Sustaining Warfighters While Reducing Costs
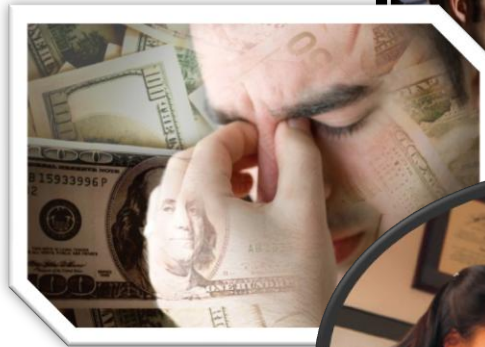
Mrs. Teresa McKay
Director
Defense Finance and Accounting Service
June 29, 2011

Our job is to support you!

Customer Service

Identify and Implement Efficiencies
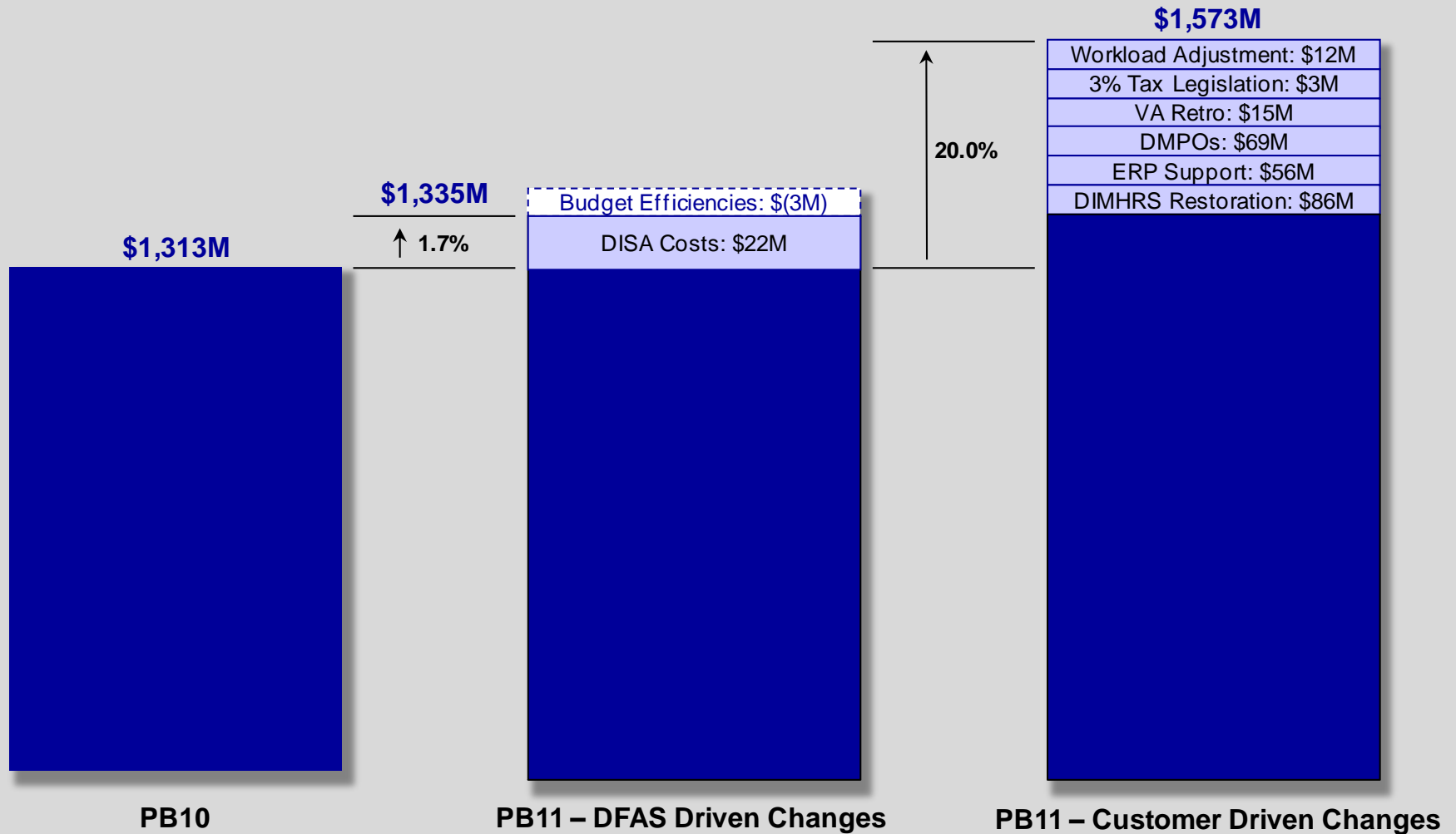
Collaborate and Facilitate

Reduce Costs and Risks

Defense Logistics Agency

The Warfighters' Logistics Combat Support Agency

FY12 Budget – PB10 to PB11 Position Change

FY 2012 Budget Positions

Legend:
- Decreased Resources
- Increased Resources
- Baseline

$1,573M

Customer Driven Changes
Workload Adjustment: $12M
3% Tax Legislation: $3M
VA Retro: $15M
DMPOs: $69M
ERP Support: $56M
DIMHRS Restoration: $86M

20.0%

$1,335M

↑ 1.7%

DFAS Driven Changes
Budget Efficiencies: $(3M)
DISA Costs: $22M

$1,313M

PB10   **PB11 – DFAS Driven Changes**   **PB11 – Customer Driven Changes**

FY12 Budget – PB11 to PB12 Position Change

FY 2012 Budget Positions

Legend:
- Decreased Resources
- Increased Resources
- Baseline

$1,573M (PB11)

15% — **$1,334M**

DFAS Efficiencies ($239M)

10%

$1,417M
- Tactical DMPO Travel: $3M
- Audit Readiness: $54M
- Workload Adjustment: $25M

PB11 | PB12 – DFAS Driven Changes | PB12 – Customer Driven Changes
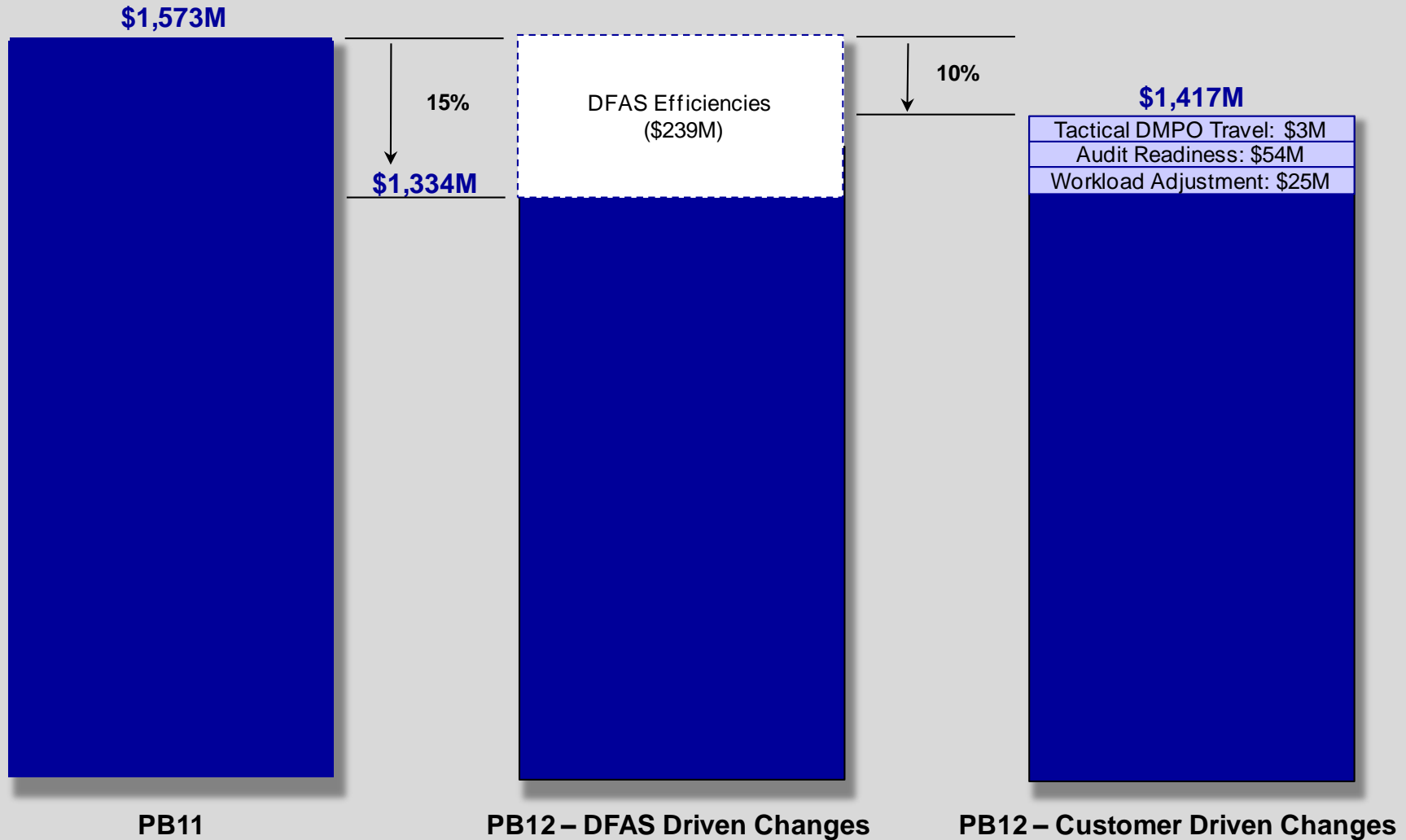
ERP Implementations to Reduce Legacy System Costs

Legacy cost laid into PBR12

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

FOC = full operating capability

Legacy costs are a factor of

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

Electronic Commerce Opportunities

- **Successes:**

  - 98% of EBS payment transactions processed electronically

  - 58% of Fuels payment transactions processed electronically (thru AVEDS and FAS)

  - 54% of Contract Pay (thru MOCAS) invoices processed electronically

  - 90% of DLA contracts in MOCAS interfaced electronically

- **Future Opportunities (FY12):**

  - Improve contract modification interface to MOCAS (currently 13% electronic)

  - Continue to convert from the legacy systems to EBS (Fuel conversion by FY14)

  - Expand Fuel Card Programs

  - Implement remaining 6 DLA and 10 DAPS PowerTrack sites for EBS

Lean6 Projects Impacting DLA

- **COMPLETED**

  ✓ Reduction of Data Storage Costs for DBMS

  ✓ Reduction of Hard Copy Checks

  ✓ EBS Undistributed Collection > 120 Days

  ✓ EBS Functional Access

  ✓ Reduce DAPS Unprocessed Collections

$10M in Savings to Date (FY11)

SAVINGS

- **UNDERWAY**

- Reduce Interfund Rejects
- DLA Interest Reason Code 2 Process
- Fuels Contract Closeout Reconciliation
- AP Fuels Certification of Funds Project
- EBS Collections Inflow Process

- DLA MILSBILLS Adjustment/Credit Process
- Reduce Manual Reviews Within the Cert. Process
- Reduce IPAC Rejects (Preval)
- Reduce/Automate Check Collections
- Reduce Manual Posting Related to Undistributed Collections

DFAS Audit Readiness Support Strategy

Develop, implement, and staff DFAS organizations required to enable audit assertion and audit execution support for customers

Organizing to Support Our Customers

Establish Enterprise-wide Audit Readiness Office

- Strategy
- Integration Across Customers & Sites

Establish Audit Readiness Teams at DFAS Sites

- Business Function Focus
- Customer Specific Support

Complete Pre-assertion Preparation

Processes

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

Documentation

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

DFAS Owned Systems

- Adequately documented
- FISCAM compliant
- Can produce detailed transactions

Collaborate with DLA

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

A Practical Look at Winning the Fight Against Improper Payments

BAM

Business Activity Monitoring

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

Journal of Government Financial Management Spring 2011

Business Activity Monitoring (BAM)

Detection and Prevention of

Integrity Checks

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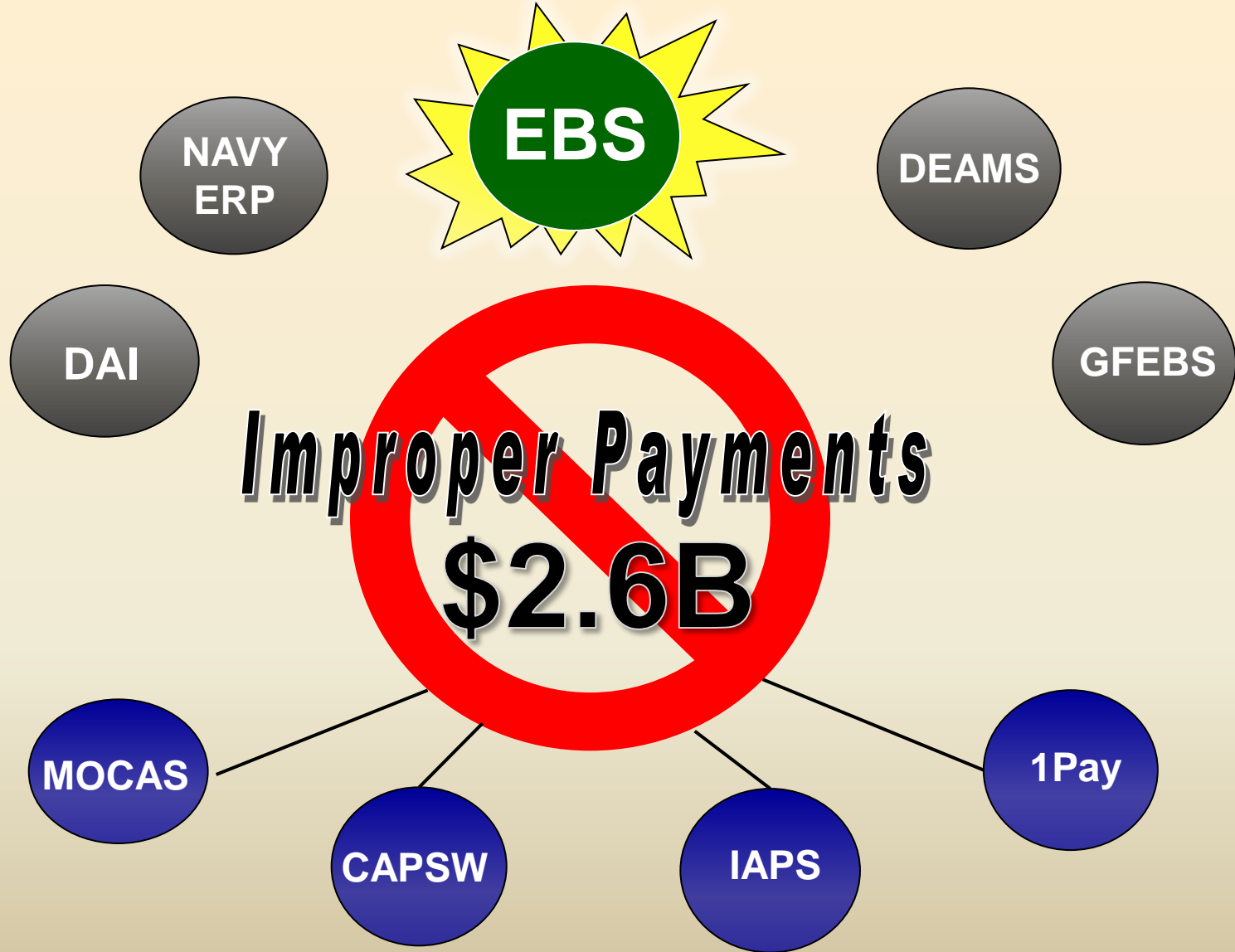   - ✓**different contract**
    - ✓**different amount**

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

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

Improper Payments Prevented

EBS

NAVY ERP

DEAMS

DAI

GFEBS

Improper Payments
$2.6B

MOCAS

CAPSW

IAPS

1Pay

Expeditionary Support Organization

- ## Southwest Asia Presence and Accomplishments

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

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

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

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

Integrity - Service - Innovation