



CHAPTER ONE

ADOPTING BEST BUSINESS PRACTICES

Chapter 1 - Adopting Best Business Practices

Background

The leadership of the Department of Defense (DoD) recognized that there is much to be gained by adapting the tools, processes, and techniques used by leading companies in the private sector to manage the way they do business. DoD is applying best practices to significantly change a number of the Department's core processes—acquisition/procurement, logistics, financial, human resources, and information management. By using proven best practices in these processes, DoD strives to reduce related costs and use the funds made available to modernize their forces. Use of information technology to reduce cycle times and costs and to improve the fidelity of the data used to operate and manage is a prominent best practice being applied. It is not only improving the core processes to which it is applied, it is improving the interface between those core processes. Another best practice is a change in the buyer-seller relationship, through the use of purchase cards and prime vendors. Process improvement activities are changing the transportation process and reducing government property in the hands of DoD suppliers. Finally, the use of performance indicators and measures allows DoD managers to operate at reduced cost while providing to their internal DoD customers better service in a more timely manner. This will result in a level of integration of the “business” side and the “operational” side of DoD that has never been achieved before. Adoption of best business practices is a key element to the achievement of a “Revolution in Business Affairs” at DoD.



Chapter 1 - Adopting Best Business Practices

- **Background**

- DoD is adopting the tools, processes, and techniques used by leading private-sector companies
- DoD is applying these best business practices to core processes: acquisition/procurement, logistics, financial, human resources, and information management
- DoD is striving to reduce costs related to conducting these core business processes and to use the funds made available to modernize its forces
- Adoption of best business practices is a key element to the achievement of a “Revolution in Business Affairs” at DoD

Chapter 1 - Adopting Best Business Practices

Initiatives

Chapter One comprises the following initiatives:

- 1.01 Electronic Commerce - Revolutionizing the Way DoD Does Business
- 1.02 Paperless Contracting and Acquisition
- 1.03 Simplifying and Saving with E-Malls
- 1.04 Simplifying Payments with the Government Purchase Card
- 1.05 Simplifying Customer Support, Ordering, and Payment with the Prime Vendor Program
- 1.06 Improving Accountability - Defense Agency Performance Contracts
- 1.07 End-to-End Procurement Process
- 1.08 Disposal of Excess Government Property
- 1.09 Reengineering Defense Transportation Documentation and Financial Processes

E-Commerce, Paperless Contracting, E-Malls, and End-to-End Procurement Initiatives focus on using technology to improve the procurement process, including how DoD pays for supplies and services, as well as the interface with other processes. Simplifying Payments and Simplifying Customer Support Initiatives relate to the change in buyer-seller relationships through the use of purchase cards and prime vendors. The Improving Accountability Initiative adopts the best practice of using performance indicators and measures to improve processes and customer support. The Disposal of Excess Government Property Initiative reduces acquisition process cost through adoption of a disciplined approach to government property reduction. Finally, the Reengineering Defense Transportation Initiative represents a comprehensive business process reengineering of the transportation process, as it relates to the process documentation and payment.



Chapter 1 - Adopting Best Business Practices

- **Initiatives:**
 - E Commerce - Revolutionizing the Way DoD Does Business
 - Paperless Contracting and Acquisition
 - Simplifying and Saving with E-Malls
 - Simplifying Payments with the Government Purchase Card
 - Simplifying Customer Support, Ordering, and Payment with the Prime Vendor Program
 - Improving Accountability - Defense Agency Performance Contracts
 - End-to-End Procurement Process
 - Disposal of Excess Government Property
 - Reengineering Defense Transportation Documentation and Financial Processes

Chapter 1 - Adopting Best Business Practices

Performance Measures

Although some outcome measures are being used, many of the performance measures used in these initiatives are process measures relating to some level of input, activity, or output. To some extent, this is to be expected, since these best practices are being applied to a process and the focus is on the application, not the outcome of the application. A good example of this is the application of information technology to the acquisition/procurement process. The use of measures such as numbers or percentage of electronic transactions are a good indication of the implementation of the initiative, but there are no measures of outcome, such as cycle time reduction or labor hour reductions. The procurement process owner is therefore missing an opportunity. The contracting workforce has been reduced from 23,798 (1102s and 1105s) in FY1994 to 19,405 in FY1999. And while transaction count has decreased significantly, the reduction has occurred primarily in transactions under \$25,000, and even more so in the under \$2,500 range (primarily because of use of the purchase card). In fact, transactions above \$25,000 (where labor requirements are higher) have actually risen 35 percent. These figures indicate a possible productivity increase; however, the data are incomplete. With proper use of measures, the outcome of the application of enablers such as IT can be shown in terms of efficiency gains in a process. There is also a lack of customer-focused measures related to the application of these best practices. Some efforts are under way to remedy this measurement gap, such as efforts related to the Reengineering Defense Transportation Initiative. There is additional discussion within other initiative teams to reexamine their mix of performance measures.

Recommendations

In addition to the measurement of input, activity, or output measures, core process owners applying best business practices to their processes should emphasize measurement of the outcome. Linking goals focusing on cost savings, process efficiency and improved customer service, and performance measures will help establish outcome measures.



Chapter 1 - Adopting Best Business Practices

- **Performance Measures**
 - Some outcome measures are being used
 - Many measures relate to process: input, activity, output
 - Measures focus on implementation/application of the best business practices
 - Initiative teams are considering outcome measures
- **Recommendations:**
 - Core process owner should emphasize outcome measures
 - Link cost saving and customer service goals to performance measures

Initiative 1.01 - Electronic Commerce - Revolutionizing the Way DoD Does Business

Background

The Department of Defense is improving its business processes through the application of information technology, much of it commercially available. In May 1998, the Deputy Secretary of Defense established the Joint Electronic Commerce Program (JECP). Defense Reform Initiative Directive #43, *Defense-Wide Electronic Commerce*, designated the DoD Chief Information Officer (DoD CIO) as the official responsible for providing information technology oversight and policy direction to the functional OSD Principal Staff Assistants (PSAs) and Components, to include Electronic Commerce (EC) policy. To support the JECP, DRID #43 established the Joint Electronic Commerce Program Office (JECPO) and made it responsible for the strategic implementation of EC policy in support of the PSAs and Components. More specifically, as stated in DRID #43, the JECPO was “designated as the DoD Executive Agent to support, facilitate, and accelerate the application of electronic business practices and associated information technologies to improve DoD processes and support weapons and combat support systems throughout their life cycles. The JECPO will allow DoD to centralize EC policy recommendations, planning, and coordination and will ensure consistent implementation based on open standards for interoperability in a common business environment while maintaining the decentralization of EC execution.” The JECP Electronic Business/Electronic Commerce (EB/EC) Strategic Plan, dated May 1999, outlined three broad strategic goals:

- Achieve global flexibility, increased productivity, and a dynamic working environment through the application of EB/EC
- Achieve efficient and effective responses to changing environments by the rapid introduction of business process improvements or reengineering and the exploitation of EB/EC technologies
- Through guidance and attaining necessary skills for implementation of EB/EC, achieve cultural changes and shift from current business practices

Objectives supporting these goals have been drafted in the JECP Implementation Plan, which also calls for a Performance Measures Integrated Project Team (IPT) to identify quantifiable measures for defining e-business success in areas such as cycle-time reductions, inventory reductions, and customer responsiveness increase.



1.01 - Electronic Commerce - Revolutionizing the Way DoD Does Business

- **Background**

- May 1998 - DRID #43 establishes the Joint Electronic Commerce Program and the Joint Electronic Commerce Program Office (JECPO)
- JECPO is the DoD Executive Agent to support, facilitate and accelerate the application of EC to improve DoD business processes
- Three strategic goals:
 - Achieve global flexibility, increased productivity, and a dynamic working environment through the application of EB/EC
 - Achieve efficient and effective responses to changing environments by the rapid introduction of business process improvements or reengineering and the exploitation of EB/EC technologies
 - Through guidance and attaining necessary skills for implementation of EB/EC, achieve cultural changes and shift from current business practices

Initiative 1.01 - Electronic Commerce- Revolutionizing the Way DoD Does Business

Approach

The project team reviewed available public documentation such as the JECPO Strategic Plan, as well as other information available on the JECPO Web site. Several meetings were then conducted with JECPO staff. The first meeting was with representatives of the various projects that fall under the JECPO, such as Central Contractor Registration, DoD E-Mall, DoDBusOps.com, Electronic Data Access, and ePortal. A second meeting was held with the Director, JECPO and members of the staff. Subsequent meetings were held with other concerned staff members.

Performance Measures

Currently, the performance measures used by the JECPO are mostly process (input, activity, or output) measures for a number of the projects that fall under the JECPO. The Central Contractor Registration (CCR) project does track registration cycle time. However, with the emphasis on establishment of the Electronic Commerce capability, outcome measures such as reduction of process costs or process cycle time for the DoD core processes affected by JECPO projects are not being measured. This responsibility should not fall on the JECPO, but rather on the core process owner. Also, the JECPO has not yet identified the measures to support the goals/objectives in its strategic plan. However, there is a considerable effort currently underway within the JECPO to identify performance measures for each project within the JECPO and to determine how those measures can be integrated to provide a comprehensive program view.

Recommendations

With the Performance Measures IPT, the JECPO appears to be on the right track. Measures established should reflect the cost, timeliness, and quality of the service or product the JECPO provides to its customers, whether DoD core process owners, other DoD organizations, or DoD suppliers. In addition, the process owners of DoD processes that utilize JECPO-related services or products should establish measures that gauge the impact of those services/products on their process. For example, if a capability such as electronic data access eliminates the requirement to reproduce and distribute contract documents, there is a measurable potential cost impact on the procurement process. The process owner should capture that data in order to measure the effectiveness of the application of that electronic capability. He or she should also ensure that paper files are, in fact, being replaced with electronic files. Otherwise, there may be no savings.



1.01 - Electronic Commerce - Revolutionizing the Way DoD Does Business

- **Approach**
 - Reviewed available documentation
 - Met with Director, JECPO and staff
- **Performance Measures**
 - Current measures mostly process (input, activity, output)
 - Measures to support strategic goals not yet established
- **Recommendations**
 - JECPO should establish measures for cost, timeliness, and quality of its products and services
 - Owners of processes impacted by a JECPO product/service to establish measures to gauge impact of that product/service

Initiative 1.01 - Electronic Commerce - Revolutionizing the Way DoD Does Business

Goal: Expand the use of electronic commerce between DoD and its suppliers by reducing contractor registration cycle time

Performance Measures: (1) Time to register (days)
(2) Number of CCR registrants

	<u>Dec.1997</u>	<u>FY99</u>	<u>FY2000 Goal</u>
<u>Registration Time</u>			
Actual	30 Days	2 Days	8 Hours
<u>Number of Registrants</u>			
Actual	22,016	149,000	310,000

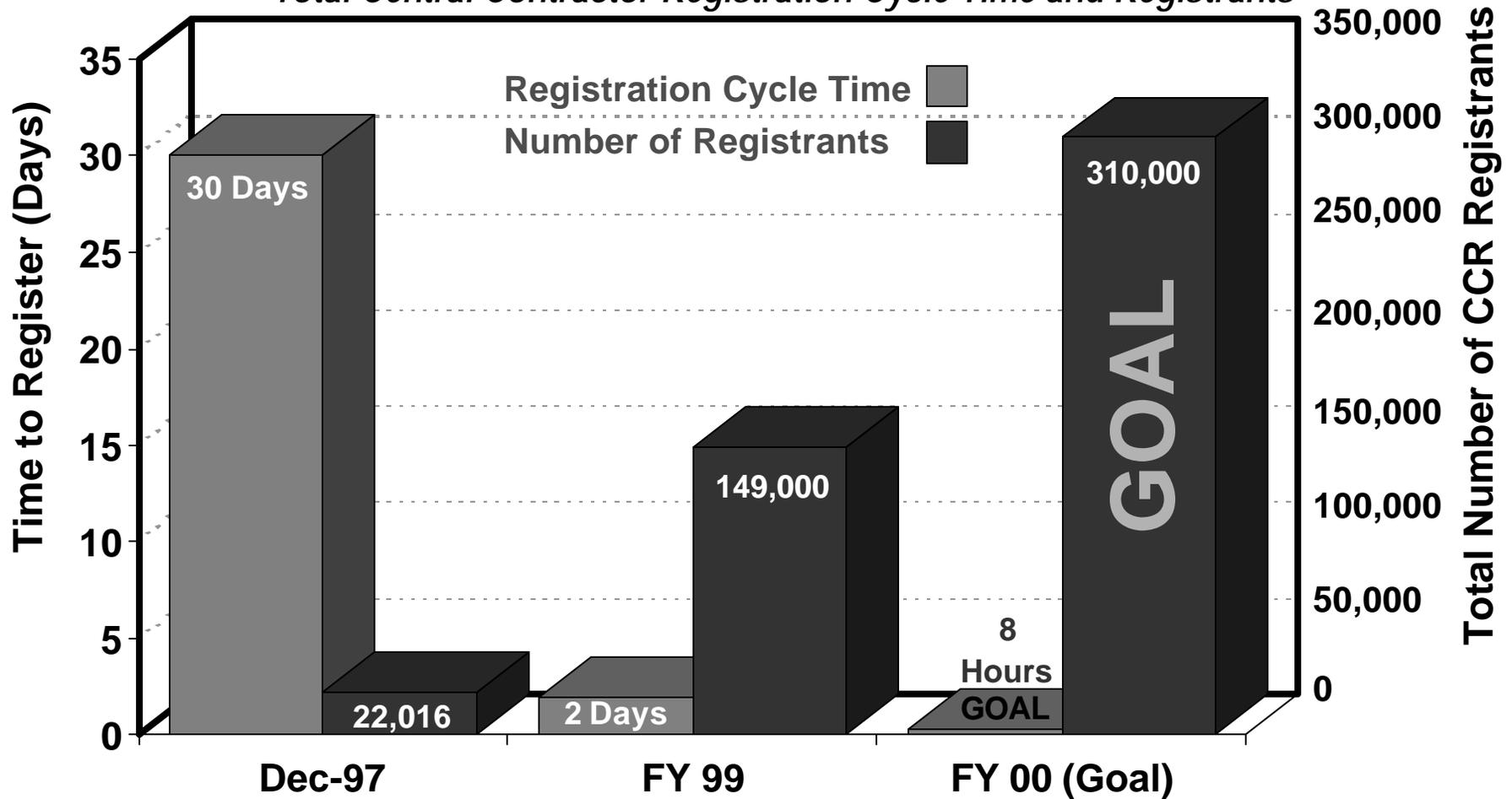
Source: JECPO

Organization, Systems, and Other Issues: Support from DoD leadership, in the form of a policy to encourage contractors to register, has been of assistance in raising registration levels.



Expand Use of Electronic Commerce Between DoD and Suppliers by Reducing Contractor Registration Cycle Time

Total Central Contractor Registration Cycle Time and Registrants



Initiative 1.01 - Electronic Commerce - Revolutionizing the Way DoD Does Business

Goal: Increase the number of electronic documents and electronic data access users by providing the capability for electronic document preparation and distribution

Performance Measures: (1) Number of EDA users
 (2) Total electronic contracts/documents available

	<u>Dec. 97</u>	<u>FY 99</u>	<u>FY 00 (Goal)</u>
<u>Number of EDA Users</u>			
Goal			40,000
Actual	8,500	14,700	
<u>Total Contracts/Documents Available</u>			
Goal			30 Million
Actual	2 Million	24 Million	

Source: JECPO

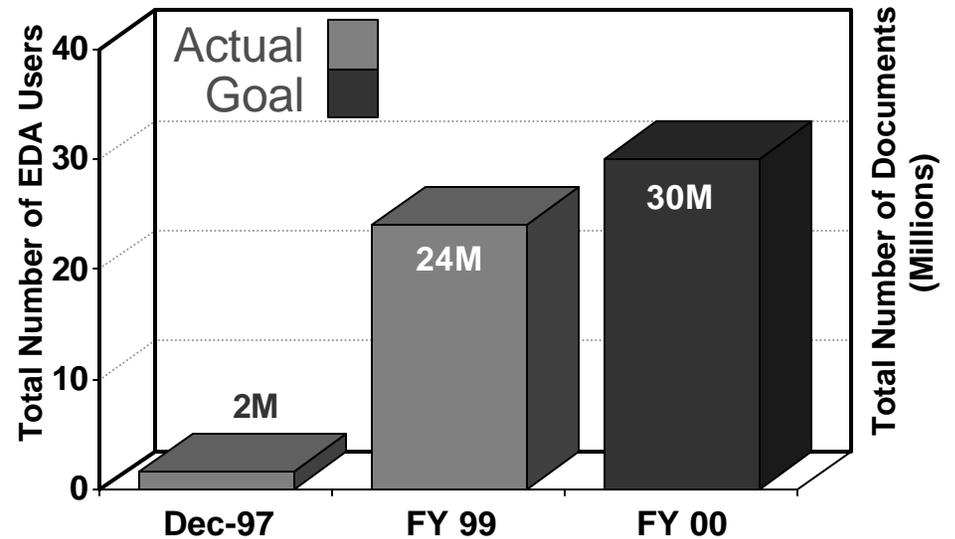
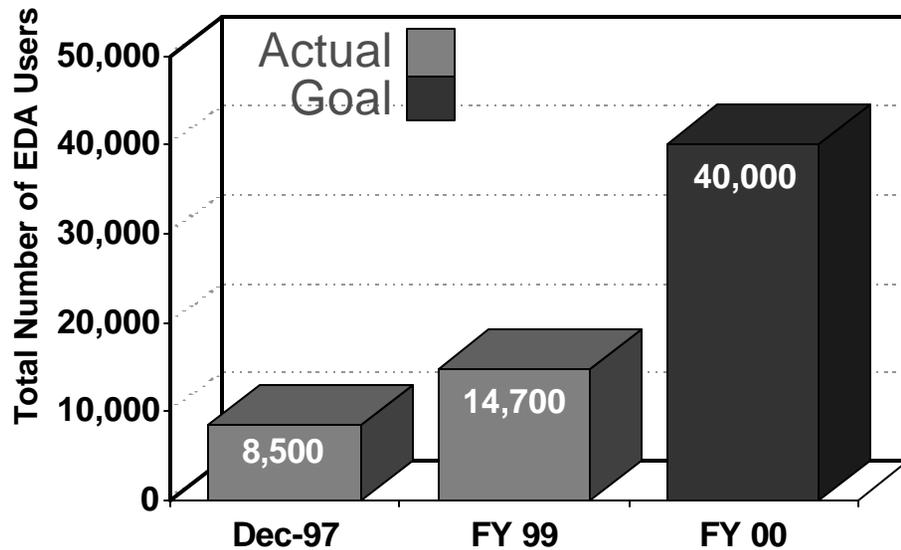
Organization, Systems, and Other Issues: Electronic document access represents significant potential savings (one economic analysis estimated \$8.00 per contract/modification), but only if paper files are not also created and maintained.



Increase the Number of Electronic Documents & Access Users by Providing Capabilities for Electronic Document Preparation/Distribution

Total Number of EDA Users

Total Contracts/Documents Available Electronically



Goal of 40,000 users in FY 00

Goal of 30 million electronic contracts/documents in FY 00

Notes:

1) EDA is currently reducing the requirement for hard-copy contract files, GBLs, and vouchers.

Initiative 1.02 - Paperless Contracting and Acquisition

Background

The Secretary of Defense directed the Department to undertake a revolution in business practices in conjunction with the Quadrennial Defense Review. In response to that direction, Management Reform Memorandum #2, *Moving to a Paper-Free Contracting Process by January 1, 2000*, was issued on May 21, 1997. In that MRM, the Under Secretary of Defense (Acquisition and Technology) was requested to develop a plan to move to a totally paper-free contract writing, administration, finance, and auditing process. After several years of various efforts to move forward with the paperless contracting process, Defense Reform Initiative Directive #46 formalized and focused the various efforts related to paperless contracting under the DoD Chief Information Officer (DoD CIO). That DRID also reinforced the goal of a paperless contracting process, from requirements generation to closeout, by January 1, 2000, and established organizational structures (overarching and working integrated product teams) to manage the initiative. Although significant progress toward that goal was achieved, it was not met. The completion date was revised to January 1, 2001.

Approach

The project team reviewed available public documentation such as the *DoD Annual Report to the President and Congress*, as well as other information located on the Defense Reform Office Web site. A meeting was conducted with the Paperless Contracting Initiative leads.



1.02 - Paperless Contracting and Acquisition

- **Background**

- MRM #2 established the Paperless Contracting Initiative on May 21, 1997
- DRID #46 formalized and focused the efforts under the DoD CIO and set up a management structure for the initiative

- **Approach**

- Reviewed available documentation
- Met with Paperless Contracting Initiative leads

Initiative 1.02 - Paperless Contracting and Acquisition

Performance Measures

Currently, the performance measures used to measure progress toward the goal are output measures for documents related to six activities in the overall contracting process – contract requirements, solicitations, awards/modifications, receipts/acceptances, invoices/payments, and contract closeouts. The measures show progress toward the goal of 90 percent by January 1, 2000. There are no outcome measures, showing the impact of going “paperless” on the affected processes, such as procurement, logistics, or finance.

Recommendation

While the current measures clearly support the stated goal, the outcome of this initiative is not captured. As with the Electronic Commerce Initiative (1.01) and other initiatives under the Defense Reform Initiative, the focus is on the implementation of a change to the process, and not on the result of the process change. The relationship between this initiative and Initiative 1.01 is very close, and the two appear to overlap. As recommended in 1.01, the owner of any process impacted by this initiative should establish performance metrics that measure the impact of the Paperless Contracting Initiative on that process.



1.02 - Paperless Contracting and Acquisition

- **Performance Measures**

- Currently using output measures that support the goal
- Measuring percent paperless of:
 - Contract requirements
 - Solicitations
 - Awards/modifications
 - Receipts/acceptances
 - Invoices/payments
 - Contract closeout
- No outcome measures

- **Recommendation**

- Owners of affected processes establish measures to gauge impact of this initiative on their processes

Initiative 1.02 - Paperless Contracting and Acquisition

Goal: Achieve 90 percent electronic contracting and payment transactions by FY 2000.

Performance Measures: Percentage of electronic transactions by category

<u>Transaction Category</u>	Baseline				Target
	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>CY 99</u>	<u>FY 00</u>
Requirements	70%	83%	90%	94%	90%
Solicitations	49%	58%	78%	95%	90%
Awards	21%	47%	76%	88%	90%
Receipts/Acceptances	16%	26%	72%	74%	90%
Invoices/Payments	13%	28%	47%	63%	90%
Contract Close-Outs	46%	63%	72%	78%	90%

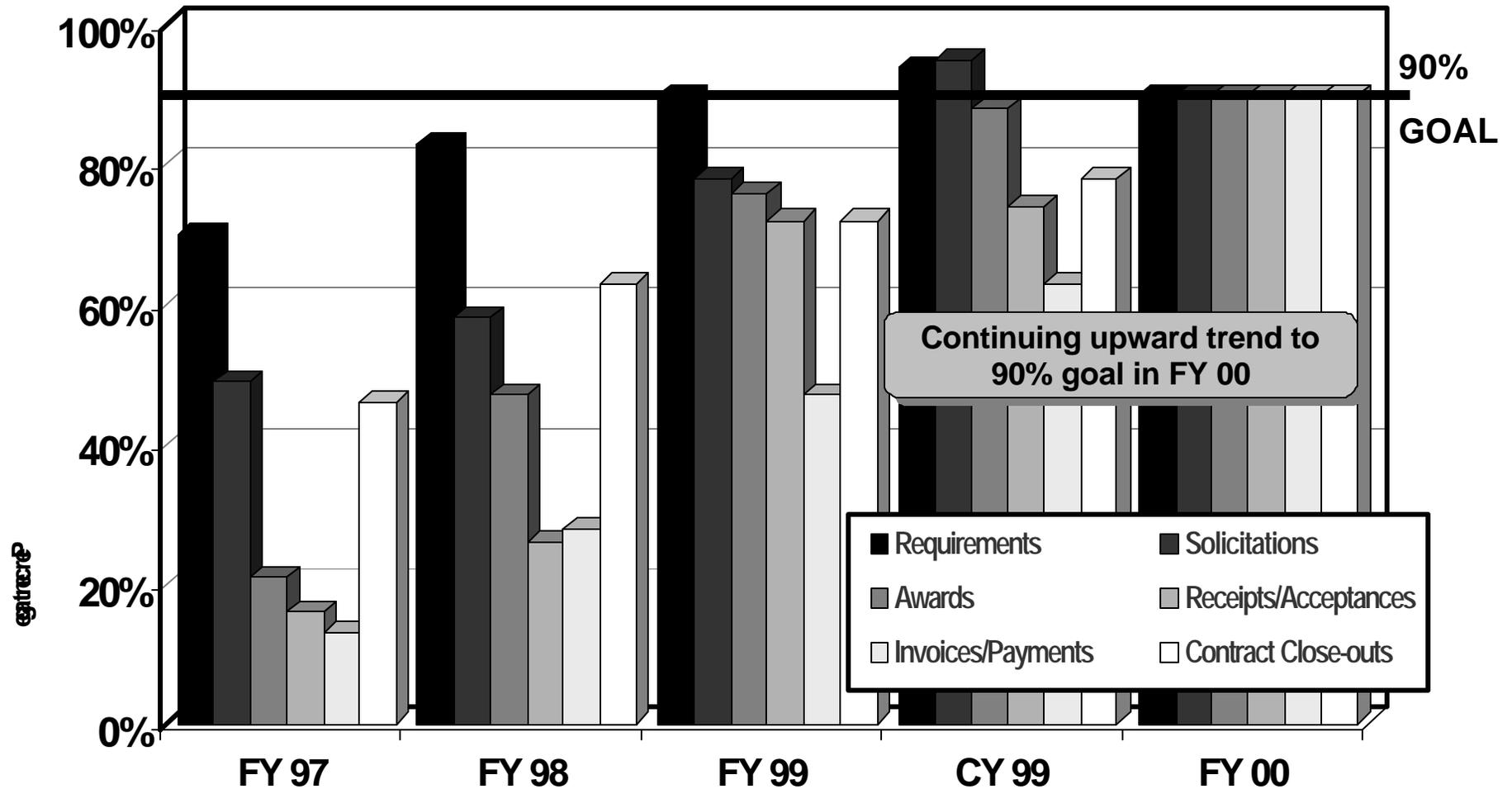
Source: Paperless Contracting Program Office

Organization, Systems, and Other Issues: This initiative currently requires a number of technologies and systems to share information. Implementation of the Standard Procurement System and the Defense Procurement Payment System will resolve this issue.



Paperless Contracting and Acquisition

Percentage of Electronic Transactions for Various Process Activities



Initiative 1.03 - Simplifying and Saving with E-Malls

Background

There is no individual MRM or DRID related to E-Mall, but the 1999 Defense Appropriations Act required DoD to develop a “single, defense-wide electronic mall system which shall provide a single, defense-wide electronic point of entry.” The DoD E-Mall is a separate project under the Joint Electronic Commerce Program Office (JECPO). E-Mall’s use of technology is consistent with the theme of the Joint Electronic Commerce Program—to provide an information technology solution to DoD process owners that will allow them to reduce process costs and cycle time while providing a satisfactory level of support to the customers (users) of that process. E-Mall provides users with a simple means to order commercially available items without having to place repetitive small purchases. The Government Purchase Card holder places an electronic delivery order against an existing long-term contract. The buyer receives the benefit of the volume discounts related to the long-term contract, and there is no paperwork required. Also, the E-Mall provides a single location for buyers to go to order items from different catalogs. Similar to a new retail business, the primary focus of DoD E-Mall has been to establish itself in the marketplace. Since its inception in 1998, E-Mall management has concentrated on expanding the number of items offered/catalogs available and the number of customers using the site.

Procedures

The project team reviewed existing documentation, primarily available on the JECPO and E-Mall Web sites, and conducted discussions with E-Mall personnel and support contractors.



1.03 - Simplifying and Saving with E-Malls

- **Background**

- 1999 Defense Appropriations Act required DoD to develop a “single, defense-wide electronic mall system which shall provide a single, defense-wide electronic point of entry”
- The Government Purchase Card holder places an electronic delivery order against an existing long-term contract for the commercial item
- Primary focus at this stage is expanding the number of items offered/catalogs available and the number of customers using the site

- **Approach**

- Reviewed Web site and available documentation
- Met with E-Mall staff

Initiative 1.03 - Simplifying and Saving with E-Malls

Performance Measures

The performance measures currently in use by the DoD E-Mall represent the achievement of the project's near-term focus of establishing itself in the marketplace. They include the following:

- Registered users (orderers)
- Number of catalogs
- Number of items
- Sales

These are process metrics and do not represent the impact of this initiative on the DoD procurement or logistics processes. Also, there are no customer (user)-focused measures, such as customer satisfaction with the product delivered or ease of use of the site.

Recommendations

The Director, JECPO should establish customer-oriented performance measures. If the DoD E-Mall is to become the primary source for DoD users to acquire commercially available items, it must have the loyalty of that customer base. In addition, the procurement and logistics process owners should assess the cost and cycle time impact of the DoD E-Mall on their processes and continue to measure this impact in conjunction with the other Defense Reform Initiatives that affect their processes.



1.03 - Simplifying and Saving with E-Malls

- **Performance Measures**
 - Current measures: sales, numbers of items/catalogs, and registered orderers
 - No measures reflecting impact on procurement/logistics processes
 - No customer-oriented measures
- **Recommendations**
 - Director, JECPO establish customer-oriented measures
 - Procurement and Logistics process owners measure impact of this initiative (as well as others) on their processes

Initiative 1.03 - Simplifying and Saving with E-Malls

Goal: Increase use of electronic commerce to obtain goods and services

- Performance Measures:**
- (1) Total sales (\$millions)
 - (2) Items available (millions)
 - (3) Catalogs available
 - (4) Total E-Mall orderers

	Actual	Goal		Actual	Goal
	(FY 99)	(FY 00)		(FY 99)	(FY 00)
<u>Total E-Mall Sales (\$Millions)</u>	\$51.4	\$55	<u>Catalogs Available</u>	19	40
<u>Items Available (Millions)</u>	\$2.3	\$3.3	<u>Total E-Mall Orderers</u>	641	2800

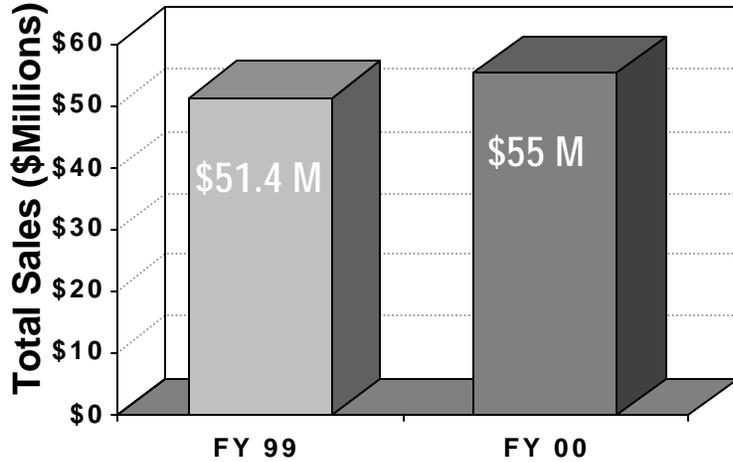
Source: JECPO

Organization, Systems, and Other Issues: Although measures reflect the goal of expanding the use of E-Mall as a way to obtain goods and services, customer-related measures would provide project management with information needed to improve the site, thereby attracting more customers.

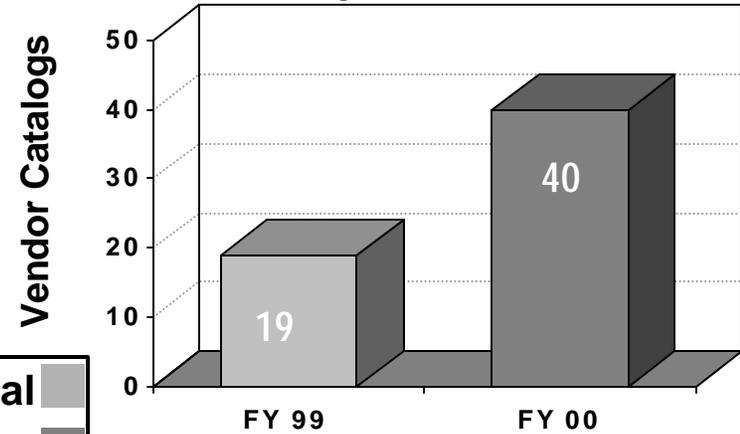


Increase Use of Electronic Commerce to Obtain Goods and Services

Total E-Mall Sales

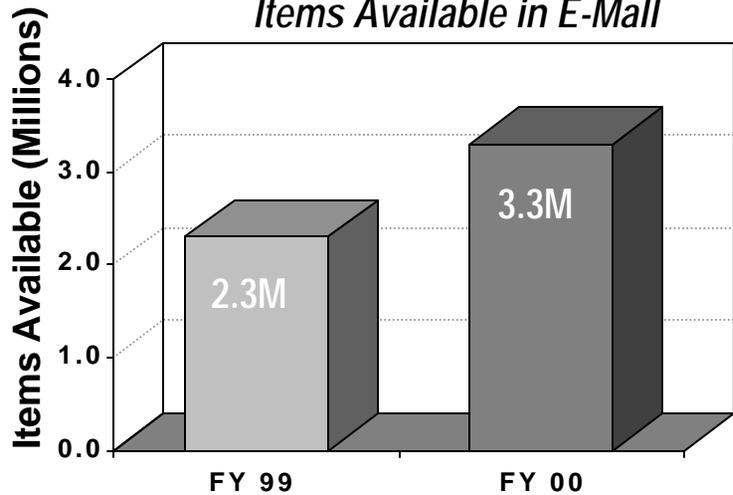


Catalogs Available in E-Mall

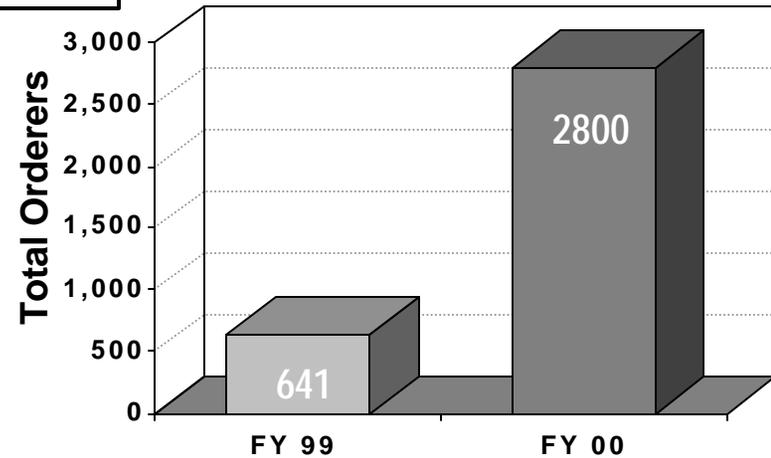


FY 99 Actual
FY 00 Goal

Items Available in E-Mall



Total E-Mall Orderers



Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Background

Initiative 1.04 (Simplifying Payments with the Government Purchase Card) is managed by the Purchase Card Joint Program Management Office (PC-JPMO). The initiative seeks to simplify the purchasing and payment process for DoD goods and services of less than \$2,500. The stated DRI goal is for 90 percent of the goods and services costing \$2,500 or less (micropurchases) to be bought using the Purchase Card by FY2000. Under the management of the PC-JPMO, DoD has successfully achieved the stated goal of Initiative 1.04.

The Purchase Card Program has dramatically improved the DoD acquisition process for small-dollar micropurchases. Significant workload reductions have resulted on both the DoD purchasing and processing portions of the acquisition process. Also, the DoD has seen increasing savings associated with reduced interest payments resulting from overdue vendor payments and increased prompt payment rebates. Since 1994, DoD has reduced the number of micropurchases processed via traditional means by 83 percent and has realized cost savings in excess of \$700M on approximately 35 million Purchase Card transactions. Furthermore, the Purchase Card gives DoD service members global flexibility when making micropurchase transactions, which improves both readiness and quality of life.

The PC-JPMO is also in the early stages of testing an on-line billing/records system that will allow DoD managers/purchasers to better track their micropurchase transactions. This functionality is expected to further eliminate excess paperwork, facilitate the audit process, reduce administrative overhead, and improve the micropurchase approval process. The Purchase Card Program also supports various other DRI goals, including electronic commerce.

Approach

The project team collected baseline data and other initiative information from a variety of sources, including, but not limited to, the following: GAO reports, *Transforming the Department of Defense for the 21st Century*, and the PC-JPMO. In addition, the project team held several meetings with the PC-JPMO Program Manager to discuss initiative impact and develop additional performance measures.



1.04 - Simplifying Payments with the Government Purchase Card

- **Background**
 - Purchase Card initiative seeks to simplify the purchasing and payment process of goods and services below \$2,500
 - Exceeded stated goal of 90% utilization by FY 2000
 - Reduced traditional processing workloads by 83% since 1994
 - Estimated savings in excess of \$700M on approximately 35 million transactions
 - PC-JPMO in early stages of testing on line billing/records system to allow better tracking and management of micropurchase transactions
- **Approach**
 - Meetings with PC-JPMO
 - In-depth data collection from available sources

Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Performance Measures

The existing metrics associated with Purchase Card use successfully capture the degree to which the initiative meets its stated goals. By considering cost savings associated with Purchase Card use, the true outcome of the initiative is shown by its impact on DoD's bottom line. The outcome metric of reduced micropurchase transaction processing workload resulting from Purchase Card use also proves to be an effective measure of the program's positive impact. The following list details the high-level performance measures currently being tracked by PC-JPMO:

1. Percentage of total micropurchases made using the Purchase Card
2. Total number of micropurchase transactions by process type (traditional vs. Purchase Card)
3. Annual savings associated with Purchase Card transactions
4. Rebate dollar values resulting from Purchase Card use



1.04 - Simplifying Payments with the Government Purchase Card

- **Performance Measures**
 - Effective program of outcome-based performance measures
 - Demonstrated cost savings and workload reductions
 - High-level metrics include the following:
 - Percentage of total micropurchases made using the Purchase Card
 - Total number of micropurchase transactions by process type (traditional vs. Purchase Card)
 - Annual savings associated with Purchase Card transactions
 - Rebate dollar values resulting from Purchase Card use

Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Recommendations

The following metrics are suggested as additions to the existing measures currently being captured by the PC-JPMO:

Proposed Metric 1: Vendor payment interest penalties reduction resulting from Purchase Card use.

A clear benefit of the Government Purchase Card Program lies in the fact that it enables the DoD to diminish the percentage of delinquent payments to vendors. The Purchase Card Program Management Office has taken under consideration the total amount of interest paid to vendors because of late payment for goods and services below the \$2,500 threshold. Such a metric can be captured by examining the number of overdue vendor payments for micropurchases and calculating the dollar value of the associated interest payments. As the percentage of delinquent payments is reduced, the amount of DoD interest payments will decrease. The benefit to DoD would be captured as the total savings resulting from more prompt vendor payment resulting from Purchase Card use.

Proposed Metric 2: Traditional micropurchase transaction processing resources reduction resulting from Purchase Card use.

To date, Purchase Card savings performance measures have captured the savings associated with the purchasing end of the micropurchase procurement process. However, a vast majority of the savings associated with Purchase Card use are expected to be realized as a result of the associated reductions in financial management labor required to process micropurchase transactions. DoD needs to accurately capture this information in order to fully develop ROI performance measures for the Purchase Card Program.

As mentioned previously, the PC-JPMO is in the early stages of developing an on line billing/records system to better track Purchase Card transactions. This added visibility will greatly facilitate the process by which managers/purchasers track their small dollar purchases.

In order to fully capture the savings associated with these future improvements, DoD should make efforts to capture the current resources required for tracking, auditing, approving, and managing micropurchases under the current system. This will provide DoD with the baseline data needed to develop outcome-focused metrics to better manage/measure this initiative as it moves toward the implementation stage.



1.04 - Simplifying Payments with the Government Purchase Card

- **Recommendations**

- Begin tracking the reduction in vendor payment interest penalties resulting from Purchase Card use
 - Total number and length of overdue payments to vendors
 - Total dollar value of interest penalties paid to vendors
- Begin tracking the reduction in traditional micropurchase processing resources resulting from Purchase Card use
 - Impact of workload reductions on financial management process labor
- Fully capture savings associated with the proposed on-line billing/records system
 - Establish baseline requirements for tracking, auditing, approving, and managing micropurchases
 - Develop outcome-based performance measures to best manage the effort moving through implementation

Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Goal: By FY 2000, 90 percent of goods and services costing \$2,500 or less will be bought using the Purchase Card

Performance Measure: Percentage of total micropurchases made using the purchase card

Annual Percentage of Micropurchase Card Use

FY 96	FY 97	FY 98	FY 99	Goal FY 00
52%	71%	86%	91.6%	90%

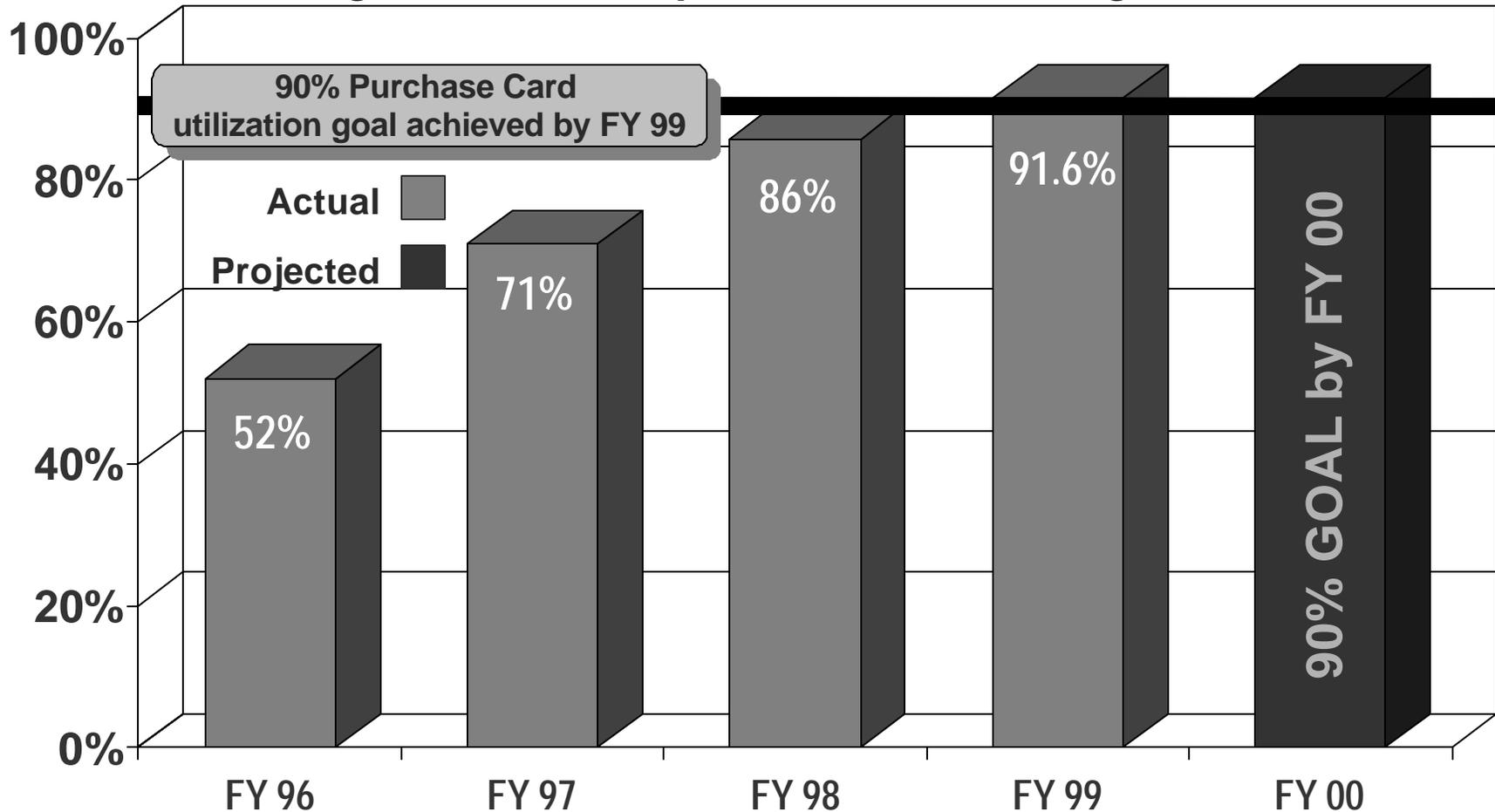
Source: Purchase Card PMO

Organization, Systems, and Other Issues: Micropurchases are defined as goods and services below \$2,500.



By FY 2000, 90% of Goods and Services Costing \$2,500 or Less Will Be Bought Using the Purchase Card

Percentage of Total Micropurchases Made Using the Purchase Card



Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Goal: Simplifying purchasing and payment of goods and services less than \$2,500

Performance Measure: Total number of micropurchase transactions by process type

Total Number of Micro-purchase Transactions Processed Annually (Thousands)

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Traditional Means	4,962	4,545	2,925	2,073	1,179	855
Purchase Card	791	1,667	3,127	5,045	7,462	8,900

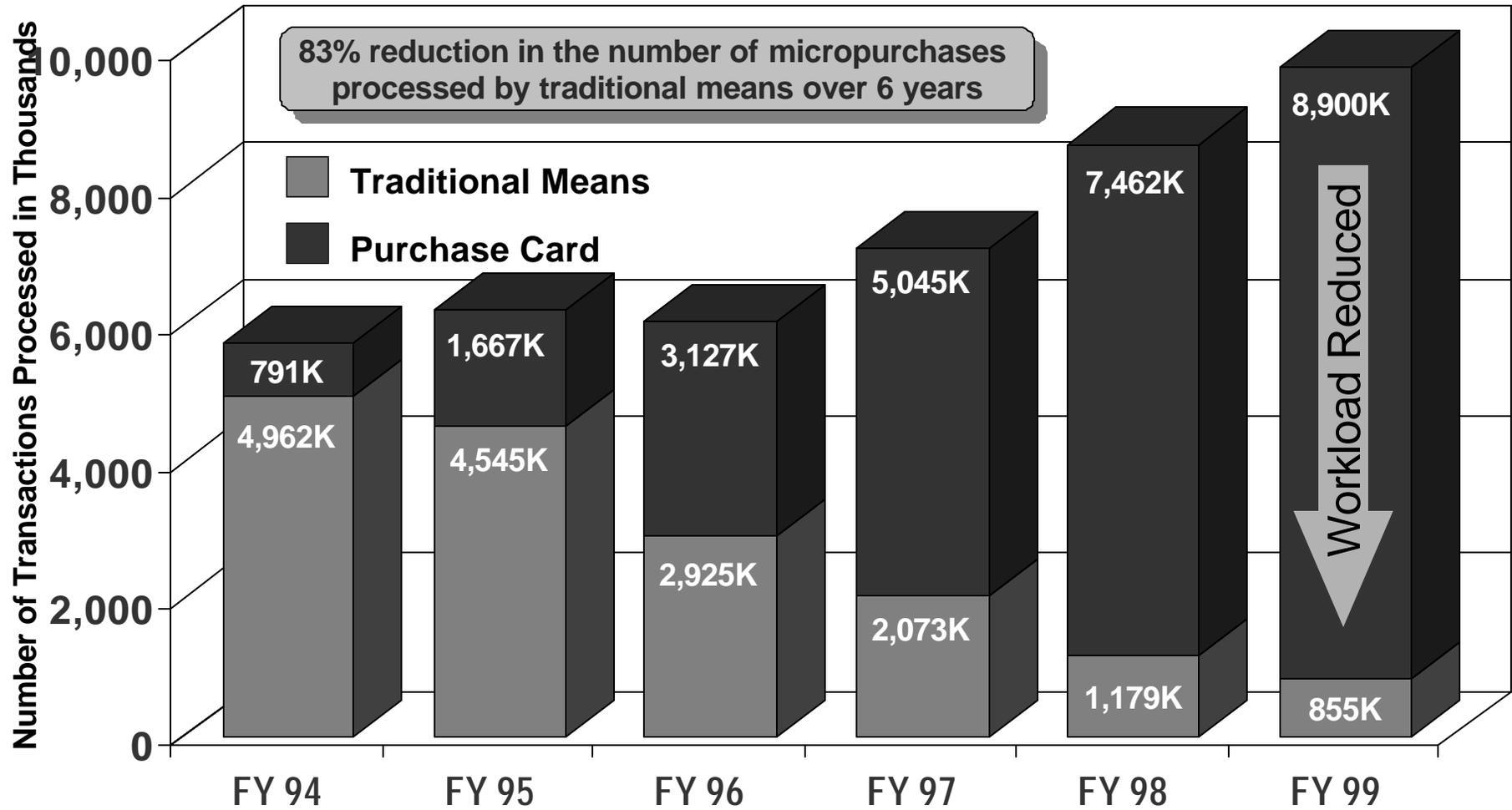
Source: Purchase Card PMO

Organization, Systems, and Other Issues: Since 1994, DoD has seen an 83 percent workload reduction in the number of micropurchase transactions processed via time-consuming traditional means.



Simplifying Purchasing and Payment Of Goods and Services Less Than \$2,500

Total Number of Micropurchase Transactions by Process Type



Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Goal: Simplifying purchasing and payment of goods and services less than \$2,500

Performance Measure: Annual savings associated with Purchase Card transactions

Total Number of Annual Purchase Card Transactions (Thousands)

FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00 (EST)
791	1,667	3,127	5,045	7,462	8,900	9,800

Total Annual Savings Associated with Purchase Card Transactions

FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00 (EST.)
\$16M	\$33M	\$63M	\$101M	\$149M	\$178M	\$196M

Source: Purchase Card PMO

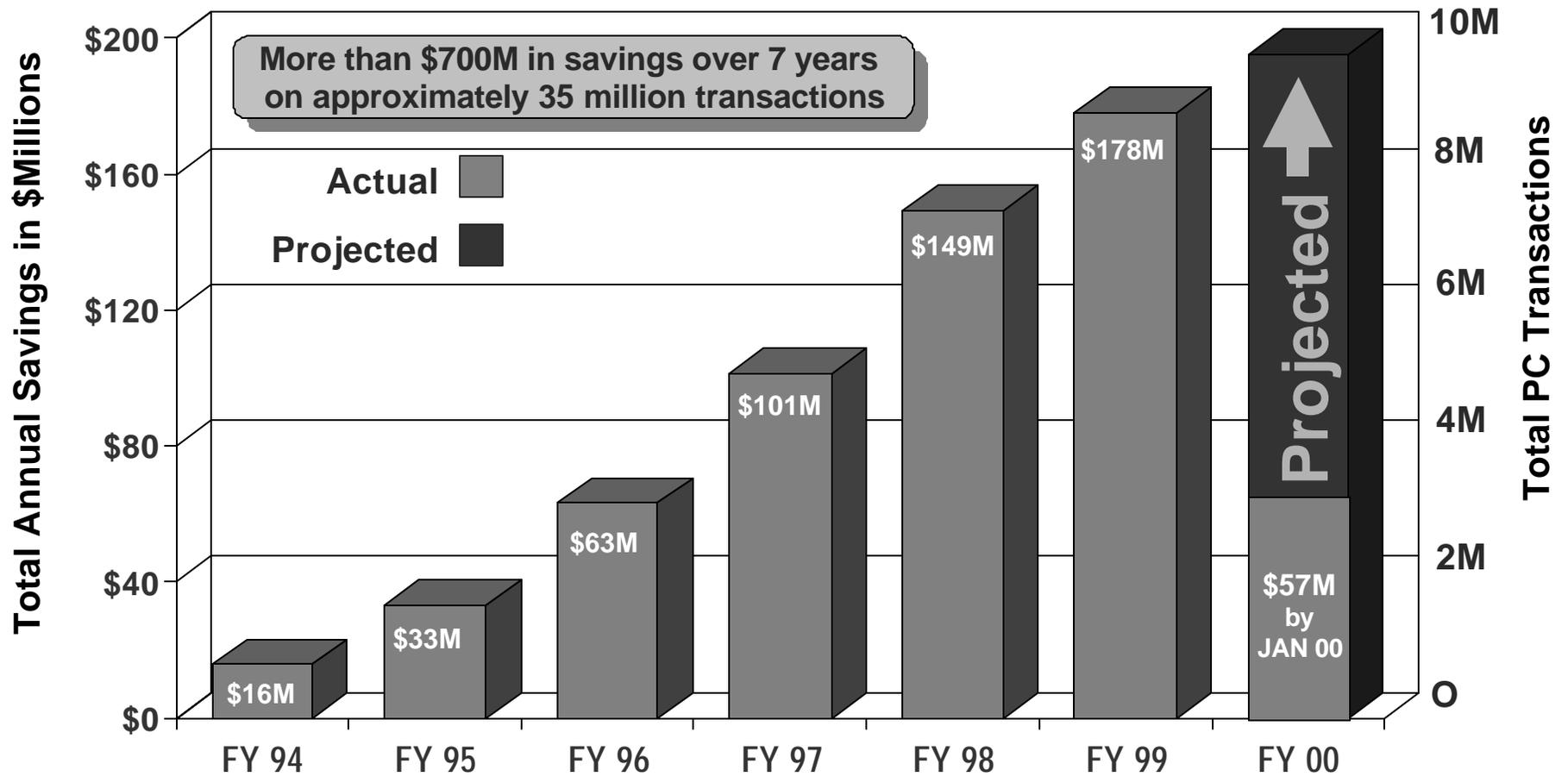
Organization, Systems, and Other Issues:

- 1) DoD is projecting cost savings in excess of \$700M on approximately 35 million Purchase Card transactions since 1994.
- 2) Purchase Card administrative savings based upon lowest published estimate of \$20 saved per transaction over traditional processing means.
- 3) FY 2000 data projected from First Quarter results.



Simplifying Purchasing and Payment Of Goods and Services Less Than \$2,500

Annual Savings Associated with Purchase Card Transactions



Initiative 1.04 - Simplifying Payments with the Government Purchase Card

Goal: Simplifying purchasing and payment of goods and services less than \$2,500

Performance Measure: Rebate dollar values resulting from Purchase Card use

Rebate Dollar Amounts Resulting from Purchase Card Use

DEC. 97–JUN. 98	\$571,000
DEC. 98–JUN. 99	\$12,000,000
DEC. 99–JUN. 00	\$15,000,000 (projected)

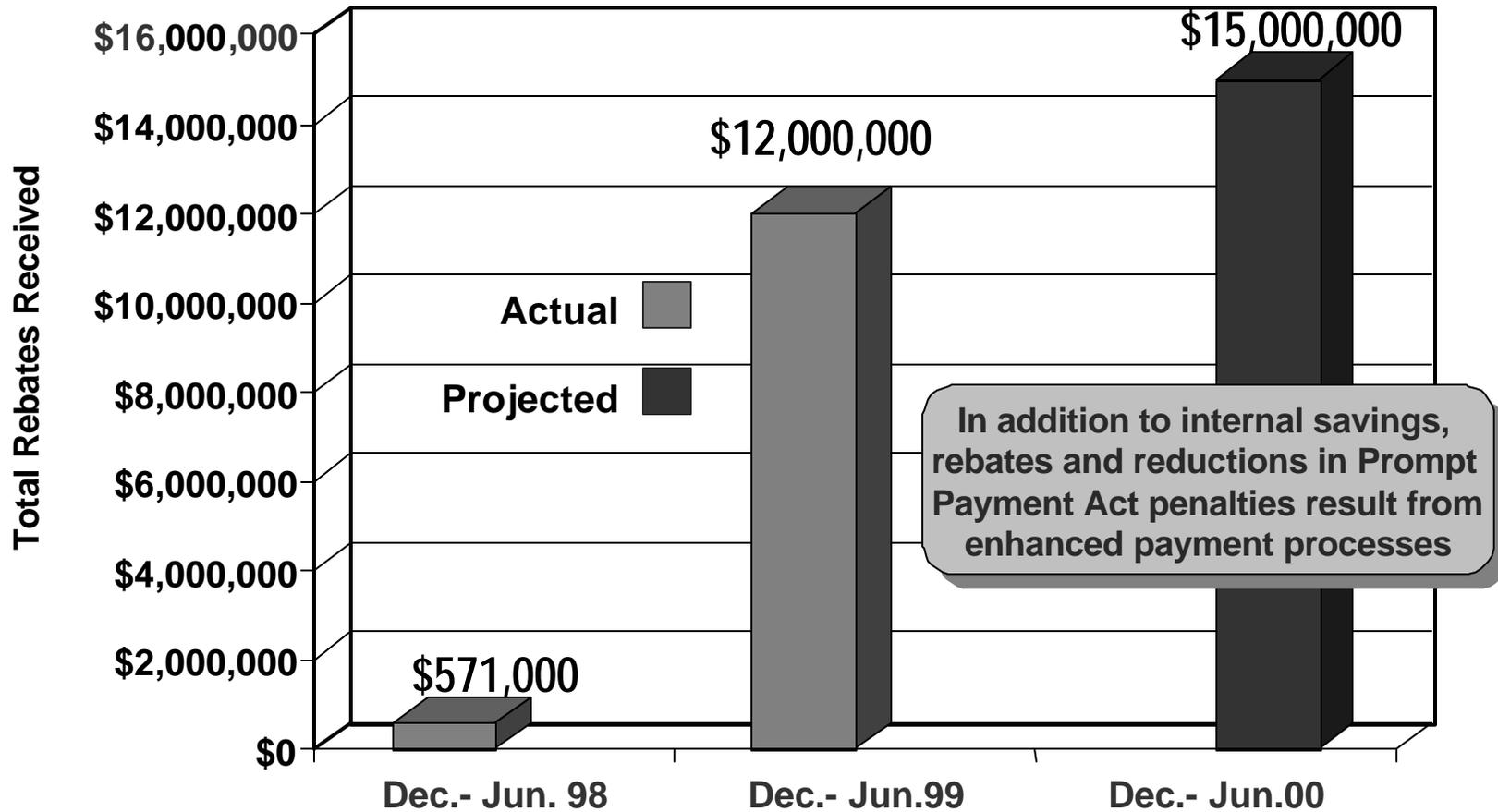
Source: Purchase Card PMO

Organization, Systems, and Other Issues: In addition to internal savings, rebates and reductions in Prompt Payment Act penalties result from enhanced payment processes.



Simplifying Purchasing and Payment Of Goods and Services Less Than \$2,500

Rebate Dollar Values Resulting from Purchase Card Use



Initiative 1.05 - Simplifying Customer Support, Ordering, and Payment with the Prime Vendor (PV) Program

Background

This initiative is owned by DLA/Defense Supply Center-Philadelphia, which was made its Executive Agent by DRID #45. It is part of the Acquisition process and seeks to lower total ownership costs through reduction of government inventories, processes, and workforce used to maintain, repair, and operate (MRO) facilities at DoD installations. MRO Prime Vendors supply repair and maintenance parts through commercial, best-practice contracts that leverage DoD buying power to supply these parts quickly and at discounted commercial prices. The goal of the MRO Prime Vendor (PV) initiative is to simplify customer support, ordering, and payment through the Prime Vendor Program. The expected results are decreased government infrastructure needed to perform this function at installations. This in turn will reduce funding requirements for these activities, lowering DoD total ownership costs.

Approach

The project team investigated current publicly available information and augmented this information with interviews with the initiative owner. This allowed the team to gain a direct understanding of underlying goals and currently available information/data that could be used in developing performance measures and scorecards. Primary written sources for this initiative were the DRID #45, program materials on DSCP's Web site, and a contracted study of the MRO Prime Vendor Program by DLA, dated 28 August 1998. We then interviewed the Program Managers for this initiative at HQs DLA and DSCP, respectively. Interviews revealed potential competing goals with other DoD initiatives, such as the DoD Purchase Card initiative, resulting in lower than possible sales in the MRO PV program, and reduced opportunities for savings from leveraged DoD purchases. Additional obstacles include other Service MRO initiatives, lack of an OSD mandate, and protection of installation FTEs who currently manage materiel, facilities, and financial transactions of current MRO support structure. PV arrangements generally reduce these resources.



1.05 - Simplifying Customer Support, Ordering, and Payment with the Prime Vendor Program

- **Background**
 - DRID #45 established goal to replace government infrastructure with commercial support of facilities maintenance, repair, and operations (MRO) for DoD installations, wherever it makes good business sense, using commercial Prime Vendors.
- **Approach**
 - Interview with initiative owner
 - Literature review of regulations, audits, and policies

Initiative 1.05 - Simplifying Customer Support, Ordering, and Payment with the Prime Vendor Program

Performance Measures

MRO Prime Vendor uses annual MRO PV sales to reflect use. Annual sales figures do not highlight Servicewide opportunities for increased MRO PV use. Services' annual MRO sales average \$620M. Measuring PV sales as a percentage of existing MRO sales would highlight current low use and facilitate initiatives needed to improve widespread use of MRO PV. Currently MRO PV sales total only \$29M of the possible \$620M in FY1999, with only 124 of 278 CONUS installations using the available MRO PV contracts.

More specific measures are needed to track actual impacts of MRO PV. DLA should continue measuring internal performance of the MRO Prime Vendor contractors to ensure best commercial performance in materiel availability, delivery dates met, and quality standards, as a means of encouraging Service participation. Data from the Services, such as MRO inventories, assigned nondeployable FTEs, and annual cost of supplies, will provide indicators for future expansion of this initiative. PV sales to the Services will indicate implementation progress. The most important measure, Outcome, will be measured by reduced MRO funding requirements for Service MRO inventories, MRO labor costs, and other MRO-related process costs.

Recommendations

It is recommended that the Services provide the data outlined above (MRO inventory, labor FTEs/costs, and MRO process costs, such as cost of supplies) to DLA.

It is recommended that DLA collect PV sales data to provide an indicator for implementation progress.

It is recommended that DLA analyze reduction in Service MRO costs to measure progress toward the desired outcome of reduced Service infrastructure costs related to MRO.



1.05 - Simplifying Customer Support, Ordering, and Payment with the Prime Vendor Program

- **Performance Measures**
 - MRO Prime Vendor uses annual MRO PV sales to reflect use
 - Current MRO PV sales only \$29M of potential \$620M
 - Real outcome measured by reduction in Service MRO costs
- **Recommendations**
 - Services provide their MRO cost data to DLA for analysis
 - DLA monitor MRO sales as indicator of implementation progress
 - DLA analyze changes in Service MRO costs to assess outcome

Initiative 1.05 - Simplifying Customer Support, Ordering and Payment with the Prime Vendor Program

Goal: Simplify customer support, ordering, and payment with the Prime Vendor Program

Performance Measure: MRO Prime Vendor uses annual MRO PV sales to reflect use

	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>
Actual	\$1.9M	\$18M	\$49M		
Projected				\$77M	\$163M

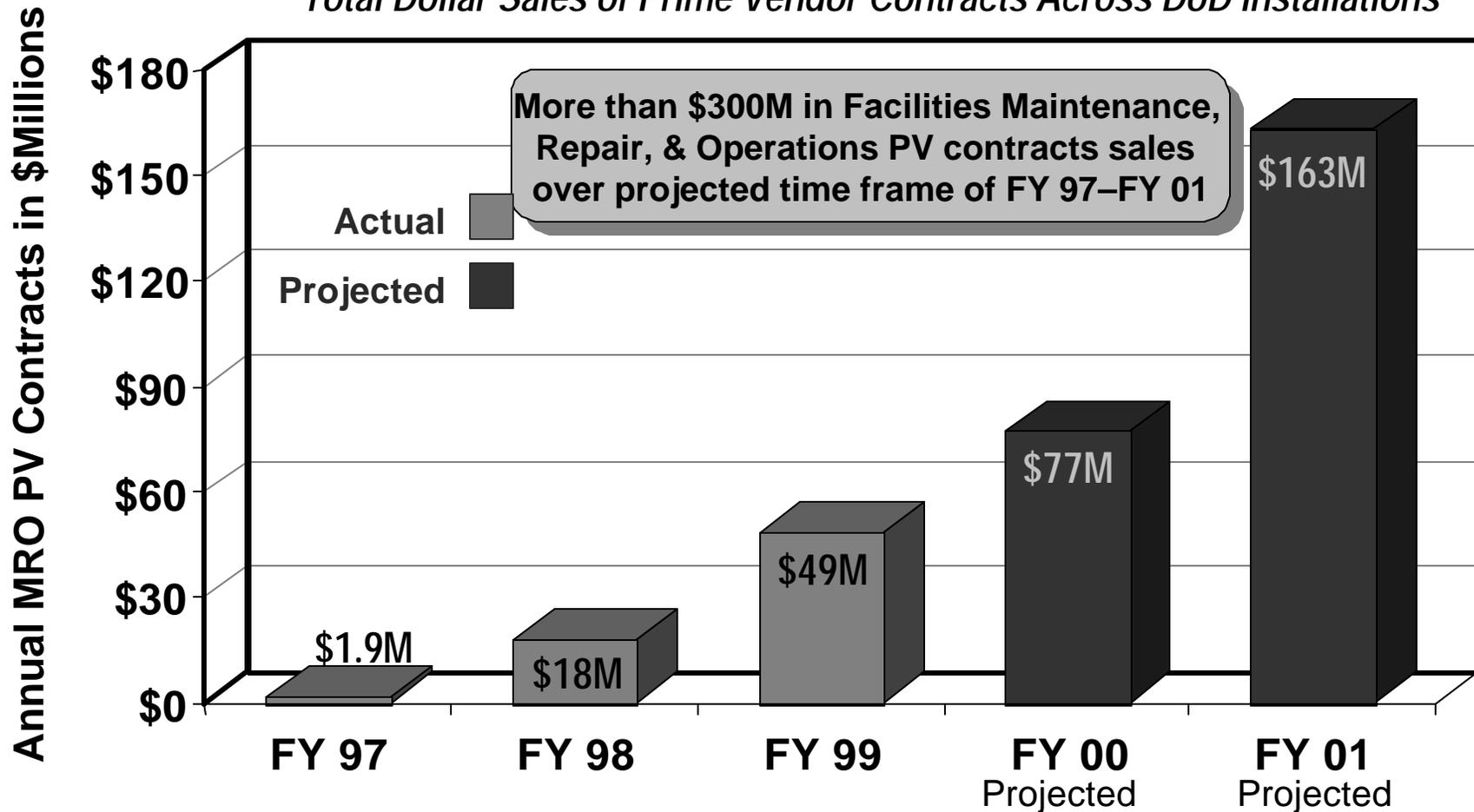
Source: DSCP/IFC

Organization, Systems, and Other Issues: Initiative goal was to make MRO Prime Vendor available to all DoD installations within the U.S. by Jan. 1999. Rollout of MRO Prime Vendor was completed in summer of 1999 for all U.S. regions.



Expand Use of Prime Vendor Facilities Maintenance Supplies to Reduce Costs at DoD Installations

Total Dollar Sales of Prime Vendor Contracts Across DoD Installations



Notes:

1) MRO = Facilities Maintenance, Repair, & Operations Supplies.

Initiative 1.05 - Simplifying Customer Support, Ordering and Payment with the Prime Vendor Program

Goal: Reduce operating inventories by use of Facilities Maintenance Prime Vendor Program

Performance Measures: Reduction in inventory values

MRO Costs (inventory levels)

<u>Dec. 97</u>	<u>Jun. 98</u>	
\$2.9M	\$0.9M	(-71%)

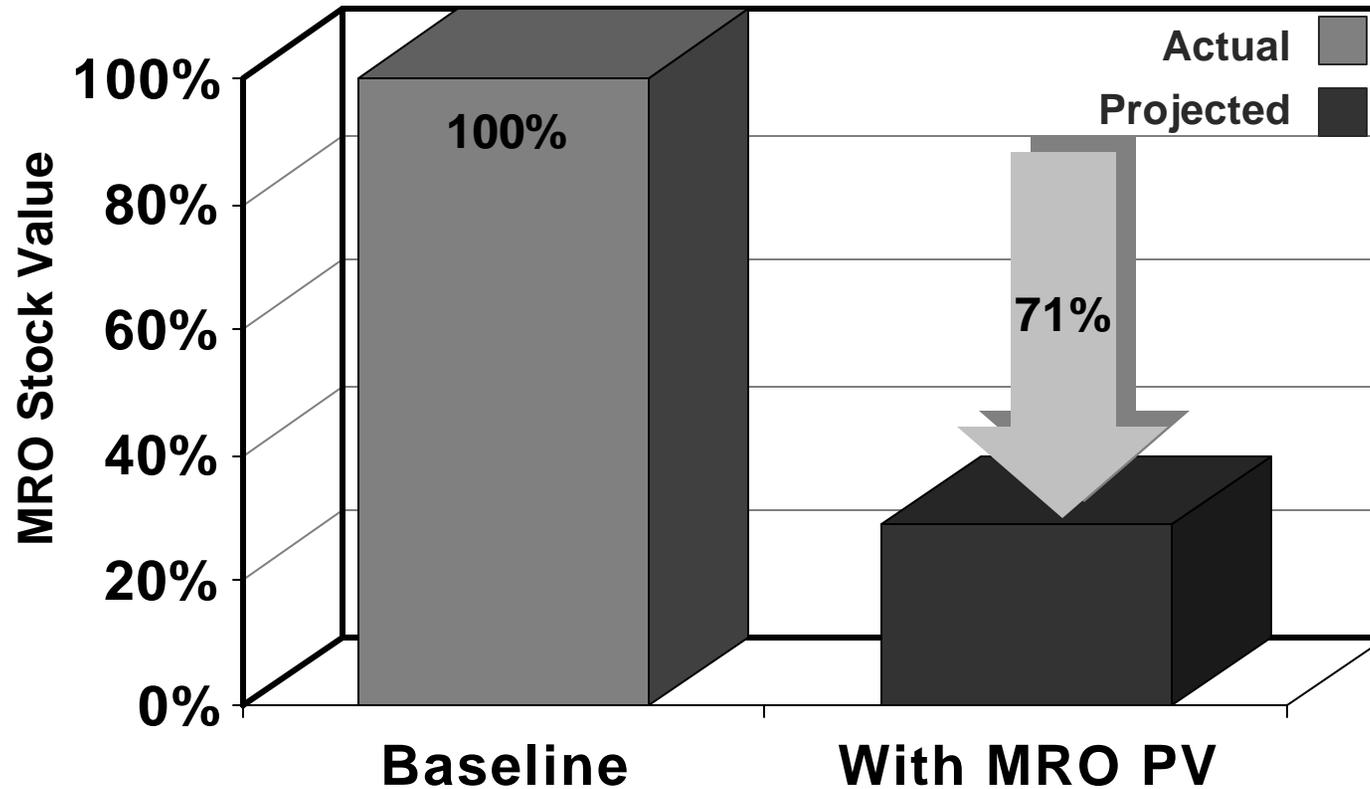
Source: DSCP/IFC

Organization, Systems, and Other Issues: At the three Marine sites surveyed, there were significant reductions in MRO inventories at multiple inventory locations after only six months. This is an excellent result that verifies the potential inventory reductions achievable from a more extensive DoD use of the MRO Prime Vendor Program.



Reduced Operating Costs from Facilities Maintenance Prime Vendor

Average Maintenance, Repair, and Operations PV Inventory Reductions



Notes:

1) MRO inventories surveyed at pre-expended bins, "Bill Of Materials" storage, ServMart, Shop Stores, and Excess Stock locations.

2) Baseline performance established Dec. 97 at three USMC locations. Implementation sites revisited and measured in Jun. 98.

Initiative 1.05 - Simplifying Customer Support, Ordering and Payment with the Prime Vendor Program

Goal: Reduced operating costs from Facilities Maintenance Prime Vendor Program

Performance Measures: Cost and Full-Time Equivalent (FTE) reductions.

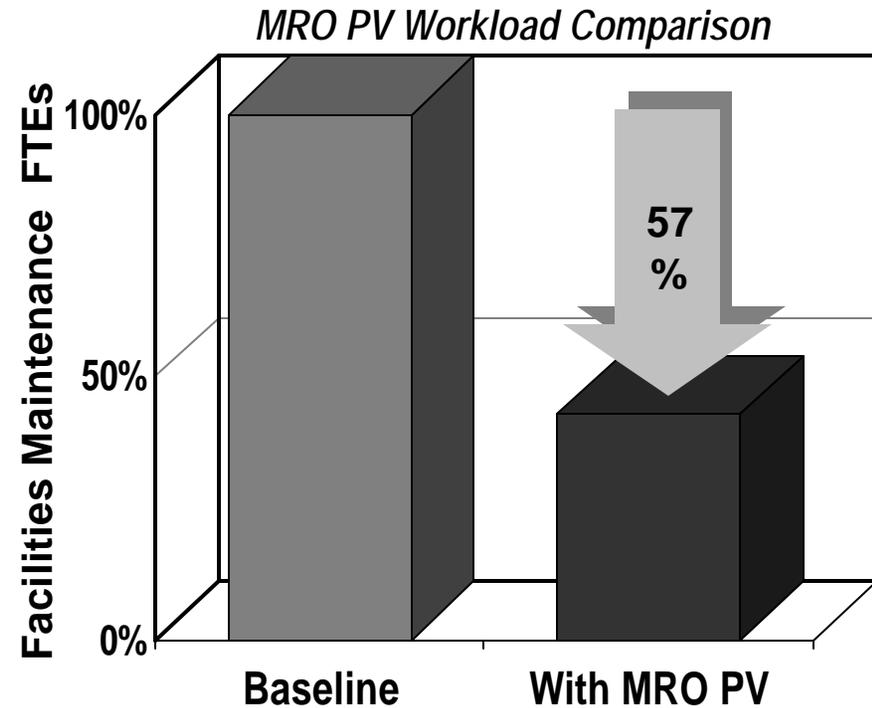
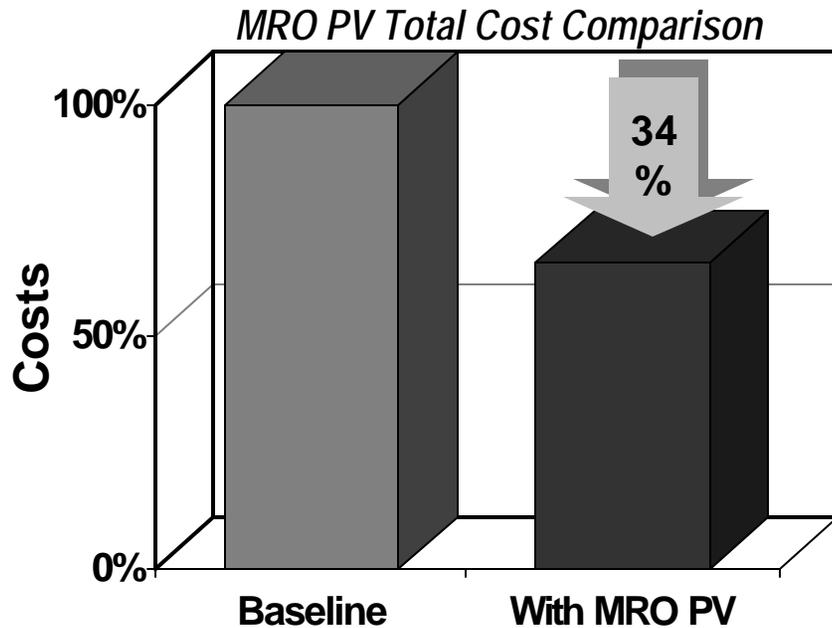
MRO Costs			MRO FTEs		
<u>Dec. 97</u>	<u>Jun. 98</u>		<u>Dec. 97</u>	<u>Jun. 98</u>	
\$8.07M	\$5.3M	(-34%)	47.6	20.7	(-57%)

Source: DSCP-IFT

Organization, Systems, and Other Issues: At the three Marine sites surveyed, there were significant reductions in both total program MRO costs and workforce costs after only six months of implementation of MRO Prime Vendor. Their experience demonstrates the potential levels of savings available from a more robust acceptance of the MRO Prime Vendor support channel throughout DoD.



Reduced Operating Costs from Facilities Maintenance Prime Vendor



Notes:

- 1) "Total" cost comparisons were made between baseline and MRO PV costs in customer, DLA, and DFAS labor and nonlabor costs.
- 2) Workload comparison made between baseline and MRO PV Full-Time Equivalents (FTEs) at customer sites.
- 3) Baseline performance established Dec. 97 at three USMC locations. Implementation sites revisited and measured in Jun. 98.

Initiative 1.06 - Improving Accountability - Defense Agency Performance Contracts

Background

Defense Reform Initiative Directive #23, dated January 26, 1998, provided guidance for the establishment of annual performance contracts between the Directors of designated Defense Agencies and DoD Field Activities, the Principal Staff Assistants (PSAs) responsible for the respective agencies or activities, and the Deputy Secretary of Defense. The DRID recognized that “ the Department must manage its resources better than it has in the past, and learning to manage by performance objectives is a necessary step in doing so.” Since these agencies and activities are involved in all of the DoD core processes, the impact of this particular initiative is significant across the Department. Contracts are reviewed by the Defense Management Council (DMC). A Defense Agency Task Force (DATF) was created to assist the Deputy Secretary in establishing and reviewing performance contracts.

Approach

No scorecard was required for this particular initiative, so team activity was limited to a review of the performance contracts. However, the teams found that some of the measures from the performance contracts were applicable to other initiatives.



1.06 - Improving Accountability - Defense Agency Performance Contracts

- **Background**

- DRID # 23 provided guidance for the establishment of annual performance contracts from designated Defense Agencies and DoD field activities
- Impact of this initiative on DoD and DRI is significant, given the breadth of the involvement of these agencies and activities
- Contracts reviewed by the Defense Management Council
- Defense Agency Task Force (DATF) assists the Deputy Secretary in establishing and reviewing performance contracts

- **Approach**

- No scorecard required for this initiative
- Teams reviewed each performance contract and assessed impact on assigned initiatives

Initiative 1.06 - Improving Accountability - Defense Agency Performance Contracts

Performance Measures

The performance measures used in the performance contracts indicated a good use of outcome measures and a balanced scorecard approach, particularly from a customer perspective. Performance measures were designated for each business area in the agency/activity and generally fell into one of several categories: unit cost and productivity, quality and customer responsiveness, and quantity and scale. Also, reengineering actions/initiatives were included in most contracts, as well as a description of planned improvements of metrics.

Recommendations

Because of the standardized format of the contracts and the general categories of measures, there is an opportunity to “roll up” measures in a particular category. For example, “X percent of all defense agencies and activities met or exceeded the quality and customer responsiveness measures in their performance contracts.” This type of rollup would give the Deputy Secretary and the DMC a view of how well the “business side” of the Department is meeting performance goals from a particular perspective.



1.06 - Improving Accountability - Defense Agency Performance Contracts

- **Performance Measures**
 - Performance measures indicate consideration of outcome and a balanced scorecard approach
 - Measures have a strong customer focus
 - Generally, three categories:
 - Unit cost and productivity
 - Quality and customer responsiveness
 - Quantity and scale
- **Recommendation**
 - “Roll up” similar measures for all Defense Agencies and Activities (example: performance of all agencies/activities on quality and customer responsiveness measures)

Initiative 1.07- End-to-End Procurement Process

Background

As with initiatives such as Electronic Commerce, Paperless Contracting, and E-Mall, the DoD is adopting, in this initiative, the best practice of using information technology to improve its business processes—in this case, the Procurement process. DRID #47 End-to-End Procurement Process, and several other related documents (#32 Paperless Contracting Closeout, #33 Paperless DD250; MRM #2 Moving to a Paper-Free Contracting Process by January 1, 2000) outline the need for improvement of that process. However, it was recognized that various related efforts needed to be pulled together into one initiative. The Department would not receive maximum benefits from these process improvements until an end-to-end procurement process for the future environment was defined and implemented as the basis for a shared data environment. Until this action is completed, the DoD risks developing systems that omit important business functions or that will not operate together. One of the primary benefits that this initiative brings is the positive impact on another process—the Financial Management process. Addressing the problem of contractual data not matching invoice or acceptance data also addresses problems such as unmatched disbursements and contract overpayments. This initiative recognizes the importance of developing and agreeing to business processes and the architecture of the future shared data environment.

Approach

The project team reviewed available documentation related to this initiative and conducted two interviews with the current initiative lead. During these discussions, the goals of this initiative and potential performance measures were discussed; however, no measures were agreed upon. DRID #47 established a two-phase approach for this initiative. Phase one calls for the development of an end-to-end process model, which has been completed. The second phase, process implementation, will fall under the oversight responsibility of the Principal Staff Assistants (PSAs) responsible for those end-to-end processes. The DoD CIO will be responsible for the integration of process reengineering activities and maintaining the overall end-to-end process model. A strategic implementation plan, with performance measures, is being developed.



1.07 - End-to-End Procurement Process

- **Background**

- DRID #47 established End-to-End (E2E) Procurement Process Initiative
- 1.07 integrated other related efforts begun as a result of other directives:
 - DRID #32 Paperless Contracting Closeout
 - DRID #33 Paperless DD250
 - MRM #2 Moving to a Paper-Free Contracting Process by January 1, 2000
- E2E Procurement Process Initiative defines the future environment and represents the basis for a shared data environment
- Positive impact on Financial Management process

- **Approach**

- Reviewed available data and interviewed current initiative lead
- No measures agreed upon - strategic implementation plan drafted

Initiative 1.07 - End-to-End Procurement Process

Performance Measures

As previously stated, no performance measures were agreed upon during the course of the interviews conducted. However, because of the overall encompassing nature of this initiative and the impact of this change on other processes with which it will interface, it represents the opportunity to establish some meaningful measures. Many of the other initiatives previously discussed were enablers of an improved procurement process. But no measures were established to assess the impact on the overall procurement process. This initiative provides the opportunity to establish Procurement process measures such as process cycle time. Also, this process is a source of Financial Management process problems such as problem disbursements. Because this initiative will seek to eliminate a cause of that problem, a measure such as problem disbursements represents a good outcome measure for this initiative. This measure is already used within the Financial Management process: it appears in the DFAS Defense Agency Performance Contract. The improved quality of the data that flow from the Acquisition/Procurement process to the Financial Management process, as the result of the End-to-End Procurement Process Initiative, will help reduce the numbers of problem disbursements.

Recommendations

It is recommended that procurement process measures be established as part of this initiative, including procurement process cycle time. Additionally, it is recommended that a measure such as problem disbursements be established or identified to assess the impact on interfacing processes such as financial management.



1.07 - End-to-End Procurement Process

- **Performance Measures**

- None agreed upon
- Initiative provides an opportunity to establish procurement process measures
- Since this initiative impacts problem disbursements in the Financial Management process, a measure such as that provides a good measure of the quality of the data moving from the Procurement process

- **Recommendations**

- Procurement process metrics be established
- Financial Management process measures, such as problem disbursements, that reflect the quality of the output of this process be established or identified

Initiative 1.08 - Disposal of Excess Government Property

Background

This initiative is owned by the Defense Contract Management Agency (DCMA), which was made Executive Agent for this initiative by MRM #5. It is part of the Acquisition process and seeks to lower total ownership costs through reduction of unnecessary inventories of government equipment furnished by the government to contractors as part of an acquisition action. Over the years, this materiel had grown to nearly \$89B, of which \$44B was considered in MRM #5 for analysis. In phase one of the initiative, all contractors with \$3M or more in government property were surveyed. Phase two was the execution part of the initiative, targeting \$7B in excess property for disposal. In addition, process changes were put in motion for FAR 45 to streamline disposal processes to prevent the recurrence of excess property.

Approach

The project team investigated current publicly available information and augmented this information with interviews with the initiative lead to gain a direct understanding of underlying goals and currently available information/data that could be used in developing performance measures and scorecards. Primary written sources for this initiative were the DCMA One Book, MRM #5, and DoD 4140.1-R. We then interviewed DCMA's Deputy Director for Government Property. Follow-on control metrics were discussed within a framework for monitoring the new procedures for two years to ensure effectiveness of the corrective policies and procedures to prevent unnecessary growth of excess government property.



1.08 - Disposal of Excess Government Property

- **Background**
 - MRM#5 directed the visibility and control of government property
 - Disposal of \$7B of excess property in possession of contractors by 31 Dec. 1999
- **Approach**
 - Literature review of regulations, audits, and policies
 - In-depth interviews with initiative owner
 - Follow-on metrics discussed

Initiative 1.08 - Disposal of Excess Government Property

Performance Measures

The performance measure of tracking excess property disposals was effective in measuring progress toward the disposal goal. However, the outcome impact of the initiative on total ownership costs from acquisition processes is not quantified, although intuitively, the reduction of \$7B in property inventories would certainly help reduce costs to some extent. In the absence of such direct cost reduction linkages, an alternative approach would be to adopt measures in the post-MRM #5 environment to ensure that regrowth of excess government property does not occur. These alternatives were discussed, but not approved by the process owner.

Recommendation

Two linked measures are recommended to help monitor government property for excess growth. The first would be a measure of the total value of government property, reported quarterly by means of the DoD materiel status reports, using DD Form 2543. Disposal of government property would also be monitored. Over time, net growth or decline could be tracked and used as a basis for the number of spot checks performed to ensure that procedures are effective and that PCOs are complying with the new directives currently in place or under revision in the rewrite of DoD 4140.1-R.



1.08 - Disposal of Excess Government Property

- **Performance Measures**

- Acquisition value of disposed excess property.
- Monthly and annual rollups by Services and Defense Agencies
- As written, MRM #5 is complete, exceeding its goal by \$300K. Revised DCMA procedures in place to prevent reoccurrence, via random inspections.

- **Recommendation**

- Recommend measurement and comparisons of annual additions and disposals of government property to ensure compliance or to initiate corrective actions if further process revisions are required.

Initiative 1.08 - Disposal of Excess Government Property

Goal: Reduce costs of holding government property stored at contractor locations.

Performance Measure: Acquisition value of disposed government property declared as excess by Service and DCMA contracting officers.

	<u>1997</u>	<u>1998</u>	<u>Goal</u> <u>1999</u>
Goal	\$.77B	\$3.9B	\$7.0B
Actual	\$.61B	\$3.5B	\$7.3B

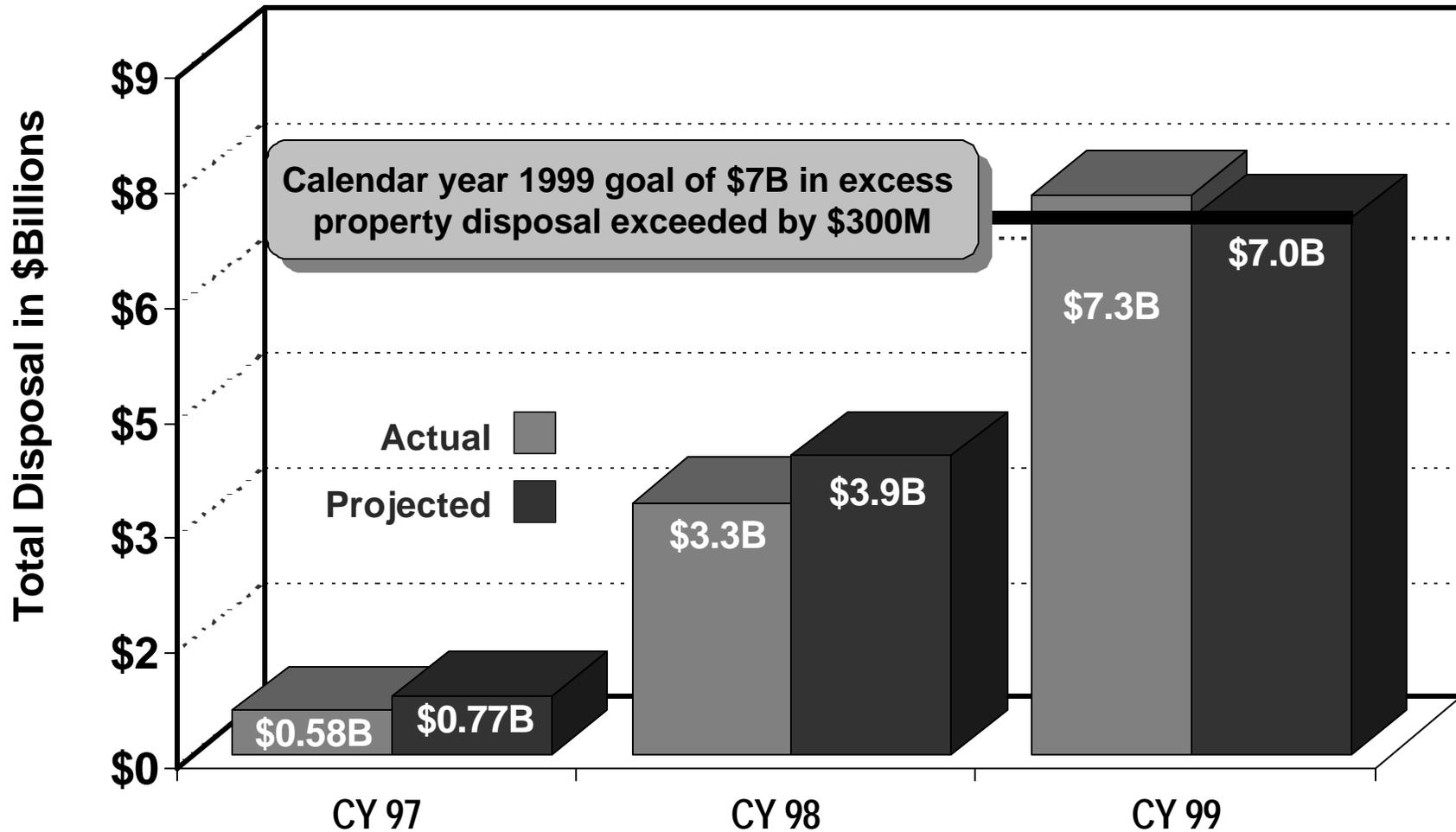
Source: DCMA and MRM #5

Organization, Systems, and Other Issues: Procedural safeguards are in place to prevent reoccurrence of unacceptable levels of excess property at defense contractor locations with more than \$3M in government-owned property values (496 sites in 1998). Process improvements include reduction in GSA screening requirements and time frames, to be included in FAR 45 rewrite. Current random inspections based on process risk analysis reported via automated means for DCMA-managed contracts—nearly 90 percent of total property value. Services currently report via manual methods. Enhanced Service reporting procedures to be incorporated in rewrite of DoD 4140.1-R.



Sharply Reduce Excess Government Property in the Hands of Contractors

Cumulative Disposal of Excess Government Property



Note:

1) "Excess" government property is defined as property no longer required for contract performance.

Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Background

Initiative 1.09 (MRM #15) called for a fundamental change to the manner in which DoD documents and financially manages its transportation activities. Under the guidance of the ADUSD(TP), the Services, USTRANSCOM, DLA, and DFAS have been working in conjunction with DoD commercial transportation carriers to meet the stated goals of MRM #15. These goals are as follows:

1. Reduce costs
2. Improve timeliness of payments and collections
3. Eliminate government-unique documentation
4. Reduce data element requirements
5. Improve the accuracy of payments and collections
6. Reduce reliance on paper processes
7. Adapt commercial best practices

MRM #15's efforts at reengineering the DoD transportation documentation and financial processes center around reducing the overall infrastructure, eliminating government-unique documentation, and creating a unified documentation/billing process for all transportation modes. DoD is meeting its goals by implementing US Bank's PowerTrack system. The third-party bank's PowerTrack system allows DoD to eliminate government-unique shipping documentation and improves the payment/collection process for transportation carriers/shippers. Two of the strongest benefits of using US Bank's PowerTrack system center around a reduced overall transportation transaction processing workload for DFAS and paying commercial carriers within 3 days (versus 30 to 90 days in the past).

In June 2000, the MRM #15 initiative anticipates automating the manual payment process for the more than 7,500 LOAs attributed to PowerTrack carrier transactions. Also, DoD is seeking to readdress some training issues identified postimplementation. New training efforts will focus on entire transportation departments (instead of shipping clerks only) and have more of a change management focus, addressing the benefits of this new way of doing business.

Aligned with MRM #15 is the 3rd Party Logistics (3PL) Provider Regional Pilot Test slated to begin in the summer of 2000. This pilot initiative calls for the contracting out of an entire region's transportation functions. Under this arrangement, a third-party logistics provider will assume all MTMC-type roles within the region.



1.09 - Reengineering Defense Transportation Documentation and Financial Processes

- **Background**
 - MRM #15 seeks to create a fundamental change to the manner in which DoD documents and financially manages its transportation activities
 - US Bank's PowerTrack system allows DoD to drastically improve its carrier payment times and eliminate government-unique documents/processes
 - 3PL Regional Pilot Test to examine benefits associated with contracting out an entire region's transportation functions

Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Approach

The project team held a series of meetings with MRM #15's OADUSD(TP) leads to develop a full understanding of the initiative's stated goals and to collect baseline data/performance measures. Full documentation of the comprehensive performance measure plans for both the MRM #15 and 3PL Pilot efforts were obtained/analyzed.

Performance Measures

The MRM #15 team developed a comprehensive performance measures plan. Their approach was to formally develop a balanced scorecard wherein all measures (both implementation and performance-based) support specific program goals and the high-level metrics can be considered outcome measures. The high-level metrics currently being tracked include the following:

1. Reduction in the overall cost of processing a transportation transaction
2. Reduction in the number of transactions being processed by DFAS
3. Increase in DoD's timeliness in paying commercial transportation carriers
4. Reduction in the total number of government-unique documents
5. Reduction in the number of data elements required for transportation documentation

Since February 1999, nearly 41 percent of DoD domestic freight transactions have been made using the PowerTrack system. DoD is achieving good results from the MRM #15 initiative, which reduced the estimated transaction processing cost from \$35/Government Bill of Lading (GBL) to \$10/Commercial Bill of Lading (CBL) and eliminated 1.6 million government-unique transportation documents. However, DoD is expected to realize the greatest benefit from the system when all transportation transactions are processed through PowerTrack.

The 3PL Pilot initiative developed a performance measures approach containing a detailed series of metrics that will allow an assessment of the impact of the program during the pilot test. The comprehensive approach comprises a wide variety of metrics that all rollup into the specific goals of the initiative. Also, the 3PL Pilot team has done a good job of capturing baseline metrics and industry standards preimplementation so that they will be able to accurately measure the benefits associated with this change.



1.09 - Reengineering Defense Transportation Documentation and Financial Processes

- **Approach**
 - Series of meetings with OADUSD(TP) MRM #15 and 3PL reps.
 - Full review of performance measure plans for MRM #15
- **Performance Measures**
 - Demonstrated workload reductions and performance improvements
 - High-level metrics in place to measure the following:
 - Reduction in the overall cost of processing a transportation transaction
 - Reduction in the number of transactions being processed by DFAS
 - Increase in DoD's timeliness in paying commercial transportation carriers
 - Reduction in the total number of government-unique documents
 - Reduction in the number of data elements required for transportation documentation
 - Implementation metrics in place to measure program through maturity
 - 3PL Pilot has strong baseline from which to measure performance

Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Recommendation

It is estimated that the cost to process a traditional GBL transaction versus processing a CBL using the PowerTrack system was reduced from \$35/GBL to \$10/CBL. However, there appears to be no other reporting related to the process efficiency gained. Since these savings would most likely represent a reduction in labor required to process the documents, there should be some measure of either overall workforce reduction or workforce released to work on other high-priority requirements. Until a measure such as total process labor cost reduction is established, the true nature of the efficiencies gained using the PowerTrack system will not be fully documented.

It is recommended that the actual impact on the transportation documentation process costs be measured and reported.



1.09 - Reengineering Defense Transportation Documentation and Financial Processes

- **Recommendation**

- Measure the ROI of this initiative by determining the impact on transportation documentation processing costs resulting from efficiencies gained using the PowerTrack system. The recommended performance measure is total actual reduction in transportation documentation process costs

Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Goal: Improve DoD transportation documentation and financial processes

Performance Measure(s): Total number of DFAS transportation payments processed
Carrier payment time.

Total Number of Payments Processed Annually by DFAS

Old Process = 1,250,000 transactions
New Process = 108,000 transactions

Carrier Payment Times

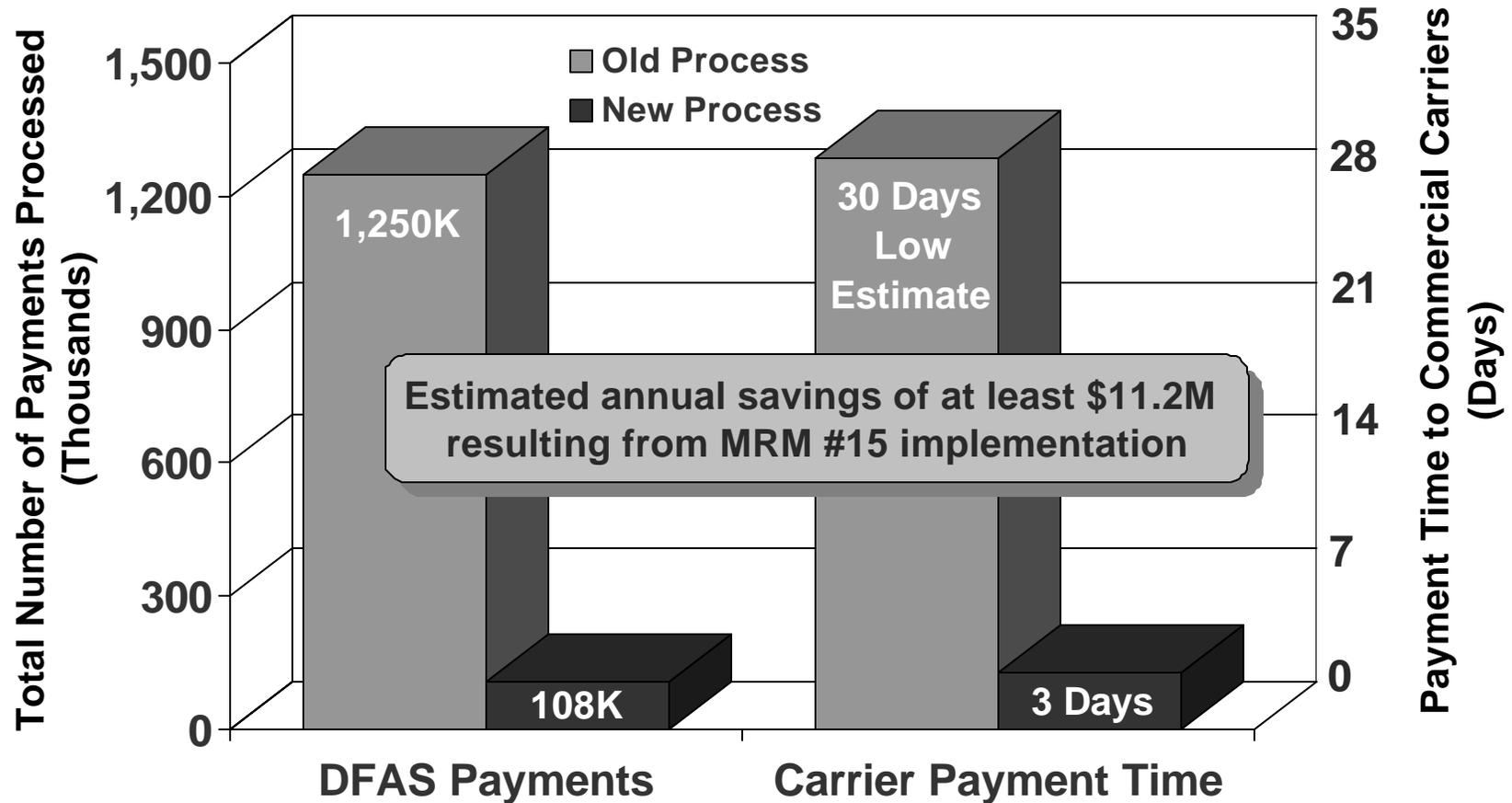
Old Process = 30 days low estimate
Old Process = 90 days high estimate
New Process = 3 days

Source: MRM #15 PMO

Organization, Systems, and Other Issues: Annual savings derived from e-commerce efficiencies and reduction in DFAS processing workload.



Improve DoD Transportation Documentation and Financial Processes



Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Goal: Increase the use of the PowerTrack system among DoD shippers.

Performance Measure(s): Number of DoD shippers trained and using the PowerTrack System

	FEB. 2000 (actual)	APR. 2000 (projected)
Number of Sites Trained	165 sites	394 sites
More than 50 Transactions	83 sites	200 sites
Less than 50 Transactions	47 sites	100 sites

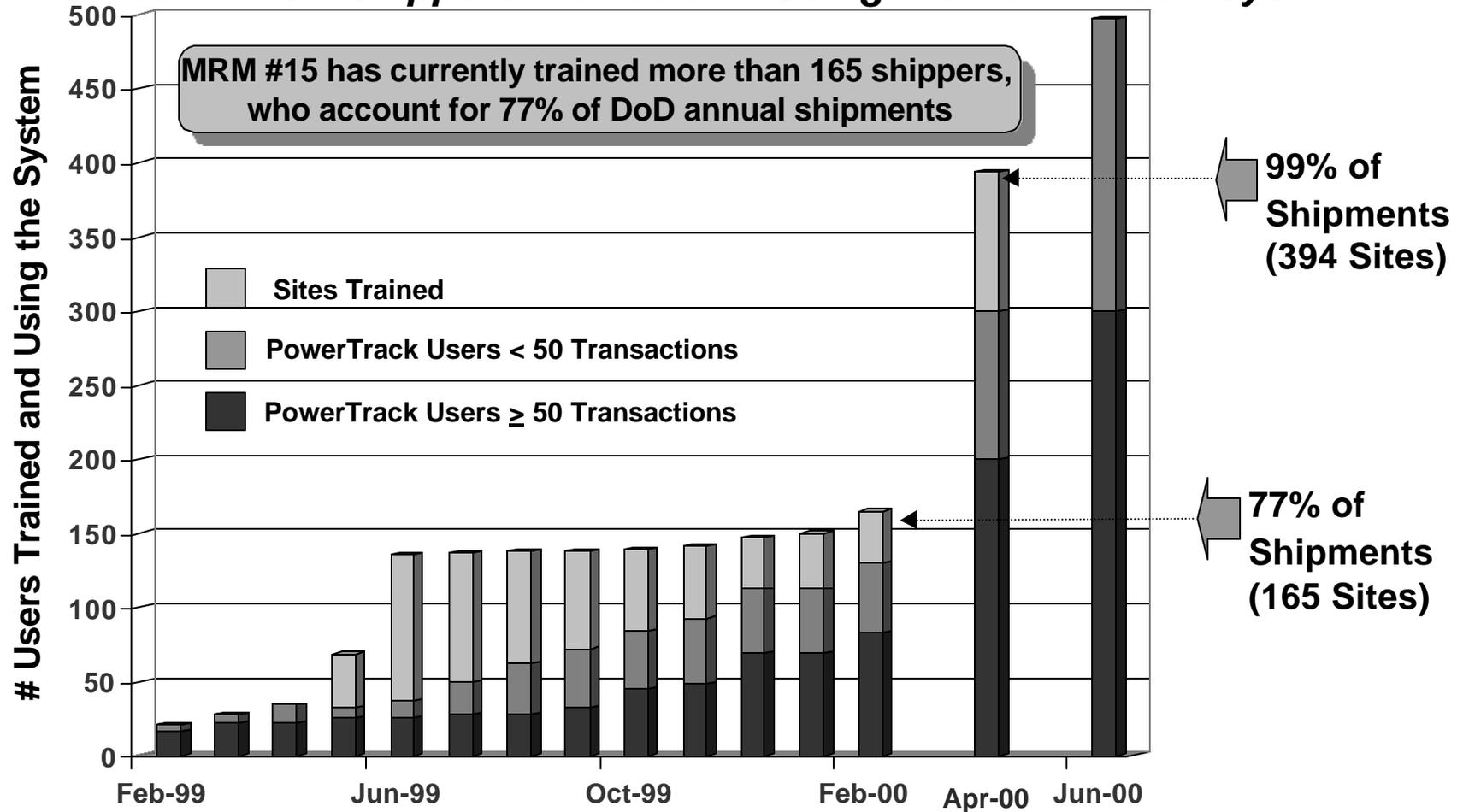
Source: MRM #15 PMO

Organization, Systems, and Other Issues: PowerTrack is US Bank's third-party payment system, which DoD currently utilizes for the MRM #15 initiative.



Increase the Use of the PowerTrack System Among DoD Shippers

Number of DoD Shippers Trained and Using the PowerTrack System



Initiative 1.09 - Reengineering Defense Transportation Documentation and Financial Processes

Goal: Increase the use of the PowerTrack system among DoD carriers.

Performance Measure(s): Total number of DoD carriers using PowerTrack

	FEB. 2000 (actual)	JUN. 2000 (projected)
Number of Carriers	225 carriers	272 carriers
More than 50 Transactions	83 carriers	175 carriers
Less than 50 Transactions	47 carriers	75 carriers

Source: MRM #15 PMO

Organization, Systems, and Other Issues: PowerTrack is US Bank's third-party payment system, which DoD currently utilizes for the MRM #15 initiative.



Increase the Use of the PowerTrack System Among DoD Carriers

Total Number of DoD Carriers Using PowerTrack

