

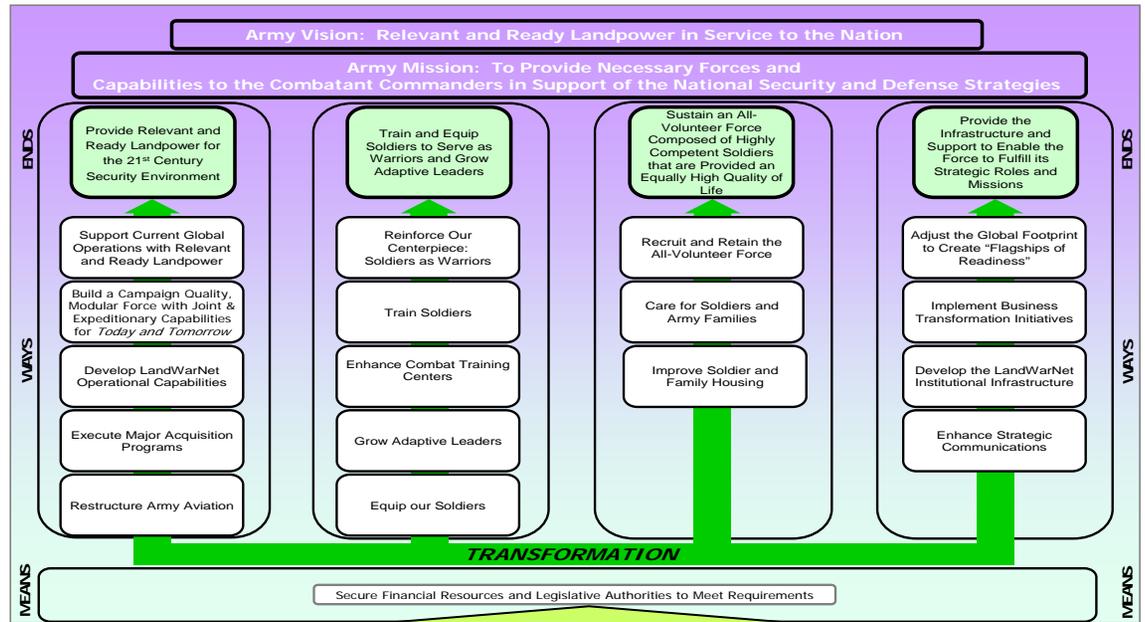
ASA(FM&C)

FY06 Strategic Priorities

13 February 2006

Alignment of FM Strategic Priorities to the Army Strategy Map

All FM strategic objectives align to the Army Strategic Initiative titled "Secure Financial Resources and Legislative Authorities to Meet Requirements."



5 JAN 06

Alignment to Strategic Objectives

FY05 Strategic Priorities for Army Financial Management

21st Century Financial Management Environment

- Constrained budget
- Increasing accountability, transparency
- Enterprise systems
- Emphasis on controls
- Need for timely resource decision-making
- Emphasis on results-oriented government

Intent: Army financial management will be an effective, efficient provider of support to the Joint and expeditionary Army.

Mission: Provide the resources to support Army missions. Control the distribution of funds, account for Army assets and ensure the efficient and effective stewardship of the Nation's resources entrusted to Department of the Army.

Loyalty – Duty – Respect – Selfless-Service – Honor – Integrity – Personal Courage

<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Close the gap between Army requirements and funding <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Obtain resources: <ul style="list-style-type: none"> FY05 supplemental FY06 budget FY06 supplemental FY07-11 POM Reduce requirements <p>FM Operational Objective:</p> <ol style="list-style-type: none"> Challenge Acquisition Cost and Eliminate the Gap 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Improve the quality of financial management information systems <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Deploy GFES and integrate with other business systems Eliminate redundant legacy systems 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Improve accountability and management controls for the Army enterprise <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Monitor Army Budget Performance Integration (BPI) metrics Correct material weaknesses <p>FM Operational Objectives:</p> <ol style="list-style-type: none"> Establish Controller functions Improve management controls 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Execute effective financial management <p>Strategic Objective:</p> <ol style="list-style-type: none"> Execute budgeted resources IAW plan <p>FM Operational Objectives:</p> <ol style="list-style-type: none"> Analyze execution and develop controls on selected programs Conduct Internal Lean / Six Sigma and Cost Management / ABC Provide training, education, and leadership development to the FM Future Force
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Human and Financial Resources

Risk: Increasing or constant requirements in the face of limited resources.

Transition to FY06 Goals

1st Quarter FY06 Strategic Priorities for Army Financial Management

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- Constrained budget
- Increasing accountability, transparency
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Loyalty – Duty – Respect – Selfless-Service – Honor – Integrity – Personal Courage

<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Develop a strategic process that aligns Army requirements with available resources <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Obtain resources Reduce PPBE Unfunded Requirements in near term. Future State is Corporate Resource Management. Control Percent Annual Systems Cost Growth 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Improve the quality of financial management information systems <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Deploy GFES and Integrate With Other Business Systems 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Improve accountability and management controls for the Army enterprise <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Enhance the Army's Management Control Program Meet Financial Improvement Audit Readiness (FIAR) Plan Objectives 	<p>Overarching Strategy:</p> <ol style="list-style-type: none"> Execute effective financial management <p>Strategic Objectives:</p> <ol style="list-style-type: none"> Establish and Track Cost Targets across the ARFORGEN Readiness Cycles to Monitor Through Quarterly Cost Management Reviews to the SRG Track Army Business Transformation Savings
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Human and Financial Resources

Risk: Increasing or constant requirements in the face of limited resources.

= FY06 FM objectives that were continued from FY05; all other objectives are new or improved

1st Quarter FY06 Strategic Priorities for Army Financial Management

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<p><u>Overarching Strategy:</u> 1. Develop a strategic process that aligns Army requirements with available resources</p> <p><u>Strategic Objectives:</u></p> <ul style="list-style-type: none"> ④ 1.1. Obtain resources ④ 1.2. Reduce PPBE Unfunded Requirements in near term. Future State is Corporate Resource Management. ④ 1.3. Control Percent Annual Systems Cost Growth 	<p><u>Overarching Strategy:</u> 2. Improve the quality of financial management information systems</p> <p><u>Strategic Objective:</u></p> <ul style="list-style-type: none"> ④ 2.1. Deploy GFEBs and Integrate With Other Business Systems 	<p><u>Overarching Strategy:</u> 3. Improve accountability and management controls for the Army enterprise</p> <p><u>Strategic Objectives:</u></p> <ul style="list-style-type: none"> ④ 3.1. Enhance the Army’s Management Control Program ④ 3.2. Meet Financial Improvement Audit Readiness (FIAR) Plan Objectives 	<p><u>Overarching Strategy:</u> 4. Execute effective financial management</p> <p><u>Strategic Objectives:</u></p> <ul style="list-style-type: none"> ④ 4.1. Establish and Track Cost Targets across the ARFORGEN Readiness Cycles to Monitor Through Quarterly Cost Management Reviews to the SRG ④ 4.2. Track Army Business Transformation Savings
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Human and Financial Resources

Risk: Increasing or constant requirements in the face of limited resources.

Overarching Strategy

Develop a Strategic Process That Aligns Army Requirements With Available Resources

Goals FY06

FY07

FY08

-  **1.1. Obtain Resources** \$110.6 Billion \$116.1 Billion
-  **1.2. Reduce PPBE Unfunded Requirements in near term. Future State is Corporate Resource Management.**
 - Near Term: - Reduce requirements on the FY08-13 POM/BES
 - Fund 100% of Critical Requirement
 - Long Term: - Cross Functional Corporate Decision Process
 - MDEP by BCTs Linked to ACP
-  **1.3. Control Percent Annual Systems Cost Growth**
 - Achieve the OSD goal of 0% cost growth
 - Shift to semi-annual DoD reporting

Assessment

- 1.1. Obtain Resources**
 - Pressures to reduce the deficit make funding increases less likely
- 1.2. Reduce Unfunded Requirements and Improve PPBE Process**
 - Current process does not lend itself to distinguish which UFRs are truly critical and which are merely good ideas
 - Greatest gain to be made by reviewing requirements, particularly those on the books for multiple years
- 1.3. Control Systems Cost Growth**
 - Reviewing the annual selected acquisition reports (SAR) that are provided to Congress provides visibility into the various reasons for program funding growth
 - Requirement creep, programmatic changes, and inaccurate cost estimates are the root causes of cost growth in system acquisition

Action Plan

- 1.1. Obtain Resources**
 - FY07 – Engage OSD & OMB leadership during top line discussions.
 - Justify budget submissions to Congress and minimize reductions to Army TOA.
- 1.2. Reduce Unfunded Requirements and Improve PPBE Process - 06**
 - Insert more rigor into PPBE process, increase analysis
 - Used ACP as benchmark to identify critical requirements
 - Critical requirements have performance metrics by MDEP
 - Iterative TGM to tell PEGs priority resourcing – Feb 06
 - PEG's develop model driven, performance based requirements
- 1.3. Control Systems Cost Growth**
 - Utilize SAR cost growth data to better understand the reasons for program growth
 - Develop better tools and models to improve cost estimates for funding positions that are provided to OSD, OMB, and Congress

Metrics

- 1.1. Obtain Resources**

	FY07 Funding	
	Goal	Actual
FY07 President's Budget	\$110.6 Billion	\$111.8 Billion*

* Includes \$1.4 Billion in DOD CHEM DEMIL funds
- 1.2. Reduce Unfunded Requirements and Improve PPBE Process**

	Goal	Actual
% Funded	100%	TBD

	FY0611	FY0813
Rqmts Reduction	\$943.5B	TBD
- 1.3. Control Systems Cost Growth**

	% Annual Major Systems Cost Growth	
	FY04	
	Goal	Actual
Army	0%	3.7%
DoD	0%	9.1%

- There is a time lag in the reporting of cost growth data due to analysis and normalization; final data for FY05 will be reported in April or May 2006

Overarching Strategy

Improve the Quality of the Financial Management Information Systems

Goals FY06

2.1. Deploy GFEBs

- Perform Business Process Reengineering on Real Property Inventory (RPI) and associated Financial and Budget requirements
- Successfully demonstrate capabilities to meet BPR using commercial off the shelf product SAP
- Develop, staff, and obtain approval for Milestone B documentation
- Achieve Milestone B level approval within the Army

Eliminate Legacy Systems

- Identify and categorize 208 financial systems and recommend disposition

Assessment

2.1. Current systems do not allow Army to meet standards of Federal Financial Management Integrity Act (FFMIA)

- Unable to provide financial information for clean audit
- Costly legacy systems and processes
- Real Property Inventory data outdated and incorrect
- Commercial Off the Shelf (COTS) solution indicated

Action Plan

2.1. Deploy GFEBs

- Conduct and assess training capabilities
- Conduct Technology Demonstration of Real Property Inventory

Eliminate Legacy Systems

- Use business process reengineering / mapping blue print to determine which systems will be subsumed by GFEBs
- Capture results of systems analysis within the Single Army Financial Enterprise (SAFE) Architecture
- Categorize 208 financial systems and develop retirement strategy

Metrics

Dates

2.1. Milestone Schedule

	<u>Planned</u>	<u>Achieved</u>
- Perform BPR for RPI	JAN 06	FEB 06
- Demo Capabilities IPR	JUN 06	
- Army MS B	AUG 06	

Legacy System Disposition

	FY06	
	Goal	Actual
Systems to be Categorized	208	148

Disposition of Categorized Systems:

Systems to be Integrated:	51
Systems Eliminated by GFEBs:	77
Systems Eliminated by Others:	20
Systems Requiring Additional Analysis:	60

Overarching Strategy

Improve Accountability and Management Controls for the Army Enterprise

Goals FY06

3.1. Correct 4 of 6 Material Weaknesses in Fiscal Year 2006

Weaknesses due to close in FY 2006

- Reserve Component Mobilization Accountability (DCS, G-3)
- Line-of-Duty/Incapacitation Pay (NGB) (Closed)
- Manpower Requirements Determination System (DCS, G-1) (Closed)
- Financial Reporting of General Equipment (ASA (FM&C))

3.2. Complete Financial Improvement and Audit Readiness (FIAR) Milestones on Schedule

Assessment

3.1. Correct Material Weaknesses

- Agency managers and employees are responsible for identifying deficiencies in management controls based on knowledge of daily operations, management control reviews, audits, evaluations, inspections, and hotline complaints.
- A deficiency that the agency head determines to be significant enough to be reported outside the agency (i.e. included in the annual Integrity Act report to the President and the Congress) shall be considered a "material weakness"
- A material weakness must be a problem with management controls and warrant the attention of the Secretary of Defense or Principals

3.2. Complete FIAR Milestones on Schedule

- Lack of ability to produce timely, reliable, and accurate information
- Major weaknesses identified by auditors and management exist
 - Internal controls, systems, documentation
- Lack of modern system solutions for capturing financial data

Action Plan

3.1. Correct Material Weaknesses

- Each Material Weakness has its own Individual Corrective Action Plan
 - The proponent for each corrective action plan is responsible for developing a plan, ensuring milestones are met, and actions are completed within timelines
- DASA (FO) oversees Material Weaknesses reporting process through quarterly status meetings, semi-annual Senior Level Steering Group meeting, and the Army's Annual Statement of Assurance to the Secretary of the Army

3.2. Complete FIAR Milestones on Schedule

- Establish Key Milestone Plan (KMP) for financial focus areas
 - Driven by financial statement line item
 - Provide monthly progress updates
- Update FIAR plan to measure key milestone accomplishments
- Incorporate new priorities and initiatives into plans
- Create senior level oversight group accountable for financial improvement

Metrics

3.1. Correct Material Weaknesses

FY06	
Goal	Actual
4	2

Material Weaknesses due to close beyond FY 2006

- Financial Reporting of Equipment In-Transit (DCS, G-4)
- Logistic Asset Visibility and Accountability (DCS, G-4)

3.2. FY 2006 Key Milestone Schedule

	<u>Planned</u>	<u>Completed</u>	<u>Behind Schedule</u>	<u>Revised</u>
1st Quarter	2	2		
2nd Quarter	5			
3rd Quarter	9			
4th Quarter	10			

1st Quarter Key Milestone Completions:

- Military Equipment – Develop plan for preparing Management Assertions with appropriate responsible officials
- Real Property – Begin "site and installation" implementation concept from the architecture design

Overarching Strategy

Execute Effective Financial Management

Goals FY06

- ④ 4.1. Establish and Track Cost Targets across the ARFORGEN Readiness Cycles to Monitor Through Quarterly Cost Management Reviews to the SRG

- ④ 4.2. Track Army Business Transformation Savings In the Performance Metric Warehouse

Assessment

4.1. Establish and Track Cost Baselines

- Developed cost elements and costed 95 Brigades and 1100 other units

Combat Brigades	Higher HQ Brigades	Functional Combat Support Brigades	Combat Service Support / Other
42	18	35	1100+ (Units)

- We are now Red Teaming to produce a coordinated Army product
- PA&E plans to use these costs in support of the 08-13 POM
- First Quarter FY06 will be reviewed to validate baseline

4.2. Track Army Business Transformation Cost Savings

- Have developed template, currently building into PMW
- Working with PAE for LEAN/Six Sigma initiatives
- Baseline and cost savings developed by process owners

Action Plan

4.1. Establish and Track Cost Baselines

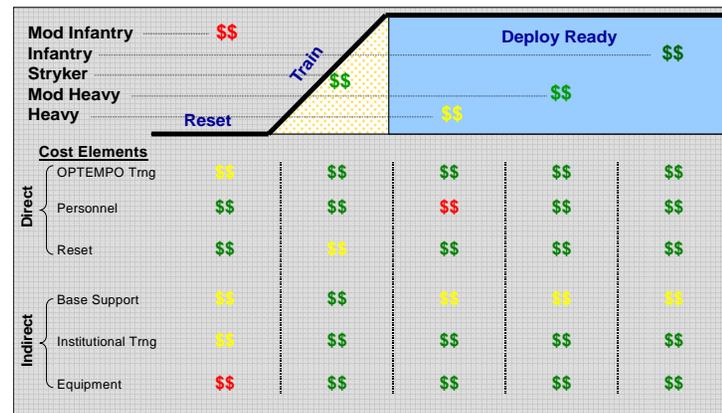
- Support the ARFORGEN model as defined in the ACP
- Define Major Cost Elements that Fully Cost Brigades
- Develop Baseline Unit Cost and Set Cost Targets
- Collect Actual Cost Execution Data at Brigade Level
- Measure Actual Cost Execution Against Cost Targets
- Use Cost Elements as Core Requirements in GFEBs
- Use Cost Elements to Inform the PPBE Process
- Use Cost Elements to Measure our Outputs and in Cost Performance Reviews

4.2. Track Army Business Transformation Savings

- SASA-BT and LSS Program Office Establish Initiatives and Set Targets
- Track Actual Savings from BT Initiatives and Compare to Targeted Savings
- Use Automated PMW and Financial Records for Accountability

Metrics

4.1. Establish Cost/Metric for ARFORGEN



4.2. Track Army Business Transformation Savings

- % cost savings for LEAN/Six Sigma
- % cost savings for BRAC/Re-stationing
- % cost savings for Personnel Transformation
- % cost savings for IT Investments
- % cost savings for Logistics Modernization