UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

OCT 12 2001

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DEPARTMENT OF DEFENSE FIELD ACTIVITIES

SUBJECT: Defense Financial Management Modernization Program – System Initiatives

The Secretary of Defense recently established the Financial Management Modernization Program to provide policy direction and oversight for all financial management modernization efforts. While prudent investments in operational, developmental, and new system initiatives are important to maintain and improve the Department's business operations, the overall impact on the Department's pending financial management enterprise architecture must first be assessed. Therefore, until the architecture is developed to guide our modernization efforts, all DoD Components must control their financial system and related non-financial (feeder) system investments as described below.

For currently operational systems, a DoD Component Head may approve and fund changes that address priority 1 or 2 core mission issues only. This approval should reflect coordination from both the Component's financial management senior proponent and Chief Information Officer (CIO). System changes to satisfy a financial compliance requirement alone should not be considered a priority 1 or 2 issue. Any system change that does not meet this criteria may not be funded or implemented without my prior written approval.

Issue prioritization is defined by the Institute of Electrical and Electronics Engineers (IEEE) 12207.2, "Standard for Information Technology—Software Life Cycle Processes." A priority 1 problem is one which would (a) prevent the accomplishment of an essential capability, or (b) jeopardize safety, security, or other requirement designated "critical." A priority 2 problem is one which would (a) adversely affect the accomplishment of an essential capability and no work-around solution is known, or (b) adversely affect technical, cost, or schedule risks to the project or to life cycle support of the system, and no work-around solution is known.

Systems currently under development may be continued up to, and including, completion of the pilot/prototype evaluation at which point the results of an independent third-party assessment must be presented to me in a formal brief. Under no circumstance should Components allow any system initiative to enter into production or be deployed without my written concurrence.

New system initiatives (initiatives which have not received a Milestone A decision prior to the release of this memorandum), regardless of their investment threshold, must complete the following pre-Milestone A requirements: Business Process Review and Improvement, Mission Need Statement and Trade-off Studies. The results of these efforts must be presented to me in a formal brief. Under no circumstance should a DoD Component request approval for any new initiative to enter Milestone A without my written concurrence.

This guidance is effective immediately and remains in effect until the Financial Management Enterprise Architecture is developed and follow-on guidance released. All system investment approval requests and related documentation must be sent to the Office of the Under Secretary of Defense (Comptroller), Financial Management Modernization Task Force, Pentagon Room 3A731, Washington, DC 20301-1100.

The requirements addressed above are in addition to, and not in lieu of, any other defense acquisition policy and Clinger-Cohen Act certification requirements. My point of contact for this action is Ms. Catherine Santana. She may be reached at (703) 692-5001, or by e-mail at santanac@osd.pentagon.mil.

Dov S. Zakheim