



Office of the Under Secretary of Defense (Comptroller)

Presentation to ASMC Audio Conference

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DCFO

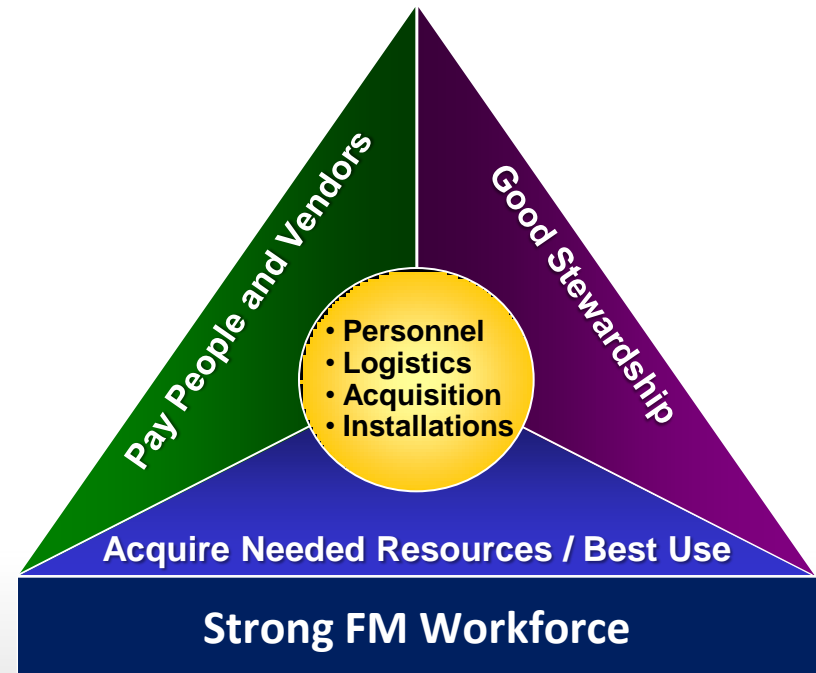
April 28, 2010

Agenda

- **DoD Comptroller Management Framework**
 - Alignment to Strategic Management Plan (SMP)
- **DCFO Perspective**
 - Current View – internal and stakeholders
 - A Business “Control Continuum”
 - Vision
 - Functional Integration
- **Sustaining Traditional Strengths**
- **DoD High-Priority Performance Goals**
 - FIAR
 - American Reinvestment and Recovery Act and “Open Government”
 - Strengthening In-Theater Business Controls
- **What’s it Mean to You?** ...Depends on where you are!

DoD Financial Management Framework

- Acquire needed resources and make best use of them
- Pay people and vendors on time and accurately
- Good stewardship of public funds
- Strong Financial Management (FM) workforce

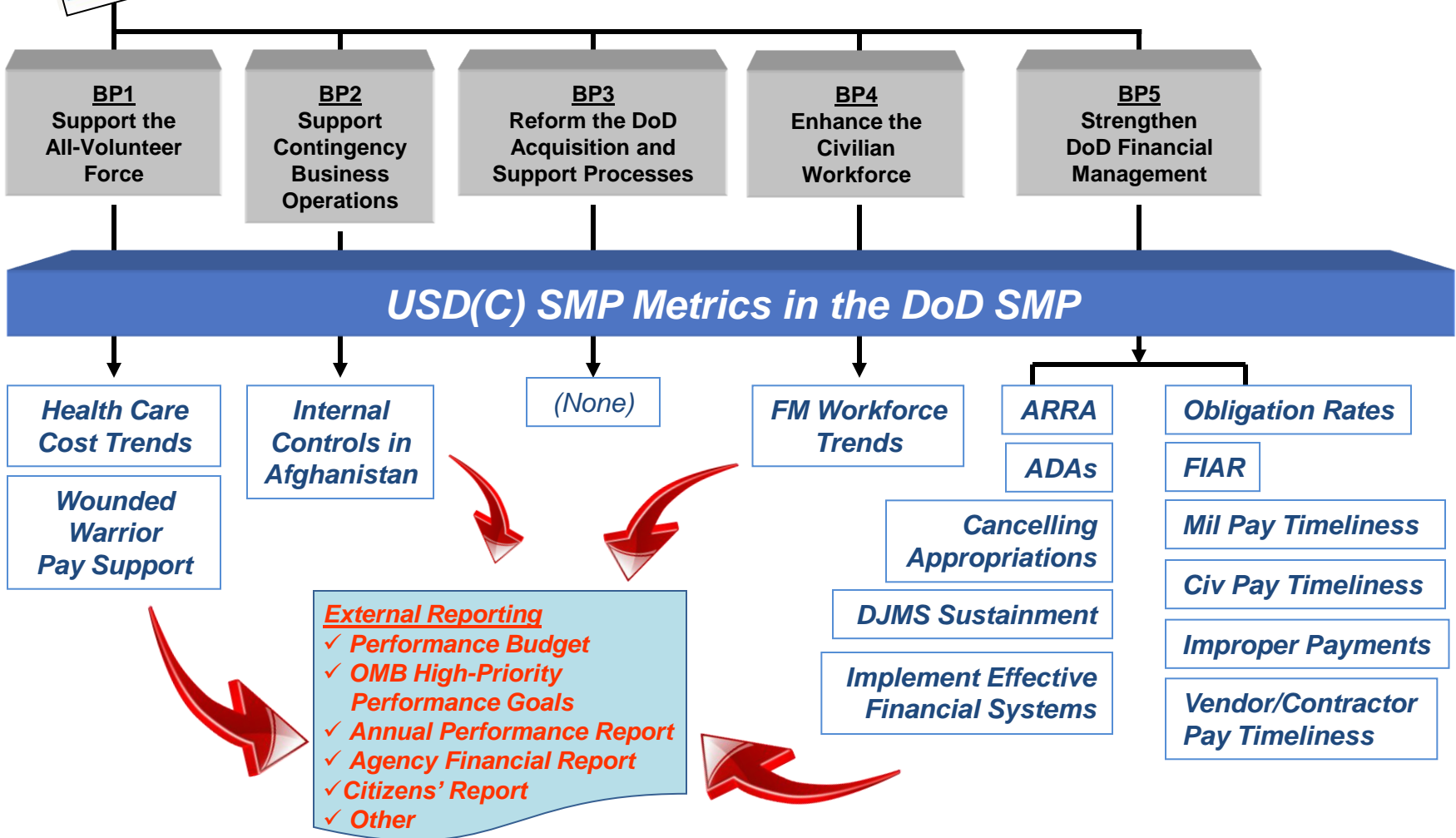


Successful Financial Management Depends on a Strong Enterprise Business Environment

DoD Strategic Management Plan



Business Priorities (BP)



The Department of Defense: Size, Complexity, and Challenges

| Fortune Top 10 Largest Companies | | |
|----------------------------------|-------------------------------|-----------------|
| # | Company | 2009 Revenue |
| – | Department of Defense* | \$589.9B |
| 1 | Exxon Mobil | \$442.9B |
| 2 | Wal-Mart Stores | \$405.6B |
| 3 | Chevron | \$263.2B |
| 4 | ConocoPhillips | \$230.8B |
| 5 | General Electric | \$183.2B |
| 6 | General Motors | \$149.0B |
| 7 | Ford Motor | \$146.3B |
| 8 | AT&T | \$124.0B |
| 9 | Hewlett-Packard | \$118.4B |
| 10 | Valero Energy | \$118.3B |

- In the private sector, achieving a “clean” opinion is considered normal business – but with some exceptions (e.g., Enron).
- If the DoD were a Fortune 500 Company, we would be #1 – larger than *Exxon Mobil* and *Ford combined*).
- DoD is one of few Cabinet-level Departments still without an acceptable audit opinion.

We apply rigor and discipline to operational missions (e.g., nuclear power, flight safety, etc.). Our goal is to apply similar discipline to business operations but size and complexity is a challenge.

*Based on FY 2009 DoD Total Obligation Authority (TOA); does not include recently appropriated Supplemental Funding of \$79.9B

GAO Perspective on DoD Enterprise Business

- *Lack of sustained leadership (frequent turnover)*
- *Cultural resistance to change*
- *Lack of meaningful metrics (with added difficulty monitoring progress)*
- *Inadequate incentives/accountability mechanisms*

Possible Solution: An enterprise framework and improved horizontal integration

An Internal Perspective: A Business Environment Profile

Mission

- Variety of Services Provided
- Urgency of need to support the Warfighter

Processes

- Lack of embedded internal controls
- Lack of process standardization
- Manual processes are often the norm

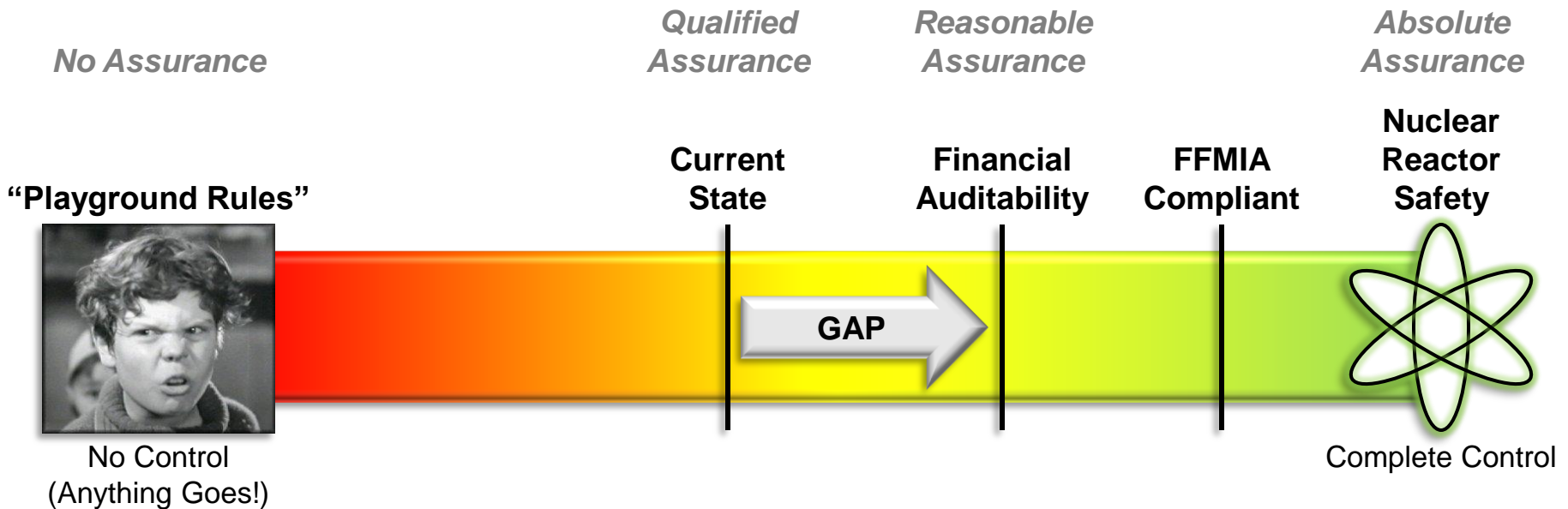
Systems

- Lack of integration between financial and operational systems
- Antiquated technology and systems
- Lack of visibility into detailed data

People

- Workforce spread across the globe / “decentralized” culture
- Retention / attrition of the workforce
- Occasionally resistant to change

DoD Business “Control Continuum”



“Closing the Gap” Will Mean:

- More standard processes
- Implementing more capable systems
- Controls that are in place and tested

“Closing the Gap” Represents Opportunities for:

- Improved operational efficiency
- Reduced vulnerability to fraud/waste
- Sustained public trust/confidence


Goal is to Improve the Quality of Information Used for Decision Making

DCFO Vision

- **Context:**

- DoD Financial Management health and capabilities are a reflection of the business environment and the key supporting elements

- People
- Processes
- Systems



Need to Strengthen Each
Area – Working Together
Towards Specific Outcomes

- **Vision:**

- The Comptroller must serve as a catalyst in strengthening key elements of our business... both inside and outside of the Financial Management “Stovepipe.” We need to recapitalize the “Business Infrastructure.”

Sustaining Traditional Strengths

FY 2009 Accomplishments

Accounting Finance & Policy

- Completed 91% of the FMR updates
- Reduced Cash Held Outside Treasury by \$800 million (25%) and Related Treasury Interest Expense
- Supported an Enterprise Approach in Solving Automated System and Personnel Issues within Theater

Financial Reporting & Analysis

- Developed Financial Statement Formal Reporting Streamlining Proposals
- Implemented AFR streamlining
- Reduced Intragovernmental Elimination Differences
- Developed Strategy for Military Equipment Reporting (CAMS-ME Alternatives)

Business Integration Office

- Developed a cost collection and reporting system for ARRA reporting
- Implemented seven OMB high priority metrics reported through the Deputy Chief Management Officer
- Developed a DAI implementation schedule for FY10 and FY11 deployments; supported DTIC FY10 implementation
- Supported development of a theater business system architecture

Financial Improvement & Audit Readiness

- Commenced Audit of USMC SBR
- Qualified audit opinion on TMA CRM financial statements
- Defined priorities for audit readiness efforts – information important to decision makers
- Drafted FIAR Guidance and Next FIAR Plan

OMB's Top 10 High-Priority Performance Goals

- **Increase Energy Efficiencies**
- **Reform the DoD Personnel Security Clearance Process**
- **Execute Virtual Lifetime Electronic Record (VLER) Milestones**
- **Streamline the Hiring Process**
- **Implement Department-wide In-sourcing Initiative**
- **Spend American Reinvestment and Recovery Act (ARRA) Funds Quickly and Effectively**
- **Provide Effective Business Operations and Ensure Logistics Support to Overseas Contingency Operations**
- **Increase the Audit Readiness of Individual DoD Components**
- **Reform the DoD Acquisition Process**
- **Enhance the Security Cooperation Workforce**

FIAR Goals and Priorities

- **FIAR Goals**
 - Achieve and sustain audit readiness
 - Achieve and sustain effective internal controls
 - Attain business and financial system FFMIA compliance
- **FIAR Priorities** – *Information important to decision making*
 - Budgetary Information
 - Status of Funds Received, Obligated and Expended
 - Results in auditable Statement of Budgetary Resources (SBR)
 - Mission Critical Asset Information (Military Equipment, Real Property, Inventory, Operating Materiel & Supplies, and General Equipment)
 - Audits based on Existence and Completeness assertion
 - Audits will also test important management information (e.g., location, condition, utilization rate)

Open Government

- **This administration is committed to creating an unprecedented level of openness in government**
 - Government should be transparent, participatory and collaborative
 - Memo stating this signed on President's first full day in office
- **Open Government Directive (OMB M-10-06)**
 - Establishes steps and deadlines for creating a more open culture within each agency
 - Data will be made more accessible to the public and include improved communication between government and public
 - DoD Open Government page: <http://www.defense.gov/open/>
- **Improve the quality of Federal spending information**
 - Establishes a framework for placing internal controls over preparation and dissemination of financial data
 - DoD governance structure under Senior Assessment Team and to incorporate risk assessment and control activities as outlined in OMB A-123
 - To work on improving dialog with public



Reporting, Audit, & Transparency



- DoD Reporting & Coordination
 - Daily: Federal Procurement Data System
 - Weekly: Recovery.Gov and Vice President Biden
 - Weekly: Meeting with OSD staff, Components, DoD IG, OMB
 - Monthly: Meeting with Vice President Biden & Cabinet
- Recipient Reporting
 - Quarterly: jobs created/retained, project status, invoiced amounts, executive compensation
- Audits
 - Recovery Accountability and Transparency Board; House Appn Committee (Surveys & Investigations); GAO; DoD IG; Components
- Transparency
 - Significant workload
 - Ensuring data accuracy/integrity
 - Responding to inquiries (intra-government, public)

In-Theater Controls

Strengthening the Overseas Business Environment



From Managing
Cash and Paper...



to



Controlling
Information and
Managing Cost

Business Environment: Operational Theater Focus

GOAL: Provide effective business operations and ensure logistics support for Overseas Contingency Operations

- Precept:** Strengthening the business environment within the operational theater will improve effectiveness (responsive mission support) and ensure better control over resources (internal controls)
- Approach:** Ensure Systems, People, and Policy/Processes are in place at appropriate levels to provide management visibility and assurance over controls
- Value Proposition:** Improve mission effectiveness, enhance personnel safety/security, reduce likelihood of loss of funds or erroneous payments, less rework, better cost visibility/control
- End State Vision:** Lessons learned from early theater experience applied;
Capability transportable to future contingencies/theaters

Multi-level Engagement with an Enterprise-Integration Strategy

What Does it Mean to You as a Financial Manager?

...Depends on Where You Are

If you are at a:

- **Headquarters Command**
 - Promulgate clear guidance
 - Emphasize change management themes
- **Echelon II (e.g., Major Command)**
 - Develop a plan for change
 - Emphasize communication with field activities
- **Field Activities (Post / Camp / Station)**
 - Implement plans / focus on internal controls
 - Remember “source documents”

Summary

- **The DoD Financial Management community is performing well**
- **Enterprise-wide changes in our business will be required to meet stakeholder expectations**
 - More standard/better controlled processes
 - Better integrated/more capable systems
- **We are applying these changes in current plans and initiatives**