

The USAF Financial Management Transformation Flight Plan

FY03-07



U.S. AIR FORCE

**SAF/FMT
Financial Management Transformation
Program Management Office**

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U.S. AIR FORCE

Foreword

The U.S. Air Force has set out on a journey to transform the way it will deter and, if necessary, fight future wars. In adapting to the post Cold War national security environment, the Air Force must continue to exhibit great flexibility as it prepares for asymmetric, constantly evolving threats many of which can not be fully anticipated. This needed flexibility is found in the Air Force's capabilities-based approach to planning, equipping, and developing concepts of operations.

Air Force financial management will play an increasingly key role in developing and supporting a capabilities-based Air Force. It will fulfill that role by providing timely, accurate, and integrated resource information and analysis to Commanders at every level of the Air Force ... from forward deployed operating bases to the meeting rooms of the Pentagon.

Financial Management transformation will parallel war fighting transformation, employing new concepts of operations, organizational changes, and next generation technologies to build a world class financial management organization that excels in innovation while continuing to carefully steward public funds. The result of Financial Management transformation will be an Air Force community where financial management personnel serve as valued advisors and strategic partners who provide high quality, customer-focused financial services and expert decision support.

Through the ongoing efforts outlined in this document, we are confident that Air Force financial management will move to a new level of service to the Air Force, to the Department of Defense, and to the citizens of our country.



A handwritten signature in black ink that reads "Michael Montelongo".

Michael Montelongo
Assistant Secretary
(Financial Management
and Comptroller)



A handwritten signature in black ink that reads "Bruce S. Lemkir".

Bruce S. Lemkir
Principal Deputy Asst. Secretary
(Financial Management
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Introduction

Transformation of the Air Force financial management community is part of the larger transformation within the Air Force, the Department of Defense, and indeed the entire federal government. The *Air Force Financial Management Transformation Flight Plan* is a complementary document to the *USAF Transformation Flight Plan FY03-07*, wherein the Air Force has detailed its vision, strategy and road map for achieving operational transformation. The *Air Force Financial Management Transformation Flight Plan* articulates both ongoing and planned transformation efforts in the financial management community as that community supports Air Force efforts to enhance war deterring and war fighting capabilities in a rapidly changing national security environment.

The Purpose of the Financial Management Transformation Flight Plan

The quintessential role of Air Force financial management, along with other supporting business areas, is to support the war fighting mission. To best fulfill that role, the FM community must transform the way it does business. It must achieve a level of agility and performance equivalent to the increasingly rapid advances in our war fighting technologies and concepts of operations. The *Financial Management Transformation Flight Plan* presents the roadmap for financial management transformation efforts; it discusses ongoing and planned efforts for the period FY02-03. Subsequent versions of this Flight Plan will address FM transformation activities commencing in FY 04 and beyond.

Transformation in financial management will require dramatic change in three principle areas: in people, in processes, and in technology. These three areas are fundamental to successful FM transformation; indeed they can be thought of as the “pillars of transformation.” Significant improvements in how human resources are utilized, how processes are designed, and how integrated technology solutions are employed will be key to achieving and maintaining the exemplary level of financial management support the war fighter depends on and deserves.

The Flight Plan Outline

The *Air Force Financial Management Transformation Flight Plan* presents objectives and requirements for transformation, and outlines the steps that will be taken to achieve remarkable improvements in financial management operations and performance. Beginning with a discussion of the fundamentals of transformation in the Air Force, and the role of financial management in the broader context of that transformation, the Flight Plan discusses both the overarching FM Vision and the Transformation Goals which must be achieved to fulfill the Vision.

Following that discussion is a review of the tenets of the President’s Management Agenda -- the Administration’s key policy document supporting, indeed directing, government-wide transformation in operational and business processes. Then the Flight Plan addresses the very process of transformation, beginning with the *Mobilize* phase and

proceeding through the major steps of *Diagnose, Redesign* and *Pilot/Implementation*. FM transformation initiatives and direct deposits for FY02-03 are identified and their projected progress depicted as part of the *Implementation Plan* discussion, and its accompanying timeline.

The concluding discussion is followed by appendices that provide additional details concerning the President's Management Agenda and summarize key elements of the Financial Management Community's FY02-03 Transformation Initiatives and Direct Deposits.

Why Transformation?

To effectively deter and, when necessary, successfully prosecute war the Air Force must frequently take stock of potential enemies, and attempt to understand their intent, their war fighting doctrine and their capabilities to execute in battlespace. This precept has been historically true and its importance is reinforced by recent dynamic changes in warfare that shrink timelines for preparedness and response. Devastating technology, in forms ranging from advanced information technology to the weapons of mass destruction, is increasingly available to small nation states and non-state actors. Today's international security environment, radically different than the one faced during the Cold War, continues to evolve rapidly. Potential adversaries, well understood in the Cold War, are often difficult to identify and may employ a wide range of non-traditional actions to accomplish their goals.

As a result of these developments, the U.S. military must prepare for an increasingly wide range of contingencies. Moreover, it must be prepared for a robust range of operations today while developing advanced capabilities and concepts of operations for tomorrow. To address these competing demands, the DoD and the Air Force are transforming the way warfare is thought of, planned for, and executed. The following definition has been developed to capture the most salient characteristics and to clearly describe what the Air Force means by transformation:

A process by which the military achieves and maintains advantage through changes in operational concepts, organizational structure, and/or technologies that significantly improve our war fighting capabilities or meet the demands of a changing security environment. (Source: AF Transformation Flight Plan)

The essence of this definition applies to financial management as well as to war fighting. Fundamental to successful financial management transformation will be the careful review of, and willingness to change, operational concepts, organizational structure, processes, and enabling technologies in order to achieve significant gains in effectiveness, efficiencies and resource reductions.

In the market-driven private sector, it is the continual striving for improved processes, business practices, and value leveraging technologies that allow world-class organizations to maintain their ascendant positions. Indeed, top firms are always transforming to stay ahead of their competition. The need to transform financial

management extends into the public sector as well. One can argue that sound financial management is at the very core of “good government” – a government that fulfills its trusted fiduciary role responsibly. In the DoD, and in the Air Force, sound financial management is key to making sure the country gets the best possible defense for tax dollars expended. It is with this level of responsibility that Air Force financial management embarks on its transformation efforts.

FM Role in Air Force Business Transformation

The influence of Air Force financial management reaches into every organizational level of the Air Force. FM supplies the “lifeblood” of financial resources to the entire Air Force, allowing it to effectively operate on a daily basis. As a key business support organization, FM shares a set of target objectives with the larger Air Force-wide business support community. These target objectives include:

- Global Reach - Providing seamless business support around the globe.
- Collaborative Partnerships – Enabling greater synergies through the use of best practices in human resource management, corporate processes, and technology insertion.
- Controlled Customization – Developing specific solutions for Commands and deployed forces within the bounds of an integrated framework.
- Back-Office Integration – Delivering superior flow-through processing and transaction services.
- Architectural Integration – Ensuring open platform approaches for easy integration and participation of all stakeholders.
- World Class Management – Delivering robust, mission-critical capabilities.

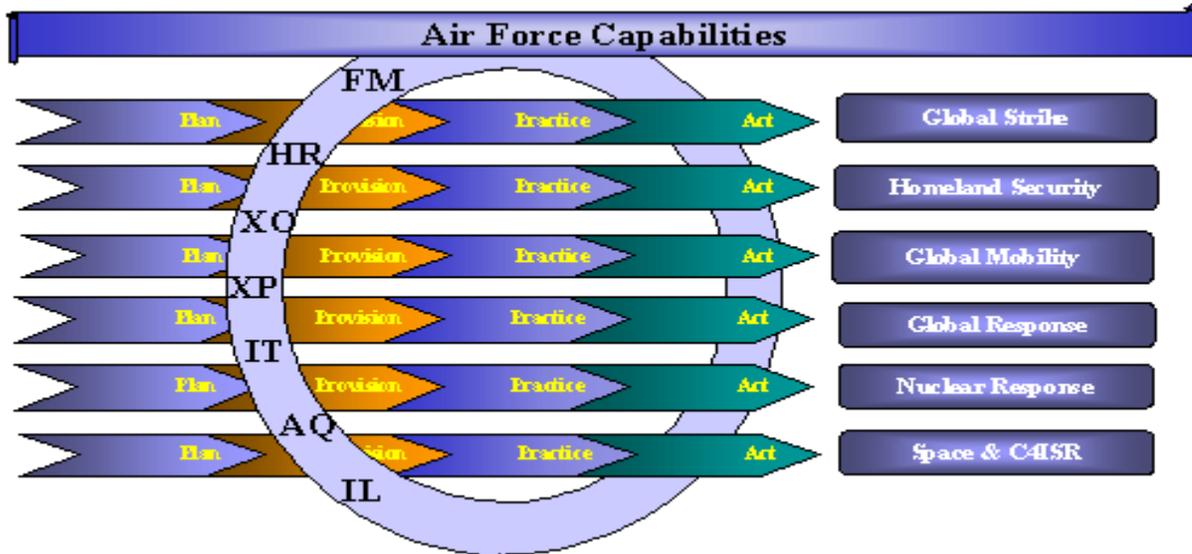
By meeting these objectives, the Air Force will fashion a fast, agile, and flexible business environment that is horizontally integrated. Air Force-wide business transformation will result in dramatically improved organizational performance and flexibility. To achieve the target objectives, the Air Force has established five business transformation goals, they include:

- An improvement in the effectiveness of operations resulting in higher customer satisfaction ratings.
- A compression of average process cycle time by a factor of 4.
- Work processes and workload that enable our people to accomplish routine (non-crisis, non-exercise) organizational missions within a 40 to 50 hour workweek.
- Empowerment of personnel and enrichment of job functions.
- A 20% shift in business operations resources (dollars and people) to war fighting operations and new/modern war fighting systems.

By achieving these five goals Air Force financial management, working closely with other business operations organizations, will improve its support to the war fighter. Chart 1 depicts the role FM and other key Air Force organizations play in supporting warfighting capabilities, using the task force construct reflective of the Capabilities

Review and Risk Assessment (CRRA). The ring shown in the graphic represents the interconnectedness of Air Force functional areas as they work in balance to ensure maximum levels of efficiency and effectiveness in supporting the task forces. This theme of resource harmonization is fundamental to Air Force-wide transformation and is prominent in developing transformation strategies for financial management.

Chart 1



“Just as we must transform America’s military capability to meet changing threats, we must transform the way the Department of Defense works and what it works on...Our challenge is to transform not just the way we deter and defend, but the way we conduct our daily business.”
-- Defense Secretary Donald Rumsfeld, 10 Sep 01

The Air Force Financial Management Vision

The FM Vision Statement, dated April 16, 2002, discusses in some detail the envisioned future state that the financial management community will achieve through transformation efforts. The Vision frames the future with Air Force financial management assuming a new role -- the role of key strategic partner in Air Force decision-making.

The essence of the FM Vision Statement is captured in the following words:

“We want our financial managers to be strategists -- business partners, top advisors -- to our Commanders with the single-minded purpose of serving the war fighter’s needs. Air Force financial managers will be integral members of the Commander’s team to help *leadership make the right strategic choices while*

making existing operations more effective and efficient. Success in the first part will be measured by the accuracy and timeliness of financial information; success in the second part by quality of service, timeliness, and cost. The benefits will be seen in terms of improved Air Force management and decision-making processes, quality and timely information, quality of service, and less manual intensity in service delivery.” [Vision Statement, 16 April 2002]

Each step toward realizing the FM Vision will reveal new opportunities for improving support to the Air Force and sharpening the skills necessary to deliver decision support. Financial management’s human capital will be continually developed on an individual level with training and developmental assignments. Both the processes and the technologies that form the basis for organizational throughput and productivity will be carefully assessed and transformed to ensure exceptional performance is achievable on a consistent basis. As FM transforms, its role, and its relevance, in the important work of the Air Force will continue to increase, opening up many opportunities for synergy across key business and operational areas. The net effect, and net benefit, to the Air Force will be improved accuracy of financial information, significantly enhanced decision support capability, and reduced cost of operations.

The Strategic Goals of Financial Management Transformation

The following strategic FM Transformation Goals directly support achieving the FM Vision:

- *Become a partner in strategic Air Force decisions*
- *Recruit, prepare and retain a well-trained and highly educated professional team for today and tomorrow*
- *Make processes efficient and effective to produce accurate and relevant financial information complemented by sophisticated decision support*
- *Reduce our cost structure by employing leading-edge technologies that continuously streamline financial processes and increase capabilities*
- *Provide our customers with world-class financial services and analysis*

These goals express the Vision in concrete terms and reflect the focus of our effort on what we call “three pillars of transformation” – People, Processes, and Technology. Transformation in financial management will be achieved by a continuing process of identifying and implementing a series of people initiatives (human and organizational resources), process initiatives (business process reengineering and redesign), and technology initiatives (information technology insertion, to include financial systems and automated tools) that directly support FM’s strategic goals. [In addition to initiatives, financial management transformation will feature directed actions, or “direct deposits;” high-impact and high-visibility actions for which senior leadership supports rapid implementation.]

As transformation occurs, the above goals will be the end-state measures of success. Each initiative and direct deposit supporting financial management transformation will have specific and measurable objectives that are: 1) closely aligned with achieving the stated goals, and 2) clearly linked to the FM Strategic Plan.

President's Management Agenda (PMA)

The Air Force's financial management transformation efforts are guided by the overarching message of the President's Management Agenda (PMA), the Administration's key document addressing government reform. At its highest level of indenture, the PMA establishes that government should be:

- Citizen-centered, not bureaucracy-centered;
- Results-oriented;
- Market-based, actively promoting rather than stifling innovation through competition

In addition to these sweeping principles, the President's Management Agenda identifies five broad government-wide initiatives:

- 1) Strategic Management of Human Capital
- 2) Competitive Sourcing
- 3) Improved Financial Performance
- 4) Expanded Electronic Government
- 5) Budget and Performance Integration

Efforts made in transforming Air Force financial management are squarely focused on achieving the kind of improvements in performance cited in the President's Management Agenda. In assessing transformation initiatives and direct deposits a key question asked is how these efforts will support fulfilling the President's Vision for government reform. While the focus of Air Force financial management transformation is most closely aligned with the government-wide initiative, Improved Financial Performance, FM transformation activities are wide-ranging and collectively address each of the five broad PMA initiatives. Within the context of the Department of Defense, the FM Vision and Goals (and consequential actions) are consistent with, and support, priorities established by the Secretary of Defense, the Secretary of the Air Force, and Air Force Chief of Staff.

(Note: Appendix A provides a brief summary of the key elements of the President's Management Agenda)

Organizing to Transform

The Air Force Financial Management Transformation structure consists of the Financial Management Transformation Senior Steering Group (FMTSSG), Financial Management Transformation Champions, Financial Management Task Force Leads, and the Financial Management Transformation Program Management Office (PMO). The implementation

of Financial Management Transformation is through Transformation Direct Deposits and Initiative Task Forces. (A discussion of the terms used here is found in the *Acronyms* section of the appendices.)

Financial Management Transformation consists of a series of ongoing initiatives and direct deposits to transform financial management. Each initiative (or direct deposit) focuses on one or more aspects of transforming people, processes, or technology to dramatically improve organizational performance.

In April 2002, the Financial Management Transformation Program Management Office (FMT/PMO) was stood up. Designated staff of the PMO began meeting with representatives from throughout the financial management community to hear first hand the best available thinking on how to improve FM in dramatic fashion. Insights gained from receiving and reviewing these valuable inputs formed the basis for the initial development of Financial Management Transformation Initiatives and Direct Deposits for FY02-03. To continue its outreach to, discussions with, and comments from, the FM community, the PMO set up an e-mail address, fm.transformation@pentagon.af.mil and established a Financial Management Transformation web page on the SAF/FM home page.

The Transformation Framework

The Transformation Framework is a systematic approach for redesigning financial management processes to improve business performance by:

- Recognizing the organization as a complex entity consisting of processes, people, culture, and technology,
- Focusing activity on addressing customer needs
- Setting and achieving challenging performance targets.

The framework involves clarification of the drivers of change, determination of the business requirements, evaluation of the current processes, and development of a vision of the future business. This vision is then developed into a concept of how the organization will deliver that vision and the detailed design of all the aspects that need to change to include: testing, implementation and improvement of the changed organization.

The Transformation Framework contains *integrated* and *parallel* improvements in business processes, technology, organizational design and people aspects, infrastructure, and cultural change management. Each of these aspects is described as a "lever of change," all of which can be pulled to transform the performance of an enterprise. The framework allows the organization to identify and introduce the required levels of change to each lever as the situation demands. The Transformation Framework relies on disciplined project management, which integrates the activities in all work streams.

The emphasis in transformation is to significantly improve financial management business processes and, in doing so, improve organizational performance and

dramatically enhance the role of financial management within the Air Force and the Department of Defense.

Mobilize

In the Mobilize Phase, several key activities are undertaken to set the stage for the subsequent phases of Diagnose, Redesign and Pilot/Implementation. Among the initial activities in the Mobilize Phase is the establishment of a Program Management Office (PMO). The role of the PMO is to begin to organize and define the programmatic foundation to support, in this case, a multi-year Air Force-wide financial management transformation effort. In the Mobilize Phase, the PMO establishes its charter documents, identifies program objectives, and begins to reach out to financial management customers and constituencies to ensure appropriate composition and context for transformation. In addition, the structure for supporting actions and activities of transformation, such as project teams or task forces, are set up.

During the Mobilize Phase, initial efforts focused on identifying initiatives and direct deposits that primarily relate to and support AF and DoD financial management transformation. In subsequent work there will be increasing emphasis on developing crosscutting initiatives – those that impact the processes of functional areas outside of FM. In reviewing candidate initiatives, they are assessed in terms of their potential to: 1) increase decision support capability, and 2) reduce cost of operations. With respect to cost reduction, those that have the highest potential for payoff (return on investment) in the near-term are given highest priority. Payoff can mean dollars saved but it can also mean, in a qualitative sense, real improvements in efficiency and effectiveness. For Financial Management transformation purposes, near-term in evaluating initiatives and direct deposits means a one-year time horizon. Potential initiatives and direct deposits that have longer payoff periods associated with them are considered as well. Both mid-term (2-3 year) and longer-term (more than 3-year) payoffs are typically associated with the phased implementation planning (spiral development) found in more complex multi-phased initiatives.

Upon identification and scoping of potential Directs Deposits and Initiatives, the PMO formed Task Forces to drive the required transformational actions. (See Appendix C for more details on the FY02 and FY03 Transformation Initiatives and Direct Deposits.)

Diagnose

Fundamental to the work of transformation is understanding how business is done today. This is accomplished by completing a diagnostic of the factors that drive results in order to improve business performance. The Diagnose Phase begins by recognizing a business as a complex entity consisting of processes, people, culture, and technology. The emphasis in this Phase is to conduct a review of the current situation. In part, this is achieved by completing a structured analysis of the key processes, which are comprised of sub-processes, activities and tasks. A process review helps to determine the activities and processes currently performed and identifies areas that are redundant, fail to leverage technology, do not reflect best practices or otherwise use resources without contributing to the process output (i.e. non-value added activities). A diagnostic of the current processes and their enabling mechanisms such as technology, skills and worker capabilities, and infrastructure, sets the stage for determining areas of focus in order to

achieve significant improvement in process efficiencies, business performance, and value of services in the customer's eyes.

The process approach to structuring work management is something that both corporate America and the public sector have embraced as a means to improve productivity. As noted, this approach is used to release organizational resources. By adopting best practices from other areas of the Air Force, Department of Defense, government agencies, and industry, processes can be standardized and performed at consistently higher levels of productivity and lower cost. Moreover, by employing a process approach, Air Force financial management will identify better ways of accomplishing its mission.

The Diagnose Phase is completed by identifying problems, challenges, and issues that need addressing and any current ideas for change.

Redesign

Redesign is comprised of two Phases – the Concept Design Phase and the Detailed Design Phase. The objective of the Concept Design is to develop the high level concept in terms of how the Vision will be achieved and what needs to be changed to achieve it. In the Detailed Design Phase, key steps include developing the detail of the concept so that a business case can be made for implementation, obtaining agreement and authorization of the detailed design, and gaining commitment for the resources required to commence implementation.

A sample of the types of activities completed in the Concept Design Phase includes:

- Generate ideas
- Develop options
- Agree to evaluation method
- Evaluate and select options
- Outline new organizational design
- Define key roles and responsibilities
- Outline pay and grading structure
- Outline competence framework
- Architecture, infrastructure, system planning
- Develop facilities implications
- Freeze concept design
- Approve design

A sample of the types of activities completed in the Detailed Design Phase includes:

- Create plan for detailed design phase
- Create detailed process solutions /new ways of working
- Detail organization structure
- Identify organization sizing
- Detail roles and responsibilities
- Define reward and grading
- Define competencies and skills

- Identify skill gap
- Systems delivery specification
- Specify facilities needs

Pilot/Implementation

The Pilot & Implementation Phase is the fulfilment of the transformation and change imperative defined in the Detailed Design Phase. In this phase, improved performance levels enable the enterprise to achieve or exceed targeted organizational performance levels, and the transformation process is thus complete.

The purpose of the Implementation Phase is to complete the transformation process based on the Detailed Design. Extending the foundational work completed in the Concept and Detailed Design Phases, the Pilot/Implementation Phase involves a high level of management of the change process. Moreover, the Implementation Phase is more complex because the interdependencies between activities are real as opposed to envisioned:

- **Processes:** Processes become fully supported by systems and technology and can sustain targeted performance levels and customer requirements. An integrated test or pilot demonstrates that processes and systems are achieving or will soon be achieving desired performance levels.
- **People and culture:** Training, adjustments in behaviors and attitudes, and workforce levels and deployment all support the ability of managers and staff to attain desired performance levels in their jobs.
- **Organization:** Organization structure, reporting, and performance management systems support the efficient fulfillment of customer expectations and value.
- **Infrastructure:** Technology, facilities, and equipment infrastructure required to support process and system performance are in place, performing as envisioned, and fully supported.
- **Systems:** Information systems necessary to support process performance are developed, tested, and accepted.

A critical activity in the Implementation Phase is the assessment of new performance levels. This activity evaluates whether improvements in the enterprise's dimensions of change are enabling the achievement of envisioned performance levels by the enterprise as a whole. It is therefore important that monitoring, change control, and benefits tracking systems are capable of identifying problems and suggesting timely improvements during the Implementation stage.

When target performance levels are being achieved, the transformation change process is complete. At that point, the project team prepares to implement a continuous improvement program to sustain the gains it has made and to introduce an incremental change process.

An important critical success factor during the Implementation Phase is the continued dedication and commitment of leadership. Senior management must continue visible efforts to support, encourage, and present a convincing business case for changes in culture and ways of working and for reorganization of the workforce.

Developing Business Cases for FM Initiatives

Financial Management transformation initiatives and direct deposits will be evaluated to ensure they make good business sense. A key tenet of proceeding with any initiative or direct deposit will be its clear alignment with FM's strategic goals. For initiatives and direct deposits that show promise, business case studies will be developed to assess whether they should be implemented on a limited scale (pilot studies) or on a broader basis. In performing business case studies, relative costs and benefits will be evaluated and an estimated payback period projected. In addition to the traditional assessment of dollar and manpower costs and potential savings, initiatives will be evaluated with respect to meeting the Air Force's five business transformation goals. (See *FM Role in Air Force Business Transformation* presented earlier in this document.)

As options are developed for implementing initiatives and direct deposits it will be important to understand the impact of those options both within FM and, on a crosscutting basis, with other functional areas. Stated differently, business cases for FM transformation efforts initiatives will address operational implications of initiatives and direct deposits whether implemented in an individual manner or as part of an array of complementary transformation efforts.

Change Management

Transformation requires real changes...in vision, in strategy, in operations, in processes and, importantly, in capabilities possessed by leadership, management, and employees to define, deliver, and manage transformation.

To succeed in transforming an organization must necessarily embrace change. Such change can mean new ideas with respect to the organization's work. More significantly, it often means considerable cultural change. It is important in transforming that participants begin with an awareness of and agreement with common goals. In the financial management community rapid consensus developed around the articulated Financial Management transformation goals. That consensus sets the stage for real progress in transformation.

In moving toward the FM of the future -- realizing the FM Vision -- the financial management community will become increasingly aware of and involved in both human resource management issues and change management issues. Areas of focus/activity for managing change to achieve the successful transformation of mission, purpose and capabilities, whether through process re-engineering/redesign, organizational redesign, outsourcing, etc., include the following:

- Evaluating FM organizations' readiness for change

- Developing leadership and capabilities to drive change
- Developing and implementing a communication strategy and plan
- Developing HR policies and procedures for the new environment
- Developing performance measures
- Aligning the organizational structure to support new processes and operational model
- Aligning rewards with objectives and desired results
- Designing jobs to reflect new and necessary capabilities
- Defining and delivering training to develop functional and supervisory skills
- Aligning culture to reflect transformation and vision

Transformation Challenges

As FM embarks on transformation, its efforts will not be without challenge. Successfully executing the Financial Management Transformation Plan will involve changing aspects of the FM organization to include work processes, culture, and enabling technologies, etc. This will require dedicated commitment to developing new strategies, ways of operating, measures of success, and organizational structures while continuing to deliver mission critical work.

Financial Management transformation initiatives will need to integrate and work in concert with other Air Force and DOD transformational efforts. In addition, new FM capabilities will need to reach world-class levels to support the mission of our future Air Force. These are each extraordinary tasks and pose significant challenges, especially in light of institutional and resource constraints.

To succeed in transformation it is imperative that each Financial Management transformation initiative and direct deposit supports a defined and achievable outcome that is supportive of FM strategic goals. Each initiative and direct deposit will need to be appropriately scoped with respect to resources, timing, and expected results and managed for uncertainties and risks along the way. By defining objectives and goals, using a disciplined approach, coordinating interactions, building the understanding of organizational benefits, and involving a skilled, experienced financial management workforce and its customers, FM transformation will be designed to accommodate a robust set of challenges.

Implementation Plan

Initial Transformation Efforts

On August 23, 2002, the Financial Management Transformation Senior Steering Group (FMTSSG) met to discuss transformation activities that were underway in FY02 and those to be pursued in FY03 and beyond. A comprehensive list, and description, of transformation initiatives and direct deposits is contained in Appendix B (for FY02-03).

In FY02, three Transformation Direct Deposits were identified ...

1. *Establish an FM Information Technology Office (TDD 02-1);*

2. *Establish an FM Human Resources Office (TDD 02-2); and*
3. *FM Portal Improvement (TDD 02-3)*

as were the following two Transformation Initiatives:

1. *The AF Customer Service Concept (FMT 02-1) and*
2. *The Vendor/Commercial Pay Concept (FMT 02-2)*

For FY03, four Transformation Direct Deposits were identified ...

1. *Establishing an Automated Tools Forum (TDD 03-1);*
2. *End-to-End Governance Review (TDD 03-2);*
3. *Performing Transformation Training (TDD 03-3);*
4. *Re-Engineer FM Executive Services (TDD 03-4).*

as were five Transformation Initiatives:

1. *Reengineer O&M Decision Support (FMT 03-1);*
2. *Reengineer Acquisition Decision Support (FMT 03-2);*
3. *Combat Comptroller Concept (FMT 03-3);*
4. *Reengineering the AF/DFAS Relationship (FMT 03-4); and*
5. *Developing an FM Knowledge Management Concept (FMT 03-5).*

In addition to FY02 and FY03 Direct Deposits and Initiatives shown above, we have identified many potential transformation initiatives that are candidates for the FY04-FY07 timeframe. (See Appendix C.)

The Near-Term Plan (FY03)

The approach for the Transformation Initiatives during FY03 outlined above will deliver the following key work products from the Project Management Office (PMO) and Task Force projects:

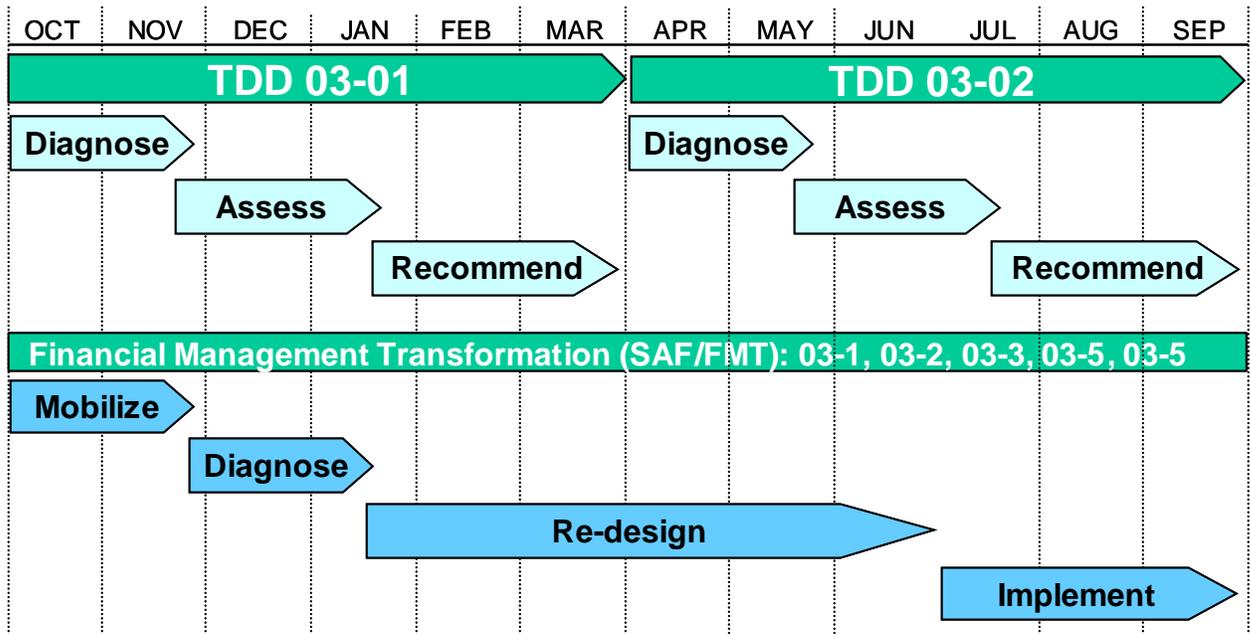
| Mobilize | Diagnose | Redesign | Pilot/Implement |
|---|----------------------------|---|----------------------------------|
| PMO Structure and Protocols | AS-IS Process Analysis | TO-BE Process Design (Concept Design) | Personnel Training & Preparation |
| Program/Project Plan | Benchmarking Analysis | Gap Analysis | Organizational Installation |
| Program and Task Force Mobilization | Key Performance Indicators | Organizational, Work Force, IT Analysis | Process Installation |
| Program Tracking and Coordination Standards | Opportunity Assessment | Detailed Design with Business Case (and Alternatives) | Pilot Measurement & Evaluation |
| Training Requirements | | | |

The Longer-Term Plan (FY04-07)

The approach for subsequent or follow-on phases of FY03 Initiatives delivered in years beyond FY03, and for transformation efforts begun in FY04-07, will involve the following tasks and deliverables:

- Annual Update of Financial Management Strategic Plan that actions the FM Vision (for 2005-2010) and aligns current and proposed Transformation Initiatives and Direct Deposits to support the FM and AF longer-term strategy.
- HR analysis and strategic plan to support transformation capabilities of the FM workforce to support the strategic requirements for FM Vision 2005-2010.
- Strategy, Program, and Budget for funding requirements for out-year Financial Management transformation program requirements.

Timeline for FY 03



Conclusion

The transformation in Air Force financial management parallels the transformation in our war fighting capabilities and concepts of operations. Financial managers at all levels of the Air Force will become key advisors to operational commanders, helping them weigh alternative courses of actions by providing full awareness of important resource implications. FM’s transition to key advisor and strategic partner will be accomplished by increasing the financial management community’s capability to provide expert decision support and analysis through:

- Reducing transaction workload and non-essential tasks
- Improving training/mentoring/career management/recruiting

- Implementing better systems, processes, and fiscal control
- Rewarding creative ideas
- Adopting best practices from business and government
- Measuring outcomes and linking to strategic goals
- Providing input early in the decision process (planning & programming)

In addition to dramatically improving its decision support capabilities, FM will focus on:

- Improving transaction timeliness/accuracy
- Maintaining its longstanding reputation as “honest broker”
- Providing outstanding customer support/service
- Producing CFO compliant financial statements
- Developing exceptional budgets, credible cost estimates, and sound investment plans that will best support the Air Force’s mission

The Vision of Air Force financial management calls for a dramatic change in focus -- and organizational status -- as FM increasingly assumes the role of valued advisor and key strategic partner. This role is one that must be earned through excellence in performance and demonstrated real value to the organization. By understanding the needs of the war fighter and providing ever more valued levels of support in accomplishing the Air Force mission, FM organizations throughout the Air Force will be instrumental in keeping our forces prepared for their war deterring and war fighting roles.

APPENDIX A

President's Management Agenda (PMA)

The following summary of the PMA captures the key elements we will consider as we transform Air Force Financial Management. The PMA provides the guiding vision for government reform and transformation. The President's vision for government reform is guided by three principles. Government should be:

- Citizen-centered, not bureaucracy-centered;
- Results-oriented;
- Market-based, actively promoting rather than stifling innovation through competition.

The PMA is divided into five broad government-wide initiatives:

1. Strategic Management of Human Capital.

The Initiative:

- The first priority of the President's management reform initiative is to make government citizen-centered. The number of layers in government must be compressed to reduce the distance between citizens and decision-makers, and agencies should redistribute their allotted staff from higher-level positions to front-line service-delivery
- Agencies will reshape their organizations to meet a standard of excellence in attaining the outcomes important to the nation.
- The Administration will adopt information technology systems to capture some of the knowledge and skills of retiring employees. Knowledge management systems are just one part of an effective strategy that will help generate, capture, and disseminate knowledge and information that is relevant to the organization's mission.
- Agencies must make better use of the flexibilities currently in place to acquire and develop talent and leadership.

Anticipated Long Term Results: The federal workforce will adapt quickly in size, composition, and competencies to accommodate changes in mission, technology, and labor markets.

2. Competitive Sourcing.

The Initiative:

- To achieve efficient and effective competition between public and private sources, the Administration has committed itself to simplifying and improving the procedures for evaluating public and private sources, to better publicizing the activities subject to competition, and to ensuring senior level agency attention to the promotion of competition.

Anticipated Long-Term Results: Increased competition consistently generates significant savings and noticeable performance improvements.

3. Improved Financial Performance.

The Initiative:

To ensure that federal financial systems produce accurate and timely information to support operating, budget, and policy decisions, OMB will work with agencies to:

- Improve timeliness by:
 - re-engineering reporting processes and expanding use of web-based technologies;
 - instituting quarterly financial statements;
 - accelerating end-of-year reporting; and
 - measuring systems compliance with agencies' ability to meet OMB and Treasury requirements accurately and timely.
- Enhance usefulness by:
 - requiring comparative financial reporting;
 - reporting specific financial performance measurements; and
 - integrating financial and performance information.
- Ensure reliability by obtaining and sustaining clean audit opinions for:
 - components of agencies;
 - agencies; and
 - the government as a whole.
- Make changes to the budget process that to better measure the real cost and performance of programs.

Anticipated Long-Term Results: More accurate benefit and assistance payments to current recipients will enable programs to serve additional eligible recipients without increasing their budgets and will reduce program costs. Improved accountability to the American people through audited financial reports.

4. Expanded Electronic Government

The Initiative:

The Administration will advance E-government strategy by supporting projects that offer performance gains across agency boundaries, such as e-procurement, e-grants, e-regulation, and e-signatures. It will manage E-government projects more effectively by using the budget process to insist on more effective planning of IT investments by government agencies. A task force of agency personnel in coordination with OMB and the President's Management Council will identify E-government projects that can deliver significant productivity and performance gains across government. The task force will also identify the systematic barriers that have blocked the deployment of E-government advances. The task force will work to:

- Create easy-to-find single points of access to government services for individuals.
- Reduce the reporting burden on businesses - businesses should not have to file the same information over and over because government fails to reuse the data appropriately or fails to take advantage of commercial electronic transaction protocols.
- Share information more quickly and conveniently between the federal and state, local, and tribal governments. We must also do a better job of collaborating with foreign governments and institutions.
- Automate internal processes to reduce costs internally, within the federal government, by disseminating best practices across agencies.

Anticipated Long-Term Results: The E-government initiative will make it simpler for citizens to receive high-quality service from the federal government, while reducing the cost of delivering those services. The PKI effort will ensure that electronic transactions with and within government are private and secure. The e-procurement and grant-management portals will make transactions with the government - or obtaining financial assistance from the government - easier, cheaper, quicker and more comprehensible. The work on supply chain management will enable agencies to eliminate redundant processes and save resources. And putting the federal regulatory process on-line will offer citizens easier access to some of the most important policy decisions: better informing the citizenry and holding government more effectively to account.

5. Budget and Performance Integration

The Initiative:

- To provide a greater focus on performance, the Administration plans to formally integrate performance review with budget decisions.
- Initially, OMB will work with agencies to select objectives for a few important programs, assess what programs do to achieve these objectives, how much that costs, and how effectiveness could be improved.
- Over time, agencies will be expected to identify high quality outcome measures, accurately monitor the performance of programs, and begin integrating this presentation with associated cost. Using this information, high performing programs will be reinforced and non-performing activities reformed or terminated.
- The Administration is also transmitting legislative changes that will make budgeting and management in the Executive Branch more performance-oriented and improve accountability.
- Ultimately, the Administration will attempt to integrate more completely information about costs and programs performance in a single oversight process. This would include budgeting for the full cost of resources where they are used, making budget program and activity lines more parallel with outputs, and, where useful, improving alignment of budget accounts.

Anticipated Long-Term Results:

- Better performance, based on an assessment of the expected outcomes relative to what is actually being achieved, including results expected from the President's electronic government initiative.
- Better control over resources used and accountability for results by program managers. This is consistent with the President's strategic management of the human capital initiative, which increases staff and responsibility at the "front line" of service delivery and links rewards to performance.
- Better service as a result of more competition based on full costing of resources used by working capital funds and other support service providers, and a simpler competitive process consistent with the President's competitive sourcing initiative.
- Standard, integrated budgeting, performance, and accounting information systems at the program level that would provide timely feedback for management and could be uploaded and consolidated at the agency and government levels. This would facilitate the goals of the President's initiative to improve financial performance.
- Eventual integration of existing segregated and burdensome paperwork requirements for measuring the government's performance and competitive practices with budget reporting.

APPENDIX B

Financial Management Transformation End State

As quoted from the *Air Force Financial Management Transformation Vision Statement*, dated 16 April 2002, the following words capture the essence of the future of Air Force Financial Management:

Imagine an Air Force wing operating at peak effectiveness and efficiency...

Where every dollar strikes the correct balance between supporting the mission, maintaining the infrastructure, and taking care of our people.

Where the key leadership knows the true costs of its major processes and can make the proper trade-offs when confronted with unforeseen requirements.

Where Air Force people can take care of all their pay requirements from their phone or computer without a trip to Finance.

Where status of vendor payments is transparent, and where connections with DFAS are seamless.

In this wing, the comptroller is a key member of the senior staff and financial managers spend time analyzing options instead of working on complaints.

Imagine an Air Force...

Where all wings achieve this level of performance.

Where our consolidated financial statements are both auditable and meaningful.

This is what the world will be like for the comptroller of the future. It is not a fantasy... in fact, it is right around the corner. With new focus on people, processes and technology, we can bring about the necessary transformation.

APPENDIX C

To help the reader gain an understanding of FM transformation Initiatives and Direct Deposits currently underway, the following brief summaries discuss the key information related to each one.

FY 02 Financial Management Transformation Direct Deposits (TDD)

TDD 02-1: Establish SAF/FM IT Office

Champion: SAF/FM

Task Force Lead: SAF/FMT

Desired End State: Establish an information technology office within SAF/FM designed to centralize management of FM IT systems, to take an enterprise view of FM systems, to improve the interface with IT organizations outside of FM, and to improve coordination between MAJCOMs on systems issues.

Supports Financial Management transformation goal of reducing costs by employing leading-edge technologies that continuously streamline financial management processes and capabilities.

TDD 02-2: Establish SAF/FM HR Office

Champion: SAF/FM

Task Force Lead: SAF/FMT

Desired End State: Establish a human resource office within SAF/FM designed to manage force-wide civilian and military financial management personnel, to take an enterprise view of human resources, and to focus developing and retaining personnel.

Supports Financial Management transformation goal of recruiting, developing, and retaining a well-trained and highly educated professional team for today and tomorrow.

TDD 02-3: Portal Improvement

Champion: SAF/FM

Task Force Lead: SAF/FMT

Desired End State: Single sign-on through the portal allowing financial management services and information to be accessible to our community and our customers, as well as consolidation and migration of the current financial management Web Pages and Portals (Wing, Center, MAJCOM, HQ).

Supports Financial Management transformation goal of reducing costs by employing leading edge technologies that continuously streamline financial management processes and capabilities.

FY 02 Financial Management Transformation Initiatives

FMT 02-1: AF Customer Support Service Concept, Phase 1 – Military Pers/Pay

Champions: SAF/FM, AF/DP

Task Force Lead: AFAFO, AF/DPF, SAF/FMP

Desired End State: “One-stop-shopping” customer service in a seamless integrated fashion. Delivering service anytime, anywhere by leveraging technology for web-based transaction processing and a single virtual call center, and (when needed), providing a single customer service counter for face-to-face support.

Supports Financial Management transformation goal of reducing costs by employing leading edge technologies that continuously streamline financial management processes and capabilities.

Initial Area of Emphasis -- Phase 1: Military Pers/Pay

FMT 02-2: Vendor / Commercial Pay Concept

Champions: SAF/FM, SAF/AQ, DFAS

Task Force Lead: AFAFO

Desired End State: An automated vendor pay environment (e-commerce) where a minimum amount of discounts are lost, no interest penalties are incurred, billing costs are reduced to a minimum amount, and vendor / contractor relationships are improved.

Supports Financial Management transformation goal of reducing costs by employing leading edge technologies that continuously streamline financial management processes and capabilities.

FY 03 Financial Management Transformation Direct Deposits (TDD)

TDD 03-1: Establish Automated Tools Forum

Champion: SAF/FMP-1

Task Force Lead: USAFE/FM

Current Process: The various MAJCOM Comptrollers have significant overlap in their duties and responsibilities. In order to maximize efficiency, MAJCOMs have historically developed tools that help them to do their jobs. These tools often would be very valuable to other MAJCOMS. However, there is currently no effective way to share these tools.

Desired End State: Establish a forum to improve sharing of locally developed automated tools and assess potential application of the tools across Wings and/or MAJCOMs

Supports Financial Management transformation goal of reducing costs by employing leading edge technologies that continuously streamline financial management processes and capabilities.

TDD 03-2: End-to-End Governance Review

Champion: TBD

Task Force Lead: TBD

Current Process: The Air Force's Financial Management governance policy and procedures have evolved over many years based on multiple external and internal customer requirements. The current responsibility for and application of these governance rules is fragmented across multiple functional areas within and external to financial management within the headquarters, major commands and at wing-level. This results in inconsistent application, as well as universally perceived, unnecessary requirements and limitations being levied on the financial management workforce.

Desired End State: An end-to-end governance review of policy, reporting requirements, funding thresholds, internal constraints, and other limitations levied on the Financial Management community at the headquarters, MAJCOM, and Wing levels.

Supports Financial Management transformation goal of becoming a partner in strategic Air Force decisions.

TDD 03-3: Transformation Training

Champion: SAF/FMT

Task Force Lead: SAF/FMT

Current Process: There is presently no formal training process for Financial Management Transformation.

Desired End State: Financial Management Initiative Task Forces trained to perform process reengineering and change management.

Supports FM transformation goal of recruiting, developing, and retaining a well-trained and highly educated professional team for today and tomorrow.

TDD 03-4: Re-Engineer SAF/FM Executive Services Office

Champion: SAF/FM

Task Force Lead: SAF/FMT

Desired End State: An executive services office within SAF/FM that centralizes administrative management and support functions, effectively interfaces with organizations outside of FM, and effectively coordinates within FM.

Supports Financial Management transformation goal of making processes efficient and effective to produce accurate and relevant financial information complemented by sophisticated decision support.

FY 03 Financial Management Transformation Initiatives

FMT 03-1: Re-engineer O&M Decision Support, Phase 1 Re-engineer Resource Management at Wing/Base Level

Champion: SAF/FMBO

Task Force Lead: AMC/FM

Current Process: The base financial decision support process resides primarily within the Financial Analysis Branch of the Comptroller Squadrons. These offices provide a full spectrum of services to their wing/installation including development of financial plans, managing budget execution, and coordination of requirements with outside resource advisors. They provide recommendations to the commander on funding alternatives based on external input and internal analyses. A considerable portion of their time is presently spent loading funding targets, researching and correcting accounting anomalies, collecting data for analysis, and coordinating the actions of the unit resource managers. In 1992, Financial Analysis was formed out of the Cost and Budget branches, however many of the Cost functions are no longer performed and the Cost skill set has atrophied within O&M commands.

Desired End State: Wing FMA that provides enhanced decision support including output-based budgets, and spends less time on transactions processing.

Supports Financial Management transformation goal of making process efficient to produce accurate and relevant financial information complemented by sophisticated decision support.

Initial Area of Emphasis -- Phase1: End-to-end review of resource management at the unit/wing level (including the role, qualifications, training, responsibilities, etc., of the Resource Advisor), process reengineering, and development of a set of computer-based tools to enhance decision support.

FMT 03-2: Re-engineer Acquisition Decision Support, Phase 1 Re-engineer Acquisition Cost Processes

Champion: SAF/FMC

Task Force Lead: AFCAA

Current Process: The Air Force's current acquisition decision support process is hampered by a number of factors that impede optimal organizational performance. These factors are both internal and external to FM operations and include but are not limited to: the budget cycle (and the issue of funding realism in systems acquisition); technological improvements resulting in performance and cost increases in systems design and development; differences in estimating methodologies/assumptions; inconsistent

application of risk/uncertainty considerations; staff training and experience issues; program manager culture of cost optimism, etc. In consideration of the above, the AF is challenged with respect to providing realistic cost estimates for acquisition decisions. AF cost estimates may fail to reasonably allow for program cost increases attributable to schedule, technical, or programmatic risk. As a result, programs frequently cost more than estimated. Cost overruns, in turn, can have dramatic impact on the AF procurement program, resulting in program stretch-outs and significant increases in unit cost. The current process can result in less than optimal use of Air Force acquisition dollars in terms of the capability of systems fielded.

Desired End State: Financial management capability that provides enhanced decision support for acquisition decisions based on analysis that correctly balances war fighting requirements, available resources, and risk considerations.

Supports FM transformation goal of providing our customers with world-class financial services and analyses.

Initial Area of Emphasis -- Phase1: End-to-end review and reengineering of the acquisition cost process at the Center/ MAJCOM/ Headquarters levels (including respective roles and responsibilities) in support of Milestone Reviews, annual POM/ Budget submissions, Analysis of Alternatives, source selections, etc.

FMT 03-3: Combat Comptroller Concept

Champion: SAF/FMB

Task Force Lead: ACC/FM

Current Process: Air Force Financial Management personnel currently perform their work during contingencies and war as well as in peacetime. Support for deployed operations is a key comptroller core competency; the need to support operational contracting, track costs, and pay bills exists in both peacetime and wartime. Financial management responsibilities, tasks, and workload increase during contingencies and war, most noticeably during the initial deployment and beddown of forces stage. In addition to peacetime requirements, contingencies and war require rapid dissemination of financial information to allow for troop deployment and the deploying of paying agents to support the deployed commanders. The comptroller community requires significant improvements in doctrine and processes to effectively execute its primary wartime function – support deployed operations. Lessons learned tend to be the same lessons learned from previous conflicts and operations. Despite numerous attempts to fix the process, war planning continues to be overlooked and undervalued as a core competency within the comptroller community.

Desired End State: Establish combat comptroller doctrine and improve readiness/warfighting capabilities to support deployed operations, including enhancing tools for customer service and operations support.

Supports Financial Management transformation goal of providing our customers with world-class financial services and analyses.

Initial Area of Emphasis -- Phase 1: Evaluate the role of FM at deployed locations and focus on value-adding tasks. Evaluate services that could be provided from off site. Enhance training for deployed personnel and minimize impact of deployments on home station workload.

FMT 03-4: Re-engineer AF / DFAS Relationship, Phase 1 Focus on Hand-Offs Between AF and DFAS

Champion: SAF/FMP

Task Force Lead: AETC/FM

Current Process: The lines of management accountability and responsibility between AF and DFAS are often unclear and sometimes ineffective. Inefficiencies result in wasted resources in both organizations. AF personnel are frustrated because they often lack the authority to correct financial records. DFAS personnel are frustrated because they do not always receive adequate, accurate and timely information to properly record and report financial transactions. There is a perception that the metrics used to measure performance are inadequate and possibly counterproductive. The focus of this initiative is to reengineer the organizational roles and responsibilities and processes between and the AF and DFAS. Although systems deficiencies are a part of this problem, they are secondary to this initiative.

Desired End State: A mutually beneficial partnership between DFAS and AF providing customers best value, quality financial services and decision-makers accurate and timely support with streamlined financial management processes

Supports Financial Management transformation goal of making process efficient to produce accurate and relevant financial information complemented by sophisticated decision support.

Initial Area of Emphasis -- Phase 1: Use a phased approach to evaluate hand-offs between AF and DFAS, reevaluate processes, and determine optimal role for each throughout stages of finance and accounting services.

FMT 03-5: FM Knowledge Management Concept, Phase 1 Financial Management Deskbook

Champion: SAF/FMP-1

Task Force Lead: AFMC/FM

Current Process: The Air Force's professional financial managers must deal with information fragmented in many locations. Although there is a plethora of information available from various web pages, it is often difficult to get needed information quickly. Lengthy research is both cumbersome and not responsive to the demands upon financial managers for analysis and recommendations to commanders and senior managers. Likewise, lengthy research to solve day-to-day operating problems is both cumbersome

and unresponsive to the needs of military members, dependents, retirees, civilians, and commanders.

Desired End State: A comprehensive knowledge management tool (similar to Defense Acquisition Desk Book) for financial management accessible through a single website. The Financial Management Desk Book would include: reference library, keyword search, discretionary practices, policy & procedures, “ask a professor,” wisdom & advice, software tools, forms, website links.

Supports Financial Management transformation goal of providing our customers with world-class financial services and analyses.

Initial Area of Emphasis -- Phase 1: Develop infrastructure for Financial Management Deskbook and populate it with pre-existing data. Add laws, regulations and policy guidance.

APPENDIX D

In planning FM transformation efforts a number of candidate issues are being considered as potential initiatives or direct deposits in the FY04-07 timeframe. Future efforts will be undertaken based on the promise of new initiatives (and direct deposits) and on recommended subsequent phases, as well as on lessons learned from ongoing work. Pending final determination of scheduling for FY04 and the out-years, this Appendix is Reserved.

ACRONYMS

FMTSSG (Financial Management Transformation Senior Steering Group) – Consists of SAF/FM, PDAS, SAF/FMB, SAF/FMC, SAF/FMP, AFAFO, and MAJCOM FMs. Provides oversight, guidance and policy for AF Financial Management Transformation

Task Force Champions – Senior FM advocates for specific initiatives throughout the phases of the transformation process, provide guidance to task force lead, top cover for risk takers

Task Force Leads - Lead and manage a specific initiative or direct deposit throughout one or more phases of the transformation process, provide monthly status reports

Task Forces – Comprised of experts from throughout the Air Force financial management community. These teams focus on redesigning key processes to become part of the financial management culture. Task Forces study and develop, diagnose and bound, redesign processes, and build the case for change

FMT PMO - Leads and manages throughout the planning, design, implementation, and sustainment phases of the transformation process. Serves as the point of coordination for financial management DOD-wide and AF-wide Combat Support and Business Transformation initiatives