

January 2006

STRATEGIC INITIATIVES YEAR-END UPDATE

Calendar Year 2005 was a period of significant transformation in Navy/Marine Corps financial management. Adhering to the initiatives and timetable in our April 2005 strategic plan entitled *Transforming Today to Win Tomorrow*, our team focused on making and institutionalizing changes in our business practices, our human capital strategy, and in communicating results with core constituents.

I. Business Transformation

Our team recognized the urgent need to improve the way we do business, to alter our mindset away from the phrase “that’s the way we’ve always done it.” This comprehensive and forward-leaning approach has paid dividends quickly. Specifically, we:

- a. Established and funded the Department of the Navy Financial Improvement Program and Audit Readiness Plan, focusing on addressing material weaknesses in internal controls and our financial statements. This Program will be implemented and overseen in part by our newly constituted Department of the Navy Audit Committee.
- b. Improved cash efficiency and predictability of the \$25 billion Navy Working Capital Fund by aggressively documenting and standardizing cash processes at each major business activity. Ultimately, this effort will permit real-time visibility into cash balances and result in a “just-in-time” cash management, with long-term savings generated.
- c. Designed and implemented two key financial and budget performance metrics that roll-up or replace the more than eighty metrics of performance currently in use. The Financial Efficiency Index (FEI) and the Budget Productivity Indicator (BPI) capture the most important drivers of financial and budget performance and are useful not only to examine performance but also to inform decision-making. Train-the-trainer courses are underway, and a web-based tutorial is in use in the field.
- d. Developed an investment portfolio analysis methodology based on industry best practices to integrate planning, program, and budget review and maximize resource allocation. We then tested the methodology on a subset of an existing Navy portfolio, Mine Countermeasures. Results of the pilot are currently under analysis.
- e. Implemented internal changes to streamline the anti-deficiency act (ADA) investigation process and launched an initiative in the Material Establishment Effectiveness and Efficiency Group to use the Lean Six/Sigma process to determine areas that can be streamlined/improved.
- f. Discussed alternatives with ASN(RD&A), the Chief of Naval Research, and venture capitalists that will better enable the Department to identify and take advantage of promising private sector technologies.
- g. Held a series of “town hall” meetings with financial managers throughout the fleet.

## II. Human Capital

Our team identified a multi-faceted human capital crisis. Specifically, more than half of our workforce is retirement eligible now and may be expected to retire within five years. In addition, there is a critical gap of people with five to fifteen years' experience to replace those who will retire. Also, the financial management "intern" program for entry-level financial managers was lacking in mentorship and rigor. In order to resolve this complex problem, we:

- a. Renamed the entry-level program the Financial Management Trainee Program and made it 28 months in instead of 24. We have assigned each trainee a mentor responsible for helping his or her trainee design and implement an individual career program.
- b. Created a mid-level Associates program for M.B.A. graduates and other mid-career professionals who might want to join Navy financial management.
- c. Partnered with the human resource community and reduced the number of financial management occupational series from thirteen to five, allowing late-career professionals flexibility to change jobs but remain within their series designation.
- d. Updated the uniformed financial managers sub-specialty coding and tracking system to better identify and incorporate officers with financial management education to fill financial management billets. In addition, we re-designated 15 military billets that contribute to financial management as FM billets.
- e. Began substantive dialogue with Navy Personnel Command about the need to provide not only graduate education but also relevant job assignments to mid-grade officers in order to groom them adequately for subsequent responsibilities as senior FM officers.
- f. Began to develop an FM-101 web-based course for entry-level financial professionals and for non-financial managers who desire a basic understanding of financial management.
- g. Promulgated core financial objectives for standard application in annual personnel evaluations for the first time.
- h. Revitalized the Assistant Secretary of the Navy (FM&C) award program, allowing greater and more frequent opportunity for public recognition.

## III. Customer Communications

Finally, we acknowledged the need not only to change the way we conduct business, but to communicate our story to our entire customer base, not only those with whom we conduct business, but also to the American public, to whom we are accountable. In response to this need, we:

- a. Established the first-ever financial management and comptroller website which serves as a portal for our products and services and played a critical role in providing to the fleet time-sensitive information such as Hurricane Katrina and Continuing Resolution Help Lines. <http://www.finance.hq.navy.mil/>
- b. Published in FM periodicals and on the website dozens of "success stories" of those in Navy/Marine Corps financial management who have made a difference.

Thank you for your continued support as we make improvements in financial management at the Department of the Navy. I am grateful for all the hard work of the many dedicated professionals in our Navy Marine Corps financial management community who have contributed their all to make our team the best that it can be in support of our war fighters.