Sustaining Warfighters While Reducing Costs

Mrs. Teresa McKay
Director
Defense Finance and Accounting Service
June 29, 2011
Our job is to support you!

Customer Service

Identify and Implement Efficiencies

Collaborate and Facilitate

Reduce Costs and Risks
FY 2012 Budget Positions

PB10

PB11 – DFAS Driven Changes

PB11 – Customer Driven Changes

Baseline
$1,313M

PB10

$1,335M

PB11

$1,573M

Increased Resources

3% Tax Legislation: $3M
VA Retro: $15M
DMPOs: $69M
ERP Support: $56M
DIMHRS Restoration: $86M

Decreased Resources

Budget Efficiencies: $(3M)
DISA Costs: $22M

Workload Adjustment: $12M
FY2012 Budget Positions

Baseline: $1,573M

PB11: $1,573M

PB12 - DFAS Driven Changes:
- DFAS Efficiencies ($239M)
  - 15% decrease
  - $1,334M

PB12 - Customer Driven Changes:
- Tactical DMPO Travel: $3M
- Audit Readiness: $54M
- Workload Adjustment: $25M
  - 10% decrease
  - $1,417M

Increased Resources

Decreased Resources
# ERP Implementations to Reduce Legacy System Costs

## Legacy cost laid into PBR12

<table>
<thead>
<tr>
<th>System</th>
<th>FOC</th>
<th>Legacy Requirements at FOC</th>
<th>Legacy Requirements 1st Year After FOC</th>
<th>%</th>
<th>Legacy Requirements 2nd Year After FOC</th>
<th>%</th>
<th>Legacy Requirements 3rd Year After FOC</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMP</td>
<td>2011</td>
<td>$15,659</td>
<td>$14,603</td>
<td>93.3%</td>
<td>$14,603</td>
<td>93.3%</td>
<td>$14,603</td>
<td>93.3%</td>
</tr>
<tr>
<td>GFEBS</td>
<td>2012</td>
<td>$13,901</td>
<td>$13,473</td>
<td>96.9%</td>
<td>$13,046</td>
<td>93.8%</td>
<td>$12,618</td>
<td>90.8%</td>
</tr>
<tr>
<td>NAVY ERP</td>
<td>2012</td>
<td>$46,786</td>
<td>$28,000</td>
<td>59.8%</td>
<td>$25,661</td>
<td>54.8%</td>
<td>$18,846</td>
<td>40.3%</td>
</tr>
<tr>
<td>DAI</td>
<td>2014</td>
<td>$52,599</td>
<td>$47,007</td>
<td>89.4%</td>
<td>$47,007</td>
<td>89.4%</td>
<td>$47,007</td>
<td>89.4%</td>
</tr>
<tr>
<td>ECSS</td>
<td>2014</td>
<td>$37,222</td>
<td>$7,272</td>
<td>19.5%</td>
<td>$4,523</td>
<td>12.2%</td>
<td>$3,125</td>
<td>8.4%</td>
</tr>
<tr>
<td>EBS</td>
<td>2015</td>
<td>$3,092</td>
<td>$123</td>
<td>4.0%</td>
<td>$79</td>
<td>2.5%</td>
<td>$5</td>
<td>0.2%</td>
</tr>
<tr>
<td>DEAMS</td>
<td>2017</td>
<td>$50,492</td>
<td>$18,185</td>
<td>36.0%</td>
<td>$14,703</td>
<td>29.1%</td>
<td>$11,328</td>
<td>22.4%</td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td>$219,751</td>
<td>$128,663</td>
<td>58.5%</td>
<td>$119,620</td>
<td>54.4%</td>
<td>$107,532</td>
<td>48.9%</td>
</tr>
</tbody>
</table>

Legacy costs are a factor of:

- Retention of unconverted legacy data
- Omission of missing critical processing capabilities
- Omission of significant customer populations
- Uncertainty of out-year deployment

FOC = full operating capability
Electronic Commerce Opportunities

**Successes:**

- 98% of EBS payment transactions processed electronically
- 58% of Fuels payment transactions processed electronically (thru AVEDS and FAS)
- 54% of Contract Pay (thru MOCAS) invoices processed electronically
- 90% of DLA contracts in MOCAS interfaced electronically

**Future Opportunities (FY12):**

- Improve contract modification interface to MOCAS (currently 13% electronic)
- Continue to convert from the legacy systems to EBS (Fuel conversion by FY14)
- Expand Fuel Card Programs
- Implement remaining 6 DLA and 10 DAPS PowerTrack sites for EBS
Lean6 Projects Impacting DLA

**COMPLETED**

- Reduction of Data Storage Costs for DBMS
- Reduction of Hard Copy Checks
- EBS Undistributed Collection > 120 Days
- EBS Functional Access
- Reduce DAPS Unprocessed Collections

**UNDERWAY**

- Reduce Interfund Rejects
- DLA Interest Reason Code 2 Process
- Fuels Contract Closeout Reconciliation
- AP Fuels Certification of Funds Project
- EBS Collections Inflow Process
- DLA MILSBILLS Adjustment/Credit Process
- Reduce Manual Reviews Within the Cert. Process
- Reduce IPAC Rejects (Preval)
- Reduce/Automate Check Collections
- Reduce Manual Posting Related to Undistributed Collections

$10M in Savings to Date (FY11)
DFAS Audit Readiness Support Strategy

Organizing to Support Our Customers

Establish Enterprise-wide Audit Readiness Office
- Strategy
- Integration Across Customers & Sites

Establish Audit Readiness Teams at DFAS Sites
- Business Function Focus
- Customer Specific Support

Complete Pre-assertion Preparation

Processes
- Process flows are current, complete and accurate
- Controls are tested and assessed
- Validate quality of reconciliations

Documentation
- Audit-Ready Evidential Matter is readily accessible
- Tools are in place

DFAS Owned Systems
- Adequately documented
- FISCAM compliant
- Can produce detailed transactions

Collaborate with DLA
- Participate in 6 DLA BCTs
- Documented 33 Process Cycles
- Identified 809 Internal Controls
- Supported DLA Appropriations Received Assertion
- Developed Accounting Treatment for $168M of $173M in Unsupported Undistributed
- Perform Mock Evidential Pulls

Develop, implement, and staff DFAS organizations required to enable audit assertion and audit execution support for customers
A Practical Look at Winning the Fight Against Improper Payments

“The start of a new era in the federal government’s long fight against improper payments began on November 20, 2009, when the president released an Executive Order—Reducing Improper Payments and Eliminating Waste in Federal Programs. The president’s message was clear: When the federal government makes payments…it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time.”

Business Activity Monitoring (BAM)

Detection and Prevention of

- **Repeat Payments**
  - Invoice Duplicate
    - same contract
    - different contract
    - different amount

- **Over/Under Payments**
  - Outlier
  - Over/Under Recoupments

- **Erroneous Payments**
  - Invoice Invalid/Missing Cert. Official ID
  - Invoice Date Suspicious
  - 3-Way Match
  - Invoice Incorrect
  - Wrong Vendor Paid
  - Invoice Missing or Invalid TIN
  - Fast Pay No receiving Report
  - Invoice Freight Incorrect
Improper Payments Prevented

EBS

NAVY ERP  DEAMS

DAI  GFEBS

MOCAS  CAPSW  IAPS  1Pay

Improper Payments

$2.6B
Expeditionary Support Organization

Southwest Asia Presence and Accomplishments

- ESO has supported the Warfighter with Managerial Accountants and Vendor Pay Specialists since October 2008

- 179 employees have been deployed to date with requirements through ARCENT currently for 51 personnel in Kuwait, Iraq, Afghanistan and Qatar

- Implemented first ever Tri-Annual review program resulting in de-obligating $250M in FY10 funds returning them to the Warfighter

- Successfully collaborated with Army to reduce cash on the battlefield from over $1B in FY09 to $177M in FY11