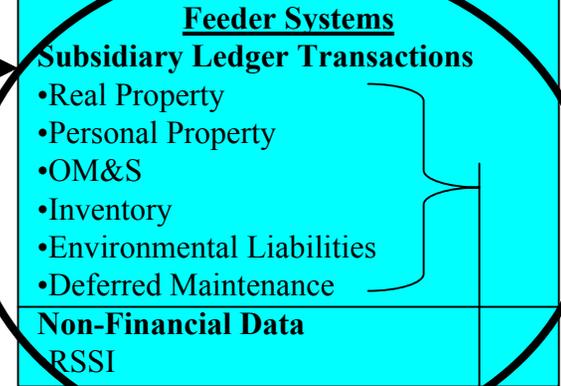
Requirements Environment Procurement Process

Manage subsidiary ledger feeder information and ensure that subsidiary ledger transaction information is sent to the Accounting System.

Purchase Request

1

4



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Non-Financial Data

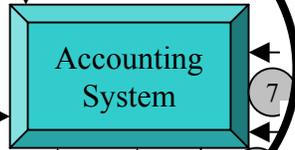


Obligation (Funds Control)

2

Commitment (Funds Control)

1



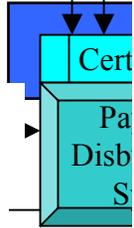
Contract Information

2

Prevalidation (Funds Control)
Payment Transaction

7

8



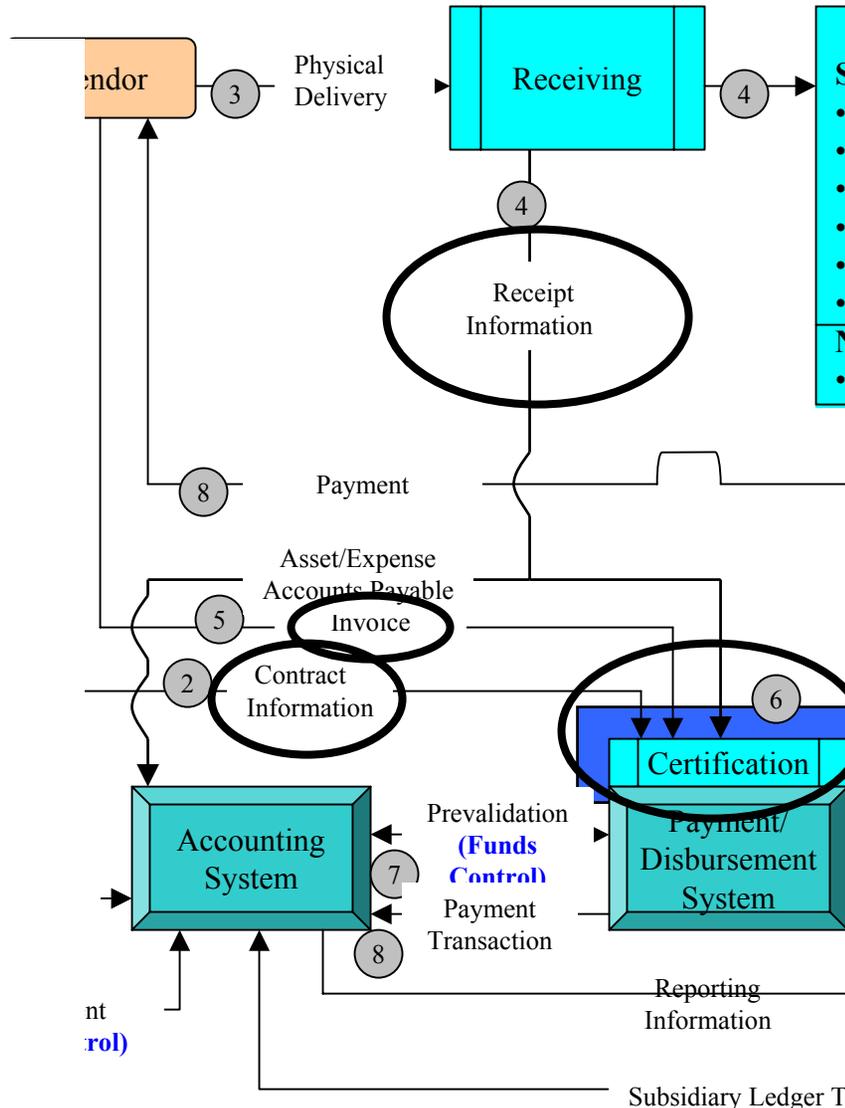
Rep Infor

Subsid

DON
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External



Requirements Environment Procurement Process



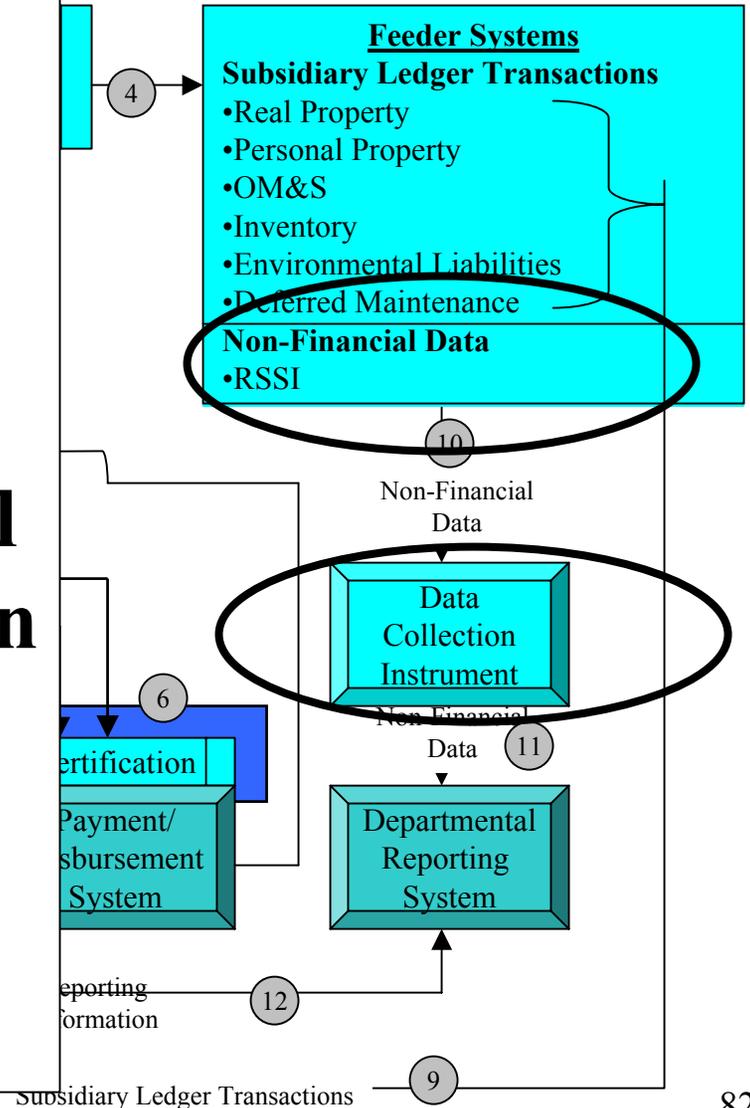
Certify invoices for payment based on a three-way match of Contract information, Receipt information, and Invoice information.

- S
- R
- P
- C
- I
- E
- D
- N
- R



Requirements Environment Procurement Process

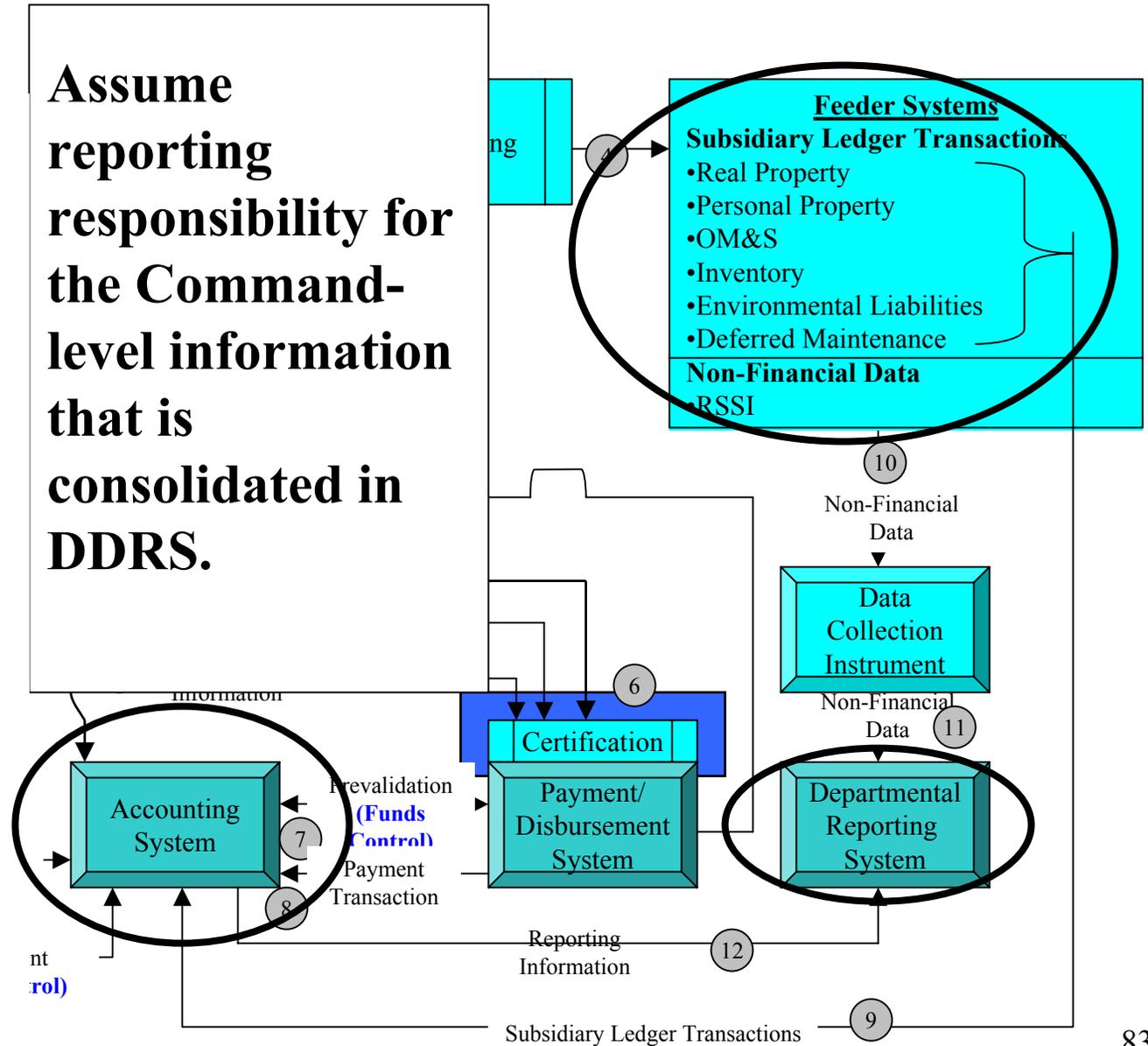
Manage Non-Financial data and the annual Data Collection process.





Requirements Environment Procurement Process

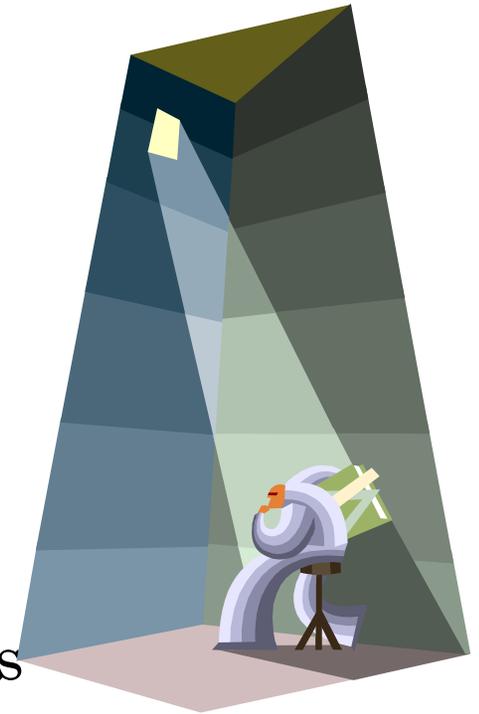
Assume reporting responsibility for the Command-level information that is consolidated in DDRS.





Accounts Payable Process

- ◆ 30 activities interviewed for current process
- ◆ 8 event categories were reviewed
 - e.g., travel, purchase card, services, material & pay
- ◆ 4 specific areas addressed:
 - Timeliness of Transactions
 - Use of subsidiary ledgers
 - Identification of Trading Partners
 - Support for end-of-period adjustments
- ◆ 9 preliminary recommendations were identified



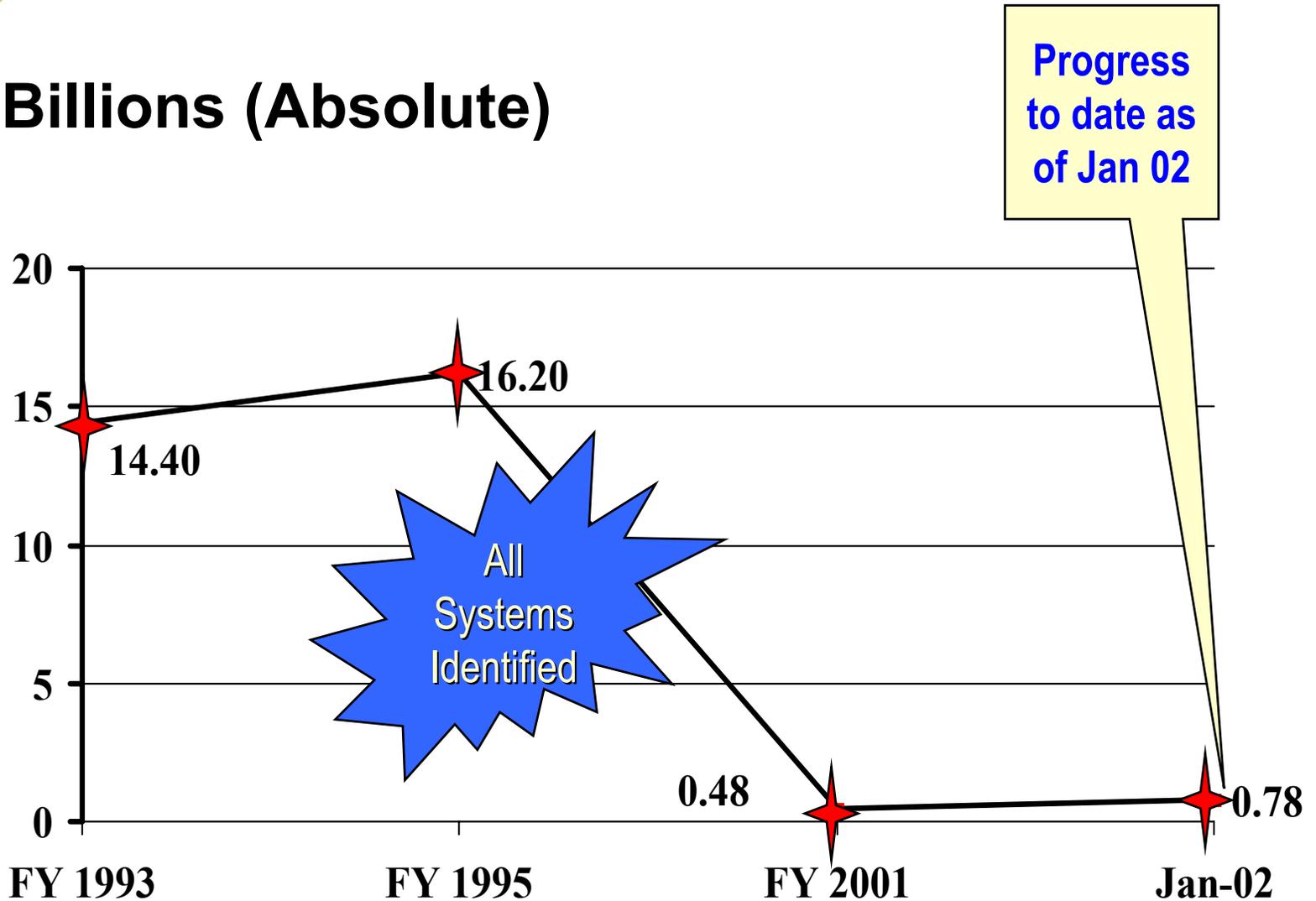


Reduce Problem Disbursements



Problem Disbursements Historical Overview

\$Billions (Absolute)





Reduce Problem Disbursements

Eliminate Aged Problem Disbursements

- ◆ **60% reduction from June 2001 to November 2001**
 - As of November 2001 data: \$68M absolute, 8,331 transactions
 - 10% average monthly reduction of PD transactions and \$ absolute
- ◆ **Plan of Action:**
 - From December 2001 to May 2002 eliminate remaining 40%
 - Use November 2001 data as a baseline
 - Continue program management in PD categories being monitored
 - Use February 2002 data to evaluate progress
 - Take corrective action to clear 100% of over-aged PDs by the end of FY 2002



General Fund Focus

Reduce PDs 180 Days & Older (Post 10/1/00)

Plan of Action

Goal should be \$0

- ◆ Based on November 2001 detail data, provide notice letter to each Major Command stating the balance of their PDs aged 180 days and older
- ◆ Request that Major Commands provide a written explanation of their PDs aged 180 days and older
- ◆ On 10 January 2002 requested DFAS-CL to identify Major Commands consistently not complying with the FMR Guidance even when necessary documentation was provided
- ◆ Continue to develop and distribute report cards on a monthly basis to monitor the progress of each Major Command
- ◆ Establish program management to assist Major Commands in achieving progress



General Fund Focus

Reduce Monthly PD Inflow

- ◆ Focus on Top 3 PD Inflow Document Types (Dollar Volume)
- ◆ Top 3 Document Types constitute 80% of total PDs
- ◆ Assign teams to
 - Analyze PD processes and data flows,
 - Identify PD causes, and
 - Develop process improvements to assist top 3 Major Commands to eliminate PDs for these top 3 document types
- ◆ Establish program management using the monthly trend analyses to task the Major Commands to research/resolve their PDs and provide timely status reports to FMO

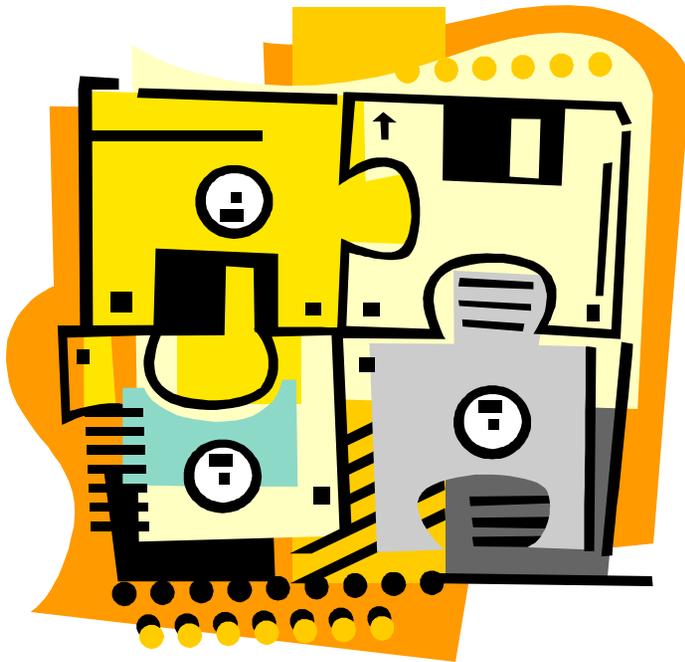
TOP 3 DOC TYPES and TOP 3 MAJOR COMMANDS			
DOC TYPES	FL UMD	HCM UMD	HCM NULO
Large Contracts	NAVFAC - LANTFLT - SPECWAR	NAVAIR - NAVSEA - SPAWAR	NAVAIR - NAVSEA - SPAWAR
Reimbursable	PACFLT - LANTFLT - NAVFAC	NAVAIR - NAVSEA - SPAWAR	NAVAIR - NAVSEA - SPAWAR
Milstrip	PACFLT - LANTFLT - RESFOR	NAVAIR - NAVSEA - NAVSUP	NAVAIR - NAVSEA



NWCF Focus PD Plan of Action

- ◆ FMO will team with DFAS-CL and its Field Sites to reduce NWCF PDs
- ◆ Focus on top PD producing Major Commands/Activities
 - Meet with team to determine –
 - How UMDs are counted
 - If PD data are collected on a consistent basis
 - If standardized procedures are used for reporting PDs
 - Provide recommendations and assistance with process improvement

Recommended Field Site Visit	NWCF System	Proposed Dates
DFAS-Charleston	DIFMS, NOMIS, RIMS, MFCS	March 2002
DFAS-San Diego	DIFMS	April 2002
DFAS-Oakland	DWAS, PWCMIS	April 2002

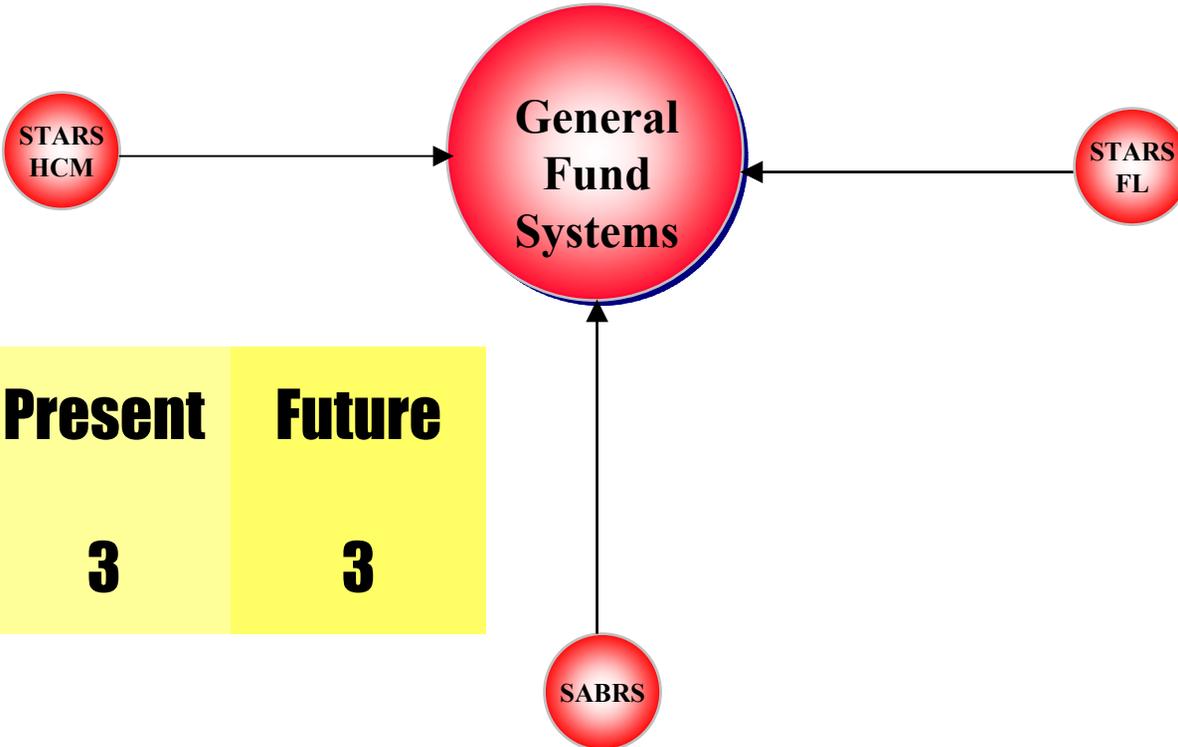


Accounting System Changes



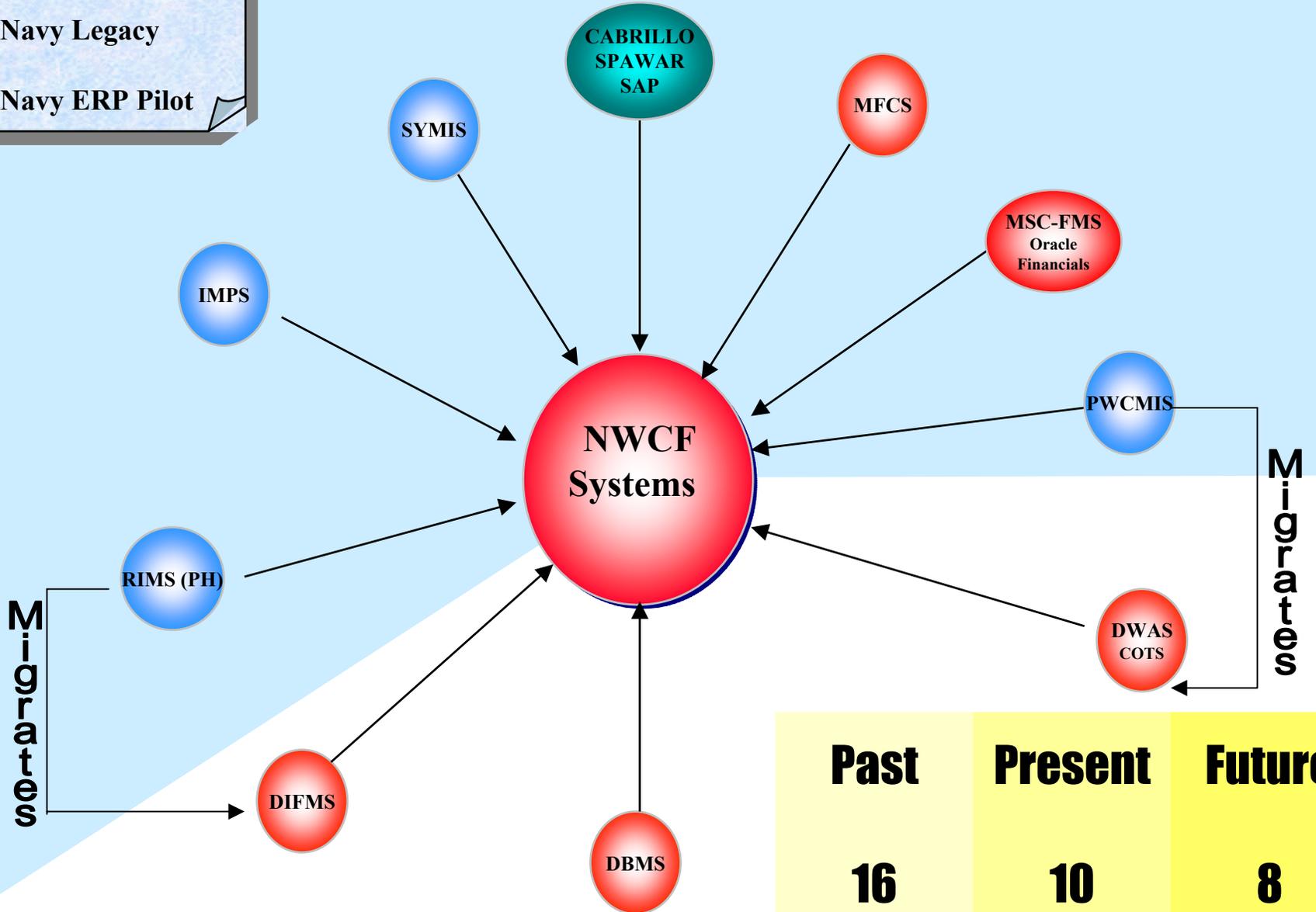
General Fund Accounting Systems

DFAS



NWCF Accounting Systems

●	Interim Migratory
●	Navy Legacy
●	Navy ERP Pilot





Accounting Systems Changes

- ◆ Continue to support accounting systems deployments
 - Identify short term, cost effective improvements
- ◆ Work with DFAS to:
 - Establish interfaces between feeder systems and accounting systems
 - Utilize EC/EDI data technology
- ◆ Support DON/DFAS
 - Participate in General Fund Joint Requirements Board
 - Participate in DON USSGL/Library review panels



Non-Financial Feeder Systems



Non-Financial Feeder Systems

- ◆ DON functional level systems providing transaction level information to DFAS accounting systems.
- ◆ Why Important? Feeder systems provide an estimated **80%** of data to accounting systems.
- ◆ DON efforts to consolidate feeder systems and standardize business practices.
- ◆ Functional level Non-financial Feeder Working Groups established under the leadership of the Deputy Undersecretary of the Navy.

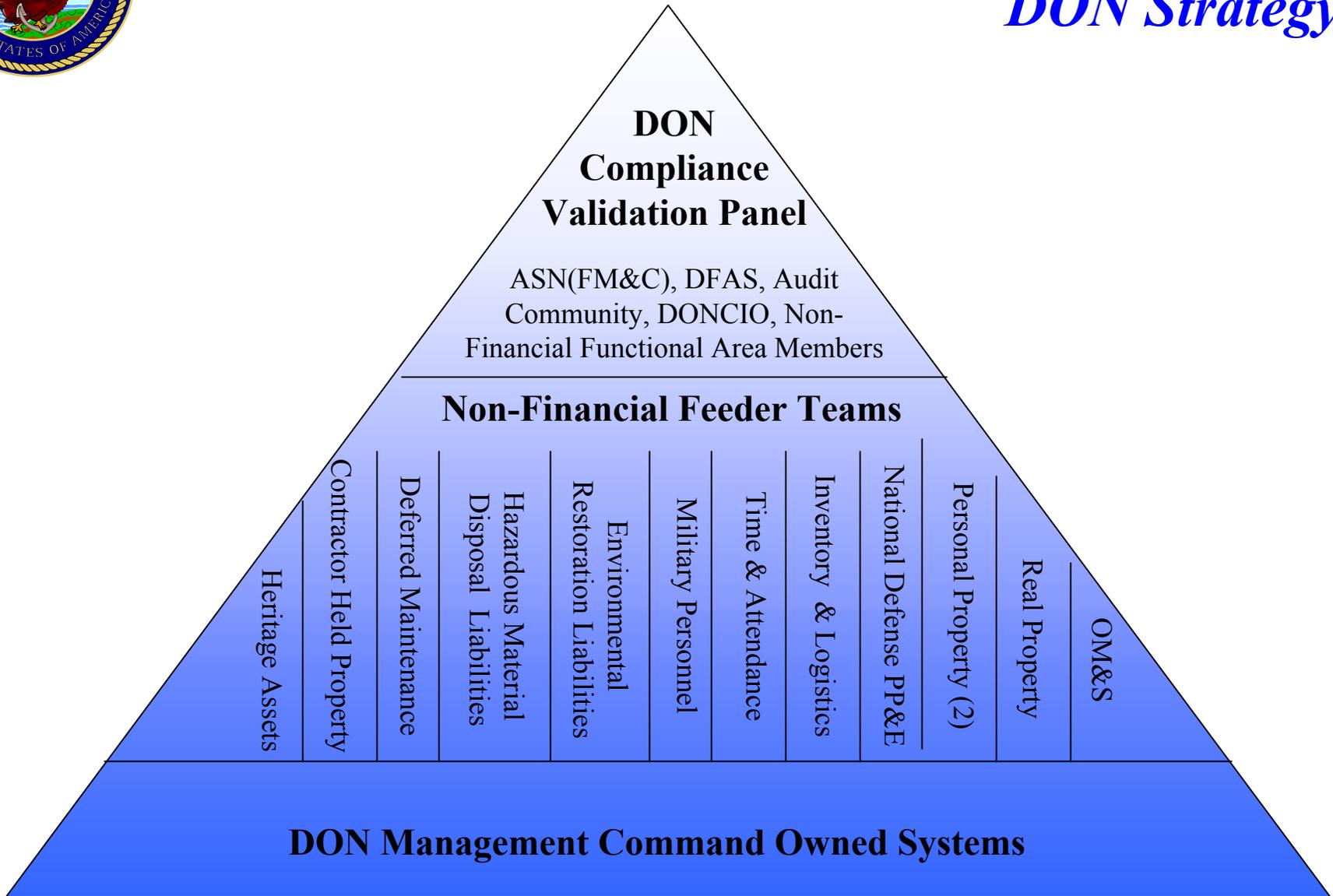


Composition:

- ◆ 13 Non-Financial Feeder Teams
- ◆ Each Headed by Senior Flag/Executive Official
- ◆ Composed of Financial, Logistics, IT personnel
- ◆ Auditor Involvement



Non-Financial Feeder Systems DON Strategy





DON Non-Financial Feeder Working Groups

Working Group

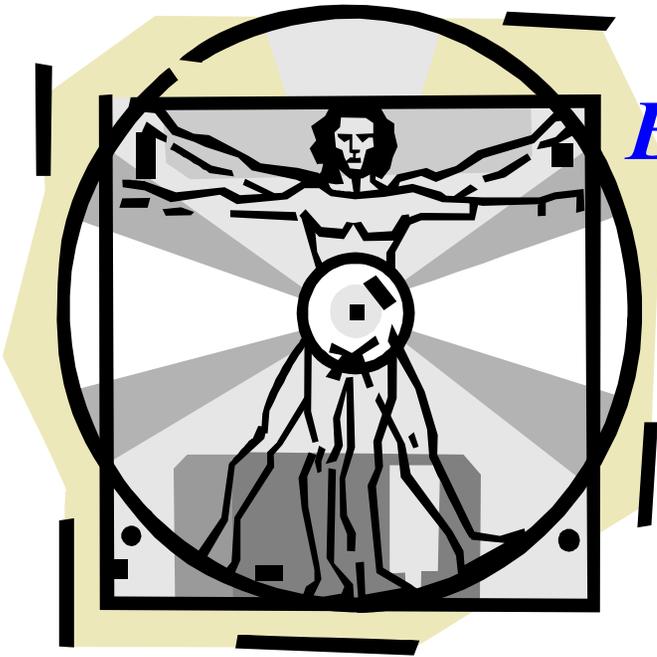
Functional Lead

Operating Materials & Supplies (OM&S).....	NAVSEA
Real Property.....	NAVFAC
[Personal Property, Navy.....	CNO N41]
[Personal Property, Marine Corps.....	DCS (I&L)]
National Defense PP&E.....	ASN (RD&A) / DASN (SHIPS)
Inventory and Logistics.....	NAVSUP
Time and Attendance.....	ASN (M&RA) / DASN (CIV PERS/EEO)
Personnel Systems.....	CNO N1
Environmental Restoration Liabilities.....	NAVFAC
[Disposal Liabilities.....	ASN (RD&A) / DASN (ABM)]
[Hazardous Waste Liabilities.....	ASN (I&E) / DASN (E&S)]
Deferred Maintenance.....	FMB
Govt Property in Possession of Contractors.....	ASN (RD&A) / DASN (ABM)
Heritage Assets.....	ASN (I&E) / DASN (E&S)



Non-Financial Feeder Improvements

- ◆ Adapt business processes and transactions to reflect DoD standards
 - Perform routine validation of source information
 - Provide oversight to functional areas
- ◆ Need for comptroller organization to be conduit
 - For data collection and information gathering
 - To functional experts
- ◆ Participate in DON and OSD working groups
 - Provide command/activity level expertise
 - Provide DON perspectives/solutions



Enterprise Resource Planning (ERP)



The ERP Alternative

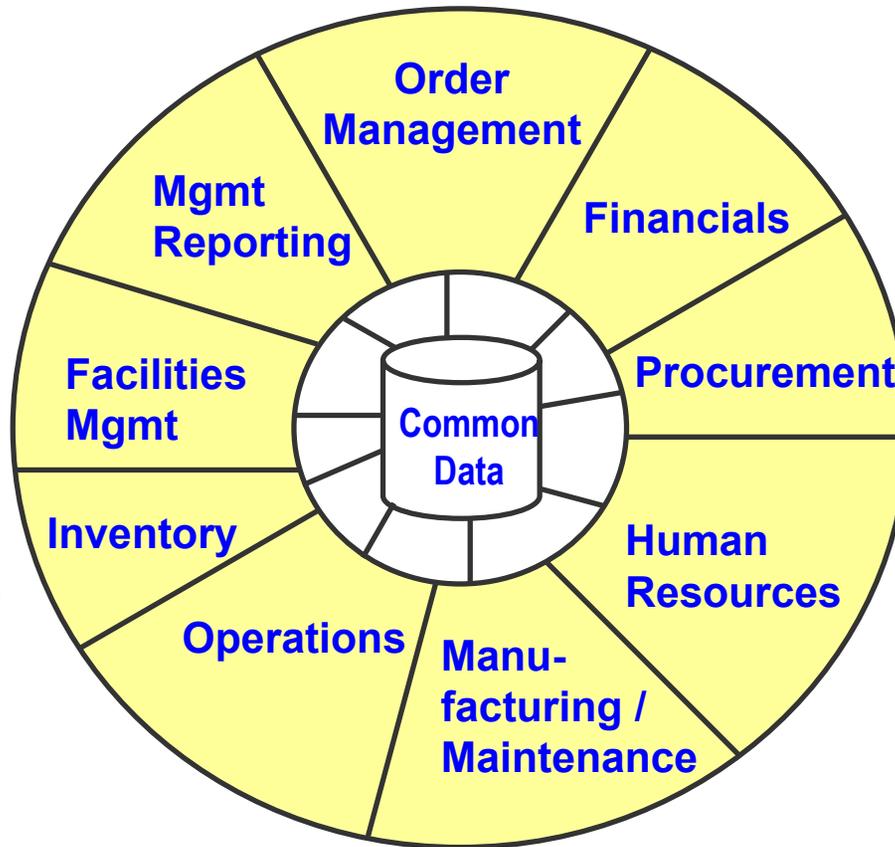
Revolution In Business Affairs Vision

“DON will use the best business practices (commercial or public) and supporting architectures (ERP approach) to make informed decisions (right info to the right people at the right time).”



WHAT IS ERP ?

Revolutionary change in business processes for dramatic improvements



The integration of business processes that optimize functions across the enterprise (e.g., supply chain, finance, manufacturing / maintenance, HR etc.)

ERP solutions provide consistent, complete, relevant, timely & reliable information for decision making



- ◆ Best business practices
- ◆ COTS solutions
- ◆ Single data entry at source
- ◆ End-to-end process connectivity
- ◆ Data commonality
- ◆ Internal management orientation
- ◆ Federal financial standards compliance

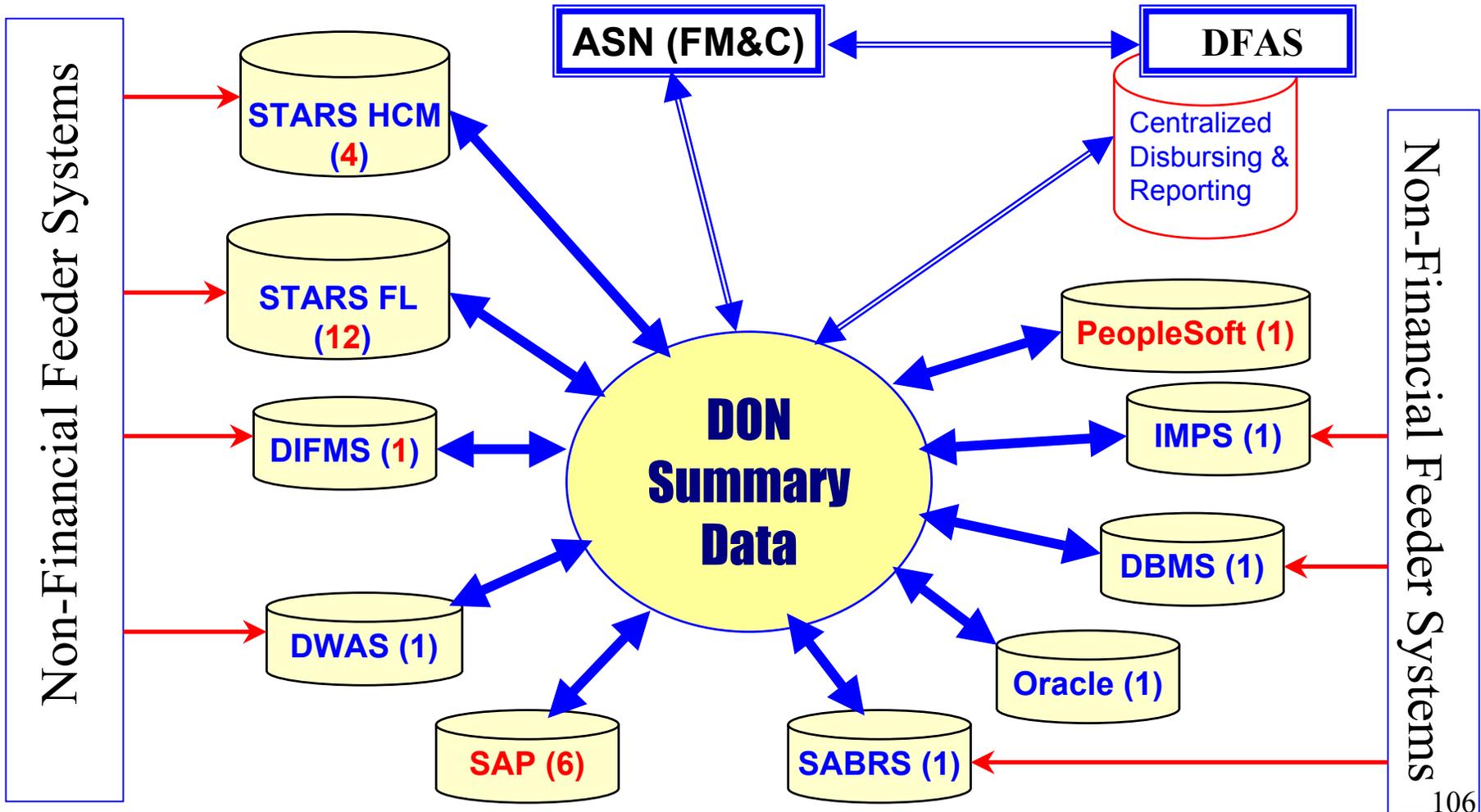


- ◆ Four Navy ERP pilots structured to demonstrate and evaluate different DON functional requirements
 - SPAWAR - Warfare Center Management (Cabrillo)
 - NAVAIR - Program Management (SIGMA)
 - NAVSUP/NAVAIR - Aviation Supply Chain / Maintenance Management (SMART)
 - NAVSEA / CLF - Regional Maintenance (Nemais)



DON Future Vision

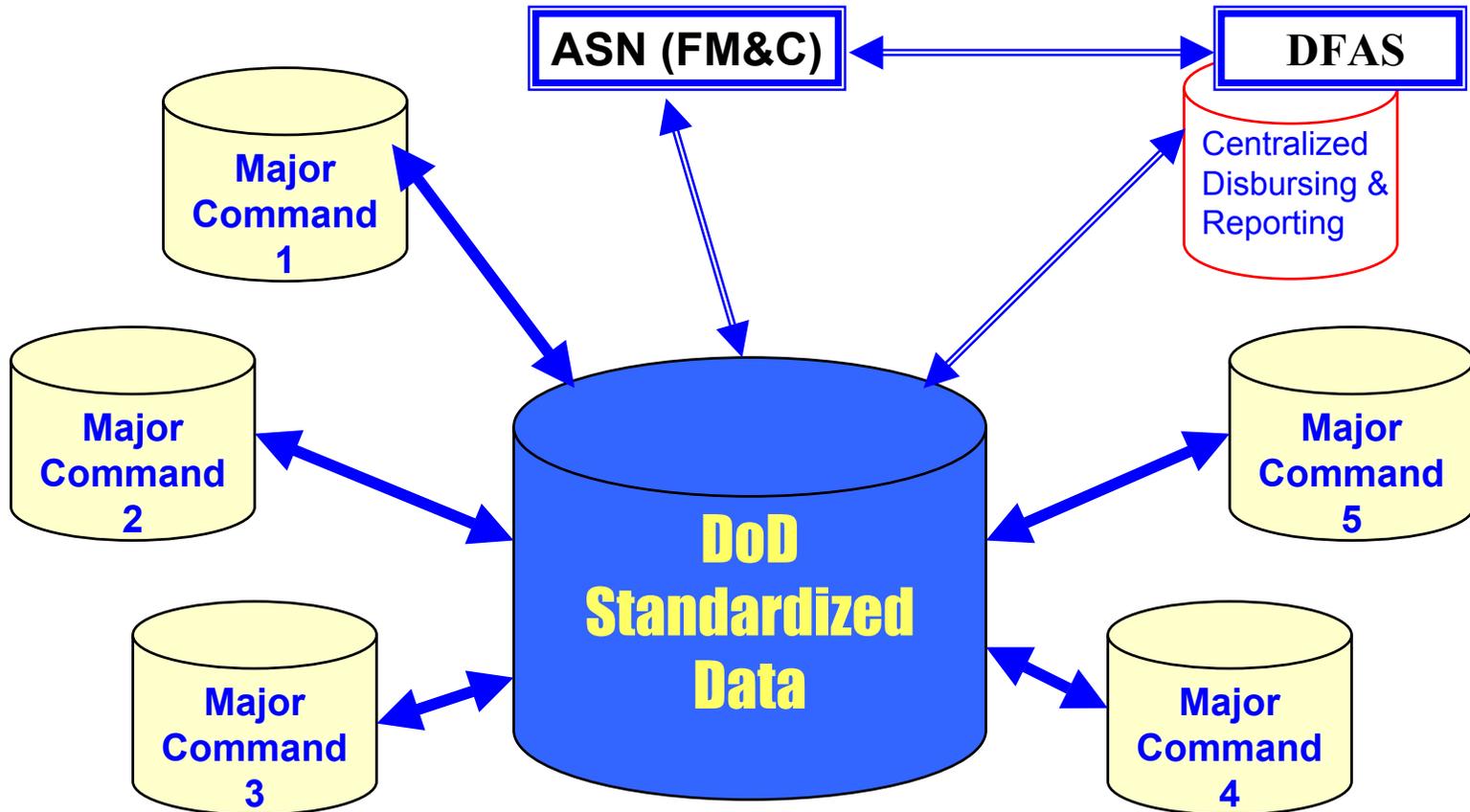
with Multiple Applications of ERP & Migratory Systems





DON Future Vision

Under DoD Architecture





What Does All This Mean?

- ◆ Improve control and accounting of your resources and financial events
 - Proprietary Accounting
 - Budgetary Accounting
- ◆ Assume Ownership and Responsibility for your financial events
 - Business process changes
 - Reliable financial statements/reports
- ◆ Make informed decisions for your entity
 - Managerial Accounting
 - Performance Measures
- ◆ Make control and responsibility a routine occurrence
 - Compliant financial and feeder systems
 - Integrated suite of standard systems
 - management controls in effect

Bottom Line: Increased Responsibilities for Financial Managers