

CHAPTER 5

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM0501 GENERAL050101 Purpose

This chapter sets forth the objectives of the Joint Financial Management Improvement Program (JFMIP). It provides the guidelines for DoD participation in the JFMIP and for reporting annually initiatives undertaken by DoD Components to improve financial management in the Department of Defense.

050102 Overview

A. The JFMIP is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management. The program is administered by a steering committee, which is composed of representatives of the four offices, and the Executive Director of the JFMIP. Under the guidance of the steering committee, the Executive Director and staff develop, direct, and undertake programs and projects for JFMIP on a day-to-day basis.

B. The overall objectives of the JFMIP are to:

1. Encourage and promote the sharing and exchanging of information concerning good financial policies, practices, and techniques throughout the Government, and

2. Improve financial management throughout the Government, and thereby contribute significantly to the effective and efficient planning and operation of Government programs.

0502 DoD SUPPORT OF JFMIP EFFORTS

To achieve fully the necessary coordination and cooperation, the head of each DoD Component shall designate a liaison official to serve as a point of contact on matters relating to JFMIP.

DoD liaison representatives are identified in the Federal Financial Management Directory. Their names are listed with the names of representatives of other Government Departments and Agencies. The program is implemented in the Department of Defense in two major ways:

050201 Special projects may be undertaken to study significant problem areas and recommend solutions. DoD Components benefit by cooperating with and participating in these studies as requested by the Comptroller, DoD.

050202 An annual report on the progress within the Department of Defense on its own financial management improvements helps ensure continued management attention to and interest in improving financial management. The report describes financial management activities accomplished and in progress, and becomes part of the JFMIP Annual Report highlighting some of the major financial management improvements throughout the Federal Government.

0503 INFORMATION REQUIREMENT

050301 An annual report shall be prepared on major projects. The report shall describe the project, highlight potential or actual savings, and identify the responsible action officer who may be contacted for further details. A "major" project for the JFMIP annual report is one of the following:

- A. Has estimated savings of at least \$10 million over the life cycle of the project.

- B. Eliminates weaknesses that could lead to fraud, waste, abuse, and mismanagement of Government resources.

- C. Implements actions that are in response to the Congress.

- D. Improves the accuracy, reliability, and timeliness of financial reports.

050302 The report and two copies are due to the Defense Finance and Accounting Service within 30 workdays after September 30. A Status Report of Financial Management Improvements is optional and is to be submitted only if a DoD Component has something of value, which qualifies as a "major" project.

050303 The reporting requirement of this chapter is exempt from licensing in accordance with paragraph E.4.f. of DoD 7750.5-M, "DoD Procedures for Management of Information Requirements."

050304 Instructions for completing the annual report on major financial management improvements are as follows:

A. The reporting format to be used is provided as an addendum to this chapter. The annual report should consist of a series of narrative summaries prepared in this format (one page for each major financial improvement).

B. For each item being reported, enter in the space provided one of the following report categories:

1. Improved Financial Reporting.
2. Systems Modernization and Consolidation.
3. Accounting Procedures.
4. Auditing Improvements.
5. Budgeting.
6. Cash, Credit, and Debt Management.
7. Microcomputer Applications.
8. Payroll and Personnel Systems.
9. Productivity.
10. Other.

C. The status of each reported item should be checked either as:

1. "Accomplishment;" that is, completed during the reporting period, or
2. "In process."

D. For each reported item, there should be included in narrative form in the summary section of the report (addendum):

1. A concise and succinct description of the improvement.
2. The actual or estimated implementation and/or completion date.
3. Any actual or anticipated cost savings.
4. Other major benefits.
5. The name and telephone number of an individual to whom requests for more specific information on the improvement can be directed.

E. The narrative should describe the improvement fully, yet be concise enough that it can be reported with minimum or no modification in the annual report. Do not use acronyms or abbreviations, unless they are fully explained or identified. Examples of management improvement projects are provided on pages 79 through 83 of this chapter. The summary narrative on each reported item should be limited to the space provided on the addendum. Refer to previous JFMIP annual reports for a guide concerning length and description of the summary report on each improvement. More detailed information is optional, but, if prepared, it should be attached to the summary report.

F. When special emphasis is placed on efforts that may be considered part of the financial management improvement program, such as accounting systems, approvals, and initiatives to improve integrity and efficiency, care must be taken to avoid placing duplicate or conflicting requirements upon a DoD Component's accounting entities.

050305 Instructions for updating the JFMIP Federal Financial Management Directory are as follows:

A. A current updated directory listing the top policy officials in the financial management field, and key financial management officials in headquarters and field offices for all major DoD Components shall be submitted with the annual report. The listing will include the title of the position, address, and telephone

number for each individual. The list of officials should cover, as a minimum, those functions identified in paragraph 050304.B, above.

B. The JFMIP liaison representative designated by each DoD Component should be a high official at the policy-making level designated, or redesignated, by placing an asterisk in front of his or her name.

ADDENDUM
Financial Management Improvement Initiatives

Department or Agency: _____

Bureau or Administration: _____

Contact Person: _____

Telephone Number: _____

Category of the Financial Initiative - check one:

- | | |
|--|---|
| <input type="checkbox"/> Financial Management Systems | <input type="checkbox"/> Cash and Credit Management |
| <input type="checkbox"/> Financial Management and Accounting Systems | <input type="checkbox"/> Credit Cards for Small Purchases |
| <input type="checkbox"/> Debt Management Systems | <input type="checkbox"/> Debit Cards |
| <input type="checkbox"/> Procurement and Property Systems | <input type="checkbox"/> Other Cash Management Efforts |
| <input type="checkbox"/> Payroll Systems | <input type="checkbox"/> Electronic Payments |
| <input type="checkbox"/> Automated Applications | <input type="checkbox"/> Electronic Funds Transfers |
| <input type="checkbox"/> Cross Servicing | <input type="checkbox"/> Automated Clearing House |
| <input type="checkbox"/> Financial Reporting | <input type="checkbox"/> Lockbox |
| <input type="checkbox"/> Accounting Policies and Procedures | <input type="checkbox"/> Third Party Drafts |
| <input type="checkbox"/> Total Quality Management | <input type="checkbox"/> Travel |
| <input type="checkbox"/> Budget Formulation and Execution | <input type="checkbox"/> Credit Management |
| <input type="checkbox"/> Auditing and Management Review | <input type="checkbox"/> Other Improvements |

Year-end Status (calendar year)

Accomplished _____ In Process _____

Description of the Initiative - attach no more than one page:

- Include concise description that conveys the essence of the initiative and its potential value to other agencies for application and use
- State the date of completion and/or implementation (actual or estimated)
- Describe actual or estimated benefits, such as cost savings
- Indicate future plans relating to this initiative

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Edward Grysavage

Telephone Number: (703) 607-1067

Category of the Financial Initiative: Payroll Systems

Year-end Status (calendar year 1991): In Process

In September 1991, the Navy Standard Civilian Payroll System was chosen as the standard civilian pay system DoD-wide and was renamed the Defense Civilian Pay System (DCPS). DCPS will provide DoD with a fully automated standardized civilian payroll system supported by standard payroll procedures and practices. The system will be consolidated at two locations and will eliminate the duplication and inefficiencies which occur in present payroll and central design agent operations. Other benefits include:

- (1) Uniform interpretations of regulations and payroll calculations;
- (2) Standard operating procedures, forms, and training;
- (3) Reductions of overall documentation including regulations, manuals, user manuals, etc.; and
- (4) Standardization of civilian payroll systems supports the standardization and integration in other areas such as personnel, accounting, and labor accounting.

The first payroll office is scheduled to become operational in mid-1992 with consolidation being completed in 1995. DCPS will save approximately \$700 million in a ten year period.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Captain William Wilund

Telephone Number: (703) 602-4882

Category of the Financial Initiative: Payroll System

Year-end Status (Calendar year 1991): In Process

Currently, there are six separate pay systems paying the active, Reserve, and National Guard members of the four Services. A study was conducted to determine the feasibility of standardizing/consolidating these systems into one system and to determine if inefficiencies and duplication could be eliminated. On October 1991, the recommendations of the study were approved to implement the Defense Joint Military Pay System (DJMS). DJMS will encompass two separate subsystems, one operating at the Indianapolis, Cleveland, and Denver Centers for paying Army, Navy, and Air Force personnel and the other operating in the Kansas City Center for paying Marine Corps personnel. The high level of integration of the Marine Corps personnel and pay systems made the implementation of a single software system impractical.

Prior to starting the study, the Army and the Air Force were in the process of standardizing their active, Reserve, and National Guard pay systems to Joint Service Software (JSS). JSS will be the nucleus for DJMS and will be modified to accommodate the Navy's requirements. Consolidation of the Marine Corps active and Reserve pay systems will begin in January 1992 and be completed in August 1993. DJMS is scheduled to be completed by December 1994.

DJMS will eliminate duplicate software development efforts, standardize operations, pay computations, and interpretations; and reduce operational costs. Estimated savings are \$37.4 million over an 8 year life cycle.

Financial Management Improvement Initiative

Department of Agency: Defense Finance and Accounting Service

Contact Person: Ms. Gloria Harris

Telephone Number: (703) 607-1370

Category of the Financial Initiative: Payroll Systems

Year-end Status (calendar year 1991): In Process

Currently, eight different systems are used to process pay for military retirees and annuitants. We conducted a feasibility study which determined that the inefficiencies and duplicate operations inherent in the present processing environment could be substantially reduced upon incorporation of a standardized and consolidated pay process. As a result, on August 8, 1991, the Defense Finance and Accounting Service received approval to implement the Defense Retiree and Annuitant Pay System (DRAS) as the standard pay system for supporting military retirees and their annuitants in the future. This system will allow for enhanced customer service by providing a standard system with base level support for all military retirees and annuitants.

The DRAS implementation effort will convert the Army, Navy, Air Force, and Marine Corps retiree and annuitant systems into one consolidated system to operate at two Defense Finance and Accounting Service Centers. Payments for all military retirees will be processed at our Cleveland Center and all annuitant payments at the Denver Center. The implementation effort commenced in October 1991 and is scheduled to be completed by January 1995.

The system will provide for uniform interpretations of regulations and pay calculations; standard operating procedures, forms, and training; a reduction in the overall documentation requirement; and a significant reduction of 242 personnel billets. Additionally, it will support standardization and integration in other areas such as personnel and accounting.

The net projected life cycle savings for this standard system implementation equate to approximately \$12.2 million.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Michael Bryant

Telephone Number: (703) 607-1587

Category of the Financial Initiative: Travel

Year-end Status (calendar year 1991): In Process

DoD has approved the implementation of a standard travel system designated the Defense Travel Pay System. The system will replace manual and automated systems in use by DoD agencies and the Military Services. All travel orders and claims will be prepared using the system at the local activity level and all claims will be paid from a central site. Local activities will use telecommunications to interface with the central site. The system will make extensive use of electronic signature and certification.

The system will be comprised of several modules, some of which will be purchased and usage limited to DoD by contractual agreement. Major modules will include a travel order writer, claim preparation modules for both permanent change of station (PCS) and temporary duty travel (TDY), and claim computation modules for both PCS and TDY.

The system will use electronic signatures to eliminate paper flow between activities and the central site. The system will feature single entry of data and automated interfaces with accounting, personnel, disbursing, and debt collection systems. These features will eliminate manual reentry of data and many accounting reconciliation problems. The system will also provide automated standard tracking of travel claims to ensure timely filing and collection of excess advances. The system will make use of EFT for advances and settlements. The system will also make use of the government travel card and travelers checks for advances. Government checks and cash will still be used for advances, but their use will be minimized.

The development of the system has already started. The first prototype is planned for January 1993. Full scale implementation is scheduled to begin in July 1993 and scheduled for completion in June 1994. Once fully implemented, the system will save \$364 million over 10 years.

Financial Management Improvement Initiative

Department or Agency: Defense Finance and Accounting Service

Contact Person: Major Gail Jennings

Telephone Number: (703) 607-0810

Category of the Financial Initiative: Other Improvements

Year-end Status (calendar year 1991): In Process

Defense Management Report Decision (DMRD) 941 directed the implementation of Electronic Commerce/Electronic Data Interchange (EC/EDI) throughout the Department of Defense (DoD) to accomplish specific cost reductions over a six year period with the goal of achieving \$98M per year savings. As a result, the Defense Finance and Accounting Service (DFAS) has undertaken a pilot project to test and implement the capabilities needed to establish an EDI system which allows paperless interoperability using standard: (1) computer system components; (2) commercial and DoD EDI transaction formats; (3) electronic mail and messaging formats; (4) DoD networks; (5) commercial networks and third-party services; and (6) electronic funds transfers. This initiative will streamline finance and accounting procedures. In addition, it impacts functional areas across the DoD; i.e., procurement/contract administration, transportation, and supply/maintenance as well as impacting on business interactions with the private sector.

The overall volume of transactions shall be the primary determiner for prioritization of pilot and migration site selection. There will be maximal use of existing automated systems and no additional networks added to implement the EDI system. This project will begin in the second quarter of FY 92. Eighty percent of full operating capabilities is anticipated in the fourth quarter of FY 95.

Currently, there is very limited EC/EDI use among the DFAS, the DoD, and the private sector, resulting in inefficient and less than timely execution of business transactions. The benefits of this DFAS initiative include, but are not limited to, lower data entry cost, more accurate and timely business data, reduced inventory, decreased paper handling, improved productivity, better business relationships, and greater customer satisfaction.

Through DMRD 941 guidance and executive direction, over 39% (\$38.9M) of the annual direct cost savings referenced above, will be realized by implementing DFAS EDI initiatives.