Transforming Today to Win Tomorrow

The Assistant Secretary of the Navy
Financial Management and Comptroller

Financial Management Strategic Plan
Department of the Navy

Transforming Today to Win Tomorrow

THE ASSISTANT SECRETARY OF THE NAVY
FINANCIAL MANAGEMENT AND COMPTROLLER
WASHINGTON, D.C. 20350-1000

INTRODUCTION

As finance professionals in the Department of the Navy, we provide our Navy and Marine Corps leaders the financial analysis and parameters with which they operate. These parameters are defined by the intricate balancing of requirements and demands on national resources as adjudicated and appropriated by the Congress. In essence, as the word finance suggests, we provide certain bounds of finality to our decision makers.

Sound financial analysis and advice help our decision makers to evaluate and execute, and thus become more informed and effective executives. We, as financial officers, comptrollers, and analysts, must ourselves be leaders with vision and have a mindset that focuses on three critical areas: the long-term development of a talented workforce, the continuous improvement of our business practices, and the transparent communication of results to our core constituents, especially the American taxpayer.

This booklet presents my vision for financial management in the Department of the Navy. It is not only a strategic vision but also a business plan to facilitate the achievement of real results. It builds upon an outstanding history and provides a pathway to move beyond our traditional technical roles of budgeting, bookkeeping, and compliance to become engaged business partners, offering our constituents independence, objectivity, and added value in strategy, operations, and performance. We will be full partners in the revolution in business affairs being pursued by the Secretary of the Navy, Chief of Naval Operations, and Commandant of the Marine Corps.

I am impressed by what I see in our 9,000-member Navy and Marine Corps financial management team. Our past accomplishments provide a solid foundation for future achievement. We are agents of transformation, with an innate ability to evaluate the businesses in our portfolio and to develop the strategies to make each operation more effective and efficient. We must transform ourselves today so we can help our Navy and Marine Corps leaders win tomorrow.

This is our reality. It is exciting and challenging. Let us give it our all.

Richard Greco, Jr.

The Honorable Richard Greco, Jr.
The Assistant Secretary of the Navy

U.S. MARINES

OUR MISSION

We direct and manage the financial activities of the Department of the Navy. This means, on the one hand, overseeing the management of the annual budget and supporting processes, and, on the other hand, providing independent analysis to our constituent clients. We provide informed recommendations to the senior leadership of the Department of the Navy regarding the efficient and effective allocation of assets, consistent with the national security priorities of the President and the Secretary of Defense. We provide for the development of a superior, world-class financial management work force, and we commit to the American public the proper stewardship of the resources they commit to us.

OUR SERVICES

BUDGET PREPARATION

We develop the annual President's budget submission for the Department of the Navy and detailed justification materials, aligning resources with the priorities of the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps. These are summarized in the *Highlights of the Department of the Navy Budget* annual publication. We also provide legislative proposals to manage more effectively the resources that Congress appropriates to us, and we develop Departmental positions on proposed budgetary adjustments. We respond to Congressional inquiries on any aspect of the budget or its justification.

FINANCIAL EXECUTION AND SYSTEMS

We provide guidance concerning the organization and functioning of comptroller organizations throughout the Navy and Marine Corps. This includes oversight and reduction of the information systems needed to achieve our objective of producing timely, accurate, and auditable financial information within an architecture that is consistent with defense-wide information systems. In addition, we develop all control and reprogramming procedures, and execute the budget to achieve optimum performance across all programs of the Department.

FINANCIAL REPORTS

We publish the *Department of the Navy Annual Financial Report* and the annual *Department of the Navy Statement of Assurance*, and we provide the Navy and Marine Corps financial outcomes for the defense-wide *Annual Defense Report*. These reports not only provide the American taxpayers with an accurate accounting of their resources, but also capture the financial performance outcomes of program execution, enabling Department leadership to make adjustments in funding and management decisions regarding programs based on comparing planned and actual results, consistent with the *President's Management Agenda*.

INDEPENDENT COST ESTIMATES

We provide independent cost estimates for major acquisition programs. These estimates serve as valuable inputs for acquisition officials. Accordingly, we

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provide overall guidance concerning cost estimating procedures and content. Cost experience for operational systems is collected and maintained centrally in our Visibility and Management of Operating and Support Costs Database for easy access and institutional memory. Senior leadership frequently calls upon our cost analysts to provide special independent cost estimates.

In recent years, there has been a growing recognition of the importance of financial management in the planning and execution of Navy programs. Navy leadership must be able to develop and use the tools of sound financial management during decision-making processes. We must select flag officers who will contribute to a culture of improved productivity. In deciding who is best and fully qualified for selection, you should give careful consideration to the Navy's need for officers with proven expertise in the field of financial management.

2005 Flag Officer Selection Board Precepts

HUMAN CAPITAL DEVELOPMENT

We have the responsibility of providing the Department of the Navy with a capable financial management workforce, ensuring that the right person is in the right job, at the right time, and is not only performing but performing well. This means ascertaining the professional competencies needed to execute the financial management function, designing the appropriate educational and training resources, and ensuring that our workforce sees clearly a career path that is both rewarding and fills one of our most critical needs. We accomplish this through a series of live and on-line training courses and special developmental forums presented both in-house and through professional organizations such as the American Society of Military Comptrollers. An essential part of career development in both the public and private sectors is professional certification. We offer training courses for professional certifications in financial management. These training courses are available not only to civilian and uniformed financial management personnel but also to personnel in other functional business areas whose roles have a significant financial component such as Research, Development, & Acquisition; Manpower; Installations; and Legal Counsel.

OUR INITIATIVES

The words *effectiveness* and *efficiency* describe the business practices that the Secretary of the Navy envisions for the Department to deliver improved combat capability to the Nation. World-class organizations continuously review and improve their operations and practices to enhance their effectiveness and efficiency. The implementation of two major Defense-wide efforts–the National Security Personnel System and the Business Management Modernization Program-provide us a unique opportunity to review our business processes and systems, improve them, and ensure that they are aligned with national security priorities.

> *In my mind, if you're efficient … you are also effective. They go together. We should be constantly searching for improved effectiveness through efficiency.*
>
> *The Honorable Gordon England,*
> *Secretary of the Navy,*
> *Remarks at the Naval War College,*
> *June 12, 2002*

The specific initiatives that follow help position the comptrollers and analysts of the Department of the Navy financial management community to be agents of transformation, supporting the key elements of the President's Management Agenda, the Secretary of the Navy's thematic Balanced Scorecard, and the Department of the Navy's annual objectives. They are designed to help move the financial management community beyond our traditional core responsibilities of providing accurate and timely information to decision makers and assuring compliance with financial statutes, regulations, and policies. They are designed so that we become business partners with other business functional communities, leveraging our knowledge of the corporate enterprise to create greater value for it.

THEME: HUMAN CAPITAL

The first step toward achieving more effective and efficient financial management is the development of a cohesive and high-performing workforce. Our current staff is strong and experienced, but at risk of becoming static. Consistent retraining and new recruitment efforts will ensure that we have dynamic human resource capabilities, now and for years to come.

OBJECTIVES

Training and Career Development

Building a high-performing workforce, with abilities beyond the minimal skill level, requires regular and accessible career development opportunities. Robust training resources will keep

the staff up-to-date on new technologies and business practices. To ensure their effectiveness, we will do a comprehensive review of the current training programs to improve their content, length, and delivery. We will also increase the number of financial managers with professional certification and begin to make certification a prerequisite of certain positions. For example, all financial managers associated with acquisition programs should have basic Defense Acquisition Workforce Improvement Act training. For the numerous Department of the Navy employees who are not in explicit financial management fields but whose jobs require some financial management knowledge, we will actively promote and make available a basic financial management course, as well as provide improved materials for these types of courses that already exist. Furthermore, to achieve our human capital goals, we will seek development ideas from the Financial Management Career Leadership Board and our senior financial managers, who have years of experience to share.

We developed and deployed an interactive e-learning course that describes budget execution processes and specific uses of funding documents. These courses enhance the availability of training resources to the Department's financial management workforce and are a mechanism to improve effectiveness.

Donna White & Elizabeth Maher,
DON Office of Budget,
USD(C) FM Award Nominee

Recruitment

With an eye to the future, we must develop a strategy to acquire and cultivate the next generation of financial managers – both uniformed and civilian. This strategy involves supporting and enhancing current programs, such as the successful entry-level training and Presidential Management Fellows programs, as well as evaluating competitive alternatives. For example, we will look closely at implementing the Defense Business Board recommended Business Fellows Program, which will seek to recruit talent from top tier business schools. Feedback from program participants, recent graduates, and other young financial management personnel is key to developing an effective recruitment strategy.

Performance and Incentive Management

The new National Security Personnel System (NSPS), which will link competency, corporate objectives, and performance to compensation, should change the dynamics of the entire Department of the Navy workforce. The properly constructed incentive system balances three objectives: retention, motivation, and optimal cost to the enterprise. We will focus our NSPS implementation on these three areas. The performance based compensation system will help motivate the staff and increase productivity. Because internal performance reviews are the basis for compensation,

we will hold employees accountable for the achievement of very specific goals and departmental objectives. In addition, this system will give the individual worker greater control and ownership over his or her career advancement.

THEME: BUSINESS PRACTICES

A second critical factor in our success as a community is in how we conduct our business internally. We must accurately account for the taxpayers' money and give our managers timely and accurate program cost information to inform management decisions and control costs. Performance must be routinely considered in funding and management decisions, so that programs achieve expected results. To win tomorrow, it is essential that we continually improve our business practices.

OBJECTIVES

Business Transformation

The Department is aggressively adopting proven best practices to meet our transformation objectives, which will ultimately enable us to achieve a clean audit. Our initiatives complement each other by delivering more accurate, reliable and timely financial management data within an integrated automated environment to monitor total program results. As a consequence, our initiatives will provide decision makers with the information they need when they need it.

My team from the Naval Supply Systems Command improved and consolidated several critical FM processes, resulting in greater efficiency and the consolidation of field comptroller offices from 14 to four. These efforts resulted in a 33 percent savings within the command financial management community and $72 million over the FYDP to the Department.

Mike Madden,
NAVSUP Team Leader,
ASN(FM&C) Transformation Team Awardee

The four key elements of our Business Transformation Strategy include:

- Business Enterprise Architecture;
- Navy Enterprise Resource Planning;
- Functional Area Management; and
- DON Financial Improvement Plan.

Comptroller Services

Comptrollership needs to be improved and streamlined. The Department has several types of major commands that have similar missions and functions (e.g., acquisition, operating forces support, human resources) but that do not have standard financial processes. We will work with comptrollers throughout the Department to standardize their functions thereby creating more effective and efficient financial management. Additionally, implementation of NSPS will give us an opportunity to establish clear roles and responsibilities, defining the link

among objectives, performance, and compensation.

Program Performance

To ensure that the Department is on track to achieve its mission, deliver the products expected, and satisfy customers of all types, we will integrate into the budget clear and specific measures of both financial and program performance. We will also distribute performance metrics throughout the organization so that individuals can see the relevance of their job and be measured on their contribution to attainment of corporate objectives.

> *What you measure, improves.*
>
> *The Honorable Donald Rumsfeld, Secretary of Defense, Remarks in public interview, September 10, 2001*

Private Sector Technology Innovation

The Department needs to improve its ability to identify potentially significant new technologies from commercial sources, and to rapidly and efficiently exploit them for use in military systems. One important source is the venture capital community. Since this community is generally focused on commercial applications, innovative business practices may be required for the Department to monitor and take advantage of promising technologies in this sector. We will work to develop financial techniques to enable this technology transfer and capitalize on emerging private sector technologies and investment streams.

Portfolio Analysis

To improve business practices through improved analytical tools and models, we will develop quantitative measures to assess the quality of the Department's portfolio of system acquisitions. This shifts attention from analyzing individual acquisition programs (now studied exhaustively) to analyzing a portfolio of systems as a whole, similar to the focus almost universally employed in private-sector financial markets. This macro view, in turn, will give senior leadership valuable metrics, measuring risks and uncertainties of costs, capabilities, and requirements, with which to choose better among a set of plausible portfolios for satisfying national security objectives.

Navy Working Capital Fund Management

Cash reserves are necessary to accommodate the business cycle of our operations financed through the Navy Working Capital Fund (NWCF), but should be appropriately sized. Too little cash risks insolvency of the fund, and too much results in an unnecessary financial burden to our ability to provide resources to accomplish the Department's objectives. We will seek to improve the predictability of the NWCF cash levels and requirements on two fronts. First, we will work with the Defense Finance and Accounting

Service to improve the financial system to report cash levels more effectively and on a timelier basis. We will also work to develop tailored cash levels for each major business line of the NWCF to replace the aggregate metric now utilized by the Department of Defense.

THEME: CUSTOMER COMMUNICATIONS

A final thematic focus of our initiatives involves ensuring we serve all our customers, by better informing them of our activities and being responsive to their needs. Electronic government initiatives are a critical enabler to better serve citizens and share information among elements of government and the military. We must also place a higher priority in the future on reaching out to our customers. They are the ultimate judges of our success as a community.

> *Little is possible without the judicious allocation of financial resources, and in an environment of fiscal restraint that characterizes equally times of peace and times of war, [financial management] is critical, if not urgent.*
>
> *The Honorable Richard Greco, Jr.,*
> *Remarks at the Naval Postgraduate School,*
> *Monterey, California,*
> *February 24, 2005*

OBJECTIVES

Web Expansion

In an effort to communicate better our business practices and results with our core constituencies – the Department's leadership and financial community, other functional communities, the United States Congress, and the American public – we must expand our web-based customer communication operation. By enhancing the interchange among these groups, we will move toward transparency in our business transformation and strengthen our efforts by sharing experiences in change management with other entities. This will also serve as a tool to recruit the necessary talent for our workforce to continue to excel.

Communication and Outreach

We often have the reputation that we tell people what they cannot do. As keepers of the budget, we deliver the harsh reality of the Department's financial constraints and demand program and financial accountability. However, our community offers much more. We seek to propose innovative solutions to meet the needs of our core constituencies and act as a resource to help them achieve their goals. Proactive outreach will help us communicate the positive purpose we serve. To this end, we will publicize our financial management success stories and accomplishments to groups such as the U.S. Congress and the American public and share best practices within the Department of Defense and across functional areas.

APPENDIX

Financial Management Business Plan Elements

Theme: Human Capital

Objective Area: Training and Career Development

1) Analyze results from the Navy financial management survey and incorporate in draft competencies through action by the Career Leadership Board.

2) Work throughout the Department to promote mid-career development (e.g., detail assignments between echelon II commands and Secretariat, rotational assignments), so that employees will become more skilled and marketable for promotions.

3) Engage the Research, Development & Acquisition community leadership to obtain appropriate functional training opportunities for financial management personnel supporting the acquisition process.

4) Review training and education curricula, including development of a basic FM-101 course, to determine if other alternatives are available, and assess the relative value of existing products.

5) Review core financial management competencies, including professional certifications, every two years to determine if changes are required.

Objective Area: Recruitment

1) Review the financial management intern program, to include feedback from recent graduates and retention rates, and compare productive value with other alternatives.

2) Continue work to critically review military financial management (FM) billets, code personnel with proper FM designators; and ensure appropriate and timely placement of personnel.

3) Engage in MBA-level recruiting and positions as proposed by the Defense Business Board.

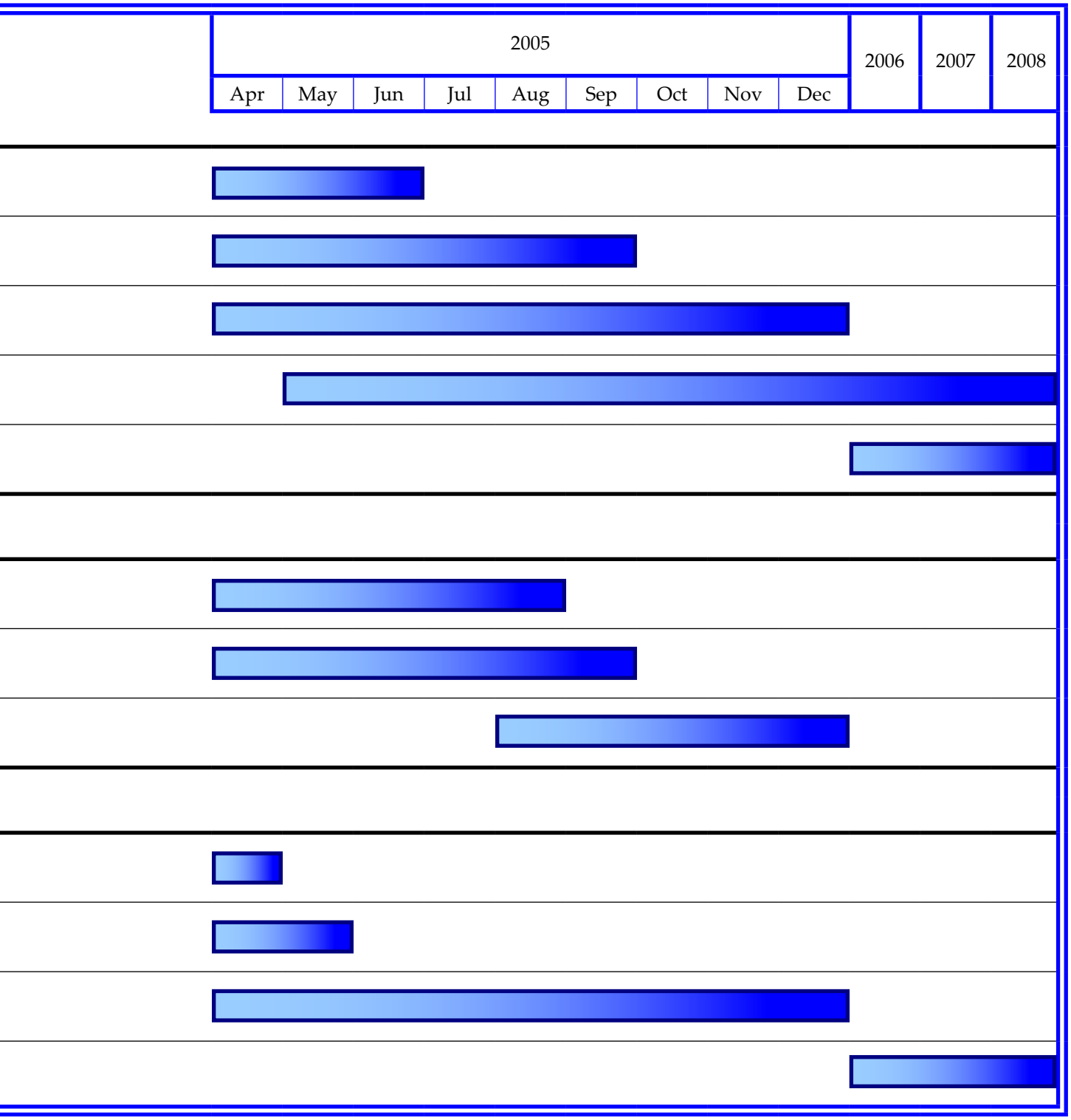
Objective Area: Performance and Incentive Management

1) Draft and issue core financial management objectives for standard application throughout the Department.

2) Reduce the number of financial management occupational series from the current level of 13.

3) Capitalize on National Security Personnel System opportunities and actively manage implementation for the financial management community.

4) Review core financial management objectives every year prior to the start of a new performance rating period.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Theme: Business Practices

Objective Area: Business Transformation

1) Establish a business process transformation group to support the Under Secretary.
2) Develop and execute a communications strategy to articulate clearly the elements of business process transformation.
3) Execute key milestones in support of the Department of the Navy Financial Improvement Plan, systems transition, and Navy Enterprise Resource Planning.

Objective Area: Comptroller Services

1) Change the longstanding cultural practice of "laying claim to resources" by dissolving the use of the term "claimant."
2) Investigate methods to streamline the anti-deficiency act investigation process.
3) Reenergize the Materiel Establishment Effectiveness & Efficiency Group.
4) Carry out cyclical reviews of each major command's Comptroller structure to determine if changes would better attain overall objectives.

Objective Area: Program Performance

1) Cascade Under Secretary of Defense (Comptroller) balanced scorecard metrics to administering office/budget submitting office level.
2) Standardize the collection and management of budget justification metrics.
3) Extend utility and acceptance of performance measures beyond the financial management community.
4) Cascade performance measures to the lowest level so that individuals can influence how they are being measured and rewarded under performance evaluation systems.

Objective Area: Private Sector Technology Innovation

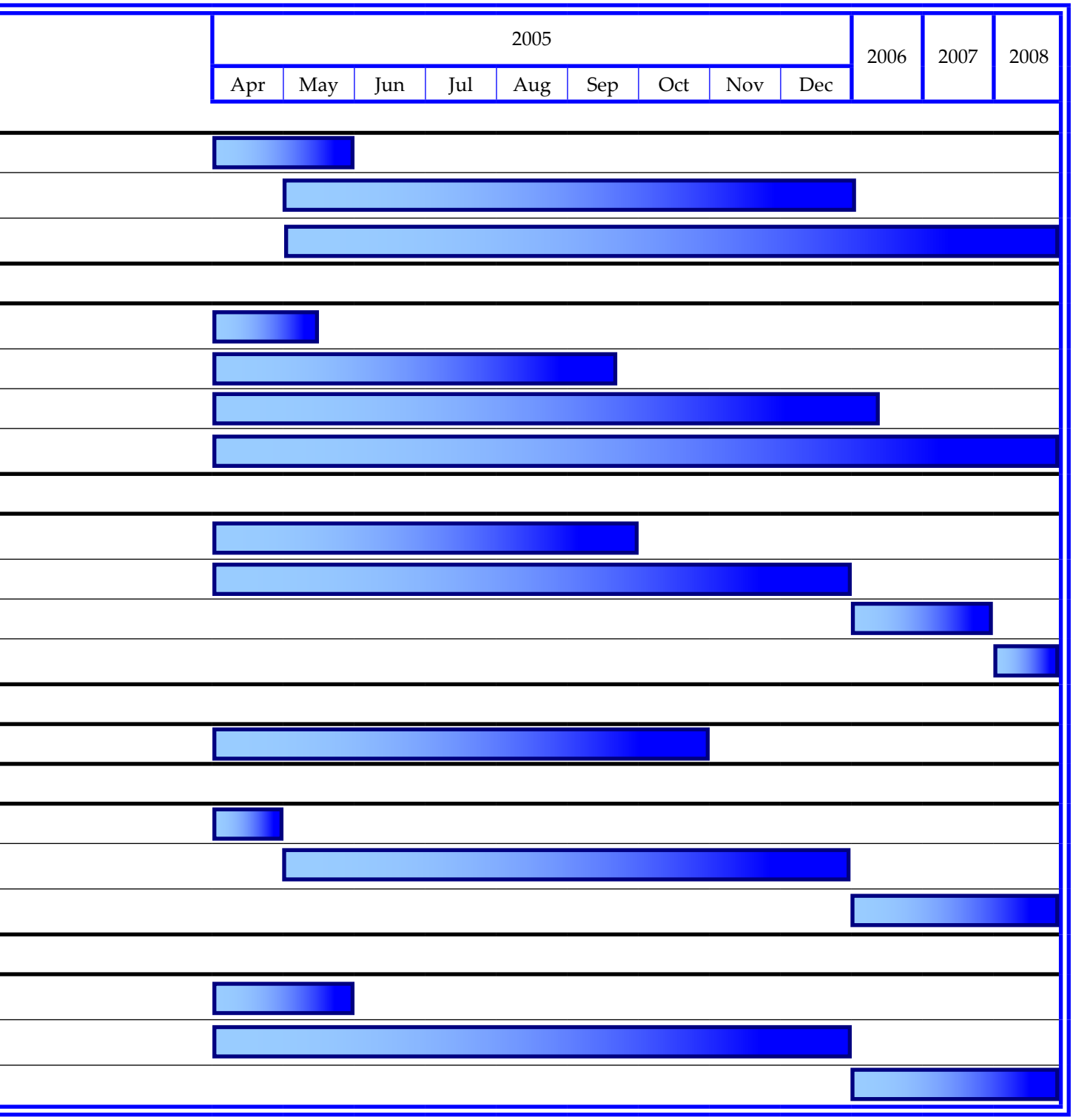
1) Evaluate potential alternatives that take advantage of promising technologies in the venture capital community.

Objective Area: Portfolio Analysis

1) Identify and evaluate existing models and industry practices.
2) Conduct portfolio analysis on a subset of existing models (e.g., weapons system acquisition, sea basing) and present results.
3) Expand scope of analysis to encompass other models (e.g., infrastructure, personnel, etc.) using similar methodology.

Objective Area: Navy Working Capital Fund Management

1) Develop tailored cash levels for each business activity of the Navy Working Capital Fund to replace the derived aggregate metric (7-10 days of cash).
2) Work with the Defense Finance and Accounting Service to improve the financial system to report cash levels more effectively and on a timelier basis.
3) Position the Navy Working Capital Fund to meet the Department's goal to achieve and sustain auditable financial statements.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Theme: Customer Communications

Objective Area: Web Expansion

1) Identify appropriate website capabilities and develop design criteria, to include organizational structure, all financial management elements, and coordination with other resources of the Secretariat.

2) Establish content management responsibilities and procedures.

3) Refine and expand strategy to employ website as a primary communications tool with financial community and general public.

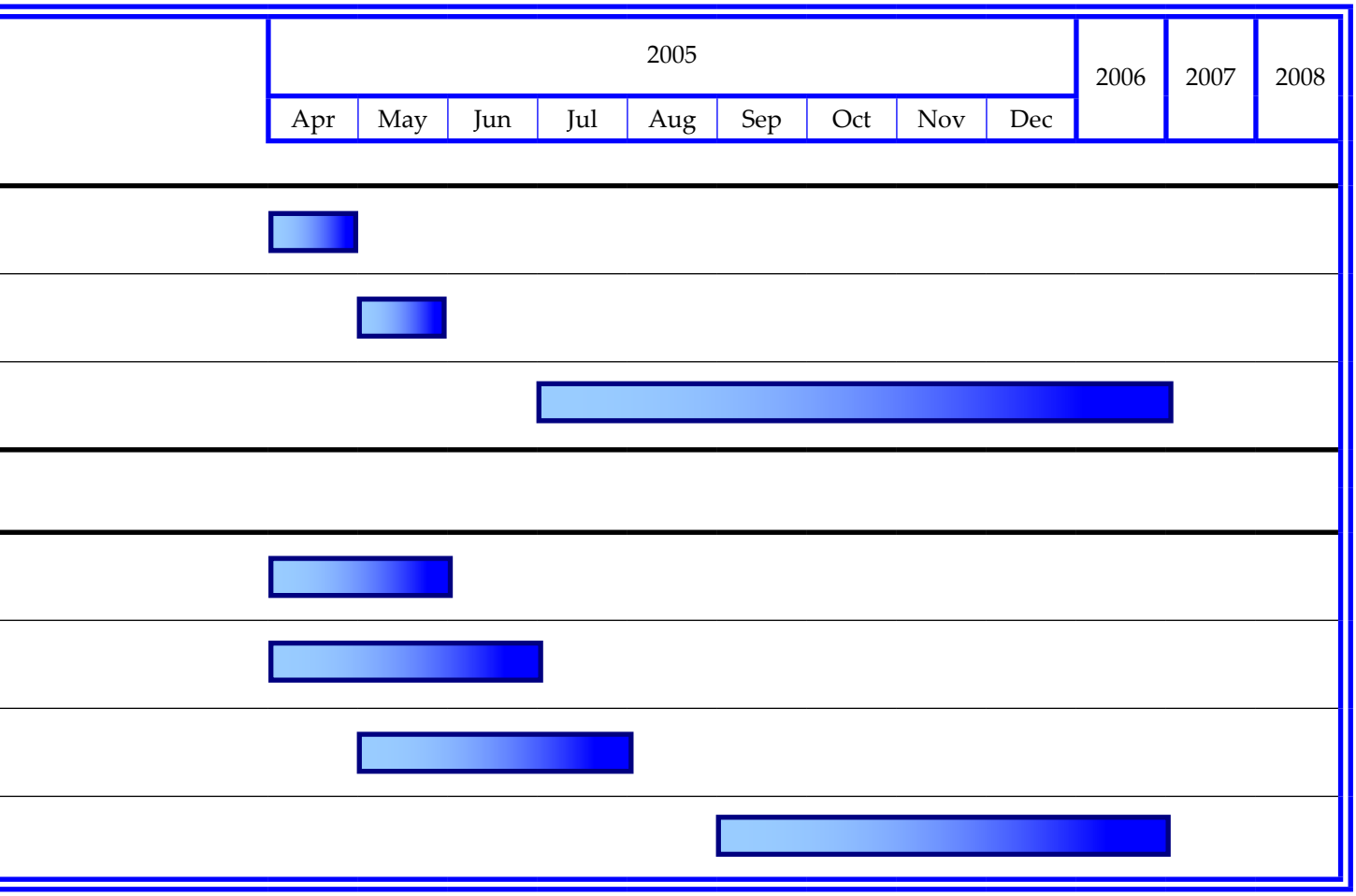
Objective Area: Communications and Outreach

1) Use existing financial management community award programs as starting point for articles suitable for publication. Foster culture of publishing success stories for the enhancement of the community and as a recruiting tool.

2) Engage the Department of the Navy financial management community to provide examples of financial management success stories reported in local/regional media.

3) Expand Congressional relationships through broader engagement with Appropriations staffs beyond traditional contacts and by establishing contacts with other House and Senate Committees with oversight or interest in Department of the Navy programs and management practices.

4) Encourage financial management community lecturing opportunities, such as commercial sector, academic, and government conferences.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