

# Defense-wide Enterprise Architecture

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# Friedman Study

## “Transforming Department of Defense Financial Management”

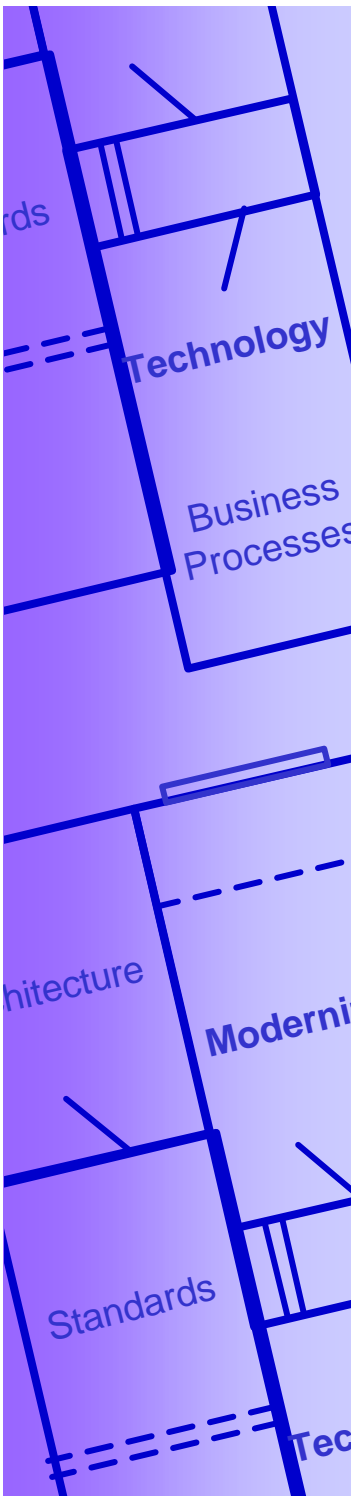
- Lack of Overarching Approach to Financial Management
- Overly Complex Data Requirements
- Convoluted Business Processes
- Inability to Produce Reliable Annual Financial Statements



# General Accounting Office

## “Architecture Needed to Guide Modernization of DoD’s Financial Management Operations”

- Financial Management Improvement Plan is not an Enterprise Architecture
- Financial and Feeder System Compliance does not include an Architecture
- Structures and Processes are not in Place to Effectively Develop and Implement an Enterprise Architecture



# SECDEF Memo July 19, 2001

- Established Financial Management Modernization Program
  - Under the Authority of the USD(C) in Coordination with USD(AT&L) and DoD CIO
  - Directed the Creation of a Program Management Office Responsible for:
    - Development of a Defense-wide Enterprise Architecture
    - Control and Oversight of Financial and Related Nonfinancial Business Systems



## Vision

The Department of Defense will be managed in an efficient, *business-like manner* in which relevant, reliable and timely financial information, affirmed by clean audit opinions, is available *on a routine basis* to support informed decision-making at all levels throughout the Department.

## Scope

Financial information--necessary to manage the Department's business and report the results of its operations--is a product of virtually action taken by the Department. The Scope of this initiative encompasses those defense polices, processes, people, and systems which guide, perform or support all aspects of financial management within the Department; from the formulation of budget estimates to the preparation of management reports and financial statements.

## Approach

To achieve the Department's vision for financial management modernization a Financial Management Modernization Program Office, reporting directly to the Under Secretary of Defense (Comptroller), will employ a two-track approach: *near-term improvements* and *long-term solutions*.

# Approach

Near-term *Improvements*

*Improved*  
Accountability = *Public*  
*Confidence*

Manage Using  
Performance  
Metrics

Execute  
Management  
Plan to Attack  
Problems

Stabilize  
Systems &  
Initiatives

Long-term *Solutions*

*More Funds*  
Efficiency = *for the*  
*Warfighter*

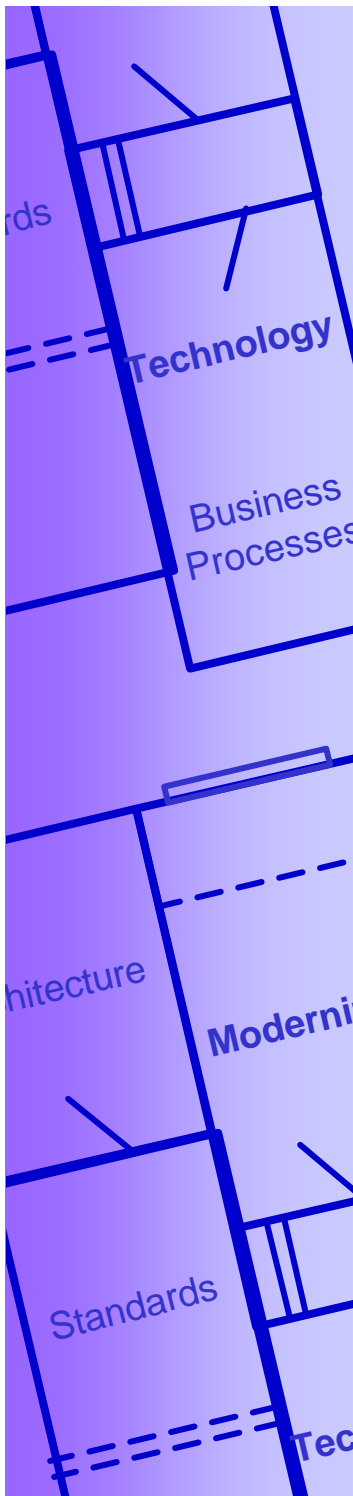
Reengineer Business  
Processes to Model  
Private Sector

Establish  
Defense-wide  
Standards

Simplify  
Accounting &  
Reporting Rules

Consolidate &  
Modernize  
Systems

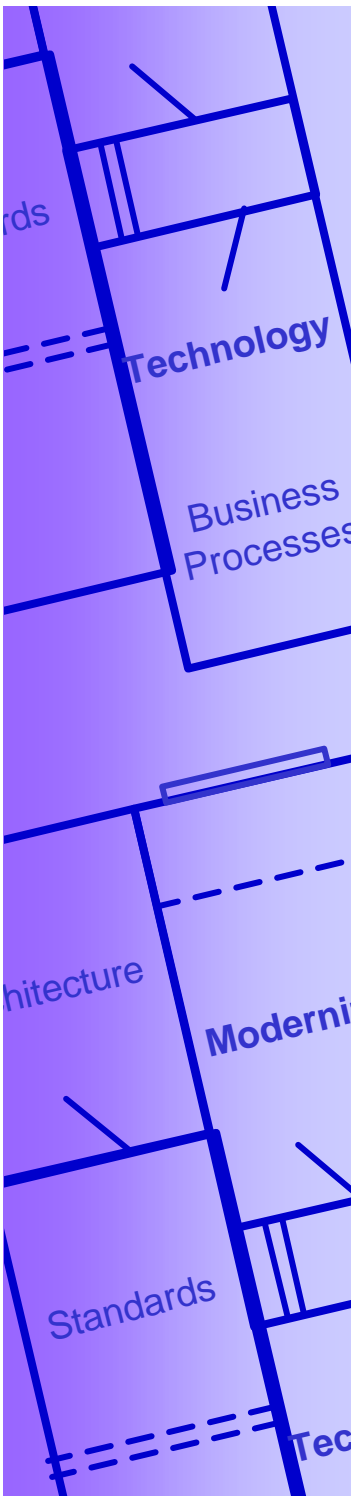
Enhance and/or  
Augment Financial  
Management Workforce





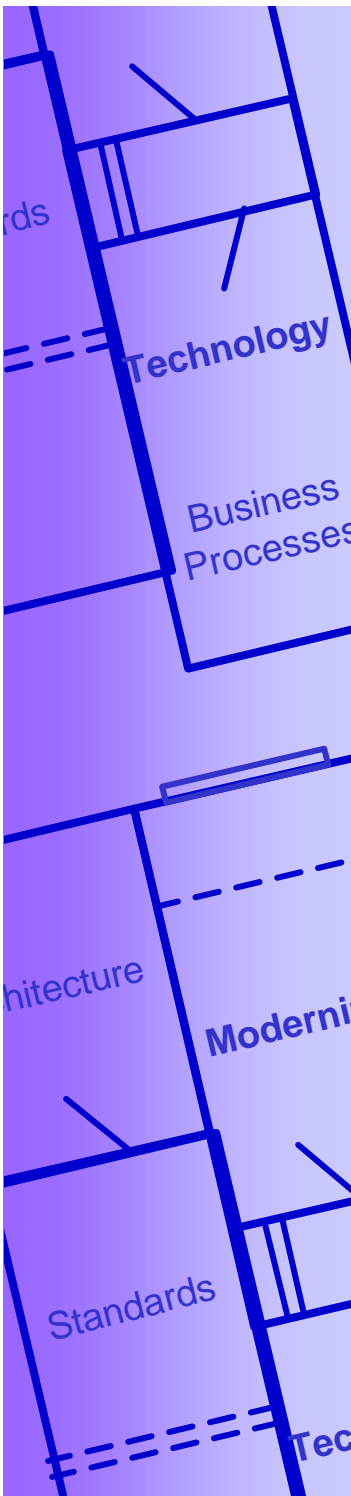
# Current Actions

- SOW to Contract for Development of the Defense-wide Enterprise Architecture and Transition Plan
- Enterprise Architecture Jump Start Efforts
  - Development of the Department’s “As Is” System Inventory
  - Classification of the Department’s Business Lines using the NAICS



# Enterprise Architecture

- The coordinating “*Framework*” that enables an organization’s processes, people, policies and systems to collaborate in achieving the Department’s goals
- The common “*Backbone*” to which all parts of the enterprise are attached
- The “*Blueprint*” for consolidating and modernizing systems



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## The Issues

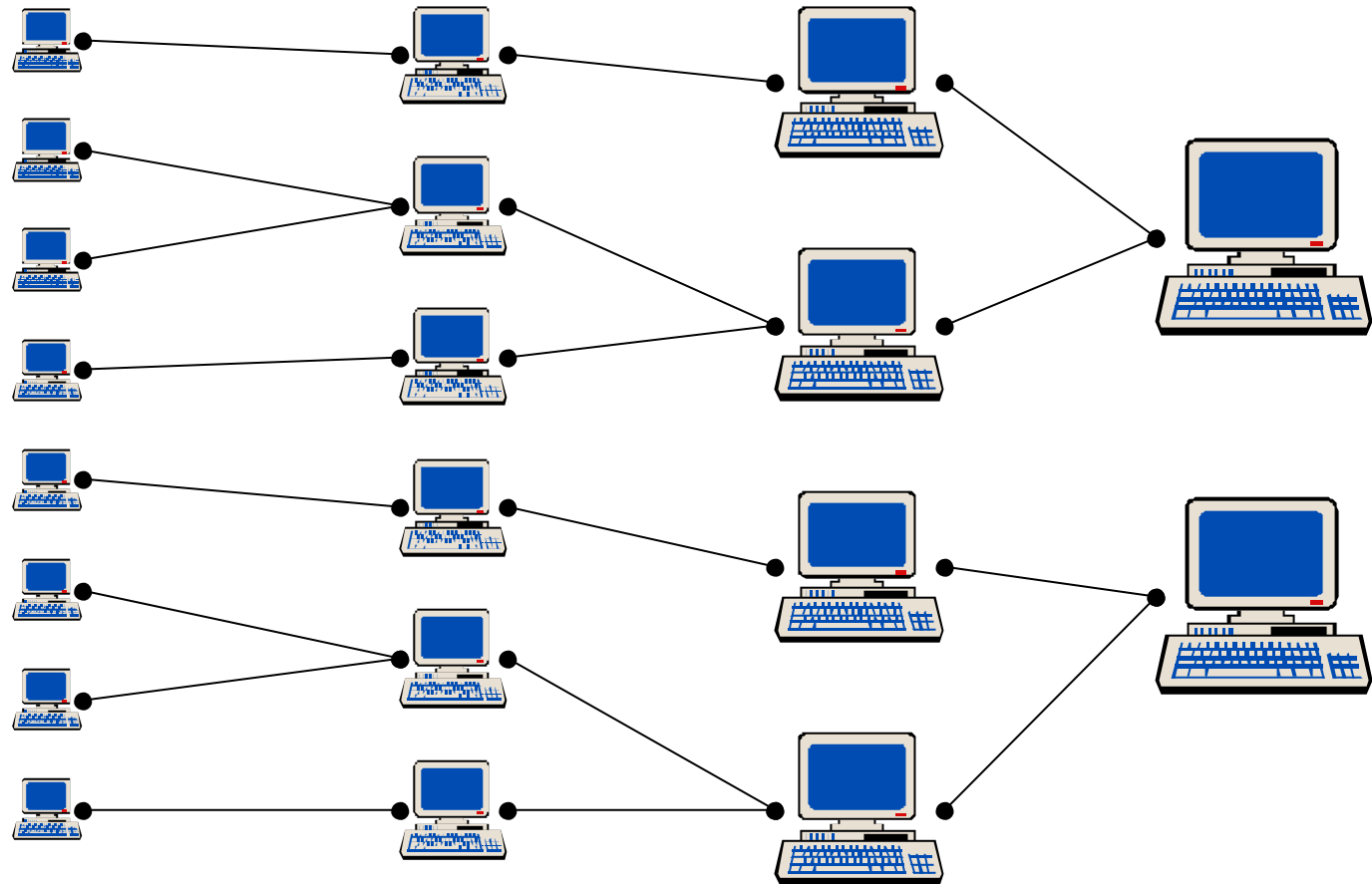
- ? *Nobody in Charge – Environment Evolved, not Designed*
- ? *Very Little Standardization Across Defense Components*
- ? *Many Single-function Systems vs. Few Multi-function Systems*
- ? *Multiple Systems Performing the Same Tasks*
- ? *Every Interface is an Opportunity to Corrupt Data*
- ? *Large Number of Data Translations Reduces Information Integrity*
- ? *Same Data Stored in Multiple Systems*

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## The Results

- ? *Untimely Financial Management Reporting*
- ? *Inaccurate and Unreliable Management Information*
- ? *Audit Disclaimers or Qualified Opinions*
- ? *Extremely Complex Improvement Efforts*
- ? *Very High Systems Operations and Maintenance Costs*

# Systems Inventory



**Tier 3**

??? Systems

**Tier 2**

??? Systems

**Tier 1**

600+ Systems

**Core**

75+ Systems

Point of Entry

*Inefficient and Costly*

Jeopardizes Reliability and Timeliness

Statements & Reports

# Adopting Industry Practices

## What Is NAICS?

- A Classification System Developed Jointly By The USA, Canada, and Mexico to Provide New Comparability in Statistics About Business Activity in North America:
  - Based Upon One Principle That Activities Using Similar Processes are Classified Together
  - A Way to Improve Basic Benchmarks and Current Performance Statistics
  - Implementation Underway and Will Continue Through the Year 2004.

NAICS Level	Example #1 NAICS Code	Description	Example #2 NAICS Code	Description
Sector	53	Real Estate and Rental and Leasing	8.1	Other Services (except Public Administration)
Subsector	532	Rental and Leasing Services	8.11	Repair and Maintenance
Industry Group	5324	Commercial and Industrial Machinery and Equipment Rental and Leasing	8.111	Automotive Repair and Maintenance
Industry	53241	Construction, Transportation, Mining and Forestry Machinery and Equipment Rental and Leasing	8.1111	Automotive Mechanical and Electrical Repair and Maintenance
U.S. Industry	532412	Construction, Mining and Forestry Machinery and Equipment Rental and Leasing	8.11111	General Automotive Repair

## Who is Using NAICS?

- Government and Private Industry
- Hundreds of Industry Groups

## Why Use NAICS?

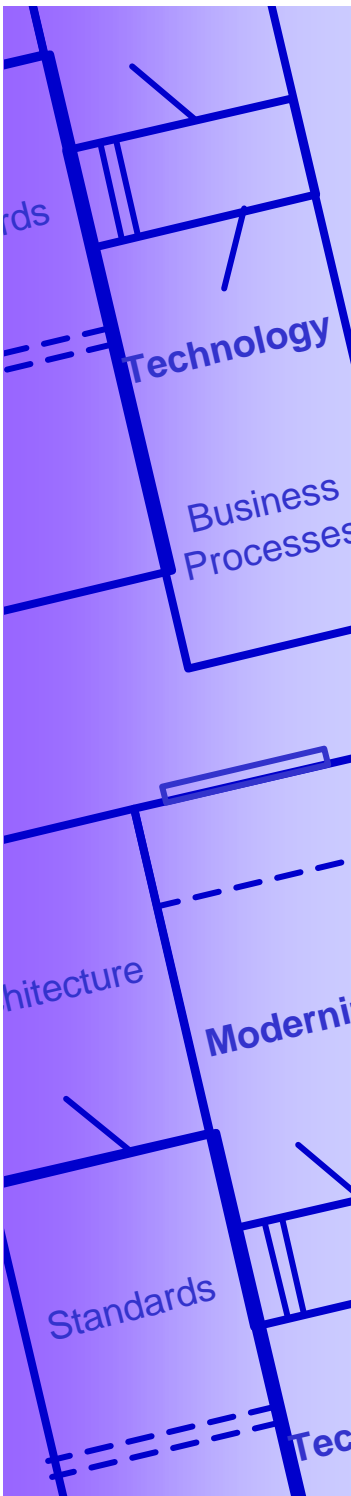
- Secretary's Desire to Align the Department with the Commercial Sector
- Standard Accepted Classification of Industries and Business Lines
- OMB Approved the NAICS for Use by Federal Government

## How DoD Will Use NAICS?

- Step 1 -- Modernization Program Develops "Straw Man" of Activity to NAICS Mapping
- Step 2 -- Modernization Program Identifies Supporting Financial Systems to Activities
- Step 3 -- Components Verify Mapping of Business Lines to NAICS Classifications and Systems
- Step 4 -- Modernization Program Identify Industry Best Practices/Performance Metrics by Business Line
- Step 5 -- Transition to Solution(s) and Industry Performance Metrics

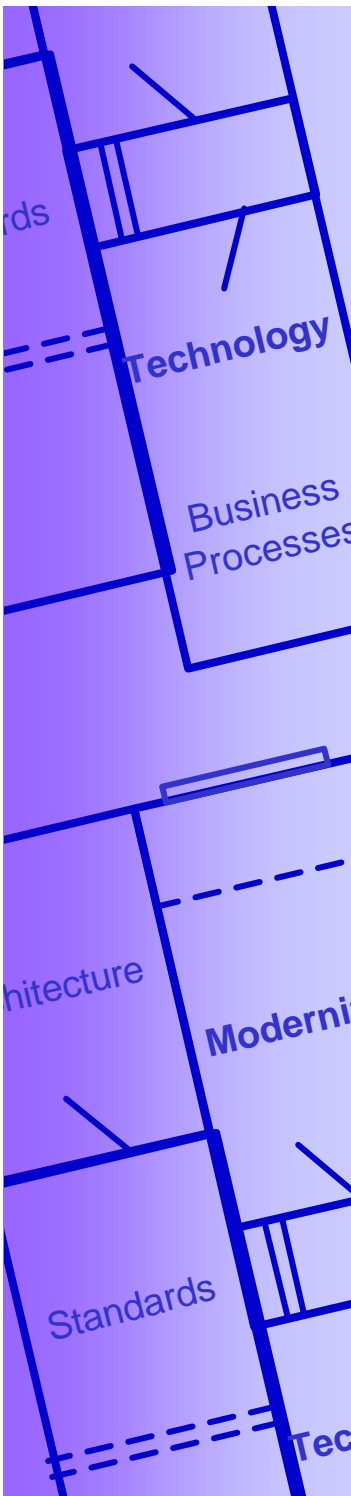
# Current Actions (cont.)

- Benchmarking Industry Best Practices for Developing Enterprise Architecture
- Identification of the Departments “As Is” Data Elements



# 21 Financial Transaction Categories & 415 Associated Forms





# Future Actions

- Contract for Independent Verification and Validation Support
- Develop a Department-wide Change Management Strategy



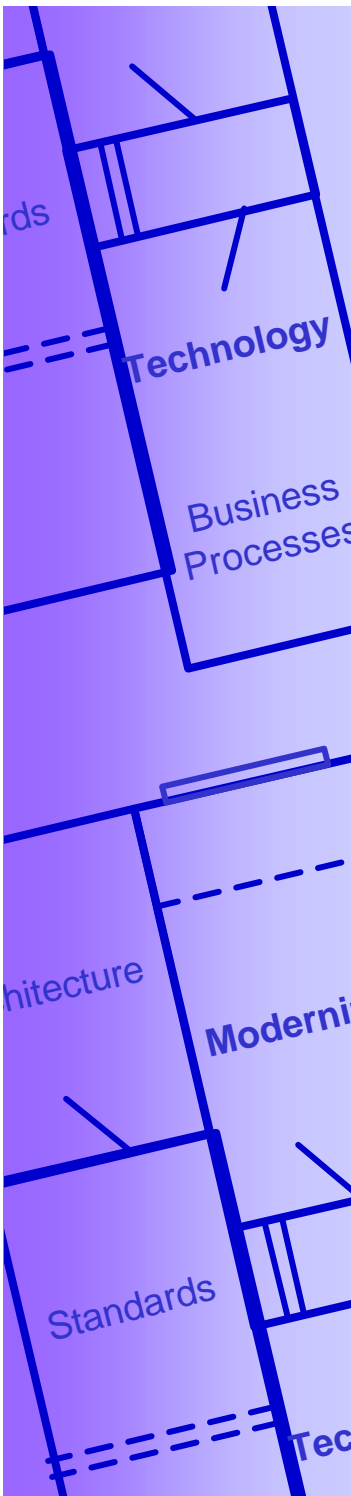
# Comptroller Directives

- USD(C) Memo August 21, 2001, *Deployment of Financial Management Enterprise Resource Planning (ERP) Systems*
- USD(C) Memo October 12, 2001, *Defense Financial Management Modernization Program - Systems Initiatives*



# Comptroller's ERP Memo

- Deployment of Financial Management Enterprise Resource Planning Systems
  - ERP Initiatives are important, but must be assessed against the Enterprise Architecture
  - Components may continue up to completion of a pilot/prototype
  - Third party assessments and Comptroller approval required before proceeding to Milestone C approval



# FMMP - System Initiatives

- Applies to operational, developmental and new system initiatives (including ERPs)
- Operational Systems
  - Limits System Change Requests to Priority 1 or 2
- Developmental Systems
  - Requires Comptroller Approval Beyond Prototype

# Schedule

