

**NATIONAL DEFENSE AUTHORIZATION
ACT FOR FISCAL YEAR (FY) 2000
SPECIAL INTEREST ITEMS**

National Defense Authorization Act for Fiscal Year (FY) 2000

Purpose The National Defense Authorization Act for Fiscal Year (FY) 2000 required the Department of Defense (the DoD) to address within this Plan specific aspects of the following five items of interest:

- Inventory of finance, accounting, and feeder systems
- Major procurement actions
- Financial Management Competency Plans
- Improvements to the Defense Finance and Accounting Service
- Internal controls.

This section summarizes information about these items. The regulatory requirements matrices in Volume I, Appendix A direct the reader to the various sections within the Plan where details for these special interest items are presented.

Inventory of Critical Finance, Accounting, and Feeder Systems

Inventory

The National Defense Authorization Act for FY 2000 requires the DoD to include within this Plan an inventory of finance, accounting, and feeder systems. The National Defense Authorization Act requires that for each system contained in the inventory, the Plan is to present specified information, including (1) a statement regarding the system's compliance with applicable requirements, (2) a statement regarding whether the system is to be retained, consolidated, or eliminated, and (3) a plan of actions to ensure easy and reliable interfacing between systems and to institute internal controls to ensure the integrity of system data. For those systems that are to be consolidated or eliminated, the National Defense Authorization Act for FY 2000 requires a plan of action, including a "discussion" of both the affected interim or migratory system(s).

The required systems inventory is contained in this volume at Appendix B. The Transition Plan contained in this volume presents summarized information on the systems in the inventory, including overview information on the following:

- System compliance status
- Major impediments to compliance
- System consolidation efforts
- Action plans for accomplishing future consolidation(s)
- Key milestones that have been achieved, and that are expected to be achieved in compliance and consolidation efforts.

Volume II provides details on each migratory system (i.e., system descriptions, points of contact, reported system compliance status, action plans, milestones and target dates, resources, and system interfaces) that supports the summary information presented in the Transition Plan.

Major Procurement Actions

**Procurement
Actions**

The National Defense Authorization Act for FY 2000 requires that this Plan describe each major procurement action being taken by the DoD to replace or improve a finance, accounting or feeder system contained in the critical systems inventory. The Transition Plan describes the major actions being taken by the DoD to replace current systems. Volume II describes the major procurement actions (resource requirements) being taken to replace or improve systems listed in the inventory. Information on the replacement systems, including steps that the DoD is taking to provide easy and reliable interfacing, is presented in the system specific information in Volume II.

Financial Management Competency Plan

Introduction The National Defense Authorization Act for FY 2000 requires the DoD to describe within this Plan actions it is taking to ensure that comptroller and financial management personnel have the necessary education and technical competencies to perform their functions.

The DoD Components arrange for the training necessary for their financial management personnel to be skilled in their particular duties and functions, and also to be familiar with the variety of related disciplines within the financial management field. Overviews of the DoD Component's initiatives to ensure the competency of their financial personnel and related non-financial personnel are provided below.

U.S. Army The Army has begun developing a military Financial Management Branch. Its intent is to establish a Financial Management career field to meet the Army's future financial management needs. The objective of the Financial Management career field is to develop a professional corps of financial managers who possess the competencies, skills, abilities, training, and experience to effectively execute financial management functions. The Commandant, U.S. Army Finance School, has the lead on this initiative. The Commandant receives guidance from the Financial Management Branch Board of Directors and is supported by a working group, comprised of financial and resource management personnel. The primary objective is to establish a structure within the Combat Service Support (CSS) Battlefield Operating System that provides financial and resource management support across any operational spectrum.

For civilian personnel, the Army has developed the Comptroller Civilian Career Program Strategic Plan, which includes the Multi-Disciplined Financial Analyst Initiative.

The Comptroller Civilian Career Program Strategic Plan identifies the actions necessary to respond to the Army's changing needs. Limited resources and ongoing governmental reshaping initiatives, such as competitive sourcing, will pose significant challenges for all career financial management personnel. The Army will continue to face a multitude of changes in the workforce during the next 10 to 15 years. The Army is focusing its efforts on maintaining a world-class career program to meet the challenges of the future. Comptroller careerists comprise three percent of the total Army civilian workforce and provide key services and products to decision-makers. The Army is enhancing the core competencies of its financial management personnel and expanding their capabilities.

The Army financial management careerists of the future must be multi-functional and multi-dimensional--capable of handling various situations with confidence and skill. The Army plans to capitalize and build on the skills of the existing workforce. Army financial management careerists have the opportunity to expand their capability by accepting developmental assignments, attending various training programs, and furthering education goals. Versatility and flexibility will be the keys to the Army's future success.

In addition, Army comptroller careerists of the future must be able to analyze situations and recommend solutions, and need to be capable of serving skillfully and confidently as "honest brokers." The Multi-Disciplined Financial Analyst Initiative is a primary focus in the redesign of Army financial management. It embraces a career model architecture of multi-disciplined financial analysts and other, more specialized professionals, all accredited in a broad range of core competencies associated with financial stewardship, financial decision support, and leadership and organizational management.

The initiative encompasses master training plans to develop broad-based financial analysts as well as others in education-specific occupations (e.g., GS-510, 511, 1515), from intern through senior executive. All careerists will receive formal accreditation in a broad range of multi-disciplined core functions by measuring their credentials against core competencies defined in Army and DoD career documents and the Joint Financial Management Improvement Program. Accreditation determines whether a careerist meets minimum mandatory requirements at any of several defined career advancement levels. Upon accreditation of core competencies, one's baseline professional development level is ascertained, and a careerist (guided by supervisor and mentor) can then design a planned series of career-growth events in the categories of formal education, training, professional development, and performance-enhancing job experience(s).

The end state of full implementation of the strategic plan and the multi-disciplined financial analyst initiative will be a workforce of multi-disciplined, core competencies-based, broadly skilled, and comprehensively trained financial analysts.

**U.S. Navy and
U.S. Marine
Corps**

It is the policy of the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)) that the Department of the Navy's (DoN) civilian financial management workforce shall continuously improve its knowledge, skills, and abilities to achieve current and future mission requirements. The DoN Civilian Financial Management Career Program

provides a framework for the continued development and preparation of the workforce. Career development in the DoN requires both individual initiatives in career planning activities and organizational commitment to support employee development. The ASN (FM&C) recognizes the responsibility of both the individual and the organization in the continuous development of a quality financial management workforce.

The ASN (FM&C) established the Naval Financial Management Career Center (NFMC) to meet its responsibility of providing educational services support in the development and implementation of the financial management career program and related initiatives. The NFMC identifies and recommends solutions to financial management workforce requirements and program changes. The NFMC subsequently coordinates the design, development, implementation, and evaluation of the education and training initiatives, or strategies for the financial management career program.

One DoN initiative, the Civilian Financial Management Career Program Improvement (CFMCPI), provides strategies and goals to the DoN comptrollers for developing the DoN's financial management workforce. It focuses on improving the DoN personnel infrastructure through a prescriptive career instruction strategy (SECNAVINST, 12400.5B), which provides specific recommendations for professional development for all financial management personnel. It includes specific learning objectives and recommended development activities, which are outlined in a series of "competency matrices." The career instruction highlights core competencies that the DoN financial management personnel should develop to perform their functions in a more effective manner.

Competency matrices form the framework for developing each of the identified competencies through a number of specified training events. The framework provides for three levels of competency--entry-level, full performance level, and senior level. The entry-level training consists of learning and applying financial, accounting, or managerial basics and fundamentals and performing routine activities. The full performance level training consists of applying proficiencies as fully functional and experienced financial management personnel. The senior performance level consists of activities of increasing complexity, expanded responsibility, and with policy and program implications that require considerable expertise.

The competency matrices for these three levels were reviewed and revised in November 1999 by the DoN Financial Management Career Program Planning Board. The Board consists of senior financial managers (military and civilian) designated from each command's financial management community.

The new instruction provides further prescriptive guidance to the financial management careerists concerning the value and role of professional

certification in career development. Professional certification is viewed as a prime motivator and source of continuous professional skill development. The DoN complies with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) guidance concerning the role of professional certification and training in the continuing development of its workforce.

The NFMFC supplements the DoN's CFMCPI initiative by administering and supporting various federal sources of training and training methods such as mentoring and organizational rotational assignments as a way to prepare careerists for a variety of skill capabilities. To ensure continuation of a skilled workforce for the DoN, every year a new generation of financial managers are recruited and developed through the Centralized Financial Management Trainee Program.

The DoN, through the NFMFC, provides a number of training strategies and opportunities to mid-career personnel for developing and improving the overall financial management workforce. The DoN offers career program improvement at the Practical Comptrollership Course, the Professional Military Comptroller School, and the Navy Working Capital Fund Professional Managers Course. The DoN offers funded graduate education programs such as the Graduate Level Financial Management Program and the Secretary of the Navy Fellowship in Financial Management.

Naval officers in the financial management subspecialty continue to receive their financial management training at the Naval Postgraduate School. The subspecialty sponsor conducted an analysis of the curriculum at the Naval Postgraduate School in FY 2000. The results of the analysis confirmed that the financial management training conformed to the DoN's continuing process improvements in the development and training of the Naval officers in financial management. The DoN performs extensive coordination within its military infrastructure to ensure that the best-qualified officers are assigned to critical financial management positions.

As part of the DoN CFMCPI initiative, the Office of the ASN (FM&C) has fully funded the DoN's participation in the "Enhanced Defense Financial Management Training" for FY 2000. Throughout the DoN, both civilian and military financial managers have enrolled in this weeklong training program. The Office of the ASN (FM&C) is committed to supporting this training during the next five years. Financial managers throughout the DoN will use this training as an excellent basis to further develop their financial skills, abilities, and competencies.

In a recent CFMCPI initiative, the NFMFC developed three courses that are delivered on compact disc, read-only memory (CD-ROM) to make more financial training available to the workforce. These CD-ROM courses are available at no cost to the DoN personnel. In FY 2001, these courses will be

revised to ensure compliance with evolving financial management procedures and policies. The NFMIC currently is developing other financial management improvement initiatives and strategies to develop the DoN's financial management workforce. One of these new strategies is to make the CD-ROM course material available and accessible through the Internet. The Naval Postgraduate School provides training material through the Internet for the Practical Comptrollership Course, and plans to continue to expand the material that is currently available. The NFMIC will continue to provide the ASN (FM&C) financial management initiative and strategy advice relative to the financial management career program.

U.S. Air Force

During FY 1999, the Air Force began an effort to improve the professional qualifications of its financial management personnel. In May 1999, the senior financial management leadership in the Air Force issued guidelines for the professional development of its financial managers. These guidelines apply to those in designated positions that are involved in policy decisions or are responsible for enforcing financial laws and regulations. The Air Force leadership is encouraging all financial management personnel to follow the guidelines and to complete an Individual Development Plan that explains how they will meet the guidelines.

The guidelines for professional development cover continuing professional education (CPE), general education, professional and military education, experience, and test-based certification. There are three levels of guidelines depending on the seniority of the designated position. The specific provisions of the guidelines can be found on the Assistant Secretary of the Air Force, Financial Management and Comptroller SAF(FM) website at www.saffm.ha.af.mil.

Continuing professional education is a key part of these guidelines because it enables financial managers to stay informed of the many changes in financial management. The guidelines call for those in designated positions to obtain 80 hours of CPE every two years, with at least 20 hours in each year. For those Air Force personnel who sometimes have difficulty in completing CPE because they work at remote locations and have unpredictable schedules, financial leaders have facilitated CPE. The SAF(FM) provides CPE to Air Force personnel by using distance learning courses, videotapes, articles, and quizzes on the SAF(FM) home page, in addition to using other techniques.

The guidelines also encourage financial managers to obtain a test-based certification of their knowledge. As part of this effort, the Air Force supported the American Society of Military Comptrollers in its efforts to develop training and a test-based certification program focused on defense financial matters. The Air Force, in conjunction with the other DoD

Components, will provide training on financial issues including those that will be covered by the exam. That training started in January 2000.

On February 29, 2000, the Vice Chief of Staff, Headquarters, United States Air Force, signed a memorandum to all the major commands, field operating agencies, and direct reporting units outlining the requirements for installation comptrollers to establish and provide training to all resource advisors assigned to their installation. After the resource advisors, commanders, and supervisors determine which tasks require training, the comptroller will be responsible for identifying trainers and establishing a specific program geared toward the resource advisors assigned duties. Initially the financial management staff will conduct this training through on-the-job and locally developed training aids. The SAF(FM) is developing a Web-based training program that will be available to anyone requiring training on financial management-related tasks. It is estimated that within 8-10 months, the SAF(FM) should have approximately 20-30 hours of training material available on the web. After students successfully pass a module, they will receive a certificate of completion. The Air Force's long-range goal is to enhance the web-based training to include courses for the various financial management disciplines, budget, cost, audit, and financial services.

In addition, the SAF(FM) has developed a Fiscal Law Tutorial intended to provide training for both military and civilian personnel in legal, financial management, acquisition, and similar fields. The computer-assisted training was created for Internet and CD-ROM delivery and will help to ensure that all participants have adequate information and instruction on fiscal law matters. The course was designed to assist with initial training in fiscal law and to provide continuation training for persons with responsibilities for the proper use of appropriated funds.

For Air Force military financial managers, the Air Force updated its craftsman course to include comptroller contingency training. Every military member serving in the financial management arena and reaching the rank of Staff Sergeant is required to complete a craftsman course in order to be upgraded to the next level. Also, personnel in higher grades who cross-train into the comptroller career field are required to complete this course. In an effort to get this type of training out to all Air Force military members, the SAF(FM) posted a downloadable version of this course material on the SAF(FM) website. Training managers within the Air Force comptroller squadrons and flights use this material to conduct in-house training sessions. Air Education and Training Command is working with the SAF(FM) to have the training program available as a web-based interactive course, within the next 8-10 months.

**Defense
Contract Audit
Agency**

The Defense Contract Audit Agency (DCAA) will implement the appropriate actions to ensure that financial management personnel are provided the necessary training to attain critical core competencies for their positions by FY 2001. The DCAA will accomplish the following steps:

- Determine and prioritize training needs and formulate an appropriate curriculum
 - Publish guidelines for financial management professions which will include competencies for all grades, Individual Development Plans (IDP), instructions, and training sources
 - Develop a method of annual feedback and validation.
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**Defense
Finance and
Accounting
Service**

The Defense Finance and Accounting Service (DFAS) has developed a comprehensive career development program for financial management (FM) positions. The program includes a competency-based FM career development plan (CDP), formalized training curriculum, training assistance, and professional development opportunities.

The FM CDP provides the foundation for the FM career development program. The guidelines and competencies established by the JFMIP, Chief Financial Officer (CFO) Council, and technical advice from DFAS experts provided the framework for the CDP. Additionally, the DFAS consulted with the Office of Personnel Management from development of the plan through its implementation.

The FM CDP is designed to help the DFAS develop a highly skilled and professional workforce that is knowledgeable of applicable laws and regulatory requirements. The FM CDP's objective is to provide employees and their supervisors with a standard comprehensive list of competencies, learning objectives, training/education, and developmental activities needed for financial management positions. The CDP covers all professional FM positions from entry through executive levels. It outlines technical, professional, and leadership core competencies, training and educational requirements, and developmental activities by series and grade levels.

Additionally, the CDP includes information on recommended professional certification programs for financial management personnel. The CDP is available on-line and paper copies are available in the DFAS learning centers that have been constructed at each DFAS Center and OPLOC.

As of FY 2000, IDPs are required of all financial management personnel to help ensure DFAS is developing a highly skilled workforce. Supervisors and their employees are to use the CDP as a tool to identify competencies to be developed. Additionally, to assist supervisors, the DFAS developed a career

program management guide. This tool is also available on-line and paper copies are available in the DFAS learning centers.

The DFAS has established a strong training program to support requirements outlined in the FM CDP. The DFAS administers a Financial Management Education and Training (FMET) contract for the development, delivery, and maintenance of 160 courses. These courses cover financial management regulations, policies, processes, and procedures. The courses are made available both on-site and via computer-based training (CBT). Additionally, centrally funded spaces are available for numerous training courses and programs that support the development of financial managers.

Professional certification is strongly encouraged in the DFAS. The DFAS has partnered with the Association of Government Accountants (AGA) and taken an active role in the development of the Certified Government Financial Manager (CGFM) review courses and examination. The review courses are offered at various DFAS locations. Also, the DFAS has worked jointly with the American Society of Military Comptrollers (ASMC) and the DoD to develop the Certified Defense Financial Manager examination and review courses. Self-paced CBT instruction is available for those pursuing their Certified Public Accountant (CPA) license via the learning centers. The DFAS offers CPE credits via the Financial Management Network (FMN) seminars/training. This training is available on-line and via satellite. Administrative leave is available for those taking professional certification examinations.

The DFAS also has established a competitive Professional and Leadership Certification Program (PLCP). The PLCP provides priority funding and recognition for those pursuing educational advancement, leader development, technical competency development and professional certification in accordance with the CDP. This program is targeted to those in journey and senior positions. It is designed to ensure that personnel receive the necessary training and development required for their FM positions. The participants receive priority consideration for all central training opportunities such as OPM Management Seminars, Professional Military Comptrollers Course, and Defense Resource Management Course. This program's objective is to build a cadre of highly skilled financial managers for future executive positions.

The DFAS has implemented an Executive Development Training Suite for all journey level and higher positions. This initiative consists of a series of three programs, forming a comprehensive leadership development suite by grade level. The initiative is designed to address the leadership competencies outlined in the leadership CDP.

The competency-based FM CDP is an on-going initiative for the DFAS. The existing tools will be modified and revised to ensure the DFAS is developing a highly trained financial management workforce. The DFAS will continue to identify training curriculums to meet specific competencies that will ensure financial managers are on the cutting edge of their profession.

**Defense
Information
Systems
Agency**

The Defense Information Systems Agency (DISA) recently sent a data call to its comptroller and resource management employees soliciting information on their degrees and certification status. This action is in conjunction with the DISA Comptroller Directorate's initiative to define key qualifications for the various positions within the Directorate and move toward the goal of having only people who meet the maximum level of competency perform comptroller functions. Further, as part of the overall DISA competency plan, individuals working in the comptroller areas of accounting, auditing/internal control review, financial management, budgeting, cost analysis work, and resource management are afforded every opportunity to take coursework, as well as attend seminars, in the above subject.

Currently, the DISA is partnering with the Air Force to make use of its training resources so that DISA employees can obtain certification in the above areas. In addition, the DISA is participating in the OUSD(C) training initiative to help its comptroller employees obtain their certification as financial managers. The DISA Comptroller also has begun an initiative to provide in-house training on comptroller topics. For example, during FY 2000, a class was conducted on Earned Value. The DISA Comptroller has conducted training on Activity Based Costing (ABC). Activity Based Costing identifies cost objects, identifies the activities and processes performed in an organization, the resources required, and identifies costs to activities and products/services. Comptroller personnel attended an Office of the Assistant Secretary of the Air Force class in ABC.

**Defense
Logistics
Agency**

The Defense Logistics Agency (DLA) has published a financial management professional development guide for use by both financial management and nonfinancial management personnel who impact financial management operations. The guide provides a step-by-step approach to evaluate financial related competencies and identify deficiencies. It further includes a compendium of formal (higher education, training courses) and informal (on-the-job training and experiences, reading materials, professional associations) methods to develop core financial management competencies and providers thereof. In addition to the guide, the DLA sponsors in-house, contractor, and government provided financial management training.

Defense Threat Reduction Agency The Defense Threat Reduction Agency (DTRA) prepares IDPs for each financial management employee at the start of a new appraisal period. Along with the appraisal plan, the employee and the supervisor agree to the requested training as beneficial to both the employee's professional development and the DTRA. Additionally, the DTRA is encouraging each employee to participate in the Certified Defense Financial Manager program, and continues to provide training opportunities associated with professional certification. Within the Financial Control Division, each team leader/supervisor is a 510 series staff accountant, thereby ensuring that each person holding a key position possesses a minimum of 24 semester hours in accounting. Implementation of an upward mobility program in FY 1999, and reorganization during FY 2000, rounded out the professional development/skills enhancement plan of the Financial Control Division. Finally, the DTRA has provided each functional manager with tailored quality assurance checklists and regulatory references to use as a guide for assessing internal controls within each section in the Division.

Improvements to the Defense Finance and Accounting Service

Introduction The National Defense Authorization Act for FY 2000 requires this Plan to include details on improving the DFAS' internal controls, internal review processes, performance measures and selected other items.

Since its activation in January 1991, the DFAS continually has made improvements in its financial reporting capabilities, financial management systems, performance measurements, and regulatory processes and procedures. A brief description of each of these improvements is included in this section.

Independent Analysis and Reporting With the November 1999 reorganization of the field internal review staffs, the DFAS management decided to regionalize these resources. Rather than having these staffs at all locations reporting directly to the Director of Internal Review, they were divided into an Eastern and Western Region. The Eastern Region includes the Cleveland, Columbus, and Indianapolis Centers. The Western Region includes the Denver and Kansas City Centers, along with the San Diego operating location.

Before regionalization, internal review operations were service-aligned by Center. After regionalization, the internal review operations are geographically aligned by region. One of the primary reasons for this change was to improve independent analysis and reporting. Other benefits that occur from this concept include:

- More “corporate” rather than individual “center” focus
- Ensure cross-utilization of scarce resources
- Concentrate on accomplishment of the mission
- Establish a clear reporting chain
- Benefit from economies of scale.

Assigning responsibility by region allows the DFAS to cross-train personnel, not only in various functional areas, but also in the different Services' business practices and systems. This will provide a larger and more flexible pool of review personnel from which to draw. In addition, this cross-training exposes review personnel to various business practices, thereby enabling them to evaluate each and recommend the best business practice for use throughout the Agency.

Transaction-Driven General Ledgers The Federal Financial Management Improvement Act (FFMIA) requires that federal agencies financial management systems utilize the United States Government Standard General Ledger (USGSGL) at the transaction level. All DFAS migratory accounting systems, including the DFAS Corporate Database (DCD), are being developed and/or modified to implement the USGSGL, including using standard “double-entry” transactions as stipulated by the Department of the Treasury’s USGSGL guidance. In most cases the DFAS projects that its migratory accounting systems will comply with the USGSGL by September 2000. It should be noted, however, that to successfully implement the USGSGL within the DoD financial management systems network, much work needs to be accomplished with non-DFAS feeder systems (where many financial transactions and events are initially captured/recorded). The DFAS is working cooperatively with the owners of the feeder systems to help define, interpret, and implement federal financial management regulations pertinent to the feeder systems.

Integrated Database for Finance and Accounting Functions The DCD, in conjunction with the DFAS Corporate Warehouse (DCW), will serve as the DFAS’s integrated database/system for finance and accounting functions. The DFAS’s finance and accounting systems, as well as other DoD financial management systems, will interface electronically with the DCD to record, maintain, summarize, classify, and eventually report financial transactions and related balances.

Automated Cost, Performance, and Output Measures The DFAS Resource Allocation Decision Support System (RADSS) tracks unit cost data (both actual operating costs and associated workload counts). This system was developed in the mid 1990s as a management tool to assure visibility over the performance of operations within the DFAS network. The information in the RADSS is periodically fed automatically from the Defense Business Management System (DBMS), the DFAS accounting system.

Performance measures on unit costs, timeliness of payments and accounting reports, and quality of payments and reports are collected in the Performance Measure Indicators (PMI) System; an Oracle database on an in-house client server. Inputting data is manually accomplished via monthly input throughout the DFAS network. Queries, analysis, and/or graphical presentation of the data and performance metrics are made using the COGNOS tools, Impromptu, and Powerplay. These tools provide standard query capability and various graphical output charts.

The first of many new critical systems, the Defense Procurement Payment System (DPPS) will be implemented in conjunction with the DCW and provide vendor pay type data via an automated extraction to a PMI Data Mart.

As work continues over the next few years on other migratory systems, cost, performance, and other output measures are being identified and incorporated in system design to ensure the appropriate metrics will be available from the DCW and PMI Data Mart.

The ultimate DFAS goal is to move to near real-time processing of data, giving the most current updated information on output measures as possible. A Process Action Team (PAT) was formed in April 2000 to implement this initiative. So far, the PAT has identified a RADSS System Change Request (SCR) to facilitate near real-time processing of cost and workload reporting. This SCR should be in place by the end of FY 2000. Project and program management is tracked in the DFAS Automated Strategic Business Plan (ASBP). This tool provides the status of cost, schedule, and performance of the developing migratory systems. The ASBP uses the Microsoft suite of software and is currently being converted to web-based technology.

**Single,
Consistent Set
of Policies and
Procedures for
Financial
Transactions**

The DFAS currently is working with the OUSD(C) to develop a single set of DoD financial management guidance for use throughout the DoD. In essence, once this effort is completed, DoD's various financial management guidances will be consolidated into the "DoDFMR". Also, the "DoDFMR" will be consistent with the hierarchy of federal financial management requirements issued by the central agencies (i.e., the OMB, the Treasury Department, and the GAO).

The conversion of multiple, independent DoD and Military Service financial management policy issuances into the "DoDFMR" began in 1992. At that time, there were approximately 70,000 pages of independent financial management guidance in paper publication. Since then, over 30,000 pages of guidance have been cancelled and incorporated into the 6,000-page "DoDFMR". Approximately 40,000 pages of mostly Military Department (now DFAS Center) financial management policy and procedures still are in publication.

The existence of multiple DFAS Center financial management guidance results in part to a lack of consistent financial policy and procedures throughout the DoD. In the current environment, with five DFAS Centers and multiple Operating Locations (OPLOCs), there are multiple sources of, duplication of, and inconsistencies in financial management policy. These basic problems result in confusion on many levels within the DoD financial community.

Consequently, the DoD is undertaking a total review of DFAS Center and other financial guidance, with the goal of incorporating much of that existing guidance into the "DoDFMR". As currently envisioned, the incorporation

project will be accomplished over a period of approximately 30 months. The detailed reviewing, negotiating, streamlining, purging, merging, coordinating, and incorporating effort primarily will be accomplished by contractor personnel. The Office of the Deputy Chief Financial Officer and the DFAS jointly are funding and overseeing the contractual effort.

The incorporation process includes a thorough review of all financial management guidance published at the DFAS Centers and OPLOCs, the Military Departments, and the DLA. Repetitive guidance will be eliminated; guidance that is common among the organizations will be incorporated into the main body of the “DoDFMR”. System-specific guidance that cannot be incorporated because different operating systems will be streamlined and incorporated into the “DoDFMR” as system-specific appendices.

Safeguards for Assets

Each DoD Component is responsible for implementing internal controls to safeguard assets from events such as theft, misuse, misappropriation, or diversion. In November 1998, the DoD engaged a private consulting firm to help validate the DoD’s general PP&E holdings, including developing and estimating historical costs, accumulated depreciation, and related book values. This ongoing effort is part of the DoD’s overall tactical initiatives for achieving clean opinions on its financial statements.

Internal Controls

Introduction The National Defense Authorization Act for FY 2000 requires this Plan to include an internal controls checklist for use throughout the DoD.

The DoD's internal controls are vital to safeguarding resources, curtailing fraud, waste and misappropriation of assets and reliably reporting information on financial statements and other required reports. Strong internal controls enable the DoD to establish an environment conducive to ensuring that:

- Regulations are followed
- Programs achieve intended results
- Fraud, waste, and abuse are minimized
- Feeder system data is maintained and accurately reported.

To ensure these goals are met, the DoD Components use various internal control techniques, processes, and procedures. While internal control objectives are similar across the various DoD organizations, control techniques--specific procedures and steps to satisfy objectives--are not "cookie cutter." In other words, different organizations may employ, and most often do, different techniques or combination of techniques to achieve similar control objectives. Following are descriptions of the DoD Components' approaches for helping ensure that internal controls are implemented and effective.

U.S. Army The Army maintains management controls evaluation checklists on the Assistant Secretary of the Army (Financial Management & Comptroller) at website (www.asafm.army.mil). The management controls evaluations are contained in two broad categories: "checklists" and "alternative methods."

The categories are necessary because most of the proponents of functional areas have checklists available through Army regulations. There are, however, instances where proponents have developed alternative evaluation methods in other documents in lieu of checklists from the Army regulations. Checklists are listed by functional area.

The Internal Controls Checklist office of primary responsibility and responsible manager are:

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**U.S. Navy and
U.S. Marine
Corps**

The Navy has developed “A General Guide of Common Financial Operations and Processes” to help evaluate Navy financial operations and processes. This guide is maintained at website navweb.secnav.navy.mil/fmo/index.htm.

The DoN’s 13 non-financial feeder teams are also strengthening internal controls and developing checklists by functional areas. These checklists will be made available when completed.

The Internal Controls Checklist office of primary responsibility and responsible manager are:

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U.S. Air Force

The Air Force maintains internal control self-inspection checklists on the Assistant Secretary of the Air Force (Financial Management and Comptroller) at website www.saffm.hq.af.mil. The self-inspection program is currently being rewritten to focus on critical processes, standardize the process throughout all Air Force Major Commands and reduce the number of questions. Developed to be sufficiently flexible to meet the needs of all commands, the program will contain a standard set of core questions applicable across the Air Force and will also provide each command with the ability to add questions regarding operations unique to that command. The new checklists will be web-based and it is anticipated they will be available for use by all commands in FY 2000.

The quality assurance and self inspection program office of primary responsibility and responsible program manager are:

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**Defense
Finance and
Accounting
Service**

Internal controls are an integral component of the DFAS' management. They comprise the plans, methods, and procedures used to meet the DFAS' missions, goals, and objectives and, in doing so, support performance-based management. When properly implemented, internal controls provide reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding assets and preventing and detecting errors and fraud.

The demand for accountability has resulted in a need for more information about government programs and services. Public officials, legislators, and citizens want to know whether government funds are handled properly and comply with laws and regulations. They also want to know whether government organizations, programs, and services are achieving their purposes and whether these organizations, programs, and services are operating economically and efficiently. An effective Internal Review program is one vehicle that DFAS uses to ensure that officials are accountable for their actions and decisions.

The objective of DFAS' Internal Review program is to provide senior management with audit and analysis services to assist and advise them on the successful fulfillment of their responsibilities. An effective Internal Review program provides credibility to the information reported by or obtained from management through objectively acquiring and evaluating evidence. In conjunction with internal controls, the DFAS has an Internal Review staff that:

- Conducts internal audits of the functions or activities that have a high risk or sensitivity to potential fraud, waste, abuse, or mismanagement
- Conducts internal audits of the functions or activities that have known or suspected weaknesses, determine the nature and causes of the weaknesses, and make recommendations to correct the weaknesses

- Performs follow-up reviews to determine the status of corrective actions taken as a result of prior external and internal audits
- Performs special projects of an unprogrammed nature to identify corrective actions for serious problems and prevent their recurrence elsewhere in the organization.

An effective Internal Review program will help ensure that the DFAS has successfully incorporated the necessary internal controls.

The DFAS Internal Control and Internal Review Programs

The DFAS has recognized both the importance of internal controls and their role as an integral component and responsibility of an organization's management. This is clearly evident from one of the seven primary goals of the DFAS: "Maintain an aggressive internal control program to ensure proper stewardship of DoD resources."

Over the past year, the DFAS has taken several actions to improve both its internal control posture and internal review programs. These actions are summarized below.

Streamlined Internal Control Program

The "Federal Managers' Financial Integrity Act of 1982" (FMFIA) provides the foundation for the DFAS internal control program. In early 1998, it was determined that the existing FMFIA Section 2 program within the DFAS was not accomplishing its stated objectives. Some of the issues included:

- Material internal control weaknesses that had been previously identified and reported were not being corrected in an aggressive manner
- Managers were not being held accountable for the absence of or noncompliance with necessary internal controls
- Risk assessment forms were being "manipulated" to reduce "high" risk ratings, thereby avoiding the need for frequent management control reviews
- Management control reviews were being performed to satisfy a DFAS requirement and not to identify needed improvements to a manager's internal control program.

In March 1998, the DFAS formed a task force to identify needed improvements and changes to the DFAS FMFIA Section 2 program. A June 1998 report by the task force contained numerous recommendations addressing the need to modernize the existing program and to incorporate features that would ensure managerial accountability. These recommendations are currently being implemented into the Section 2 program. In addition, most of the concerns listed above were addressed in the task force's recommendations. Those not addressed are current initiatives of the Internal Review office. This streamlined program is set for full implementation in June 2001.

Another factor that has improved the DFAS Internal Control program is the active involvement by senior management. In the past, extensions of completion dates for actions to correct material weaknesses were routinely accepted and reported. Currently, any extensions to completion dates must be justified to the Deputy Director with a detailed analysis of the current status and a reason why the extension is necessary.

Internal Review
Realignment

Since the establishment of the DFAS in 1991, the internal review function has been located within various headquarters and field directorates. It was not directly aligned with the Director's Office. This arrangement did not permit sensitive issues or internal control deficiencies to be easily communicated to senior management for appropriate actions. In addition, this situation created a center centric versus corporate perspective. Also, the internal review functions were not staffed with the resources needed to be an "honest broker" for senior management. In recent years, the DFAS has recognized the importance of a professional, objective and viable Internal Review program to help achieve its goal of maintaining an aggressive internal control program.

The need for change was recognized in 1998 as a result of several high visibility fraud cases that involved the DFAS personnel or functions. The congressional scrutiny received on one specific case prompted numerous internal actions by the DFAS to address internal control and internal review weaknesses.

In September 1998, the DFAS Director created a new office called the Fraud and Internal Review Division. This office was aligned under the Customer Support and Internal Control Directorate, and the Chief of the new Fraud and Internal Review office was dual-hatted. He was the Deputy Director of the Directorate, as well as the Internal Review Chief. Later, the Internal Review Office was placed under the direct control of the Director's Office.

In November 1999, the internal review resources throughout the DFAS network were capitalized "in-place" and put under the control of the Headquarters Internal Review Office, reporting directly to the front office. It was recognized that the field internal review offices represented a valuable resource for helping the agency evaluate its successes and identify its shortcomings. This action also allowed these resources to focus on a more corporate perspective. Subsequently, the DFAS Director created a Senior Executive Service (SES) position to head up this DFAS-wide internal review program. The SES position represented another step in recognizing the importance of senior-level attention and visibility to internal review issues and internal review capabilities.

Future Initiatives for the Internal Review and Internal Control Program

Some actions have already begun to achieve the goal of maintaining an aggressive internal control program. For example, the DFAS currently is developing its objectives, capabilities, and initiatives in support of its strategic business goal. When completed, this exercise will form the foundation for most of the actions and initiatives the DFAS will pursue in the future.

As the DFAS formalizes its future plans, it recognizes the importance of internal controls to provide reasonable assurance that:

- Obligations and costs comply with applicable laws
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use and misappropriation
- Revenues and expenditures applicable to DFAS operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over assets
- Obligations and expenditures are recorded contemporaneously with each transaction
- Organizational and functional duties are performed separately at each step in the cycles of transactions
- Use of progress payment allocation systems results in posting payments to appropriation accounts consistent with section 1301 of title 31, United States Code.

Determine Risk

Before the DFAS commits valuable resources within the internal review arena, it will develop a risk management model to identify those areas and functions requiring immediate attention. It would not be cost effective to expend resources in areas with a low or nonexistent risk of fraud, waste, abuse, or mismanagement. Therefore, the development of a specific and usable risk assessment model will represent the cornerstone for much of the work accomplished by the internal review organization.

Plan for Internal Review

A detailed action plan will be developed for Internal Review, with quarterly updates. The efforts of the Internal Review Division will be coordinated with the GAO, the IG, DoD, and the Service audit organizations. Generally, the plan will address high-risk areas and internal control issues. Portions of the plan are summarized below.

Operational Review Program

The DFAS operational review program is designed to provide senior executives with reasonable assurance that the DFAS activities are meeting the Agency's goals. Independent and objective reviews will be conducted at all the DFAS locations, based on risk assessments.

This program is prevention-oriented and intended to foster an environment of awareness in reducing risks, safeguarding assets against fraud, waste and abuse, and ensuring adequacy of internal management controls and compliance with statutory and regulatory guidance. The primary objectives of the reviews will be to:

- Ensure internal management controls are in place and operating in an effective manner
- Assess performance under and ascertain compliance with established policies, procedures, regulations, directives and laws
- Ascertain whether resources are properly acquired and protected and that they are used in an economical and efficient manner
- Isolate weaknesses, identify problems, determine causes and develop sound recommendations in order to provide management with reliable information on which to base appropriate corrective actions
- Monitor, follow-up and validate completion of corrective actions.

The Operational Review Program office of primary responsibility and responsible manager are:

DFAS-DI
Program Manager
Ed Romesburg

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Business Process Review Program

Business process reviews will focus along business lines and major business processes in addition to specific locations. Using this approach will enable the DFAS Internal Review Office to identify systemic weaknesses and problems across the entire corporate network. The DFAS will first concentrate on those areas where the perceived risk is the greatest, either in terms of potential loss or inadequacy of controls.

As part of the business process review effort, Operation Mongoose will provide information on potential vulnerabilities and fraud. Areas of concern from operational and business process reviews will be passed to Operation Mongoose for analysis and research. Internal Review and Operation Mongoose personnel will work side-by-side to investigate data anomalies discovered through data mining and other techniques.

The Business Process Review Program office of primary responsibility and responsible manager are:

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Operation Mongoose Efforts

Operation Mongoose will become more integrated with the Internal Review organization. Its primary mission will be as a research arm for other functions in Internal Review. Using data mining and other technologies, the primary thrust of their research efforts will be to develop models, followed by prototypes, of data testing and search techniques that can be used to identify or thwart potential fraud. These techniques and testing tools will be perfected in the Internal Review environment before they are transferred to the functional elements for continuous monitoring and use.

In addition to its past emphasis on data matching, the Operation Mongoose team will assume more responsibilities to track, monitor, and learn from individual suspected fraud cases that occur within the DFAS network. The Operation Mongoose expertise in the area of detecting and deterring fraud will add a valuable capability in analyzing these individual cases, helping develop strategies to prevent recurrence, and better targeting DFAS internal review efforts.

Systems Development Auditing Efforts

An area that the DFAS Internal Review has not addressed in the past is the inclusion of necessary internal and system controls during the development of automated finance and accounting systems. The DFAS is in the process of building a team of system auditors who will be responsible for monitoring the development and deployment of automated systems to ensure that all the proper controls have been incorporated. These auditors will be integral members of the development and deployment teams. In this capacity, they will be able to identify potential problems and recommend corrective actions before the systems go operational.

These efforts will provide tremendous benefits to the DFAS in two ways:

- Save resources by preventing costly and timely “fixes” after systems are operational
- Reduce the potential for fraud to occur.

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**Defense
Information
Systems
Agency**

The DISA’s internal controls have been established and documented with applicable delegation to the field sites that perform the accounting and reporting functions of DISA’s two business areas-- telecommunications and IT Contracting Services and Computing Services. All accounting and reporting guidance, consistent with DoD and U.S. Treasury Department guidance and regulations, is issued and controlled by the DISA Comptroller. The Federal Financial Accounting Management Information System (FAMIS) and its feeder systems each have specific security access controls either built into the application software or within the related database management software. The administration of security access for the FAMIS is completed at the two primary field sites for DISA’s two business areas.

The Internal Controls Checklist office of primary responsibility and responsible manager are:

Defense Information System Agency Comptroller, Working Capital Fund
Division, Financial Information Systems

Program Manager
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**Defense
Logistics
Agency**

The DLA has implemented all financial management regulations in accordance with DoD guidance and has provided training on specific FMR issuances. The DLA has published a DLA CFO compliance plan that addresses the actions, including internal controls, required for the DLA to publish auditable financial statements. The DLA has not developed a standard internal controls checklist, but will implement a checklist in the DLA financial management improvement plan.

The Internal Controls Checklist office of primary responsibility and responsible manager are:

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**Defense Threat
Reduction
Agency**

The DTRA has developed Management Control Plans in lieu of Internal Control checklists. Management Control Plans are written plans, which identify the assessable unit. An assessable unit is a function that requires a manager to control resources within an organization, program, or project. The Management Control Plan identifies scheduled and accomplished reviews and documents the progress made toward meeting program requirements.

The Management Control Plan is updated biannually and a copy is submitted to the Comptroller each April and October. The Management Control Plans are maintained in the Management Division of the Financial Management Office. The Financial Management Office is an assessable unit and has established management control plans by division.

The Internal Controls Checklist office of primary responsibility and responsible manager are:

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