



CONGRESSIONAL REPORT on Defense Business Operations

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Office of the **DEPUTY CHIEF MANAGEMENT OFFICER**

The Department of Defense (DOD) is pleased to present the 2013 Congressional Report on Defense Business Operations. This report highlights the Department's noteworthy efforts to implement a business management model that improves business services to the warfighter by aligning the Department's business strategy with Information Technology investments now organized as portfolios.

During Fiscal Year 2012, we took full advantage of the mandate in title 10 United States Code section 2222 to revamp business mission area governance and establish an Integrated Business Framework that DoD business leaders used to vet business strategy, drive changes to the Business Enterprise Architecture and make informed business system investment and certification decisions. Over the next year, we will take additional steps to improve strategic alignment via the Strategic Management Plan that will be released later this spring, baseline costs of various business processes and further rationalize the Department's business system investments, eliminating redundant systems as necessary.



The Department's Business Mission Area is a complex, interconnected environment that is unprecedented in size and critical to DoD's overall national security mission. The underlying processes and enabling Information Technology that supports this area must also be delivered as effectively and efficiently as possible and the changes that title 10 United States Code section 2222 mandated are being used to provide critical tools that will improve business results while reducing the overall costs of our business operations.

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I. Introduction

Every day, the Department of Defense (DoD) successfully operates one of the most complex and diverse business enterprises in the world. In addition to effectively managing worldwide operations, DoD leaders routinely take deliberate actions to improve how the Department conducts its business. To this end, the Defense Business Council (DBC), in coordination with the Deputy's Management Action Group, operates a governance framework that aligns business strategies and outcomes with Information Technology (IT) investments. Additionally, the DBC develops a vision for the future of DoD business operations that identifies long range improvement opportunities as well as near-term steps to improve current business practices.

The 2013 Report on Defense Business Operations is presented in three parts and outlines the continuing efforts to improve efficiency and effectiveness. Part one describes the Integrated Business Framework, managed by the DBC, used to develop and manage DoD's business strategy while meeting statutory Defense Business System (DBS) IT certification requirements in accordance with section 901 of the Fiscal Year (FY) 2012 National Defense Authorization Act (NDAA). Part two highlights DoD's progress through demonstrated improvements to both the business practices and supporting IT investments. Part three describes the actions the Department will take over the next year to: strengthen alignment of the Strategic Management Plan with the Investment Review Board (IRB) process, provide greater transparency of business operations costs and further rationalize the business IT portfolio. Finally, the supplement provides the system specific IRB certification information as required by section 2222 of title 10, United States Code (U.S.C.). Taken together, this report highlights efforts across the Department to ensure the delivery of efficient, effective and agile business operations that support and enable the warfighter.



II. Managing Defense Business Operations

The Department's business operations are without equal in size, scope and complexity. DoD is unrivaled in that it:

- Employs and deploys more than 2.7 million service members (1.4 million Active Duty; 1.3 million Reserves and National Guard) and 800,000 civilian employees
- Operates a multi-billion dollar global supply chain that manages an inventory of 5 million line items
- Manages and maintains 500,000 buildings and structures consisting of 2.2 billion square feet of space in approximately 5,000 locations
- Provides health care for almost 10 million military members, retirees and their families
- Operates 24 hours a day, 365 days a year around the world

In addressing these large and complex challenges, IT has become a crucial and strategic enabler for both warfighting forces and the business enterprise that supports national defense missions. Today, DoD spends over \$7B annually on systems investments in the areas of contracting, finance, supply chain, infrastructure, installations and environment, human resources management, budget administration and acquisition. The seamless operation and integration of these business processes are vital to successfully meeting the national defense mission while also ensuring the delivery of efficient, effective and agile business operations that support warfighting forces.

Section 901 of the FY 2012 NDAA provided an opportunity to create an Integrated Business Framework for DoD business operations. In response to the NDAA, the Department has established a business management model and supporting process that:

- Improves business services to the warfighter
- Provides unified direction and leadership across the Business Mission Area of DoD
- Analyzes business system investments by portfolios
- Uses authoritative data as a basis for investment decisions
- Refines the Business Enterprise Architecture (BEA) to serve as a design and reference model for both the DoD's business practices and the enabling IT
- Ensures that appropriate business process reengineering is conducted
- Promotes best practices—including those established by the Office of Management and Budget and the Government Accountability Office—to engineer the process by which DoD selects, evaluates and controls business system investments

Taken together, these efforts provide the strategy, approach and governance construct to manage both business practices and their underlying IT investments.



Defense Business Council (DBC)

The DBC is chaired by the DoD Deputy Chief Management Officer (DCMO) and includes business leaders from the Office of the Secretary of Defense, the Joint Staff and the DCMO's from the Military Departments. DBC responsibilities include:

- Overseeing the development and implementation of the Department's Strategic Management Plan (SMP)
- Managing the investment management and review process for DBS
- Supporting the development and implementation of the BEA
- Supporting the development and implementation of the "End-to-End (E2E)" process framework
- Ensuring that business process reengineering is appropriately conducted
- Identifying and reviewing business priorities and requirements
- Oversight of performance management efforts
- Coordinating with other business forums such as the Financial Improvement and Audit Readiness Board, the Electronic Commerce Governance Board and the DoD Chief Information Officer Executive Board

The creation of the DBC successfully integrated the efforts of multiple existing governance bodies to provide a single forum to manage DoD business operations from strategy to implementation of the underlying programs and initiatives.

Integrated Business Framework

The Integrated Business Framework provides an overarching process to manage the Department's business operations from the creation of strategic objectives through the measurement of outcomes. It provides the DBC with a mechanism to manage the capital planning and investment control process, align strategies to outcomes, improve agility and promote effective decision making.

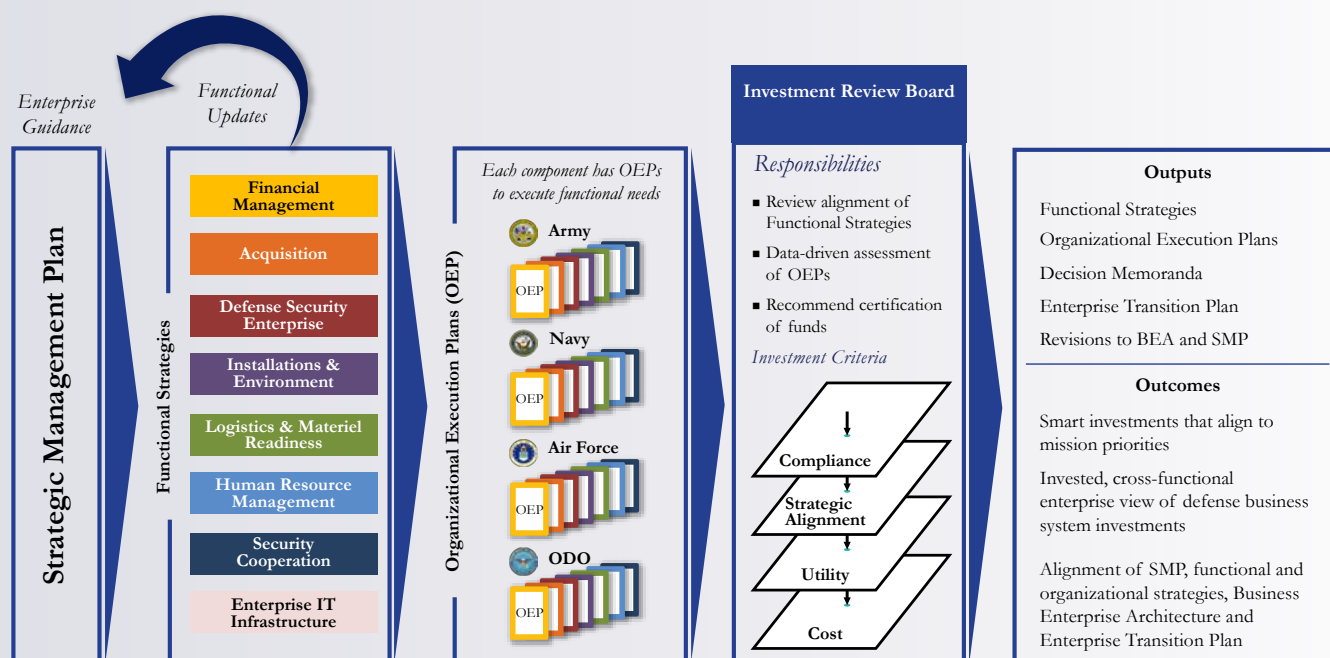


Figure 1 – Integrated Business Framework

As shown in Figure 1, the **Integrated Business Framework** begins with the **SMP**, the Department's highest level plan for improving business operations. It represents the imperatives of all of the Department's business leaders and includes goals, initiatives and measures to align, prioritize and improve business operations. The SMP then informs the development of **Functional Strategies** by each of the Secretary of Defense's Principal Staff Assistants, who serve as the Department's business functional leaders. Functional Strategies expand on the Department's overarching goals and provide the standards, outcomes and measures that will guide and align individual business IT investments. Under DBC guidance, strategies are aligned across all business areas, in collaboration with the Military Departments. Once completed, Functional Strategies are provided to all DoD Components (Military Departments, Defense Agencies and Activities) to guide the development of Organizational Execution Plans. These execution plans identify, for a given functional portfolio, how the organization will adhere to the tenets of the appropriate Functional Strategies while ensuring the successful execution of the organization's mission. **Organizational Execution Plans** show how each business IT investment aligns to the Department's goals, identifies systems expected to be retired in the next three years and the organization's plans to move to a target business system environment.

The Integrated Business Framework:

- Results in Investment Decision Memoranda that certify expenditure of funds and ensure that business investments are aligned to mission priorities
- Achieves greater alignment and adherence to the BEA
- Identifies and vets emerging business requirements
- Refines and expands the SMP

The framework has had a significant and positive impact on galvanizing the work of the entire Department to ensure that business processes and systems are streamlined and optimized to deliver greater value to our national security mission.

A. INVESTMENT REVIEW BOARD ACCOMPLISHMENTS

Prior to the creation of the Integrated Business Framework, the Department operated a number of functionally-oriented IRBs that limited reviews to development and modernization efforts that exceeded \$1M on a system-by-system basis. The enactment of section 901 of the FY 2012 NDAA, codified at title 10 U.S.C. section 2222, required the establishment of a single IRB and an investment management process, consistent with section 11312 of title 40. It expanded the scope of DBS certifications to include any business system with a total cost in excess of \$1M over the period of the current Future Years Defense Program (FYDP), **regardless** of type of funding or whether any development or modernization is planned. The DBC serves the role as this single DoD-wide IRB. In its first year of operation, the DBC had a number of successes in serving as the Department's single business IRB.

Data Transparency and Quality

To increase transparency and accuracy of DBS information used for the portfolio management process, the DBC identified two key authoritative data sources, the Defense Information Technology Portfolio Repository and the Select and Native Programming Data Input System for Information Technology. Given the imperative to have accurate data to inform decision making, the DBC took actions to significantly improve both the visibility and accuracy of this authoritative data. The DBC directed the Pre-Certification Authorities (PCA) to update and validate the authoritative data sources and provided specific feedback on data errors to the PCA. In addition, an Office of the Secretary of Defense community of interest work group is updating the data collection repositories and removing conflicting data sources.



Portfolio-Based Approach

The increase in the number of business systems to be reviewed and the need to align investments into logical groupings that reflect business processes and outcomes led to a new IRB process. This process organized business systems into portfolios of investments that could be reviewed as a group rather than the previous practice of reviewing investments individually. By elevating the investment management conversation to portfolios, the Department was better able to align system investments to business priorities and outcomes, view the portfolios in multiple perspectives and improve the entire capital planning and investment control process.

Data Analytics

The DBC also established an analytical framework for assessing investments, using authoritative data, against defined criteria in the areas of compliance, strategic alignment, utility and cost. This data was used as a part of the DBC's deliberations on each organization's functional portfolios and identified numerous opportunities to align and refine the Department's investments.

Business Process Reengineering

In September 2012, the Department issued updated guidance to assist PCA with their assessment of effective BPR. The guidance supports a holistic approach to BPR that incorporates the E2E business process perspective and requires progressive evidence of reengineering as a program advances through its lifecycle. The Department is committed to this effort and is reviewing a representative sampling of the BPR evidence associated with the IT investments within the portfolios to evaluate the rigor of BPR assessments. Results of the reviews will be used to improve BPR activities across the business mission area. The commitment to conducting effective BPR was also included in the investment decision memoranda that certified DBS funds.

Business Enterprise Architecture

The IRB process was used to ensure compliance to the BEA, as well as to identify gaps and other improvements for future versions of the architecture. This work culminated in the decision to perform future BEA compliance assessments in a consistent manner using Architecture Compliance and Requirements Traceability as a single compliance tool. The use of this single tool will create an authoritative data source for BEA compliance assessment.

Magnitude of Effort

Through the IRB process, the DBC reviewed portfolios that included 1,200 DBSs from 21 DoD components covering eight primary business functional areas and certified over \$7B in IT investments. This is nearly a six-fold increase in the number of systems reviewed by the previous IRBs. The IRB process resulted in the identification of 99ⁱ systems that will be terminated within the next 36 months and are not expected to receive budget funding beyond the next three years. In addition, the IRB process identified systems within portfolios that required further refinement or elimination, resulting in the denial of over \$300Mⁱⁱ of certification requests for business IT. Finally, the portfolio-based process enabled significant progress towards identification of the Department's target environment, as required by statute, as well as improving alignment to the BEA and the successful use of BPR.

i. As of December 3, 2012

ii. As of December 3, 2012

B. EVOLUTION OF THE BUSINESS ENTERPRISE ARCHITECTURE (BEA)

Congress directed DoD to develop an enterprise architecture to effectively guide, constrain and permit implementation of interoperable Defense business system solutions. The BEA is a crucial tool for the investment management process; providing foundational data standards and enabling interoperable business systems that support efficient E2E business processes. The BEA continues to evolve and progress. This year the DBC took deliberate actions to better align the BEA with business objectives identified in the Functional Strategies. Additionally, the DBC directed a number of structural changes to the BEA to make it a more effective tool for rationalizing business system investments, to include:

Implementing Effective Logistics Business Structure

Common logistics business structure in the BEA was instituted through the establishment of more robust supply chain activities to support standardization and portfolio analysis.

Procure-to-Pay Data Exchanges

The FY 2013 Organizational Execution Plan reviews highlighted that improvements could be made to information exchanges between the contract writing and administration business practices and the financial management business practices. The Procure-to-Pay “handshakes” in BEA 10.0 are designed to standardize the data exchanges between systems within the transaction flows and ensure traceability. Traceability and standardization improve auditability and accountability while reducing the susceptibility to waste and fraud.

Enterprise Energy Information Management Standards

The Enterprise Energy Information Management data standard was established in BEA 10.0 in order to create an interoperable environment for reporting and analysis of facility energy usage across DoD.

Version Acceleration and Compliance Dates

Use of the most recent version of the BEA 10.0 was accelerated by one year to support the FY 2014 investment reviews. Target implementation dates were established for each compliance element within the BEA.

Compliance Tool

Data Management and Analytics were improved by mandating the use of a single process and tool to assess BEA compliance.

Improving Financial Management Business Structure

The Financial Management (FM) team is working to establish a Standard Line of Accounting (SLOA). Documenting the SLOA within the BEA will help improve its business practices, ensuring that we are operating in a standards-based, interoperable business environment.

BEA Configuration Control Board

This board was established to provide prioritized recommendations to the DBC in addition to a BEA Component Collaboration Forum to ensure component engagement and accountability.



The Department's vision of delivering efficient, effective and agile business solutions is supported by the continuing improvements and enhancements to the BEA. The BEA remains an important component of the Integrated Business Framework.

C. ENTERPRISE TRANSITION PLAN (ETP)

The ETP serves as the repository of investment information including the legacy system termination schedule, a baseline for the investment management process and the roadmap for the Department's target environment. FY 2012's significant statutory changes resulted in a large increase in the number of business systems subject to review. As a result, the FY 2013 ETP was expanded to include Integrated Business Framework components such as Functional Strategies, Organizational Execution Plans and the resulting investment decision memoranda.

The DoD FY 2012 ETP provided a comprehensive list of the 269 DBS that were modernizing and certified by the Department's multiple IRBs. The FY 2013 ETP, released in December 2012, includes over 1,200 systems and enables stakeholders to more easily find and analyze data. Stakeholders now have insight into important information such as the number of legacy systems scheduled to terminate in FY 2013. Future enhancements to the ETP will provide improved search and display with real-time queries, charts and analytics to further enhance this tool as an important source of information for DoD business leaders.



III. Business Improvements Yield Results

Across the DoD enterprise, new ideas and approaches are improving business processes and outcomes. This section highlights just a few of the business advances that are providing significant value to DoD and the nation.

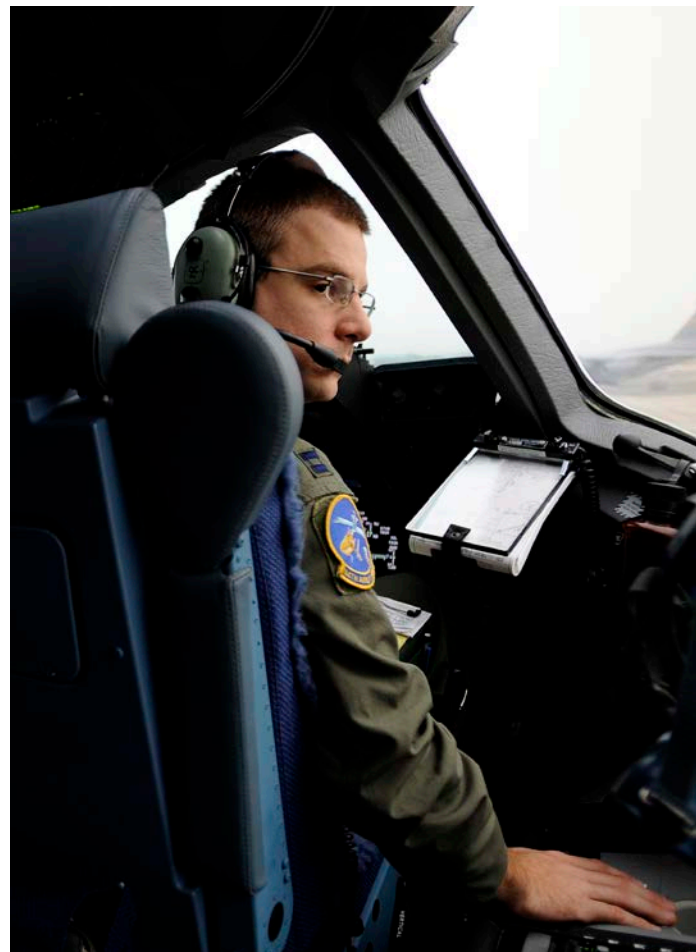
A. IMPROVING BUSINESS AT THE TACTICAL EDGE

Efficient and effective business processes are even more critical at the tactical edge of the DoD environment. Continuous process improvement work not only reduces support costs and increases throughput, it also provides increased performance for the warfighting mission. For example, supply chain improvements increase operational readiness and provide better force deployment by delivering the right goods at the right time.

United States Transportation Command (USTRANSCOM) Lowers Distribution Costs by Millions

USTRANSCOM serves as the Department's Distribution Process Owner (DPO) focused on reducing costs within the DoD supply chain while simultaneously sustaining or improving service levels to the warfighter. Collaborating with mission partners from Defense Logistics Agency (DLA), General Services Administration, Combatant Commands, and the Services, USTRANSCOM exploited tools focusing on accurate cost comparison to allow the most efficient and effective use of commercial and organic airlift assets. The effort resulted in fewer flights and reduced fuel consumption through better pallet and aircraft utilization.

These improvements achieved more than \$721M in cost avoidance through September 2012, which surpassed the \$500M goal by \$221M. The collective efforts earned the USTRANSCOM team the prestigious Defense Logistics 2012 Cost Savings and Performance Improvement Award. As a result, the DPO Executive Board challenged the team to achieve an additional \$500M in cost avoidance by the end of FY 2015; to date, USTRANSCOM has reached \$859M in cumulative cost avoidance.





B-2 Operational Readiness Improved

An Air Force Global Strike Command (AFGSC) team of 16 active duty, guard and civilian personnel worked together to streamline the complex, 40-day, multi-AFSC B-2 Spirit window change task. They reduced overall aircraft downtime by 33%. A 40-day process was reduced to 27 days. They also assembled a stand-alone, deployable toolkit for the job, enabling the 509th Maintenance Group at Whiteman Air Force Base to cut 617 miles of travel, save \$80,000 per event and increase the overall availability of the base's B-2 Spirit fleet. The team accomplished this by using process improvement principles, eliminating workforce expenditures through quality control optimization and eradicating redundant tasks.



Strategic Sourcing of Air Force F108 Engine Fan Blades Saves Millions

A cross-functional team that included subject matter experts from the Air Force, DLA and the Small Business Administration analyzed a portion of the supply chain process for F108 jet engine maintenance and implemented a reengineered process that utilized recycled commercial parts for installation in Air Force KC-135 aircraft. Their investigation identified the availability of compatible commercial used parts and engineering analysis determined the risk of installing properly recycled fan blades was minimal. After changing their process and sourcing strategy, the Air Force awarded a contract to a new supply source. By changing policy and sourcing used blades where appropriate, the Air Force yielded a net FY 2012 savings of \$34.7M and required no additional resources or new IT investments.



B. IT INVESTMENTS DIRECTLY IMPROVE BUSINESS OUTCOMES

Sound business processes must be supported by modern IT platforms that are compliant with the BEA, Federal and DoD standards. The Department's progress toward the expanded deployment of business systems that align with the target defense business system computing environment is facilitating the retirement of legacy systems and consolidation of data centers while improving business operations.

Navy Enterprise Resource Planning (Navy ERP) Shuts Down Numerous Legacy Systems

Navy ERP has standardized Navy business practices to better serve sailors, Marines, and U.S. taxpayers. It integrates financial, acquisition and supply functions into a consoli-

dated IT platform. In October 2012, Navy ERP completed all of its planned deployments to over 72,000 customers at 108 locations worldwide. This allowed the Navy to retire 88 systems yielding an initial estimated five-year cost avoidance of \$510M.

Army Financial System, General Fund Enterprise Business System (GFEBS), Fully Deployed

GFEBS reflects an extraordinary change for the Army by providing a single, integrated system for distributing funds, maintaining effective controls and managing accounting for execution. The Army successfully deployed GFEBS in July 2012 consolidating general fund financial systems. Beginning in 2013, GFEBS will manage a significant portion of the Army General Fund. GFEBS passed internal audits and formed the centerpiece for the Army's financial auditability efforts. Today, GFEBS is 97% compliant with the Federal Financial Management Improvement Act and other statutory and regulatory requirements, standards, attributes and business rules. The deployment of GFEBS was key in retiring 13 systems in 2012, bringing the total retired to 31. This system and active Army governance will enable the Army to achieve mandated auditability goals by FY 2014 and FY 2017.

Enterprise Procurement (EProcurement) Transforms Contract Management

EProcurement is the DLA "public-sector" commercial software-based solution for contract writing and management that will process 230,000 unique requisitions and 11,000 daily contract actions. EProcurement replaces multiple, more costly legacy systems and supports the Procure-to-Pay process to provide procurement and contract capability that is a fully integrated component of the DLA supply chain defense business system. In 2012, DLA began fielding the final release of EProcurement to the planned population of 4,000 users.

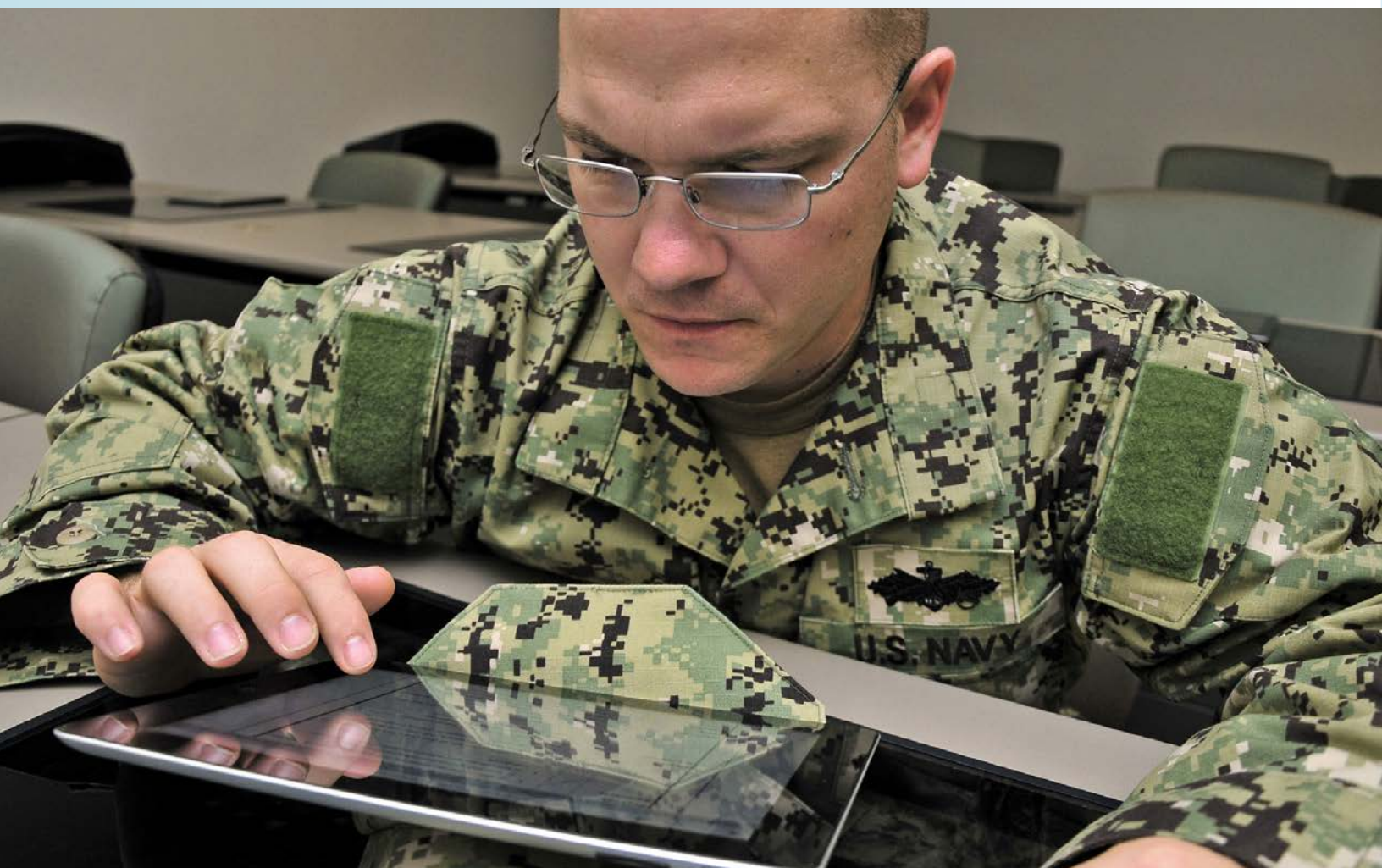
Navy and Army Aggressively Consolidating Data Centers

To achieve IT cost savings, the Department of the Navy (DON) plans to reduce the number of Navy and Marine Corps data centers by over 75% across the FYDP (FY 2013-FY 2017). These efforts will reduce the Department's overall data center footprint, deliver cost and environmental efficiencies and increase the overall IT



security posture while ensuring DON warfighting capability remains strong. In FY 2012, the Navy consolidated 17 data centers, 101 systems and 588 servers. To support these efforts, in accordance with the FY 2012 NDAA, the DON created a standard, transparent procurement approval process to review all data center related hardware, software and services requests aligned with the Department's overarching Investment Review Board process. Using this new process, the DON reviewed 256 requests totaling over \$264M in data center related obligations and rejected 12 of those requests, which resulted in over \$97M in cost avoidance.

The Army Data Center Consolidation Plan (ADCCP) reduces the Army's data center inventory worldwide, improves the security of Army information assets and enables the Army to provide managed information services at the enterprise level. The ADCCP is a key element of the strategy to transform the LandWarNet, the Army's existing network and portion of the DoD Global Information Grid, into a fully integrated information enterprise activity. Implementation of the ADCCP will reduce data center infrastructure operations, support costs and environmental impacts by shifting data center operations to managed enterprise operations that are more efficient and effective. In addition, the consolidation will increase the Army's overall IT security posture by making it easier to defend the network, protect information assets and respond to threats. As of December 2012, the Army has closed 54 non-Base Realignment and Closure data centers resulting in approximately 700 server efficiencies, 800 application efficiencies and 25 personnel efficiencies. At the end of calendar year 2012, the ADCCP's teams visited ten Army installations to complete physical discovery of reported data center assets to ensure reporting accuracy. Looking ahead, the discovery team will perform analysis on each installation's data centers to provide a recommendation on a consolidation plan to a single installation processing node.



Air Force Takes Advantage of Enterprise Travel Solution

The Defense Travel System (DTS) is an enterprise solution that is part of the target defense business systems computing environment. DTS is a fully integrated, automated, end-to-end travel management system that enables DoD travelers and their supervisors to create travel authorizations, prepare reservations, receive approvals, generate travel vouchers and receive reimbursement. As part of their effort to achieve organizational efficiencies and continuous process improvements, the Air Force continued to increase use of DTS while simultaneously reducing their resource footprint. For example, Financial Services moved 421,500 manual vouchers to DTS (TDY to School, deployment, Air Force Reserve Command and Air National Guard vouchers) for automated processing. Overall Air Force DTS usage increased from the FY 2010 baseline of 49% to approximately 80% at the end of FY 2012. As a result, resource reductions were accelerated and Air Force was able to eliminate the resources required of 78 civilian positions by using automated processes. The Air Force achieved an additional \$17.4M in savings in FY 2011 - FY 2012 that were not originally planned to occur until FY 2013. The projected savings for FY 2013 - FY 2017 is \$66.5M.

C. BETTER DATA: IMPROVING FINANCIAL MANAGEMENT

Efforts to develop and implement tools that analyze, aggregate and assess business and financial data are providing commanders the tools they need to control costs and improve the quality of business decisions.

End-to-End Traceability for Financial Transactions in Theater

Battlefield financial transactions are often cash-based and difficult to trace for the entire transaction, leaving financial managers with challenges for accountability, auditability and basic funds management. Personnel from Army Central Command, Theater Financial Management and Defense Finance and Accounting Services, joined together and developed the ability to analyze large numbers of financial transactions in order to identify end-to-end matches and disconnects within the transactions. This effort provided visibility and traceability for 95% of the \$4B in annual transactions in FY 2011 - FY 2012 and resulted in substantially better information to manage funds.





Theater Requirements Contracting, Execution and Reconciliation (TRCER) Realizes \$110M in Acquisition Cost Savings

Army Central Command used the TRCER program to increase financial visibility of their acquisition programs. TRCER tracks over \$1B obligations daily while providing significant cost savings. For example, in FY 2012, Army Central Command realized \$110M in cost savings by reconciling all acquisition activities on a quarterly basis, eliminating redundant contracting actions and adjusting associated funds in a timely manner.

Acquisition Common Operating Picture (ACOP) Provides Visibility into Construction and Service Projects

Central Command Joint Theater Support Contracting Command, (C-JTSCC) Regional Contracting Center is responsible for keeping commanders informed on how money is spent. A web-based tracking and reporting tool that includes geospatial visualizations was developed to provide visibility into the status of all C-JTSCC construction, service and commodities actions. The ACOP tool's initial capability was delivered in 60 days and has assisted C-JTSCC in realizing over \$60M in cost savings through avoidance of interest and overpayments.



D. BETTER OUTCOMES FROM BUSINESS PROCESS IMPROVEMENTS

Defense Business Operations include a wide range of vital functions from critical medical care administered in hospitals to audits, inspections and foreign military sales. The effective use of tools and techniques to examine and reengineer a business process can yield substantial improvements in outcomes and cost savings. Process improvements can be achieved by eliminating ineffective reviews or duplication of effort, redeploying resources or using existing solutions in a way not previously considered.

Army Inspector General (IG) Optimizes Surge Support to Reduce Backlog

The Army IG sought to decrease the cycle rate of complaint investigations and to reduce the current backlog of approximately 1,000 cases. Analysis of the entire complaint process determined that reallocating existing resources to





specific points would result in substantial improvements to complaint processing. The process improvement of realigning and effectively using current resources provided not only a predictable cycle rate for investigations, but reduced the complaint cycle time and eliminated the current complaint backlog without new IT investments.

Eliminating Redundancies in TRICARE Management Activity (TMA) Saves \$840M

TMA examined the existing processes used in emergency rooms. Using a model simulator, engineered process improvements were tested prior to making recommendations for system-wide changes. The process improvements identified are being implemented throughout the TRICARE regions and are expected to yield \$840M in cost savings.

Average Time to Address Equal Opportunity Complaints Cut in Half

The Department's equal opportunity complaint process was overly complex with an ever increasing demand for more resources. The process contained over 17 different forms and included 85% identical processes across the Departments of the Army, Navy, Air Force and Fourth Estate. The reengineering of the process and policy resulted in the elimination of duplicate reporting and the addition of an online program to register a complaint. As a result, average cycle time to address a complaint decreased from 245 days to 120 days and produced savings of \$1.4M in overtime payments.





DSCA Improvements Save Time and Money

The Defense Security Cooperation Agency (DSCA) is responsible for administering and managing Department of Defense Security Cooperation programs. In 2012, the Department improved Security Cooperation Community Guidance by completing a 14-month rewrite project reflecting seven years of policy updates and program changes. DSCA also lowered its customer's cost of business by reducing the Foreign Military Sales administrative surcharge from 3.8% to 3.5%. The reduction is estimated to save our foreign and U.S. customers an estimated \$60M annually.



Air Mobility Command (AMC) Virtualizes Staff Assistance Visits

AMC/FM Directorate reassessed their practice of sending five to six-person teams to units for staff assistance visits prior to Unit Compliance Inspections, Operational Readiness Inspections and other assistance visits. To reduce the travel and resource costs, AMC leveraged existing technology and products to conduct virtual assistance visits (Defense Connect On-Line, SharePoint and self-inspection checklists). The Command developed game plans, "How-To" Guides, self-inspection checklists and established a review process for each assessable area. AMC/FM reduced onsite teams from six members to two or less saving an average of \$6,000 per visit (approximately \$25,000 per year). The reengineered program slashed travel costs by 70%, reduced time away from home station and increased access to technical expertise within the office. The procedures and tools adopted by the AMC FM Directorate are easily adopted and are being replicated within other AMC directorates during FY 2013.

E. HELPING OUT AT HOME

Besides defending the nation against all enemies foreign and domestic, the U.S. military is often called upon to assist here at home. Members perform drug interdiction, assist in halting illegal immigration and help law enforcement agencies during times of civil disturbances. In times of need, the Department also assists in aiding and bringing relief during manmade and natural disasters such as the cleanup following Hurricanes Katrina and Sandy.

DLA Leverages Existing Processes to Support Hurricane Disaster Relief

The Department's supply chain business capability is without equal. DoD is able to provide resources where they are needed anywhere in the world. In response to Hurricane Sandy's catastrophic destruction, the DLA worked with federal and local authorities in the states of New York and New Jersey to provide fuel, generators, rations and construction equipment to residents in affected areas. During a three-week recovery operation, DLA provided first responder fuel support to 36 sites, including Red Cross mobile kitchens, hospitals, Verizon telecommunication nodes and emergency bus operations. In addition, nearly 300 commercial gas stations were supplied with fuel to help eliminate long gas lines and provide service to the public. In all, more than 9 million gallons of fuel were provided during Hurricane Sandy relief efforts.



IV. Next Steps

The DoD leadership team is taking a number of concrete steps to align business strategies, strengthen the Business Enterprise Architecture, accelerate business process reengineering, identify outcome-based performance measures and make informed investment decisions using the IRB process that is embedded within the Integrated Business Framework. Section 901 of the FY 2012 NDAA provided an extraordinary opportunity to align the Department's senior business leaders within a single, integrated process. The DBC has used the expanded NDAA authority to baseline the Department's business systems investments and identify improvement opportunities for business operations and IT investments. Going forward, the Department will continue to improve the efficiency and effectiveness of its business operations, placing emphasis on the following:

Improved Strategic Alignment

Later this spring, the Department will release an updated version of the SMP articulating management goals for business operations linked to the Department's overarching goals and objectives. Likewise, Functional Strategies will be updated to provide implementation details needed to achieve SMP goals and will include select business based performance measures, compliance requirements, target enterprise level systems and data standards needed to achieve business system interoperability.

Cost Management

Information Technology reflects only a portion of the cost to provide a business capability or operate a business process. In FY 2013, the DBC will continue to collect and baseline costs of various business processes enabled by IT. Improved cost visibility will be linked to strategic goals in the SMP and Functional Strategies to provide the DBC with the expanded information needed to make informed decisions about the overall cost of the Department's business operations and supporting business systems.

Portfolio Rationalization

Opportunities exist to further rationalize the Department's business system investments to eliminate redundant systems and reduce costs. In the months ahead, the Department will take deliberate action to address its current business system portfolio with both IT investment rationalization and business outcome alignment. It is the intent of the DBC to only certify portfolios of investments that depict a clear plan for migrating to a rationalized target environment.

Business Enterprise Architecture

The BEA will continue to evolve, reflecting the business objectives directed by the DBC after Functional Strategies are vetted and Organizational Execution Plans are reviewed. Meanwhile, the Department will continue to make structural changes to the BEA that will improve information assurance via federation with the DoD Information Enterprise Architecture, increase visibility of the transition to the target environment through better Component federation with BEA and refine selected E2E business processes to optimize functional capabilities and encourage interoperability between processes and systems.

Business Process Reengineering

The guidance issued in September 2012 provides a comprehensive BPR approach. Validation sampling of the FY 2013 BPR assessments will help the Department improve the assessment process and accelerate the adoption through continuous engagement with the PCA. During FY 2013, an update to the BPR Assessment Guidance submission matrix will incorporate the lessons learned from the FY 2013 BPR Assessment effort by introducing two new submission types. Additionally, the FY 2014 Organizational Execution Plan reviews will incorporate the validation sampling of BPR assessments into the review process to inform investment decisions.

V. FY 2012 Certification Results Overview

FY 2013 established a baseline for “covered DBS” defined in the FY 2012 NDAA as all DBS anticipated to cost over \$1M over the period of the FYDP, regardless of appropriation.

In FY 2012, the IRB/DBC approved approximately 1,200 requests totaling over \$7B across eight functional areas for FY 2013 funding certification. The table below identifies the number of systems requested and certified across the functional areas. Additional certification data detailing the systems approved and disapproved for certification can be found in the Supplement to the 2013 Congressional Report on Defense Business Operations.

Portfolio Name	Count of Certification Request Actions Total	Sum of Certification Request Actions Total	% Certification Request Action	% of FY13 Cert Req (\$\$)
Acquisition	105	\$284.520	8.43%	3.97%
Defense Security Enterprise	8	\$44.868	0.64%	0.63%
Enterprise IT Infrastructure	5	\$43.531	0.40%	0.61%
Financial Management	200	\$785.179	16.06%	10.95%
Human Resources Management	440	\$3,094.946	35.34%	43.17%
Installations and Environment	133	\$288.561	10.68%	4.02%
Logistics and Materiel Readiness	350	\$2,626.227	28.11%	36.63%
Security Cooperation	4	\$1.564	0.32%	0.02%
Grand Total	1245	\$7,169.397	100.00%	100.00%

Table 1 – Certification Requests (\$M)

As of December 3, 2012

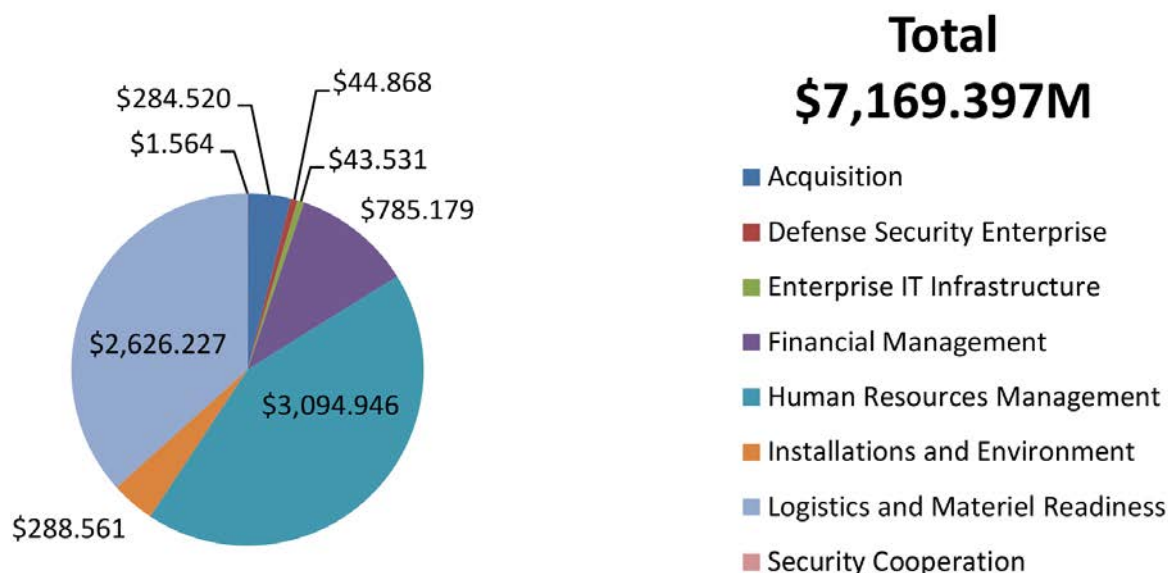


Figure 2 – Certification Requests (\$M)

As of December 3, 2012

Portfolio Name	Count of Certification Request Actions Total	Sum of Certification Request Actions Total	% Certification Request Action	% of FY13 Cert Req (\$\$)
Acquisition	98	\$256.704	7.98%	3.79%
Defense Security Enterprise	8	\$44.868	0.65%	0.66%
Enterprise IT Infrastructure	5	\$41.231	0.41%	0.61%
Financial Management	200	\$785.179	16.25%	11.59%
Human Resources Management	435	\$2,919.274	35.34%	43.10%
Installations and Environment	133	\$288.561	10.80%	4.26%
Logistics and Materiel Readiness	348	\$2,436.253	28.27%	35.97%
Security Cooperation	4	\$1.564	0.32%	0.02%
Grand Total	1231	\$6,773,634	100.00%	100.00%

Table 2 – Certifications Approved (\$M)

As of December 3, 2012

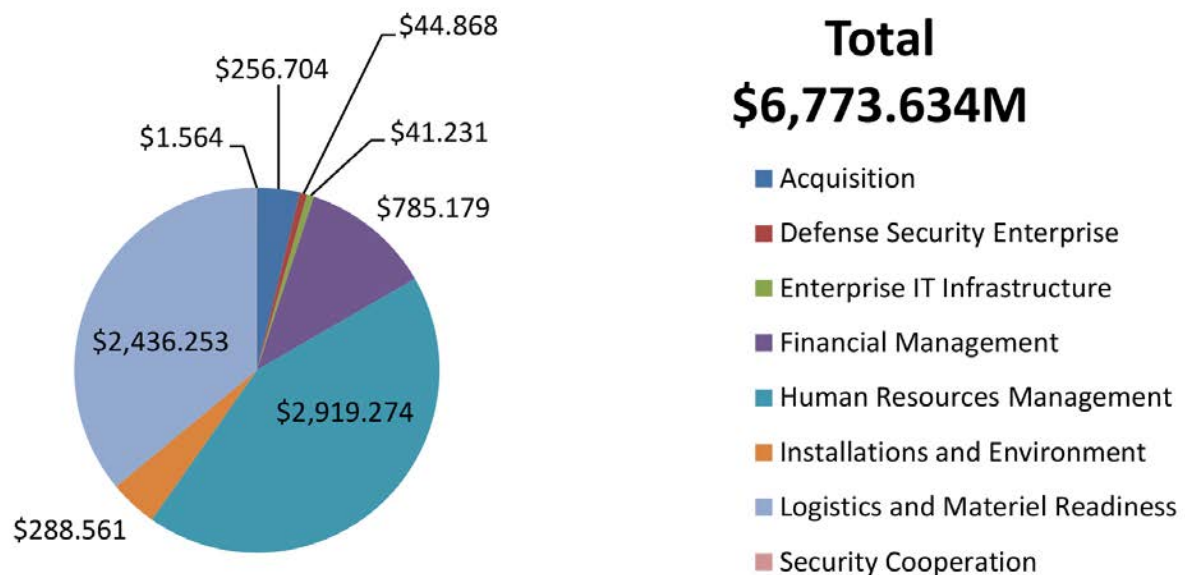


Figure 3 – Certifications Approved (\$M)

As of December 3, 2012

Abbreviations and Acronyms

Acronym / Abbreviation	Definition
ACOP	Acquisition Common Operating Picture
AFGSC	Air Force Global Strike Command
AMC	Air Mobility Command
BEA	Business Enterprise Architecture
BPR	Business Process Reengineering
C-JTSCC	CENTCOM-Joint Theater Support Contracting Command
DBC	Defense Business Council
DBS	Defense Business System
DCMO	Deputy Chief Management Officer
DLA	Defense Logistics Agency
DoD	Department of Defense
DON	Department of Navy
DPO	Distribution Process Owner
DSCA	Defense Security Cooperation Agency
DTS	Defense Travel System
E2E	End-to-End
ERP	Enterprise Resources Planning
ETP	Enterprise Transition Plan
FM	Financial Management
FYDP	Future Years Defense Program
GFEBs	General Fund Enterprise Business System
IG	Inspector General
IRB	Investment Review Board
IT	Information Technology
NDAA	National Defense Authorization Act
ODO	Other Defense Organizations
PCA	Pre-Certification Authorities
SCOR	Supply Chain Operations Reference
SLOA	Standard of Line of Accounting
SMP	Strategic Management Plan
TMA	TRICARE Management Activity
TRCER	Theater Requirements Contracting and Execution and Reconciliation
USTRANSCOM	United States Transportation Command

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