



UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000
AUG 9 2004



PERSONNEL AND
READINESS

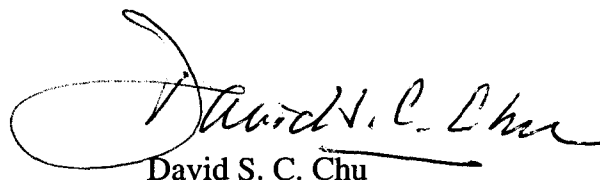
MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, FORCE TRANSFORMATION
DIRECTOR, NET ASSESSMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: President's Management Agenda: The Results for the Department of Defense

It gives me great pleasure to share with you the accomplishments throughout the defense community since the advent of the President's Management Agenda over three years ago. Thank you for the great work represented in this report. It stands as testament to our ability to not only pursue a global war on several fronts, but also simultaneously to carry out results-oriented transformational efforts on behalf of our citizens. I ask that you give this report broad distribution within your workforce. We have accomplished much, and our Defense family—military and civilian—has made it all happen.

As you know, the President's Management Agenda identifies five Government-wide initiatives designed to improve management, and service to our citizens. These initiatives include the strategic management of human capital, competitive sourcing, improved financial management, expanded e-Government, and budget and performance integration. Progress on achieving these initiatives is charted using a Management Scorecard, which is forwarded to Congress with the Department's budget.

The successes we enjoy regardless of endeavor, are the direct result of the teamwork among us all: military, civilian, career, and appointed employees. Again, my heartfelt congratulations on a job well done!



David S. C. Chu

Attachment:
Results Report



TABLE OF CONTENTS

Summary Report	Page One
Office of Secretary of Defense Report	Appendix A
Military Services and Defense Agencies	Appendix B

THE PRESIDENT'S MANAGEMENT AGENDA: RESULTS FOR THE DEPARTMENT OF DEFENSE

The mission of the Department of Defense is to defend the nation and when necessary, defeat its enemies. Very few endeavors in life are so focused and results oriented. While we continue this primary mission of prosecuting the global war on terrorism and simultaneously defending our nation, we cannot overlook the fact that we must more effectively and efficiently manage the Department.

Quite often, management encumbers its workforce with complicated methodologies, processes and procedures. However, much like any successful military operation, experience has shown that simple plans, communicated in a clear manner and within an inclusive environment, work wonders.

In order to deliver the results that our taxpaying citizens deserve from their government, in 2001, the President issued a Management Agenda (PMA) for the Federal Government. Simply put, the PMA identifies five Government-wide initiatives designed to improve management performance and service to our citizens. These initiatives include: the Strategic Management of Human Capital; Competitive Sourcing; Improved Financial Performance; Expanded e-Government, and Budget and Performance Integration. The Office of Management and Budget measures progress utilizing a Management Scorecard - a spotlight metric chart derived from objective analysis of self-assessed department and agency submissions.

We use the PMA to more effectively and efficiently manage the Department with a results oriented approach. We believe the PMA and the Scorecard are terrific tools for instilling the type of discipline necessary for large, complex organizations to successfully manage change. Indeed, managerial and operational discipline coupled with clearly defined objectives and practices, invariably leads to better results and attainment of goals; internally and externally.

To facilitate the implementation of the PMA, DoD established a Senior Steering Group (SSG), comprised of SES and General/Flag officer representatives from the Military Services and DoD Components. Drawing upon the experience of our career cadre, the main goal of the SSG is to coordinate actions among the principals and ensure compliance to the PMA. The SSG meets monthly, shortly following the President's Management Council (PMC) meeting to address the latest developments and discuss future courses of action based upon constructive feedback.

Further, we have refined our PMA implementation process by integrating the Scorecard requirements with the Department's Balanced Scorecard (BSC) for risk management. The BSC addresses four risk areas: *Operational, Institutional, Force*

Management, and Future Challenges, and establishes performance outcomes for each. Performance outcomes, as well as associated metrics and indicators, will be used to describe the Department's performance goals and results for all related performance reports, including those required under the PMA. This effort will align the budget and program goals to DoD's risk management framework and strategy.

DoD believes the scoring process to be collaborative. By "cascading" the PMA to the Services and Defense Agencies, we have empowered all defense organizations to apply the principles of the PMA in a results oriented manner for their benefit, thus ensuring implementation and institutionalization of the PMA, defense-wide. Further, the Department performs its own internal assessment against the initiatives and forwards its findings to OMB for comment and discussion. Commencing 1 July 2002, support of the President's Management Agenda was included in the performance plans of our career Senior Executive Service (SES) cadre.

The work and commitment of our employees--career, military, civilian, and appointed--over the past three years are producing a more efficient and results-oriented organization. We have included in this document salient examples of significant contribution to results, by initiative category. All submissions, in their entirety, from over fifteen secretariat component offices, military departments, and defense agencies, are included as appendices to this report. We have also included a synopsis of results from DoD's 2003 President's Quality Award applicants. These applicants produced impressive results in support of the President's Management Agenda.

Strategic Management of Human Capital

The Department of Defense is the Nation's largest employer. The Departments of the Army, Navy, and Air Force, and the 16 Defense Agencies, form DoD. The Department has over 800,000 civilians performing work around the world in nearly 700 different occupations. We provide our employees opportunities to leverage their education and private sector business expertise in support of DoD's transformation to meet the 21st century's security and defense challenges. It is critical that the Department focus its efforts and resources on the Strategic Management of Human Capital. In the Department, the catalyst for change is the overarching DoD Civilian Human Resources (HR) Strategic Plan. It is the roadmap by which the Military Departments and Defense Agencies get direction for achieving the desired results. Our human capital planning process is effectively integrated with the President's budget submission, and the department's major resourcing and legislative cycles.

The Department's human capital strategies are linked to agency mission and goals and cascaded throughout the Department. We developed and use a Balanced Scorecard program to review critical areas of interest to the Secretary and senior management officials. Our human capital measures are benchmarked to those of Fortune 500 companies and include Civilian Recruitment Cycle Time, Employee/Supervisor

Satisfaction with DoD Employment/Benefits/Compensation/Quality of Work Life, Quality of Applicants, Compensation and Performance, Diversity in Management Positions, Critical Positions Fill Rate, Turnover Rates, Compensation Comparison, and HR Cost Ratios.

Mission critical core and support occupations are identified and tracked quarterly to avoid any potential negative impact on the efforts of the warfighter, to alert management when the mission of the Department is at risk and to provide a fact-based framework within which to focus recruiting and retention policy decisions. These standard performance measures and data collection methods are used to measure and improve the effectiveness and efficiency of the Department's HR products and service delivery.

Implementation of our strategic human capital initiatives has structured the Department to provide optimal service at lowest cost, and to respond to changing business needs. The Department is now meeting its mission needs with fewer managers and supervisors. As of March 2003, DoD had 1,262 fewer supervisors and 1,239 fewer managers than in September 2001. For decades, DoD has pioneered the use of effective downsizing and reshaping tools to align the workforce with current and future demands.

This fiscal year Congress passed landmark legislation that authorized the new civil personnel system as part of the fiscal 2004 National Defense Authorization Act. The new National Security Personnel System (NSPS) will introduce sweeping changes to the way the Department hires, pays, promotes, disciplines and separates its civilian workers, doing away with antiquated practices that have bogged down the department for decades.

NSPS will consolidate nine separate personnel systems that now govern DoD civilian workers. The system will include faster procedures for hiring new workers, pay based on performance rather than tenure and "pay bands" to replace the current general-schedule pay scale.

DoD expects to have a highly effective workforce that enjoys coming to work, is well trained and highly competitive. The result will be a system that best represents our most valuable asset: our people.

In 2002, the Department deployed an enterprise HR transaction and information system supporting over 800,000 Defense employee records – this is the largest known HR IT system in the world. Within one year, this system was updated to an Internet platform. This has allowed the Department to decrease HR processing requirements and provide strategic information for workforce planning.

As a result, the Department is better positioned to respond and attend to the personnel needs and expectations of job applicants; attract and appoint high quality, diverse candidates using shortened and streamlined processes; and retain a strong workforce using competitive compensation strategies.

Moving forward, the Department plans to: implement a scaleable and agile automated workforce planning tool; partner with the intelligence community to improve transferability of security clearances and acquire the funding necessary to eliminate the clearance backlog; convert military positions to civilian jobs based on mission review and implementation of a new HR system in DoD; support Base Realignment and Closure activities; and establish the capability to track deployed civilian employees and contractors.

Progress has been made throughout the Department.

The real importance of quality people is of course seen in the results that are delivered. Our quality teachers, professional staff and managers within the **Department of Defense Education Activity (DoDEA)** have truly made a difference in the lives and futures of our children. DoDEA provides a world-class education program that inspires and prepares all students in military communities around the world to be successful and responsible citizens in a dynamic global environment. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools located in 13 foreign countries, seven states, Guam, and Puerto Rico.

The quality of DoD schools and the results of the investments in educational initiatives are measured in many ways, but most important, as in other schools systems, by student performance. In November 2003, the National Center for Educational Statistics released the results of the National Assessment of Educational Progress (NAEP) reading assessment. NAEP is known as “the Nation’s Report Card” because it is the only instrument that permits a direct comparison of student performance between states and jurisdictions across the country. On the reading assessment, DoD fourth and eighth graders, domestically and overseas, scored significantly better than the national average. Eighth grade students in the overseas schools tied with Massachusetts for the highest score in reading. Eighth graders in the stateside schools ranked fourth.

Minority achievement is also noteworthy. African American students in our school system scored in either first or second place in the nation, respectively, when compared to their counterparts, continuing the high level of performance exhibited in previous NAEP assessments. Hispanic students also continued their national chart topping performance in reading. Hispanic eighth graders in both systems scored in first and second place in reading. Of special note is the fact that DoD Hispanic students matched or surpassed the national average score for all students on the reading assessment.

DoDEA’s results are also evidenced by the 2002-2003 Customer Satisfaction Survey. Survey results showed 74 percent of DoDEA parents graded their local school either an “A” or “B” compared to only 56 percent of parents nationwide. Eighty-six percent of DoDEA teachers graded their local schools “A” or “B” compared to 64 percent of teachers nationwide.

In addition, the **Defense Logistics Agency (DLA)** made significant changes to its Human Resource organization to gain efficiencies and eliminate duplication. Despite

significant increases in Distribution and Supply Management, DLA has reduced its workforce from 23,241 to 21,828 over the past three years. This represents the smallest workforce since 1963. These changes resulted in savings of nearly \$11 million during the FY03 - FY04 period, while the agency continues to meet the Department's wartime needs.

Additionally, DLA reduced the employment processing time from close of a vacancy announcement to extension of a job offer to an average of 36 days. This is significantly below the Office of Personnel Management 45-Day Hiring Model.

These actions are clearly indicative of a results oriented organization. Particularly noteworthy is the fact that DLA rates among the best places to work in government. "Careers and the Disabled" magazine rated DLA 8th in the top 20 best places to work in government. "The Hispanic Network" Magazine rated DLA one of the "Best of the Best" places to work in government.

The **Defense Finance and Accounting Service** has reduced headquarters and corporate elements workforce by 23 percent since FY01 while raising employee satisfaction by 12 percentage points since 2000, according to the annual Organizational Assessment Survey. It also has invested 3.8 percent of FY03 payroll dollars, or \$26 million, in employee training.

Competitive Sourcing

Fair competition is the foundation of our Competitive Sourcing Program. The Department's increased focus on completing competitions initiated by the military services and defense agencies has produced significant accomplishments during calendar years 2001 to present.

Specifically, during this period the Department has completed 501 A-76 initiatives that have subjected 37,986 positions to competition and generated \$5.2 billion of savings over the life of the performance periods, typically 5 years. This represents a savings rate of 36%. In addition, we are scheduled to complete an additional 16,401 positions by the end of fiscal year 2005 which we expect to generate an additional \$1.7 billion of savings assuming average performance periods of 5 years.

The Department has long been the leader in the federal government in competing commercial functions with the private sector under Office of Management and Budget Circular A-76. We have thus far completed competitions on 80,666 positions, have in-progress an additional 16,401 positions competed, and our budget plans include competitions of more than 130,000 positions through fiscal year 2009.

A major success story for A-76 competitions occurred at **Offutt Air Force Base**, Nebraska. At Offutt the 55TH Wing's mission is to provide worldwide reconnaissance, command and control, and combat support critical to national leadership and war fighting

commanders. It employs approximately 6,400 Federal Government employees, 2,100 contractors, and hosts an additional 3,197 employees in tenant organizations. After a full and open competition of 1,459 positions, the 55TH Wing won the Air Force's largest cost comparison. Offutt was able to identify significant process improvements leading to manpower savings of 848 positions, producing an estimated \$46 million in annual personnel cost savings. This competition, which was completed with no administrative appeals and no protests from its competitors, also gained recognition for the 55TH Wing by having it recognized as a winner of the 2002 President's Quality Award Program.

Improved Financial Performance

The Department continues to improve its business management practices. To remain as the world's premier military power, it can do no less. As a result of our transformation efforts, we have:

- Received five clean audit opinions and one qualified opinion on the FY 2003 financial statements for the 21 Departmental financial reporting entities. A clean audit opinion is one that the auditor believes financial information is credible. A qualified opinion is one that the auditor takes exception to certain accounting applications. For a \$400-plus billion organization, this is a marked improvement from FY 2001 and prior when only two financial reporting entities received such opinions.
- Resolved 2 of the 13 auditor-identified financial statement weaknesses – problem disbursements and military health care liabilities. (The Chief Financial Officers Act requires the Inspector General, DoD, to audit the annual financial statements of DoD.)
- Reduced Federal Manager Financial Integrity Act (FMFIA) Section 2 material weaknesses from 115 in FY 2001 to 40 in FY 2003, a 65 percent reduction. These are weaknesses in management controls that warrant reporting to a higher level and usually affect a single DoD organization.
- Reduced occurrences where payments cannot be matched to obligations (Unmatched Disbursements) from \$2.4 billion in March 2001 to \$1.5 billion in March 2004, a 36 percent reduction.
- Reduced occurrences where payments exceed the amount of obligations (Negative Unliquidated Obligations) from \$1.2 billion in March 2001 to \$176 million in March 2004, an 84 percent reduction.
- Reduced the number of Appropriations with Negative Balances from 14 in September 2001 (\$120.7 million) to 7 in March (\$16.7 million), a

50 percent reduction in the number and an 86 percent reduction in the dollar value.

- Reduced the travel charge card delinquency rate for centrally billed accounts from 14.3 percent in January 2001 to 1.1 percent in March 2004, a 92 percent reduction and from 18.4 percent to 4.3 percent for individually billed accounts, a 77 percent reduction.
- Closed 59 Anti-Deficiency Act Violation cases since FY 2001.
- Reduced purchase card delinquency rate from 7 percent in January 2001 to an average of 3.3 percent in FY 2004, a 53 percent reduction.
- Advanced our Defense Finance and Accounting Service (DFAS) as one of four federal-wide Payroll Providers

Expanded E-Government

DoD's enterprise-wide contribution and implementation of the eGov initiatives has propelled results and productivity growth in Information Technology (IT) and management reform across the Department and other partnering Federal Agencies. These results create an order of magnitude improvement in value to the mission of Defense and the American citizen. IT cost controls have improved due to the consolidation of redundant and overlapping investments, enterprise licensing, fixing cost overruns, and competing excess IT Service charges. The implementation of the eGov Act has led to Department-wide architecture governance, including web-based strategies for improving access to high quality information and services, and Cyber Security governance to include desktop, data, applications, networks, threat and vulnerability focused, business continuity, and privacy protection. In support of the Federal-wide unification and simplification of services, whose ultimate beneficiaries are our citizens and our employees, 85 percent of DoD's e-Gov programs have Partnership Agreements with Federal Managing Partners, 100 percent of our e-Gov funding, or \$18.5 million, was transferred in support of the Partnership Agreements, to Federal Managing Partners for FY03 and \$20 million is anticipated to be transferred in FY04. Our commitment has yielded significant results:

- While the expansion of online services to better improve efficiency by **Defense Finance and Accounting Service (DFAS)** is ostensibly a financial improvement, we cannot overlook the fact that this impressive transactional system is in use by nearly 3 million individuals. The selection of our DFAS as one of four Federal-wide Payroll Providers generated cost savings through economies of volume, provided additional cost avoidance by limiting capital system modernization activities across government, and promoted standardization and unified

service delivery. DFAS provides payroll services to an additional 321,000 Federal civilian employees from Department of Energy (successfully converted in September 2003), Health and Human Services, Environmental Protection Agency, and Veterans Affairs. We view this as a significant accomplishment and further evidence of the collaboration between business requirements and technology. Likewise, DFAS launched and expanded “DFAS Kids 1st,” which speeds the process of setting up garnishments to fulfill court-ordered obligations for anyone paid by DFAS including active and retired military and civilian employees. As of May 2004, 14 states use the process to help more than 200,000 children receive the support they deserve every month. The Defense Finance and Accounting Service (DFAS) also expanded online access and service to its 5.9 million payees with “myPay” (<https://mypay.dfas.mil>), which provides convenient, secure access to personal pay records online, any time. The “myPay” web has nearly 2.8 million registered users and has eliminated the printing of over 450,000 military and civilian leave and earnings statements.

- DoD propelled the Federal Integrated Acquisition Initiative milestones ahead by expanding existing DoD programs (such as the Central Contractor Registry [CCR], the DoD Technical Data Solution [DoD TeDS] and the DoD Business Opportunities [DoDBusOpps]) to Federal-wide use (all of these are now Federal, award-winning programs: CCR, FedTeDS and FedBizOpps). We also advocated and ensured the successful integration of Federal programs (such as the Federal Procurement Database System-Next Generation [FPDS-NG]) into Department-wide systems (FPDS-NG is now integrated with the DoD’s Standard Procurement System [SPS]). The successful merger and expansion has led to the retirement of several DoD legacy systems and generated costs savings, through cost avoidance, by eliminating system duplication across the federal government.
- Our success (\$1.6 billion in cost avoidance since 1998) with the DoD Enterprise Software Initiative convinced OMB and GSA officials to leverage our “lessons learned” in creation and administration of the “SmartBUY” initiative, which supports enterprise level software management across the entire federal government. Examples of this success within Defense is demonstrated by the **Air Force** who saved \$6 million in desktop/laptop computer acquisition costs using a Quarterly Enterprise Buy process that consolidated requirements from across the Air Force. Fifty-six (56) applications are now available to Air Force users through a single point of entry, the Air Force Portal. The Air Force returned 1,000 man-years of effort back to the mission and realized \$200 million in cost avoidance by consolidating the management of disparate networks and servers under the auspices of the Air Force Communications units.

- To further reduce threats and vulnerabilities, we provided 84 percent of DoD employees with annual security awareness training. In addition, 98 percent of communication circuits that connect to the DoD Unclassified Network are accredited, resulting in a secure computer network and operating environment. The enterprise licensing agreement for anti-virus software signed in 2002, increased our cyber protection level by making anti-virus products from three different companies available to all 3.4 million civilians and military members in the DoD including National Guard and Reserve personnel. Our “Gold Disk” initiative for secure system configuration has reduced system configuration time from 2 days to 2 hrs. These products are available at no cost to the end user, and can even be installed on computers for home use.
- Consolidated Health Informatics is a joint effort where DoD and the Department of Veterans Affairs (VA) are lead partners in an initiative to establish Federal health information interoperability standards as the basis for electronic health data transfer. In addition, the Federal Health Information Exchange enables the electronic transfer of protected electronic health information, in keeping with privacy laws and regulations, among Federal agencies caring for Federal beneficiaries. This enables the transfer of protected electronic health information from DoD to VA at the time of a service member’s separation from military service. Implemented nationwide on 128 VA computer systems, data from 3.9 million separation records and data on 1.9 million unique patients has been transmitted and available for use by clinicians at 208 facilities. On a monthly basis, DoD provides an update of clinical data to the VA based on a separation listing provided by the Defense Manpower Data Center (DMDC). When initially implemented, it took approximately forty days from receipt of the separation listing for DoD to provide the data. In order to provide even greater service and more timely data, DoD is focusing on improving the data timeliness. DoD has modified the data extraction process to eliminate the need for human intervention to start the extraction routine at each Composite Health Care System host site. During the most recent periodic extraction processes, DoD has realized a reduction of approximately twenty days.

We are continuing to push forward and re-examine transformational plans and outcomes to make adjustments as lessons are learned and best practices are successfully executed. The political, technological and economic realities dictate that we examine fundamental changes to our business practices, force structure and culture. New threats require new defenses, streamlined processes, improved efficiencies, and less duplication and redundancy.

Budget and Performance Integration

During FY 2003 we changed the legacy Program, Planning, and Budgeting System to include "Execution." The new Planning, Programming, Budgeting, and Execution (PPBE) process will increase the effectiveness of the Department's resource allocation system by linking performance results to programming and budgeting decisions and placing additional emphasis on program execution. With the PPBE process, the DoD is evolving from an annual program objective memorandum and budget estimate submission cycle to a biennial (2-year) cycle. The Department will now formulate 2-year budgets and use the off year to focus on fiscal execution and program performance. The execution reviews provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. Performance metrics, including the OMB Program Assessment Rating Tool, are the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets. To the extent performance goals of an existing program are not being met, recommendations may be made to replace that program with alternative solutions or to make appropriate funding adjustments to correct resource imbalances. Our accomplishments over the 2001 – 2004 timeframe include:

- Providing the Program Assessment Rating Tool (PART) in the President's Budget justification materials.
- Publishing the 2003 Report of the Secretary of Defense to the President and the Congress, which for the first time was structured around performance metrics for each quadrant of the Department's Balanced Scorecard (BSC) for risk management.
- Implementing a 2-Year Planning, Programming, Budgeting, and Execution process that transformed the Department's decision-making process for developing the annual President's Budget
- Effecting structural changes in our performance measures and budget exhibits that relate specific measures and goals to the various programs in the following appropriations: Operation and Maintenance, Military Personnel, and the Defense Health Program. These new goals and measures document the processes we have used for several years to improve and focus the budget
- Establishing modified budget exhibits for multiple areas (such as Flying Hours and Depot Maintenance) that document the measures and goals for the Congress and serve as the source data for budget resource discussions in future years
- Using programmatic measures in the FY 2004 and FY 2005 budget review to make decisions that link budget and program performance to budget resource allocation decisions

CONCLUSION

In this summary report, we have endeavored to articulate some of what we believe to be our most notable results-oriented achievements over the past three years. We believe through rigor and leadership, sound principles of efficiency and productivity can be incorporated into any organization, regardless of size. The results above, as well as those contained in the attachments, are proof positive of this assertion. This department is a \$400 billion organization with over 3 million employees. Indeed, if it were an economy, it would be the sixteenth largest in the world.

When actions and initiatives concern the well-being of our service-members or dedicated civilian workforce, our employees band together to display teamwork, commitment, and a sense of mission that is unparalleled elsewhere. This is just as true when an issue concerns benefits our citizens. Therefore, it is with great pride that we share these significant results with our entire DoD family.

APPENDIX A

PRESIDENT'S MANAGEMENT AGENDA (PMA) INITIATIVES

This appendix provides the results for the five initiatives of the President's Management Agenda.

Title	Page
Strategic Management of Human Capital	A-1
Competitive Sourcing	A-12
Improved Financial Performance	A-15
Expanded E-Government	A-17
Budget and Performance Integration	A-42

Strategic Management of Human Capital

The Department of Defense is focused on results for the Strategic Management of Human Capital. The Department of Defense Civilian Human Resources (HR) Strategic Plan is the roadmap that provides direction for achieving results.

The Department's Human Capital strategies are well linked to agency mission and goals. We have implemented a department-wide Human Resources (HR) Strategic Plan with goals and objectives cascaded throughout the Department. Input from the HR Strategic Planning Senior Steering Group (Component and Office of the Secretary of Defense HR Executives) is used to update the HR Strategic Plan. Our progress has exceeded quarterly goals since inception of the Plan. The Department deployed an enterprise HR transaction and information system supporting over 800,000 Defense employee records - this is the largest known HR IT system in the world. Over a 2-week period we successfully upgraded the system worldwide by downloading virtually millions of lines of code over standard telephone lines. In addition, we implemented a fully operational Defense Portal and Analysis Center (DefPAC) database to support the Department's civilian workforce readiness planning. We developed and use a Balanced Scorecard program to review critical areas of interest to the Secretary and senior management officials as well as standard performance measures and data collection methods for measuring the effectiveness and efficiency of the Department's products and service delivery. These human capital measures are benchmarked to those of the Fortune 500 companies and include Civilian Recruitment Cycle Time, Employee/Supervisor Satisfaction with DoD Employment/Benefits/Compensation/Quality of Work Life, Quality of Applicants, Compensation and Performance, Diversity in Management Positions, Critical Positions Fill Rate, Turnover Rates, Compensation Comparison, and HR Cost Ratios. The Department implemented a DoD-wide civilian workforce survey to measure the effectiveness of new or revised human resources innovations. We chartered the Defense Human Resources Board (chaired by the Under Secretary of Defense for Personnel and Readiness) to address specific issues requiring senior leader intervention and attention regarding military and civilian human resources issues.

With these efforts in place, compared to several years ago, the Department can now better establish and cascade HR goals and objectives to more effectively manage the civilian workforce. Our HR strategic planning process is effectively integrated with the budget submission, Program Objective Memorandum (POM), and legislative proposal, Unified Legislative Budget (ULB), processes. We have decreased HR processing requirements and provided strategic employee information for planning using a single HR IT application. We have increased information sharing and improved communications between the Department's Safety, Health and HR communities in support of overall readiness and between the Department and the Department of Labor to effectively manage compensation cases and affect reemployment of compensation recipients resulting in significant savings.

Within the next several years, the Department plans to further our strategic planning processes to more clearly align the Department's strategic interests with operations at the installation level.

We will move to further consolidate the HR IT system by centralizing all processing at one location (currently done at over 20 sites worldwide). In addition we plan to more closely

align the civilian workforce with the military community by increasing DoD civilian access to military morale, welfare and recreation activities including childcare; create a civilian spouse preference program to assist spouses relocating with their DoD civilian employee sponsors in support of the strategic interests of the Department; use available

data to assess future, white-collar pay system enhancements to ensure market competitiveness and sufficient white-collar staff based on mission requirements; and increase funding to support the injury compensation rehire program to reduce costs as well as the use of automated claims processing to expedite claims and track cases.

In addition to strategic planning the Department is structured to provide optimal service at lowest cost and respond to changing business needs. Our strategies include redeployment, delayering, competitive sourcing, and E-gov initiatives. For decades, DoD has pioneered the use of effective downsizing and reshaping tools including buyouts and early retirements as effective tools to align the workforce with current and future demands. This year we obtained, as part of the landmark legislation that will also allow us to establish the National Security Personnel System, permanent buyout and early retirement authority that will significantly enhance long-term workforce and mission planning. Compared to several years ago, the Department is now able to use permanent downsizing and reshaping tools as well as established management controls to reduce the number of managers, supervisors and organizational layers; increase the span of control; and ensure optimum numbers of employees in direct service delivery positions. We can significantly enhance workforce and mission planning at installations particularly at depot overhaul locations, based on continued access to downsizing and reshaping tools and provide positive options for employees. We have restructured the Department to decrease overall number of employees. As of March 2003, DoD has 1,262 fewer supervisors and 1,239 fewer managers than in September 2001. This reduction was accomplished while the workforce decreased by 5,759 employees.

Moving forward, the Department plans to: work to increase the under-representation of women and minorities through outreach efforts of the Defense Recruitment Consortium and the Defense Applicant Office; partner with the intelligence community to improve transferability of security clearances and acquire the funding necessary to eliminate the clearance backlog; convert military positions to civilian jobs based on mission review and implementation of a new HR system in DoD; support Base Realignment and Closure activities; and establish the capability to track deployed civilian employees and contractors.

Regarding leadership and knowledge, we have assured continuity through succession planning and professional development. Specifically, the Department has required Components to identify quarterly the number of personnel assigned to mission critical occupations and to address shortfalls through recruiting plans and professional development programs. We have retooled the Defense Leadership and Management Program (DLAMP), the Department's flagship for leader and executive development, to more closely align it with Departmental objectives, established the Defense Application Assistance Office (DAAO) to assist job seekers through personal contact, an information website, marketing materials, participation in recruiting forums and contact with colleges and universities and created the Recruitment on Campus (ROC) program to send individuals at flag rank (admirals, generals and senior executives, or equivalent) to their

alma maters for education and recruitment purposes. In addition, the Department has developed and implemented the Defense Business Fellows Program (DBF) to recruit and employ candidates who possess or are working toward a graduate degree in business administration and who have management potential.

Compared to several years ago, the Department is better positioned to respond and attend to the personal needs and expectations of job applicants; attract and appoint high quality, diverse candidates using shortened and streamlined processes; and retain a strong workforce using competitive compensation strategies.

The Department will continue to identify and use effective incentives, employment flexibilities and development strategies to attract and retain the next generation of employees for entry through senior level positions to achieve DoD mission requirements.

Strategic Management of Human Capital

Agency PMA Report – 3rd Quarter, FY 04

The Department of Defense is focused on results for the Strategic Management of Human Capital. The Department of Defense Civilian Human Resources (HR) Strategic Plan (referred to as HR Strategic Plan) is the roadmap that provides direction for achieving results.

OMB Criteria #1: Human Capital strategies are linked to agency mission and goals. (Aligns with DoD HR Strategic Plan Goal 6.)

In terms of the PMA, the Department has:

- Implemented a department-wide Human Resources (HR) Strategic Plan with goals and objectives cascaded down through the Department of Defense Military Departments and Defense Agencies, through the Major Commands, to the field installations.
- Incorporated input from the HR Strategic Planning Senior Steering Group (Component and Office of the Secretary of Defense HR Executives) to update the HR Strategic Plan.
- Reported quarterly progress by goal (performance indicator, objective and milestone date) to the Office of Management and Budget and the Office of Personnel Management; exceeded quarterly goals since inception of the Plan.
- Assimilated strategic initiatives from the Plan into the Department's bi-annual budget submission process and Future Years Defense Program (FYDP).
- Deployed an enterprise HR transaction and information system supporting over 800,000 Defense employee records (largest known HR IT system in the world) and upgraded the system worldwide over a two-week period by downloading virtually millions of lines of code over standard telephone lines.
- Conducted a survey of the civilian workforce that aligned topics with performance measures in the HR Strategic Plan.
- Implemented a fully operational Defense Portal and Analysis Center (DefPAC) database to support the Department's civilian workforce readiness planning.

With these disciplines in place, compared to several years ago, the Department is able to:

- Establish HR goals and objectives that cascade down through the Components to more effectively manage the civilian workforce in compliance with the Office of Personnel Management (OPM) human capital scorecard.
- Integrate the HR strategic planning process with the budget submission, Program Objective Memorandum (POM), and legislative proposal (Unified Legislative Budget (ULB)) processes.
- Establish an automated scorecard reporting system to gather, archive and analyze Component actions resulting from the Department's strategic plan.
- Ensure merit-based human resource management is integrated into resource management plans in compliance with internal accountability system standards.
- Periodically revisit and revise management processes from a strategic perspective to meet current and emerging threats.
- Decrease HR processing requirements and provide strategic employee information for planning using a single HR IT application.

- Increase information sharing and improve communications between the Department's Safety, Health and HR communities in support of overall readiness and between the Department and the Department of Labor to effectively manage compensation cases and affect reemployment of compensation recipients resulting in significant savings.

Within the next several years, the Department plans to:

- Refine current strategic planning processes to more clearly align the Department's strategic interests with operations at the installation level.
- Routinely participate in POM process as an active member.
- Further consolidate the HR IT system by centralizing all processing at one location (currently done at over 20 cites worldwide).
- More closely align the civilian workforce with the military community by increasing DoD civilian access to military morale, welfare and recreation activities including childcare for DoD civilian employee dependents.
- Create a civilian spouse preference program to assist spouses relocating with their DoD civilian employee sponsors in support of the strategic interests of the Department.
- Use available data to assess future, white-collar pay system enhancements to ensure market competitiveness and sufficient white-collar staff based on mission requirements.
- Increase funding to support the injury compensation rehire program to reduce costs as well as the use of automated claims processing to expedite claims and track cases.

OMB Criteria #2: Organization is restructured as appropriate to provide optimal service at lowest cost and respond to changing business needs; strategies include redeployment, delayering, competitive sourcing, and E-gov. (Aligns with DoD HR Strategic Plan Goals 4 and 5.)

In terms of the PMA, the Department has:

- Pioneered downsizing and reshaping buyouts and early retirements as effective tools to align the workforce with current and future demands.
- Sought and obtained permanent buyout and early retirement authority to significantly enhance long-term workforce and mission planning.
- Embraced alternative workplace options such as telework and employee benefits such as student loan repayment to boost morale and enhance the Department's image as an employer of choice.
- Analyzed and identified Best Practices resulting from Federal HR alternative personnel systems and demonstration projects and used these as a basis for HR reform department wide.
- For reform purposes, developed legislation for the National Security Personnel System (NSPS) enacted by the National Defense Authorization Act (NDAA) for Fiscal Year 2004.
- Participated in e-Gov and Line of Business processes to ensure Department's interests are considered in systems consolidation and utilization decisions.

With these disciplines in place, compared to several years ago, the Department was able to:

- Use available downsizing and reshaping tools and established management controls to reduce the number of managers, supervisors and organizational layers; increase the span of control; and ensure optimum numbers of employees in direct service delivery positions.
- Significantly enhance workforce and mission planning at the installation, particularly at depot overhaul locations, based on assured access to downsizing and reshaping tools.
- Provide affected employees the option to receive severance pay in lump sum in lieu of bi-weekly payments and buyouts in installment payments.

- Extend post-separation health insurance assistance for displaced employees.
- Implement flexible spending accounts as part of a benefits package that can be tailored to the needs of the individual employee.
- Develop and implement a DoD-wide health benefits program for eligible DoD nonappropriated fund (NAF) employees, retirees, and their dependents to assist in attracting and retaining a quality NAF workforce.
- Initiated overtime pay reform for General Schedule employees.
- Sought and received standard asbestos exposure levels for blue-collar employees reducing exposure and liability risks and standardizing associated pays.
- Expand telework policy application such that 100 percent of eligible employees were offered telework opportunity during FY 2004.
- Utilize student loan repayment as a recruitment and retention incentive for employment candidates and current employees.
- Publish policy on the payment of recruitment and relocation bonuses and retention allowances to blue-collar employees and implement automated processes changes to support payment.
- Implement legislation increasing student loan repayment amounts (annual and total).
- Test and evaluate workforce modeling systems capable of providing Department-wide projections based on five years of civilian workforce history.
- Restructure the Department to decrease overall number of employees. (As of March 2003, DoD has 1,262 fewer supervisors and 1,239 fewer managers than in September 2001. This reduction was accomplished while the workforce decreased by 5,759 employees.)

Within the next several years, the Department plans to:

- Implement a scaleable and agile automated workforce planning tool.
- Partner with intelligence community to improve transferability of security clearances and acquire the funding necessary to eliminate the clearance backlog.
- Convert military positions to civilian jobs based on mission review and implementation of a new HR system in DoD.
- Seek significant changes in the Federal Wage Survey (blue-collar) pay setting process by conducting surveys every three years rather than every two years and by revising current rules that require the inappropriate importation of data from outside the relevant wage area.
- Revisit and revalidate employee benefit initiatives previously implemented.
- Establish the capability to track deployed civilian employees and contractors.
- Study implications of HR function commercial conversion.
- Pursue legislation to allow credit for unused sick leave toward Federal Employee Retirement System (FERS) retirement to avoid affect on readiness from current excessive use of sick leave by these employees.
- Pursue legislation to authorize Combat Zone Tax Treatment for civilians in parity with military.

OMB Criteria #3: Continuity of leadership and knowledge is assured through succession planning and professional development. (Aligns with DoD HR Strategic Plan Goal 2.)

In terms of the PMA the Department has:

- Required each Component to identify quarterly the number of personnel assigned to mission critical occupations and to address shortfalls through recruiting plans and professional development programs.

- Retooled the Defense Leadership and Management Program (DLAMP), the Department's flagship for leader and executive development, to more closely align it with Departmental objectives.
- Established the Defense Application Assistance Office (DAAO) to assist job seekers through personal contact, an information website, marketing materials, participation in recruiting forums and contact with colleges and universities.
- Created the Recruitment on Campus (ROC) program to send individuals at flag rank (admirals, generals and senior executives, or equivalent) to their alma maters for education and recruitment purposes.
- Developed and implemented the Defense Business Fellows Program (DBF) to recruit and employ candidates who possess or are working toward a graduate degree in business administration and who have management potential.
- Reviewed law enforcement compensation rates throughout the United States.
- Convened a working group of professional accountants and financial managers to develop policy and certification requirements to improve qualifications of the Department's accounting personnel.
- Issued policy changes exempting career appointments (not subject to mandatory placement of a current DoD employee) of individuals who successfully complete the Presidential Management Intern Program or Federal Career Intern Program from the provisions of the Department's mandatory placement program.

With these disciplines in place, compared to several years ago, the Department was able to:

- Establish and equip the DAAO staff to respond and attend to the personal needs of job applicants.
- Analyze premier intern programs in the private sector and other Federal agencies to support various recruiting initiatives for attracting and retaining college graduates.
- Revise law enforcement pay schedules based on staffing levels and local market conditions to increase DoD's competitiveness with other law enforcement agencies.
- Field-test automated qualification software compatibility with DoD mandatory placement program requirements to shorten and streamline the placement process.
- Reaffirm and establish relationships with institutions and organizations to maintain high level alliances with public and private organizations to support enhanced recruitment and educational planning.
- Analyze best HR practices of successful businesses including strategies for succession planning.

Within the next several years the Department plans to:

- Identify incentives and features of employment to attract next generation of employees for entry through senior level personnel to better meet DoD succession planning needs and propose legislative and regulatory language to achieve this goal.
- Determine intern program design to best meet DoD's need to locate and hire the best talent available.
- Issue policy that advocates overall Department support for adequate programming and funding for intern programs based on the needs of the Components.
- Retool the Defense Leadership and Management Program (DLAMP), the Department's flagship for leader and executive development, to more closely align it with Departmental objectives.

- Expand use of distance-learning methods to support leader development and education.
- Complete initial recruitment and begin first DBF class.
- Determine private industry practices for sabbatical program for leadership development purposes.

OMB Criteria #4: Performance appraisals for SES and managers link to agency mission and are cascaded appropriately throughout more than 60% of the agency. (Align with DoD HR Strategic Plan Goals 2 and 5.)

In terms of the PMA, the Department has:

- Issued memoranda from the Under Secretary of Defense for Personnel and Readiness requiring inclusion of the President's Management Agenda and strategic planning in all SES and manager performance plans.
- Developed an inclusive pay-for-performance strategy for application at SES and senior management levels.
- Delegated numerous HR authorities to the Components with redelegation authorized so that authority is exercised at the appropriate command level ensuring mission alignment.

With these disciplines in place, compared to several years ago, the Department was able to:

- Delegate decision authority for monetary awards of up to \$25,000, for affecting buyouts and early retirements, for repaying student loans and for rehiring annuitants to the appropriate command level in order to streamline HR processes and facilitate management decisions.
- Seek application of the pay-for-performance provisions conceptualized through the Best Practices study to the highest ranking civilian employees in the Department.

Within the next several years, the Department plans to:

- Refine the performance standard development process to more closely align SES and manager performance with mission goals and objectives, particularly as the strategic planning process matures and as the strategic initiatives of the Department are revised.
- Continue pursuit of authority delegations to empower local commanders and senior managers and to streamline management processes.
- Ensure that pay-for-performance methodologies are aligned with organizational requirements and mission objectives.

OMB Criteria #5: Workforce is diverse, including mission critical occupations and leadership; agency consistently measures and works to sustain diversity. (Aligns with DoD HR Strategic Plan Goal 3.)

In terms of the PMA, the Department has:

- Developed an Employee Development Assistance Plan that includes guidance regarding development and diversity, and improvement in employee development efforts through internships and management trainee programs.
- Begun initial data collection efforts to support implementation, analysis, and reporting requirements for DoD-wide HR metrics that will be used to identify problem areas and focus corrective measures, if any. (One measure is Diversity in Management versus Non-Management Positions. Data is being collected quarterly with reporting scheduled for the end of the fiscal year.)
- Identified colleges and universities having significant pools of students with disabilities for inclusion in corporate recruitment efforts.

- Used DAAO and ROC programs to focus DoD and Component recruitment efforts on organizations, colleges and universities that represent or have numerous diversity candidates (Hispanic Association of Colleges and Universities and Historically Black Colleges and Universities).
- Recruited Hispanic senior military members and DoD civilian employees to participate during college recruiting fairs.
 - Developed a program assistance framework to promote a diverse and representative workforce; used package to update Civilian HR Strategic Plan.
 - Framework included: stimulating DoD-wide recruiting strategies; enhancing Internet recruiting and web design; partnering with minority organizations; partnering with Colleges having significant enrollments of minority students; and targeting recruitment for disabled Americans.
 - Established a Component working group to focus on methods for aiding in the recruitment, training and retention of former military members, especially those injured in combat, or for aiding their spouses when the former member is fully incapacitated.

With these disciplines in place, compared to several years ago, the Department was able to:

- Focus efforts of otherwise fragmented recruitment and development programs on diversity and mission support issues.
- Set a goal for hiring 32,000 employees with disabilities by 2005. (At the end of the fourth quarter of FY 2003, the Department exceeded its cumulative goal for hiring 18,076 by 830 employees.)

Within the next several years, the Department plans to:

- Continue its efforts to attract, recruit, and retain the best talent that America offers with emphasis on diversity in the workforce and development of its future leaders.
- Consider the best practices of the Components, other Federal agencies, and the private sector to identify additional tools and strategies to gauge performance in specific areas, and to aid the Department in achieving a diverse workforce.
- Continue to incorporate diversity as an integral part of the Department's business planning and Government Performance and Results Act of 1993 activities to achieve DoD's mission and formalize and publish policies, program guidance, and achievements.
- Focus future outplacement efforts on skill imbalances and alignment with the enterprise HR system to enhance a capability that supports more effective workforce planning, including mitigation of turbulence associated with downsizing and restructuring.
- Identify model training and equipment requirements to enhance DoD recruitment office capabilities for assisting applicants with disabilities.
- Focus human resources effort on recruitment of former military members using current hiring and training authorities and by pursuing new authorities, as appropriate.
- Improve the programs that are in place today to hire disabled veterans.

OMB Criteria #6: Current and future skill gaps in mission critical occupations are identified and reduced. (Aligns with DoD HR Strategic Plan Goal 1.)

In terms of the PMA, the Department has:

- Identified core mission and critical support occupations by occupational series.
- Integrated skills gap information (current or anticipated) into future recruitment efforts to directly meet the Department's needs.

- Developed a recruiting consortium among the DoD Components to coordinate information sharing, recruitment efforts and use of DoD-developed marketing materials.

With these disciplines in place, compared to several years ago, the Department was able to:

- Determine from Component data that the Department achieved core mission and critical support occupation fill rates during FY 2004 of 96 percent and 97 percent, respectively.

Within the next several years, the Department plans to:

- Articulate to colleges and universities the core mission and critical support occupation skills that will be needed to support the future DoD mission.
- Work with the Military Departments to aid transition of discharged military members to civil service critical skills occupations in support of National Security.

**OMB Criteria #7: Human capital program is guided by measurable outcomes.
(Aligns with DoD HR Strategic Plan Goal 4.)**

In terms of the PMA, the Department has:

- Developed a Balanced Scorecard program for reviewing critical areas of interest to the Secretary of Defense and senior management officials concerning the health of the Department. (Program reviews all major areas of the Department and uses the balanced scorecard approach to integrate the Department's efforts in the areas of the President's Management Agenda, the Government Performance and Results Act, and the Annual Defense Review.)
- Developed standard performance measures and data collection methods for measuring the effectiveness and efficiency of the Department's products and service delivery. (These measures are benchmarked to those of the Fortune 500 companies and include Civilian Recruitment Cycle Time, Employee/Supervisor Satisfaction with DoD Employment/Benefits/Compensation/Quality of Work Life, Quality of Applicants, Compensation and Performance, Diversity in Management Positions, Critical Positions Fill Rate, Turnover Rates, Compensation Comparison, and HR Cost Ratios.)
- Implemented data collection of standard performance measure data in the following areas: civilian human resources strategic plan accomplishments; civilian workforce costs; civilian critical positions fill rates; civilian recruitment cycle time; and employee/supervisor satisfaction with DoD employment, benefits, compensation, and quality of work life.
- Implemented a DoD-wide civilian workforce survey as a means of measuring the effectiveness of new or revised human resources innovations.
- Chartered the Defense Human Resources Board (chaired by the Under Secretary of Defense for Personnel and Readiness) to address specific issues requiring senior leader intervention and attention regarding military and civilian human resources issues.
- Automated the process of obtaining civilian "lost production day" data to support workforce readiness considerations.

With these disciplines in place, compared to several years ago, the Department was able to:

- Assess civilian workforce operational data, determine trends and analyze the trends for alignment with programmatic objectives.
- Identify subjective workforce data for comparison with initiatives under consideration or for developing new initiatives to resolve any identified issues.

- Present personnel information to a senior level forum for consideration and final determination focusing and shortening the decision making process.

Within the next several years, the Department plans to:

- Further analyze data received on the critical positions fill rates to identify long-term trends.
- Assess human resources infrastructure to identify additional support initiatives based on further consolidation, leverage of the enterprise HR IT system and application of new technology that will shorten support delivery timeframes and create savings.
- Refine and implement DoD-wide performance measures for New Hire Turnover, Turnover Rate, Quality of Applicants, HR Support Ratio, Applicant Conversion Rate, Employee Compensation and Employee Benefits Cost as a Percentage of Total Operating Expenses, Competitiveness of Compensation Package, Difference in Compensation Between High and Low Performer, Level of Performance of New Hires, and Cost Per Hire.

Competitive Sourcing

Fair competition, which is the foundation of our Competitive Sourcing Program, allows us to seek and obtain quality services in the most cost efficient manner in at least four important ways. First, it provides an incentive for our in-house activities to streamline and re-engineer their operations and reduce their operating costs to become more competitive with private suppliers. Second, it provides private sector companies an opportunity to compete with one another, and with our in-house operations, to not only lower costs but to demonstrate and apply to the Department, the innovations necessary to be successful in the commercial world. Third, it assists the Department in discovering the best business practices available in either the public or private sectors, and applying these techniques quickly to maintain our competitive military edge. Finally, because the competitive process is an ongoing one, we expect to maintain cost-effectiveness and continually benefit from process improvements developed not only for DoD, but for the commercial world as well.

A-76 competitions, which comprise the bulk of our Competitive Sourcing Program, attract a lot of attention and generate vital savings results. But they should be put into perspective. Service contracting performed as a result of A-76 competitions is estimated to comprise less than 2% of all Defense service contracting. While our Competitive Sourcing Program may be small in the greater scheme of all service contracting, it has generated some gratifying results. The Department's increased focus on completing competitions initiated by the military services and defense agencies has produced significant accomplishments during calendar years 2001 to present. Specifically, during this period the Department has completed 501 A-76 initiatives which have subjected 37,986 positions to competition and generated 5.2 billion dollars of savings over the life of the performance periods, typically 5 years. This represents a savings rate of 36%. In addition, we are scheduled to complete an additional 16,401 positions by the end of fiscal year 2005 which we expect to generate an additional 1.7 billion dollars of savings assuming average performance periods of 5 years.

The Department has long been the leader in the federal government in competing commercial functions with the private sector under OMB Circular A-76 and fully supports the President's Management Agenda for competitive sourcing. We have thus far completed competitions on 80,666 positions, have in-progress an additional 16,401 positions competed, and our budget plans include competitions of more than 130,000 positions through fiscal year 2009.

A major success story for A-76 competitions occurred at Offutt Air Force Base, Nebraska as the most efficient organization won the Air Force's largest cost comparison in April 2002. At Offutt the 55TH Wing's mission is to provide world-wide reconnaissance, command and control, and combat support critical to national leadership and war fighting commanders. They employ approximately 6,400 Federal Government employees, 2,100 contractors, and host an additional 3,197 employees in tenant organizations. After a full and open competition of 1,459 positions, the 55 Wing won the Air Force's largest cost comparison. Offutt was able to identify significant process improvements leading to

manpower savings of 58 percent or 848 positions and producing an estimated 46 million dollars in annual personnel cost savings. This competition, which was completed with no administrative appeals and no protests from its competitors, also gained recognition for the 55TH Wing by having it recognized as a winner of the 2002 President's Quality Award Program.

While the Department continues to conduct A-76 competitions, we believe that we and the taxpayers are best served by employing a wide range of business tools designed to make our operations more efficient. As part of the President's Management Agenda initiative on Competitive Sourcing, the Department developed and the Business Initiative Council (BIC) facilitated the review of "Pioneer" projects to pursue alternatives to the competitive sourcing requirements of OMB Circular A-76. Pioneer Projects explore a variety of sourcing arrangements permitted by the Federal Acquisition Regulation (FAR) Part 15. A number of innovative sourcing options are available under this section of the FAR, such as commercial cost comparison, divestiture, direct service contracts, and reengineering/technology insertion, and conversion of military positions to more military essential work. For example of a pioneer project, one Defense Agency is sponsoring a Desktop Management Services initiative through which desktop computing hardware, software and support services will be outsourced. This initiative is estimated to save 13.9 million dollars in Fiscal Years 2004-2006.

In May 2003, the Office of Management and Budget issued revised guidance for competitive sourcing in the form of a new OMB Circular A-76. To a large extent, the revised circular is based on the experience and lessons learned of the DoD Competitive Sourcing Program and focuses on the following improvement areas:

- strengthens the application of public-private competition,
- incorporates additional principles of the Federal Acquisition Regulation (FAR) into the public-private competition process,
- makes agencies accountable to taxpayers for results achieved from public-private competitions,
- provides guidance for the transparent development of inventories of commercial and inherently governmental activities.

The Department is developing implementing guidance for the military services and defense agencies based on the rules set forth in the revised OMB A-76 Circular. While this has temporarily slowed down our efforts to announce new initiatives, this slow down is coming to a close. As problems are identified, we continue to be proactive in streamlining our processes and improving our operating tools. Our knowledge management website "Share A-76" is an established tool for identifying and analyzing best practices and lessons learned from competitive sourcing studies receiving approximately 12,000 hits from visitors both inside and outside the Department. The Defense Commercial Activities Management Information System (DCAMIS) is a real time web-based tool we use to track execution of our competitive sourcing program. Our inventory guidance continues to undergo changes to improve the quality of our Inherently Governmental/Commercial Activities coding determinations. We continue to seek process improvements from lessons learned and best practices.

Competitive Sourcing

Privatization of Military Housing

Our main priority is to support Service members and their families engaged in national security efforts and the war on terrorism. Our Service members deserve the best possible living and working conditions and sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale.

At the outset of this Administration, the President identified military housing as a top priority for the Department, identifying it as a Presidential Management Initiative.

The four components of the initiative are:

- Increased reliance on public-private partnerships
- Increased funding for housing construction and public-private partnerships
- Increased funding for housing allowances to eliminate out-of-pocket expenses by service members and
- Increased reliance on private-sector housing as the primary source of housing

Progress to date:

- Privatization of housing inventory
 - To date, the DoD has privatized 60,451 units.
 - Current plans are to privatize a cumulative total of over 136,000 units by the end of FY 2005 and 170,000 units by FY 2007.
- Elimination of inadequate housing units
 - In January 2001, the Department had approximately 180,000 inadequate family housing units. To date, through housing privatization and our military construction program, we have reduced the number of inadequate units to about 120,000 (out of a total 257,000 housing units worldwide).
 - By the end of FY 2005, we will have reduced the number of inadequate housing units to roughly 61,000. We are on track to eliminate almost all inadequate housing by FY 2007, with four Air Force installations in FY 2008, and some overseas Army installations in FY 2009.
- Average housing costs covered for service members living in non-governmental housing
 - 96.5% in FY 2004
 - 100% in FY 2005
- Housing requirements process
 - The DoD has issued an updated housing requirements process that ensures the greatest reliance on private-sector housing first for its housing needs

Improved Financial Performance

I. ACCOMPLISHMENTS OVER THE 2001-2004 TIMEFRAME

- Improved the quality and timeliness of DoD's financial reporting
 - Five of the 21 DoD Components received clean audit opinions and 1 DoD Component received a qualified opinion on their FY 2003 financial statements (only 2 Components had clean opinions prior to FY 2001),
 - Nearly 50 percent of DoD's liabilities received favorable audit results in FY 2003,
 - Published DoD's FY 2003 financial statements on December 23, 2003 -- a 44 percent time reduction from FY 2001,
 - Initiated quarterly financial statement reporting in FY 2003 and now producing quarterly financial statements in 21 days
 - Substantially improved the clarity, formatting, and footnoting of DoD financial statements
- Resolved 2 of 13 auditor-identified financial statement weaknesses --problem disbursements and military health care liabilities
- Reduced Federal Manager Financial Integrity Act (FMFIA) Section 2 material weaknesses from 115 in FY 2001 to 40 in FY 2003, a 65 percent reduction
- The DoD Balanced Scorecard program has recorded an overall reduction in several financially related problem areas
 - Reduced occurrences where payments cannot be matched to obligations (Unmatched Disbursements) from \$2.4 billion in March 2001 to \$1.5 billion in March 2004, a 36 percent reduction.
 - Reduced occurrences where payments exceed the amount of obligations (Negative Unliquidated Obligations) from \$1.2 billion in March 2001 to \$176 million in March 2004, an 84 percent reduction.
 - Reduced the number of Appropriations with Negative Balances from 14 in September 2001 (\$120.7 million) to 7 in March 2004 (\$16.7 million), a 50 percent reduction in the number and an 86 percent reduction in the dollar value.
 - Reduced the travel charge card delinquency rate for centrally billed accounts from 14.3 percent in January 2001 to 1.1 percent in March 2004, a 92 percent reduction, and from 18.4 percent to 4.3 percent for individually billed accounts, a 77 percent reduction.
 - Closed 59 Anti-Deficiency Act (ADA) Violation cases since FY 2001.
 - Reduced purchase card delinquency rate from 7 percent in January 2001 to an average of 3.3 percent in FY 2004, a 53 percent reduction.

- Before 2001 Department of Defense business and financial systems were unable to interact with each other. Today the Business Management Modernization Program enables the Department to increase efficiencies and reduce the number of business systems by jointly transforming business operations in all major functional areas.
- In 2001 decisions on the Department's business processes and systems were highly decentralized. Now the Department has a formalized governance structure that brings the business areas together in a common forum with common goals and objectives to guide decisions and actions.
- Prior to 2001 the Department lacked a common set of standards or business practices to guide decision-making in our business systems. Today we have a baseline Business Enterprise Architecture that describes the scope and breadth of DoD business operations.
- In 2001 DoD made decisions to purchase and upgrade business systems without common, disciplined investment criteria. Today, we have a Department-wide portfolio management policy and management initiative to guide business system investments.
- As a result of critical business case reviews, canceled development of two financial management systems – the Defense Procurement Payment System and the Defense Standard Disbursing System, saving millions of dollars.
- Developed a report on Global War on Terrorism Obligations. This report has ensured a timely source of data on the various ongoing military operations.

II. FUTURE VISION

- Establish a DoD Audit Committee to provide a concerted senior leadership focus to achieve and sustain a favorable audit opinion
- Improve the quality of the Department's FY 2004 Performance and Accountability Report.
- Continue to aggressively manage our Balanced Scorecard Program
- Testing the DoD Intra-governmental Transaction System that will interface with the OMB Intra-governmental Transaction Portal and eventually help eliminate the intra-governmental transactions reporting weakness.
- Improve the Business Enterprise Architecture in 3 yearly increments. Each increment will include reengineered business processes and an indepth description of the Department's integrated business environment
- Enhance portfolio management policies with detailed directives and guidance that will ensure business system investments are made in accordance with BMMP goals

Expanded E-Government:

DoD has made significant progress towards implementing the President's Management Agenda. Efforts have steadily increased throughout the years, and the department is better positioned to meet the Presidential mandate. In support of the Federal-wide unification and simplification effort through eGovernment, DoD's implementation and significant contributions have resulted in:

- 100% of DoD eGov funding (\$18.5m) transferred to Federal Managing Partners for FY03 - approx (\$20.0m) is anticipated to be transferred in FY04
- 90% of eGov programs have active MOUs with Federal Managing Partners
- DoD divested its Personnel Security Investigative function to OPM
- DoD's IAE program capabilities launched the Federal-wide integration efforts milestones ahead of schedule
- Hosted DoD's first eGov Summit with Industry
- DFAS selected as one of four Federal-wide Payroll Providers
- Federal-wide endorsement of DoD's Record Management Application Design Criteria Standard (DoD 5015.2-STD, June 2002)
- DoD's ESI success launched the Federal Smart Buy initiative
- Successfully fulfilled our commitment to link the DoD Director of Military Support disaster information web site to Disasterhelp.gov.
- Conduct Defense-wide assessments & scoring of Services & Defense Agencies progress towards meeting eGov goals
- 90 percent (27 of 30 Major Automated Information Systems (MAIS) programs tracked for this initiative) have approved acquisition program baselines (APB)
- 85 percent (26 of 30 MAIS programs tracked for this initiative with an approved APB) are meeting the cost, schedule and performance parameters defined in the program baseline
- DoD submitted 162 Business Cases to OMB; 54 Business Cases rated acceptable
- DoD developed, coordinated, and approved:
 - •AS-IS Architecture for the GIG --- GIG Architecture, Version 1.0 - Aug 2001
 - •TO-BE Architecture for the GIG -- GIG Architecture, Version 2.0 - Dec 2003
 - •Transition Strategy for the GIG Architecture -- Net-centric Operations and Warfare Reference Model - Dec 2003
- 98% of communication circuits that connect to the DoD Unclassified Network Backbone (NIPRnet) are accredited
- 84% of DoD employees received annual security awareness training
- Dramatically increased DoD's FY03 Federal Information Security Management Act (FISMA) grade 72% over the FY02 GISR grade

- In FY03 80% of DoD's Information Systems reviewed for FISMA were accredited
- Signed DoD enterprise licensing agreement for anti-virus software resulting in increased savings and increased cyber protection for all DoD employees
- Gold Disk initiative for secure system configuration has reduced system configuration time from 1-2 days down to 2 hrs
- Increased Common Access Card issuance to 5 million cards, resulting in greater deployment of security features to the warfighter



DoD eGovernment

2004

Results Report

Table of Content

Overview

Section I - eGov Initiatives Results

- International Trade
- Integrated Acquisition Environment
- On-line Rule Making
- Consolidated Health Informatics
- eTravel
- Geospatial One Stop
- eGrant
- Disaster Management
- eRecords

Section II – Defense Enterprise & Services/Components Expanded eGov Results

- Expanded eGov
- Enterprise Architecture
- IT Security
- Exhibit 300 Business Case
- IT Program Management & Performance
 - Navy
 - Defense Security Services
 - Defense Logistics Agency
 - Missile Defense Agency
 - Defense Contract Management Agency

OVERVIEW

DoD has made significant progress towards implementing the President's Management Agenda. Efforts have steadily increased throughout the years, and the Department is better positioned to meet the Presidential mandate. In measuring our success, DoD's contributions and implementation of the eGov initiatives has propelled results and productivity growth in IT and management reform across the department and other partnering Federal Agencies. These results create an order of magnitude improvement in value to the citizen.

IT cost controls have improved due to the consolidation of redundant and overlapping investments, enterprise licensing, fixing cost overruns, and competing excess IT Services charges. The implementation of the eGov Act has led to Department-wide architecture governance, including web-based strategies for improving access to high quality information and services, and Cyber Security governance to include desktop, data, applications, networks, threat and vulnerability focused, business continuity, and privacy protection.

Results oriented plans within the Office of the Chief Information Officer of the Department have steadily increased throughout the years. 100% of our e-Gov funding, or \$18.5 million, was transferred to Federal Managing Partners for FY03 and approximately \$20 million will be transferred in FY04. 85% of e-Gov programs have draft/active Memoranda of Understanding with Federal Managing Partners. In support of the Federal-wide unification and simplification effort whose ultimate beneficiaries are our citizens and our employees, our actions have yielded significant results. At an enterprise level, some of the more noteworthy examples are:

- DoD Central Contractor Registration System (CCR) capability adopted by all Federal Agencies;
- Eliminated redundancy by retiring the DoD Federal Business Opportunities capability and by transferring the DoD Technical Data Solution (DoDTeDS) to the Federal Technical Data Solution (FedTeDS);
- The selection of our Defense Finance and Accounting Service as one of four Federal-wide Payroll Providers;
- Our success with the Enterprise Software Initiative launched the Federal Smart Buy initiative;
- 98% of communication circuits that connect to the DoD Unclassified Network are accredited;
- 84% of DoD employees received annual security awareness training
- Dramatically increased DoD's FY03 Federal Information Security Management Act (FISMA) grade 72% over the FY02 GISR grade. In FY03 80% of DoD's Information Systems reviewed for FISMA were accredited;
- The enterprise licensing agreement for anti-virus software we signed resulted in increased savings and an increase in cyber protection for all DoD employees;
- Our "Gold Disk" initiative for secure system configuration has reduced system configuration time from 1-2 days, to 2 hrs;
- Increasing Common Access Card (the electronic identification pass) issuance to 5 million cards, resulting in greater deployment of security features to the warfighter.

The summary of results, depict our commitment and continued support of the President's Management Initiative.

SECTION I: eGov Initiatives Results

eInternational Trade

DoD has successfully satisfied its commitments to the International Trade Process Streamlining initiative. This initiative allows the Small and Medium Sized Enterprises (SMEs) to have an on-line collaborative workspace (through export.gov) to easily obtain the information and documents needed to conduct business abroad. We invested \$2.1 million and 4 FTEs in support of this initiative.

eGov Integrated Acquisition Environment (IAE) Initiative

IAE is a portfolio of projects that support procurement-related capabilities used across the Federal Government. As a participating partner in the IAE initiative, several existing DoD programs are included in the IAE portfolio and are now being implemented Federal-wide – leveraging the use of technology over a broader user base:

- **DoD Past Performance Information Retrieval System (PPIRS) adopted by Federal Government**
 - DoD PPIRS adopted at Federal Level in July 2002. Federal PPIRS is a web-enabled application that allows the retrieval of contractor past performance information. It is also a central warehouse used to retrieve performance assessment reports received from four of the recognized federal report card collection systems which are:
 - the National Institutes of Health (NIH) Contractor Performance System (CPS);
 - National Aeronautics and Space Administration (NASA) Past Performance Data Base (PPDB);
 - the Army's Past Performance Information Management System (PPIMS);
 - the U.S. Army Corps of Engineers' Construction Contractor Appraisal Support System (CCASS); and
 - the Contractor Performance Assessment Reporting System (CPARS) used by the Navy, USMC, Air Force, DLA and other defense agencies.
 - PPIRS' purpose is to assist federal acquisition officials in purchasing goods and services that represent the best value for the Government.
- **CCR Adopted by all Federal Agencies**
 - DoD Central Contractor Registration System (CCR) process adopted at the Federal level.
 - The Department of Defense CCR system began operations to support the entire Federal government in October 2003 with the introduction of FAR language that required vendors to register on-line in order to be eligible to receive a contract.
 - The CCR allows vendors to enter data in a central on-line location and the information is automatically updated in hundreds of other government business systems.

- The CCR collects Electronic Funds Transfer payment information from vendors and enables government agencies to reduce payment errors and delays.
- The CCR also works with Dun and Bradstreet, Inc, to ensure each vendor has a unique identifier. The introduction of a standard and unique identifier for each vendor enables more accurate reporting and leads to better management decisions.
- In April 2004, the CCR system contained over three hundred thousand vendor records.
- **Grants.gov adopts CCR**
 - The Grants.gov initiative adopted the CCR web registration application as the solution for grantees in November 2003.
 - The Grants.gov and CCR teams worked together for a year to identify the Grants.gov requirements, redesign the CCR website, and jointly execute a pilot effort. The success of the pilot lead to the decision by Grants.gov to adopt the CCR system.
 - This initiative saved the government cost of developing and maintaining a unique site for grantee registrants.
- **CCR merges with SBA Pro-NET**
 - SBA, OMB, GSA and DOD Work Together to Integrate PRO-Net and CCR Database and Simplify Contracting Process for Small Businesses.
 - The U.S. Small Business Administration, the Department of Defense, the Office of Management and Budget and the General Services Administration have taken steps to simplify the federal contracting process by creating an integrated database of small businesses that want to do business with the government.
 - The integration of PRO-Net and DOD's Central Contractor Registration (CCR) databases has created one portal for entering and searching small business sources.
 - This integration assists small businesses with marketing their goods and services to the federal government. On Jan 1, 2004, CCR assumed all of PRO-Net's search capabilities and functions. Small businesses will no longer need to manually register in both PRO-Net and CCR.
- **Rapid FedReg System Development**
 - The DoD CCR team built the FedReg system to support the Intra-Governmental Transaction Portal described in OMB Memorandum M-03-01. The FedReg effort was the first phase of an on-going effort to standardize the process of tracking goods and services transferred among Government Agencies.
 - The DoD development team completed the FedReg web based system within a month of contract award. In addition, the team successfully met the OMB deadline for having all CFO Act agencies registered by February 2004.

- The team conducted extensive outreach to the agencies, trained representatives, and the system now contains over 50 government agency registrations.
- In the near future, the registration data will be used to route intra-governmental transactions electronically through the Intra-governmental Transaction Portal (IGTP), currently being tested, and to facilitate automated settlement through Treasury's IPAC System.
- **Design and Launch of Wage Determinations On-Line (WDOL)**
 - The DoD Labor Advisors group worked with OMB, Department of Commerce and Department of Labor to launch the Wage Determinations On-line (WDOL) website in October 2003. This website replaces the current system of paper form based approval documentation between the Department of Labor and other agencies.
 - The new system reduces the time for a contracting officer to obtain a Wage Determination from the Department of Labor from as long as six months to less than a day.
- **DoD System Governance – Eliminate Redundancy**
 - DoDBusOpps functionality passed to FedBizOpps
 - The Office of Defense Procurement and Acquisition Policy (DPAP) recently announced that the Department of Defense Business Opportunities (DoDBusOpps) website will be retired by the end of FY04, and functions transitioned to the Federal Business Opportunities (FedBizOpps) website. “Eliminating the DoD web presence will make it easier for vendors to find contracting opportunities in a single location.
 - DoDBusOpps was created in 1999 and was the first government website to provide vendors a single web location for all solicitation information from the DoD Services. Thousands of vendors have accessed the DoDBusOpps website and used the automated solicitation mailing service and wireless access services. Since then, FedBizOpps was developed and identified as the single point of entry for Federal business opportunities.
 - Based on current FedBizOpps functionality, DoD determined that the DoDBusOpps functions are unnecessarily duplicative, and decided to retire the system. Customers will be migrated to the FedBizOpps (<http://fedbizopps.gov>) site along with the DoD Service and Agency business opportunities postings.
- **DoDTeDS Becomes FedTeDS**
 - The Federal Technical Data Solution (FedTeDS) went live on 19 February 2003 and provides a secure Government-wide location for vendor access to sensitive but unclassified acquisition related materials. FedTeDS utilized an existing Department of Defense (DoD) system, DoDTeDS deployed in the Air Force and tested by Navy, as a foundation to leverage the best practices. As a result, the existing DoDTeDS platform was retired in March.

- The general functionality of FedTeDS provides secure and reliable access in real-time to acquisition related materials, including technical data packages and construction drawings, via the internet.
- By the end of June, many additional organizations with the sensitive but unclassified acquisition related materials will implement FedTeDS, including offices within the Department of Defense, Department of Homeland Security, General Services Administration, and Department of Interior.

Online Rulemaking

- After a late start, DoD has informed and mobilized the DoD regulatory community for participation;
- DoD participates on the e-Rulemaking Executive Committee;
- DoD has promptly executed its MOU & Interagency;
- Agreements with the e-Rulemaking Program Office for FY 03 & 04;
- DoD, in collaboration with other agencies, continues to actively participate in development of the functional requirements of the Federal Docket Management System (FDMS) module;
- Actively sought inclusion with other Phase 1 agencies for initial migration in beta testing of the FDMS.

Consolidated Health Informatics

- March 21, 2003: Departments of Health and Human Services, Defense, and Veterans' Affairs announced the initial set of uniform standards:
 - Health Level 7 (HL7) messaging
 - National Council on Prescription Drug Programs (NCPDP)
 - Institute of Electrical and Electronics Engineers 10783 (IEEE1073) series
 - Digital Imaging Communications in Medicine (DICOM)
 - Laboratory Logical Observation Identifier Names Codes (LOINC)
- January 20, 2004: President Bush outlined a 10-year strategy for provision of electronic health records (ERH) for all Americans
- May 6, 2004: Secretary Thompson announced adoption of 15 additional standards to facilitate the electronic exchange of clinical information across the federal government
- Complements first phase of standards
- Mandatory use of standards for federal government
- National License from College of America Pathology for Standardized medical vocabulary (SNOMED-CT) Diagnoses Codes
- National Library of Medicine maintaining
- No-cost download at <http://umisinfo.nlm.nih.gov>
- Enabling exchange of health information leads to
- Improved patient safety - reduced error rates
- Lower administrative costs - faster records access (versus paper)
- Facilitated research - comparison of data across health settings
- Strengthened national public health and disaster preparedness efforts

- Refocused public and private investments from developing standards to developing effective means of sharing medical data (i.e., hardware & software)

Accomplishments

- Established a decision structure involving consensus across the Federal sector: CHI Council
- Successful identification of a group of 20 standards to be used in federal IT architectures
- Development of a communication network that serves to involve and inform federal partners
- Formed strong relationship with Standards Development Organizations to obtain input from private sector resulting in clinical standards that are closely aligned with those in use in the private sector

eTravel – Defense Travel System

- Highly complex linkage and integration of distinctly separate financial and transportation business processes into a seamless end-to-end system
- Ties together the DoD Public Key Infrastructure/digital signature, commercial off-the-shelf software core, 35 Defense Accounting & Disbursing systems, 4 Global Distribution Systems (air, rental car, lodging), vendor pay systems & a digital archive.
- Fully compliant with all DoD security and information systems requirements, certified compliant with DoD Business Management Modernization Program & Business Enterprise Architecture

Quantitative:

- Estimated \$300M in traveler and supervisor productivity savings
- Estimated \$56M tangible savings due to reduction of dedicated labor, legacy systems, and elimination of paper archives
- 40% average reduction in administrative processing time & 48% fewer administrative processing steps allows travelers and supervisors to spend more time on their core jobs
- 65% reduction in traveler reimbursement time

Qualitative:

- Contributes to clean government audit opinions because the process is well defined
- Automated systems improves statutory and regulatory compliance by travelers and administrators because system audits flag exceptions and requires justifications or corrections
- Standardized commercial travel service contracts and administration saves money
- Reduced use and generation of paper, traveler receipts and other documentation digitally archived

- Ability to collect and analyze travel and financial data helps administrators manage the system
- Increased traveler and administrator satisfaction because they have more control and visibility of the process; travelers get reimbursed faster, credit card bills are automatically paid
- Currently installed at 71 major and 2300 minor DoD locations
- 98,000 trips processed through April 2004
- Traveler reimbursement time has declined from an average of 15 days under the manual system to 5 days under DTS
- Close partnership with GSA eTravel to develop strategies that will benefit both programs and permit Federal travel data aggregation
- Vast amount of intricate coordination, testing, and partnering was required to reengineer legacy processes and replace legacy automation systems
- Designated a DoD Major Automated Information System in May 2002
- Authorization to field throughout DoD was granted in December 2003 after extensive review and testing at 27 pilot sites and 232 other sites

Geospatial One-Stop

- Developed and staffed a Memorandum of Agreement for GOS between DoD/NGA and the GOS Managing Partner/ Department of the Interior
- Provided support to GOS with direct funding per OMB direction and Inter Agency agreements
- Provided support to GOS with FTE for GOS development and NGA interface engineering
- Established a prototype capability to interface to GOS for provision of metadata and services (task ongoing)
- Drafted an Action for Release by DoD CIO to solicit metadata, services and ancillary support across the DoD for GOS.
- Developed a plan to use GOS resources internal to NGA.
- Formalized resources to support GOS into the near future.

E-Grants

- DoD providing executive leadership and active participant in work groups to ensure
- Improved process for grant and agreement recipients
- DoD's interests are understood
- Timely implementation of resulting policies and requirements
- **Grants.govFIND**
 - By means of memorandum from Director of Defense Research and Engineering, implemented OMB Policy Letter requiring posting of synopses of competing funding opportunities at Grants.gov FIND;
 - Largest DoD awarding activities complying;

- Working with smaller awarding activities by exception to achieve compliance;
- If primarily interested in grant opportunities, universities and others can go to Grants.gov APPLY and obtain information that pertains specifically to DoD grants rather than having to rely on an acquisition site;
- May result in greater visibility of DoD grant and agreement funding opportunities and result in additional viable proposals that enhance mission accomplishment.
- **Grants.govAPPLY**
 - Single government-wide portal operational since late October 2003;
 - DoD research programs will have applicants use portal for submission of formal proposals once electronic data set for research grants (R&R data set) is available;
 - R&R data set initially to be used on a pilot basis;
 - DoD plans to have one or more awarding activities participate in pilot;
 - Once fully implemented (timing depends on government-wide activities), universities and others applying for DoD research grants will not have to deal with current variations in awarding-activity submission requirements.
- **Public Law 106-107**
 - DoD helped develop and has implemented government-wide requirement for standard template for funding opportunity announcements.
 - Makes it easier for universities and others to determine proposal and other requirements.

Disaster Management

- DoD successfully integrated the DoD Director of Military Support Disaster Information Capability to the Federal Disasterhelp Program.
- Disaster Management Interoperability Services (DMIS) successfully participated in Joint Warrior Interoperability Demonstration (JWID) 2004 as a NORTHCOM technology trial program.

DMIS in JWID 2004

- DMIS was used at three JWID sites
 - NORTHCOM (Peterson AFB)
 - DISA Eagle
 - NSWC Dahlgren
- Provided communications & shared situational awareness between military installations and civilian first responders & communities;
- Created a detailed picture of NCR for NORTHCOM;
- Feeder into NORTHCOM Common Operational Picture (COP);
- Experienced no technical malfunctions or bugs;
- Final JWID report due in October 2004
 - Identified other technologies/ JWID trials for future collaboration/ technical interface development;
 - Joint Force Protection Enterprise Network (JPEN);
 - DMIS & JPEN collaboration during JWID resulted in the near-universal recognition that there is a critical need to develop an automated interface that would facilitate the rapid dissemination of critical alert information between civilian DMIS users and military installations using JPEN;
 - Global Broadcast Service (GBS);
 - Joint Regional Information Exchange System (JRIES);
 - Area Security Operations Command and Control (ASOCC);
 - Swan Island Network's Scout and SWARM Technologies;

- During JWID, Swan Island Networks, Inc. registered with DMIS to develop a Reportable Level interface to the DMIS Interoperability Backbone;

Goal - DoD-wide fielding of DMIS

- Enables shared situational awareness between military installations & neighboring civilian communities;
- Contains the interoperability backbone for other data systems (GOTS and COTS) to communicate with each other;
- JTF NCR is area of initial focus/emphasis given threat and importance;
- Member of Metropolitan Washington Council of Governments (MWCOCG);
- Field DMIS to all JTF NCR/ MDW installations;
- Facilitate military-civilian interoperability:

Key connections

- US Capital
- CBIRF
- Ft Myer - early military DMIS adopter
- Pilot project for military integration & usage of DMIS.
- Backbone of post operations center – 24X7
- Daily use and not limited to emergencies
- Neighboring Arlington County also uses DMIS
- Facilitate military-civil communications
- Support mutual aid agreements
- US Army Installation Management Agency (IMA)
- Intent - field DMIS to all installations Army-wide
- Area of initial focus – Northeast

Use DMIS to link posts

- To neighboring civilian communities
- To each other
- To higher headquarters
- Use DMIS for internal (intra-post) communication situational awareness

DoD DMIS Operating Groups

- US Northern Command
- USA Corps of Engineers South Atlantic Division
- USA Fort Bragg Fire Emergency Services Division
- USA Fort Monmouth Fire/Emergency Services
- USA Fort Myer Base Security
- USA Picatinny Arsenal
- USA Puget Sound NDMS Federal Coordinating Center
- USA RDECOM CERDEC
- USA Soldier Biological & Chemical Command
- USA Walter Reed MEDCEN Fire Dept
- USAF 509 Medical Group
- USAFR 302nd Security Forces
- USMC HQBN, HQMC, Henderson Hall
- USMC MARCORSSYSCOM
- USMC Marine Corps Base, Camp Lejeune
- USMC Marine Corps Fire Services

- USMC MCB Quantico Security Battalion
- USMC NCR Anti Terrorism Force Protection
- USN Naval Research Laboratory
- USN Gulfport Installation Police
- USN NAS Whiting Field Emergency Communications Center
- USN National Naval Medical Center Fire Prevention Office
- USN Navy Center for Asymmetric Warfare
- USN Navy Region Northwest
- USN SPAWARSYSCEN Charleston SC
- USN SPAWARSYSCEN San Diego CA
- 41st Civil Support Team (Kentucky National Guard)

eRecords

Federal-wide endorsement of DoD's Record Management Application Design Criteria Standard (DoD 5015.2-STD, June 2002)

SECTION II: Defense Enterprise & Services/Components Expanded eGov Results

Expanded eGov Enterprise Results

It Program Management & Performance

- 90 percent (27 of 30 Major Automated Information Systems (MAIS) programs tracked for this initiative) have approved acquisition program baselines (APB)
- 85 percent (26 of 30 MAIS programs tracked for this initiative with an approved APB) are meeting the cost, schedule and performance parameters defined in the program baseline

Exhibit 300 Business Cases

- DoD submitted 162 Business Cases to OMB
- 54 Business Cases rated acceptable

Enterprise Architecture

- DoD Global Information Grid
- As required by OMB - developed, coordinated, and approved:
 - AS-IS Architecture for the GIG --- GIG Architecture, Version 1.0 - Aug 2001
 - TO-BE Architecture for the GIG -- GIG Architecture, Version 2.0 - Dec 2003
 - Transition Strategy for the GIG Architecture -- Net-centric Operations and Warfare Reference Model - Dec 2003

Information Technology Security

- Dramatically increased DoD's FY03 Federal Information Security Management Act (FISMA) grade 72% over the FY02 GISR grade;
- In FY03 80% of DoD's Information Systems reviewed for FISMA were accredited;
- 98% of communication circuits that connect to the DoD Unclassified Network Backbone (NIPRnet) are accredited;
- 84% of DoD employees received annual security awareness training;
- Signed DoD enterprise licensing agreement for anti-virus software resulting in increased savings and increased cyber protection for all DoD employees;
- Gold Disk initiative for secure system configuration has reduced system configuration time from 1-2 days down to 2 hrs;

- Increased Common Access Card issuance to 5 million cards, resulting in greater deployment of security features to the warfighter;

New Security Policies

- Completed revision in October 2002 of the overarching DoD IA policy, DoD Directive 8500.1, "Information Assurance," and in February 2003, DoD Instruction 8500.2, "Information Assurance Implementation."
- ASD(C3I) Memorandum, 28 January 2003, "DoD Ports, Protocols and Services – Increasing Security at the Internet/DISN Boundary,"
- DoDD 8100.2, "Use of Commercial Wireless Devices, Services, and Technologies in the Department of Defense (DoD) Global Information Grid (GIG)," dated 14 April 2004
- DoDD 8110.1, "Multinational Information Sharing Networks Implementation," 6 February 2004
- Draft DoDI 8551.AA Ports, Protocols, Services Management in formal SD-106 coordination for release
- Draft DoDD 8570 IA Training, Certification and Workforce Management in formal SD-106 coordination for release

Increased Security Governance

- Developed the DoD Information Assurance (IA) Strategy resulting in overarching IA and Computer Network Defense (CND) direction for the Department of Defense;
- Senior leadership Involvement in IA significantly increased last 3 years resulting in the establishment of Information Assurance Senior Leadership Group (DASD/2-star level);
- Information Assurance Steering Group (O-6 level);
- CND Steering Group directed by STRATCOM and formally chartered by Commander USSTRATCOM and ASD (NII) in Sept. 03;
- Established Ports and Protocols process resulting in closure of dangerous ports and services between NIPRnet and Internet (about 772 of 1024 ports closed);
- Resulting in decrease in inbound traffic, reducing vulnerabilities and freeing up bandwidth;
- Information Assurance Vulnerability Alert (IAVA) currently establishing an enterprise-wide contract for vulnerability management and scanning resulting in standardization of identification of vulnerabilities);
- Established Computer Network Defense (CND) Service Provider Program resulting in accreditation of DISA, DIA and NSA Computer Emergency Response Teams in accordance with requirements in DoDD 8530.1;
- Conducted 2 CND assessments resulting in additional funding being appropriated for CND;

- Annual DoD IA Workshop participation has increased from 600 security professionals in 2000 to over 950 in 2004;
- Currently planning enterprise-wide remediation capability of security fixes and insider threat mitigation capabilities;
- Established approximately 50 training Information Assurance Centers of Excellence that will result in highly trained security professionals;
- 3 De-Militarized Zones have been implemented within DISA for servicing DoD applications for internet access.

Department of Navy

Goal 1: IT Modernization Blueprint; 100% compliance with BMMP goals

- DON IT programs achieving Business Enterprise Architecture (BEA) compliance;
- Eight Navy/Marine Corps Programs received BEA compliance approval in 2002 and 2003;
- Navy Enterprise Resource Plan (ERP) received BEA approval in 2004. Navy ERP is a comprehensive program that will support the compilation, movement, and analysis of data associated with Finance, Program Management, Workforce Management, Travel Management, Intermediate-level Maintenance, and Plant and Wholesale Supply functions;
- USN and Marine Corps established Functional Area Managers (FAMs);
- Each FAM is the Portfolio Manager for oversight, planning and management of the processes and systems within each functional community;
- USN and USMC operational activity taxonomies established - provides outline functional capabilities that are required by FAMs;
- DON Application and Database Management System (DADMS) used to support portfolio management;
- Used by Navy and Marine Corps Functional Area Managers;
- Supports Domain Owner efforts to establish baselines.

Goal 2: All major IT investments submit 300s; 100% of 300s receive a score of 4 or higher from OMB

- All DON major IT investments submit Exhibit 300s
- DON Exhibit 300s for FY05 budget cycle were significantly improved over FY04 submissions.
- Projects achieving scores of “4” increased from 10 to 22 (out of 46)
- Projects receiving failing scores were reduced from 2 to 0
- The DON raw score average rose from 25.28 to 31.72
- Average difference between DON CIO review scores and OMB's review scores improved from 6.48 points in FY04 to 1.22 points in FY05.
- DON CIO created the *Exhibit 300 User-Preparation and Self-Assessment Scoring (UPASS) Guide*
- Assists managers in preparing “budget quality” Exhibits 300
- Detailed guidance on content requirements
- Insight regarding required quality of information
- Contains self-assessment scoring criteria for key OMB focus areas

Goal 3: All major IT investments meet acquisition program baselines, with less than 10% deviation

- DON has eight MAIS programs. There have been no cost or performance baseline deviations in the past 12 months.
The remaining major IT investments report cost, schedule, and performance history in their Exhibit 300s.

Goal 5: 90% of operational systems are properly secured

- Raised awareness of the Department regarding certification and accreditation of DON systems and circuits
 - Accreditation rate of selected DON systems rose from 44% in 2001 to 76% in 2003
 - Circuit accreditation has reached 98%
- Approved over 30 Information Assurance strategies for major acquisition systems as required by DoD Instruction 8500.2 (IA Implementation).

Goal 6: No IT projects redundant with eGov initiatives

- USN IT applications reduced from over 100,000 to about 7,300 to date; reduction goal is less than 2,000 applications.
- The Marine Corps completed a similar application legacy effort. They began with nearly 8,000 applications; fewer than 20% remain approved for continued use.
- DON IT investments are complimentary to eGov initiatives and are making efforts to utilize eGov products when available.
- Created the DON XML Policy and Developer's Guide
- One of the first comprehensive policies within the Federal Government
- Used by many offices to facilitate data exchange among diverse information systems
- Developer's Guide revised; supports standard data development.
- DON completed Government Paperwork Elimination Act (GPEA) compliance, on time, by Oct 2003
- Paper based, citizen-centric forms, identified through Paperwork Elimination Act compliance, were eliminated.
- Through process innovation, the information and functions of those forms were incorporated into streamlined, automated processes.

Defense Security Services

- The Agency is in the process of eliminating a redundant information system for the processing of personnel security investigations – DSS is de-commissioning the Case Control Management System and migrating to the Office of Personnel Management's PIPs System. (Reduction of redundant IT systems)
- DSS has supported the design of the DoD Information System for Security, a security migration system to support key functional areas: National Industrial Security Program (NISIP), Personnel Security Program and Security Education Training and Awareness, with peripheral support for counter intelligence (CI) and research and technology protection (RTP). Additionally, this system will streamline, standardize and automate, where appropriate, core mission and other support processes such as financial and performance management, measurement and reporting. (Automate processes and reduction of redundant IT Systems)

Defense Logistic Agency

- Developed a Strategic Management System to Track DLA Performance Strategies
 - DLA has developed a Strategic Management System to focus leaders and employees on its goals and to manage execution of its strategies to achieve results
 - The Strategic Plan conforms to GPRA and A-11 guidelines to provide strategic goals and quantitative objectives. DLA uses the Balanced Scorecard (aligned with the DoD risk scorecard) to manage strategy execution in the 2-3 year timeframe
 - Finally, the DLA Business plan tracks specific actions plans and milestones toward strategy execution. The DLA Director and Corporate Board review strategic performance quarterly and operational metrics monthly
- Above Goal and Improving Supply Materiel Availability
 - Despite dramatically increased demand associated with Operation Enduring Freedom and Iraqi Freedom, exceeded SMA goal of 85% consistently throughout the war and increased month-to-month performance throughout FY 04 to date. Demand for DLA materiel has grown almost 20% over the past two years and approximately 40% in the past four years
- Backorders Reduced 34.8% to Lowest Level Since 1962
- DLA collaborated closely with the military services in advance planning of logistics support for Operation Iraqi Freedom. Readiness drivers were identified, early contracts awarded and receipts expedited to accommodate force needs in petroleum, food, medicine, clothing, and spare parts. Backorders were reduced 34.8% from October 2001 to April 2004.
- Lowers Operating Cost Recovery Rate to 15% in FY05
- DLA has lowered its operating cost recovery rate from a 1992 high of 34.4%. Increased sales and DLA efforts to streamline logistics processes drove the reduction.
- \$1.8 B Projected Savings to DoD
 - DLA will return dollars to the warfighter through several transformation initiatives, such as Business System Modernization, Competitive Sourcing, and Strategic Supplier Alliances. Reduced costs, coupled with increased performance, will translate to improved readiness and more buying power for the Military Services.
- Smallest Workforce Since 1963
 - DLA's workforce has been reduced from 23,241 to 21,828 over the past three years, despite significant workload growth in our two major business areas, Distribution and Supply Management.

- Bank of America Names DLA as an Industry Benchmark for Travel Services
 - DLA was invited by Bank of America to become one of its industry benchmarks for travel card programs. This benchmark designation encompasses Government entities as well as private industry. DLA is the only DoD program to be designated. DLA has reduced its Travel Card delinquency rate from a high of 6.23% in October 2001 to .8% in March 2004.

- Streamlines Human Resource Processes to Save \$36.3M
 - DLA made significant changes in its Human Resource organization to gain efficiencies and eliminate duplication. Changes resulted in savings of \$36.3 million dollars for FY 04-FY 09. Additionally, time to recruit and fill jobs was reduced 26 days.

- Rates Among the Best Places To Work in Government
 - **Careers and the disABLED** magazine rated DLA 8th in the top 20 best places to work in government. **The Hispanic Network** Magazine rated DLA one of the “Best of the Best” places to work in government.

- Injury Compensation Center saves >\$1M in FY03
 - DLA reduced its injury compensation costs by more than a million dollars by aggressively supporting the President’s Safety, Health, and Return-To-Employment (SHARE) initiative. Projected future savings of \$11.5 million are expected.

- IT Capital Asset Plans Rated Highly by OMB
 - DLA’s major information technology investment plans, required and reviewed by the Office of Management and Budget (OMB), received a grade of four (very good) against the highest possible score of five (excellent) last year.

- Manages Information Technology (IT) Cost, Schedule, and Performance to 90% Standard (<10% Over Runs)
 - DLA internally manages and monitors all major information technology projects using a composite score to track cost, schedule and performance for IT investments. FY04 averages only 5.19% variance from the baseline standard.

- Expands the Role of eGovernment
 - DLA has spearheaded DoD’s web-based ordering system known as EMALL. FY 04 sales through EMALL are expected to top \$150M, more than doubling FY 03 levels. DLA has also maximized the movement of document production from paper to on-line processes. For FY97 – FY03 traditional bulk printing has decreased by 37% while on-line access has increased by 170%.

- Saves \$365M in Competitive Sourcing Contracts
 - DLA has completed competitive sourcing studies of 4,367 positions. For the twelve studies completed to date, seven contracts have been awarded to outside sources. Those contracts are projected to return \$365m in savings to the taxpayer.

Missile Defense Agency

- 100% Compliance with BMMP Goals and the Federal Enterprise Architecture Reference Models:
 - MDA reviewed the BMMP and Federal Enterprise Architecture (FEA) Goals and the Domain Guidance to ensure the MDA Enterprise Architecture is in compliance with the BMMP goals and FEA
 - Additional MDA IT investments provide enterprise applications and collaboration tools to enable improved business operations and ensure IT security such as:
 - New Enterprise Portal which resulted in
 - Single point of access for MDA information
 - Distributed Authorship
 - Reduction in requests for paper documents
- Common Access Card (CAC)/Public Key Infrastructure (PKI)
 - Digital signing and encrypting of unclassified email
 - Maintains a chain of trust
 - Facilitates Information Assurance (Defense-In-Depth)
 - METIS[®] modeling tool used to design “As Is” and “To Be” Enterprise Architectures. Links MDA missions, business processes and information flow to supporting IT infrastructure. Migration plan enables future design and development.
- 100% Compliance with BMMP Goals and the Federal Enterprise Reference Models:
 - MDA reconciled IT investments in the Information Technology Management Application (ITMA), the Defense System Inventory and the IT Registry to map to the BMMP guidance
 - MDA has implemented an Capital Planning Investment and Control (CPIC) process for the agency that is tied to overall MDA budget and execution process

EXHIBIT 300 SUBMISSION GOALS

- All Major IT Investments submit Exhibit 300s; 100% of Exhibit 300s Receive a score of 4 or Higher from OMB:
 - MDA received a composite score of 4 and a security score of 3 on the Exhibit 300 submitted for the FY05 President’s Budget
- As a result:
 - MDA established an intensive schedule to complete the certification and accreditation (C&A) of the Computing Infrastructure by the end of FY04

ACQUISITION PROGRAM BASELINE GOALS

- All Major IT Investments meet acquisition program baselines, with Less than 10% Deviation Rate
 - MDA/CIO established an IT acquisition program baseline
 - As a result:
 - Deviations in costs, schedule and performance are monitored and managed by IT investment Project Managers
 - Any deviations in excess of 10% are reported to MDA senior leadership
 - Issues resolution and actions are implemented immediately

INFORMATION ASSURANCE POLICY GOALS

- Establish Information Assurance Policies
 - MDA/CIO established an Information Assurance (IA) Program office to administer the IA Certification and Accreditation (C & A) processes in accordance with DoD 8500.1 & 8500.2
 - As a result:
 - MDA published IA certification and accreditation policy for accrediting and ensuring Ballistic Missile Defense Systems (BMDS) are properly secured
 - MDA is using the IA policy to test, accredit, and certify MDA systems

SECURE MAJOR IT OPERATIONAL SYSTEMS GOAL

- 100 % of Operational Systems are Properly Secured
 - 100% of MDA's operational systems are properly certified and accredited in accordance with the Defense Information Technology Security Certification and Accreditation Process (DITSCAP) and the MDA Certification and Accreditation Procedures and Guidelines
 - As a result:
 - MDA's portion of the DoD IT Registry is updated quarterly
 - MDA's portion of Federal Information Security Management Act (FISMA) data is updated annually

NO IT PROJECTS REDUNDANT WITH E-GOV INITIATIVES

- No IT Projects Redundant with E-Gov Initiatives
 - MDA supports the E-Gov Initiatives and participates in 3 of the 4 categories of E-Gov Initiatives rather than creating redundant IT Projects
 - As a result:
 - None of MDA's IT investments are redundant to the E-Gov Initiatives
 - MDA participates in E-Gov initiatives such as:
 - G2G Information security through implementation of a C&A program and a PKI/CAC program
 - G2B and G2G invoice processing time decreased by implementing Wide-Area-Workflow
 - G2B and G2G through the SBIR website allowing access to potential contractors

- G2G and IEE collaboration and information sharing by implementing an MDA Enterprise Portal
- IEE and G2G electronic records management increasing the efficiency of data sharing and storage
- G2G, G2B and IEE collaboration and information sharing of classified missile defense related scientific, engineering, technical, and flight test data through the MDA Virtual Data Center (VDC)

Defense Contract Management Agency

- DCMA's Wide Area Workflow (WAWF) implementation has resulted in 109,000 transactions being processed electronically with a dollar value of \$9.1 billion in calendar year 2003 and in calendar year 2004 71,000 transactions with a dollar value of \$7 billion.
- Through our WAWF, the on-time payment rate is 99.99995%. Through paper transactions, 35,000 documents have been lost while WAWF has resulted in one lost document. Non-WAWF interest payments have totaled \$294 million, while WAWF interest payments have been < 2 cents.
- WAWF savings totaled \$5.2 million for calendar year 2003
- DFAS electronic vs. non-electronic billing rate
- Elimination of manual data entry
- Prompt Payment Act Interest avoidance

Budget and Performance Integration

I. ACCOMPLISHMENTS OVER THE 2001-2004 TIMEFRAME

- Included Program Assessment Rating Tools in the President's Budget justification materials.
- Published the 2003 Report of the Secretary of Defense to the President and the Congress, which for the first time was structured around performance metrics for each quadrant of the Department's risk management framework.
- Transformed business processes implemented by Management Initiative Decisions:
 - Implemented a 2-Year Planning, Programming, Budgeting, and Execution Process that transformed the Department's decision-making process for developing the annual President's Budget.
 - Cascaded the responsibility for implementing elements of the President's Management Agenda: performance management activities and budget and performance integration.
- Made structural changes in our performance measures and budget exhibits that document how specific measures and goals relate to the various programs in the following appropriations: Operation and Maintenance, Military Personnel, Defense-wide Operation and Maintenance, and the Defense Health. These new goals and measures document the processes we have used for several years to improve and focus the budget process.
- Established modified budget exhibits for multiple areas (such as Flying Hours and Depot Maintenance) that document the measures and goals for the Congress and serve as the source data for budget resourcing discussions in future years.
- Used programmatic measures in the FY 2003 and FY 2004 budget review to make decisions that link budget and program performance to budget resource allocation decisions.
 - Flying Hours: Increased Army FY 2003 funding for training enablers – such as range availability, training range test equipment, aircraft replacement parts, and training simulators – items that when fully funded make it possible to achieve the Flying Hours goal.
 - Depot Maintenance: Reduced Army FY 2004 funding by \$800 million based on performance execution. Revised funding was based on “executability” of the requirement. Reduced Air Force FY 2004 funding by \$250 million because analysis of FY 2003 execution data reflected a growing backlog of funded orders, which would not executive in the budget year unless the contractors expanded

- plant capacity or increased overtime – which in turn would raise the cost to the government.
- Joint Standoff Missile: Realigned \$100 million from the Air Force to the Navy in recognition of cost growth on the Navy program when the Air Force dropped out of this joint missile program.
- V-22 Osprey: Deleted two Marine Corps MV-22 aircraft in FY 2006 to reduce risk in the aircraft production ramp.
- H-1 Helicopter Upgrades: Reduced Marine Corps H-1 helicopter quantities in FY 2006-2009 to fully fund a \$126 million shortfall for support equipment, training equipment, and stand-up of a depot capability required to meet the Navy's Material Support date of 2010.
- Future Combat System (FCS) and Complementary Systems: Added \$3.1 billion across FY 2005-2009 to the FCS development program in order to achieve initial operating capability by 2010. These funds also will enable complementary systems to be synchronized with the FCS Program.
- Presidential Helicopter Replacement (VXX): Added \$1.96 billion across FY 2005-2009 to fully fund the program and accelerate the development schedule.
- EA-18G Airborne Electronic Attack Aircraft: Provided \$295 million across FY 2004-2009. This will enable the EA-18G to provide an initial operating capability in FY 2009.
- E-2 Advanced Hawkeye: Provided \$454 million across FY 2005-2009 to fully fund the program.
- Aerial Common Sensor: Added \$301 million to RDT&E, Army and removed \$250 million from Army procurement to properly fund the development effort.
- Realigned \$90 million among Air Force programs.
- Realigned \$147 million within the chemical demilitarization program in recognition of failures in one area, to enable the better performing activities to proceed more efficiently and effectively.
- Established a timely reporting system for obtaining execution data so that program execution can be reviewed expeditiously.

II. FUTURE VISION

- Continue to make structural changes in performance measures and budget exhibits in DoD programs, and to use these measures and exhibits to make informed resource decisions.

APPENDIX B

MILITARY SERVICES AND DEFENSE AGENCIES

This appendix provides the results achieved for each of the Military Services and Defense Agencies derived from implementation of the President's Management Agenda.

Title	Page
Department of the Army	B-1
Department of the Navy	B-3
Department of the Air Force	B-6
Department of Veterans Affairs	B-8
Defense Contract Audit Agency	B-10
Defense Contract Management Agency	B-12
Defense Finance and Accounting Service	B-14
Defense Commissary Agency	B-17
Defense Logistics Agency	B-19
Department of Defense Education Activity	B-21
Defense Information Security Agency	B-23
Defense Security Service	B-29
Defense Threat Reduction Agency	B-31
Quality Awards	B-33

DEPARTMENT OF THE ARMY

The President's Management Agenda was established to produce a government that is results-oriented, accountable, and will deliver to American citizens the best value for their money. With this as our guide, the Army has found new and innovative ways to accomplish our mission.

Strategic Management of Human Capital. The Army's strategic management of our 1.2 million employees focused on our core military mission, converted military to civilian positions, and consolidated organizations to gain efficiencies. The Army was able to use 15,000 military positions for the Brigade Combat Teams by converting support positions from military to civilian jobs. As part of its transformation campaign, the Army consolidated multiple organizations into three entities: the Installation Management Agency, the Army Contracting Agency and the Network Enterprise and Technology Command. This major restructuring realigned nearly 100,000 employees and instituted better business practices. Additionally, the Army consolidated all personnel services into the Human Resources Command to eliminate or redistribute up to 1,250 military and civilian jobs between fiscal years 2004 and 2007. Since FY 2001, the Army has utilized more than 4,000 Voluntary Separation Incentive Pay allocations to downsize and reshape organizations. Stabilizing tours of duty saved travel funds, enhanced unit effectiveness, and improved retention.

Competitive Sourcing. Since January 2001, the Army has completed 104 OMB Circular A-76 competitive sourcing studies to determine which are the most efficient organizations to perform base operations functions. The studies covered 95 percent of Army installation public works, 85 percent of installation logistics and 85 percent of installation information technology functions, as well as 21,036 personnel. As a result of the findings, 78 activities remained in-house and 26 were awarded to contractors. The studies produced a recurring annual savings of \$389.6 million, which equals 41 percent of what the Army previously had spent for these services; and 3,216 military slots were freed for higher Army priorities.

Financial Management. Through aggressive financial management, the Army saved more than \$1 billion between October 2000 and April 2004 and improved the effectiveness and efficiency of its financial practices. Reconciliation actions reduced cancelled-account balances by \$359.3 million, decreased problem disbursements by \$40 million and recovered \$736 million in overpayments to the Medicare Eligible Retiree Health Care Fund. The Army also consolidated its legacy IT systems. Through establishment of the Single Stock Fund, the Army eliminated more than 49 redundant financial statements, greatly reducing workload. In January 2004, the Army National Guard completed its transition to the Army's standard accounting system. This change will save \$5 million annually and improve the quality of data on which resource managers rely.

The Army also implemented ASK-FM, a web-based "digital dashboard" that provides decision-makers with a graphic visualization of key financial performance data, on a near real-time basis, and an extensive query capability. The Army leveraged e-commerce to implement the Defense Travel System and the Purchase Card Program, saving \$64.3 million between FY 2001 and 2004. The Army also is saving in excess of \$73 million per year in administrative costs by using the Army Travel Card; and, by May 2004,

had reduced the delinquency rate from 22 to 5.5 percent. Additionally, the Army saved \$1.5 billion from January 2001 through March 2004 by using Army Internal Review offices to ensure that sound business practices are followed and controls are in place.

Budget Performance Integration. The Army has taken a number of steps to instill a greater focus on performance and to integrate formally performance reviews into budget decisions. The Army details its performance goals and results in the Annual Defense Review, using both OSD performance measures and Army-specific measures. The senior Army leadership is now monitoring this data on quarterly basis. These same standards also are used to link performance and resources in the Performance Accountability Report and in Army quarterly and annual financial statements. Army leadership monitors closely other strategic readiness and transformation measures that are tied to management decisions.

The Army routinely conducts assessments of program performance to support resource decisions. Similar to the OMB Performance Assessment Rating Tool, the Army already has developed performance measures for 71 percent of its programs to date with the remaining 29 percent under development. Upon completion, the Army will be able to measure the performance of all its programs, representing almost \$100 billion in annual expenditures, against objective standards. The Army utilized a limited number of these performance measures to support its FY 2004 mid-year reviews. The Army also has implemented several initiatives to determine the full cost of achieving performance goals. The Army uses Activity-Based Costing in 11 business areas to tie costs to supporting activities and program results. So far, Army installation commanders have measured the full cost of achieving performance goals for 95 common services.

eGovernment. The Army leveraged information technology to make government more effective, more efficient and more accessible to the Soldier and to the citizens we protect. The Army has moved toward central management of information technology through establishment of the Army Knowledge Online (AKO) web portal, Network Enterprise Technology Command (NETCOM), and the use of enterprise-wide contracts. The Army Knowledge Online (AKO) web portal has transformed how the Army does business. The Army has saved millions of dollars in training and administrative costs by shifting service publications from print to the web. Soldiers and units deployed around the globe can share work through the AKO Knowledge Collaboration Centers, saving the user time and the Army money. The Army also consolidated data storage, Army eLearning, Army eCommerce, and authentication access into the AKO portal.

The Army created NETCOM to improve its ability to make good business investments, to increase operational effectiveness and to lower the overall cost of information services. The BASECOM Program consolidated telephone contracts for installations to save \$30 million over five years. The Army Small Computer Program used volume purchasing at discounted prices to save \$539 million between FY 2003 and FY 2009. The Army's Microsoft Enterprise License Agreement standardized Microsoft software service-wide, and enabled a substantial cost avoidance.

Way Ahead. The President's Management Agenda clearly mirrors the Army's enduring values of duty, honor, country. The Army's results are real and, where the Army still needs to improve, we will.

DEPARTMENT OF THE NAVY

The Department of the Navy remains committed to accomplishing its mission in a way that delivers the best value to the American society. We are focused on achieving the results-oriented, accountable government as envisioned in the President's Management Agenda.

Strategic Management of Human Capital. The Department of the Navy (DoN) human capital management vision for the 21st Century calls for the entire workforce of over 1.1 million people—Sailors and Marines, civilians, and contractors—to be ready and able to accomplish its mission. In order to achieve this, the Department is pursuing a strategy that enhances flexibility, efficiency, alignment, and effective performance of human resource systems, policies, and practices.

Strategic human capital management—properly sizing and shaping naval manpower to meet current and future requirements—is allowing the Department of the Navy to allocate its investments wisely in people and platforms, thereby strengthening the long-term readiness of our naval forces. This strategy responds to the *President's Management Agenda* by:

- Providing Department of the Navy leadership with better tools to manage and shape the *civilian* workforce through the National Security Personnel System (NSPS). The Secretary of the Navy has the lead within the Department of Defense to direct implementation of the NSPS;
- Transforming our military personnel force through adoption of modern human capital management systems; and
- Integrating active and reserve forces for optimum performance by better matching of capabilities with requirements.

NSPS is a broad management approach based on existing statutory merit principles to enhance the management of the civilian workforce. It is designed to allow defense department managers and supervisors the flexibilities to achieve modern, evolving mission requirements.

Recruiting and retention rates for our all-volunteer Naval force are at an all-time high. To enhance retention, the Navy has created an innovative online job auction website, which enables Sailors to bid for more pay or more desirable jobs, according to their individual wishes. The Navy has also extended its *Sea Swap* program to seven destroyers, in which crews are shuttled to and from deployed ships, thereby reducing transit time. This innovative force-manning initiative generates substantial savings in transit fuel costs and increases forward presence without lengthening deployment times for Sailors.

The Navy and Marine Corps are rebalancing Active and Reserve forces to configure for 21st century requirements. The Navy is fully integrating its reserve and active forces to ensure operational readiness for meeting forward presence and surge requirements. The Marine Corps is organizing its reserve component forces to focus on the primary mission of augmenting and reinforcing the active component.

Competitive Sourcing. Since January 2001, DoN of the Navy has completed 128 OMB Circular A-76 competitive sourcing studies to determine which are the most efficient

organizations to perform commercial functions. This resulted in 112 activities remaining in-house and 16 being awarded to contractors. The studies produced a total annual savings of \$466.4 million.

Financial Management. The Department continues its substantial progress in obtaining an unqualified audit opinion on departmental financial statements. Reflecting this improvement, DoN has reduced interest penalties by over 21%, has reduced overaged accounts receivables more than 40%, and has driven down year-end problem disbursements to a historically low level of less than \$300M. As the centerpiece of this remedial effort, DoN has developed and has begun to implement a comprehensive Financial Improvement Plan (FIP), identifying deficiencies in financial reporting and cataloging corrective actions. The resources (over \$300M) required to complete DoN's FIP have been included in the departmental budget. Current efforts underway include: developing a system to capture and maintain the value of military assets; merging four Enterprise Resource Planning pilots into one comprehensive DoN system feeding financial reports; and developing General Fund command-level statements, pushing "ownership" of financial management metrics to subordinate levels. DoN has also begun efforts to validate selected portions of its financial statements for eventual assessment and audit.

The Department has also been a DoD leader in reducing redundant financial management systems, through its Functional Area Manager process. DoN established eight Financial Management Rationalization Teams, each tasked with standardizing budget, financial, and management information systems and processes across the Component. DoN's goal is to reduce financial management systems by over 50%, providing a more compliant environment to support auditable financial statements and laying out a clear transition plan that will move DoN into the new DoD Enterprise Architecture.

Budget Performance Integration. Improving programs by focusing on results is an integral component of the Department's budget and performance integration initiative. The Department of the Navy has taken a number of steps to instill a greater focus on performance and to integrate performance reviews into budget decisions. The Department of the Navy details its performance goals and results in the Annual Defense Review, using both OSD performance measures and Navy-specific measures. The Department of the Navy routinely assesses program performance to support resource decisions.

The FY 2005 budget for the Department of the Navy associates 60 percent of the requested resources with performance metrics as reflected in OMB's Performance Assessment Rating Tool. The Department of the Navy also tracks additional metrics, measures, and performance criteria that increase the percent of resources associated with measures to 78 percent; the goal being 100 percent. The Navy's goal is to determine the full cost of achieving performance goals with the use of validated models.

EGovernment. The DoN is aggressively implementing eGovernment best practices, coupled with business process reengineering, to achieve far greater efficiencies in accomplishing warfighting and mission support functions. Notable examples include the development of the Naval Reserve Order Writing System (N-ROWS) and the Electronic Planned Maintenance System (ePMS). N-ROWS replaced a manual process with a web-enabled system. It reduced the average process time to place a Reservist into an active status for training from 35 – 40 days to three days. ePMS reengineered the manually

intensive, paper-based planned maintenance process. It dramatically cuts the amount of paper preparation and distribution. It also reduces response time to Fleet feedback issues by 25% and the time required to update ships' maintenance schedules by 50%.

The Navy Marine Corps Intranet (NMCI) is an underpinning of DoN e-Government transformation. A commercial outsourcing model for IT hardware and services, NMCI replaces hundreds of networks and provides unprecedented secure connectivity to Navy and Marine Corps members across the United States and Japan. As of June 2004, 185,890 seats are cut over to the new network; an additional 118,729 legacy network seats are under NMCI operating responsibility. When complete, 340,000 seats will be connected across the Department.

The Navy and Marine Corps established Functional Area Managers (FAMs) as portfolio managers for oversight, planning and management of the applications and systems within each functional community. To eliminate redundant applications and developmental projects, since 2001, Navy applications have been reduced from over 100,000 to about 7,300 for the Navy Marine Corps Internet (NMCI) with a reduction goal of less than 2,000 applications. The Marine Corps began with nearly 8,000 applications; fewer than 1600 remain approved for continued use.

The Navy and Marine Corps developed centralized web-services based portal architectures designed to provide universal user access to authoritative knowledge sources and enterprise business functions. Navy Knowledge Online (NKO) provides a single gateway to track and manage career progress including assignments, training, and access to mentors. Marine On Line (MOL) will move USMC pay and personnel administration to a predominantly self-service, virtually paperless, web-based environment. These efforts, along with several other initiatives, will eventually be integrated into a Department of the Navy constituent portal framework known as the Navy Marine Corps Portal (NMCP).

The DoN is a DoD leader in enterprise software licensing initiatives. As one example, Navy executed an enterprise agreement to provide the shore-based Navy the right to use the Oracle database family of products. Consolidating 170 separate contractual agreements representing 240,000 user licenses and adding additional licenses, the estimated cost avoidance generated by this agreement is \$21 million over 10 years.

Way Ahead. The Department of the Navy's values of honor, courage, and commitment are aligned with the goals of the President's Management Agenda. We will continue to seek improvement in all our procedures and activities in order to deliver the greatest return on investment for the American People.

DEPARTMENT OF THE AIR FORCE

Strategic Management of Human Capital

- Results Achieved
 - Created and published a new Air Force Personnel Strategic Plan to facilitate transformation of personnel management from regulatory-based to a performance-based construct
 - Human capital strategies are indelibly linked to broader institutional guidance
 - Plan identified 24 strategically-oriented performance measures that will guide and direct our efforts in achieving our six strategic goals
 - Personnel completed a comprehensive review of Air Force Core Competencies, resulting in an on-going Customer Service Transformation effort to reduce non-core activities by moving personnel transactions to the Internet or contact center
 - A "Laboratory" was established to re-engineer personnel processes
 - Enabled database-to-database communications and eliminated manual file transfer
 - Provided critical data from 17 databases; 300% faster now that it is shared
 - Moved more than 15 web applications to the AF Portal, allowing seamless navigation and reducing sign-on time for users
 - Designed Senior Leader Exchange community behind AF Portal--eliminated 120,000 products and provided information to DoD members 400% faster
 - Implemented Civilian Training Knowledge Repository with savings of \$400K
- Near Term Plans
 - Human Capital will be managed through performance-based measures that identify gaps in achievement of overall goals
 - Future skill needs will be identified, met, and retained through our Define, Renew, Develop, and Sustain goals
 - Under Deliver goal, partnership with industry will revolutionize delivery of Personnel transactional services and provide "advisory and facilitative" services
 - Most non-core personnel processes will be completed on the web or through a contact center; realigns critical manpower and saves \$180M over six years
 - Human Capital management will be optimized to provide on-time human-based mission capability

Competitive Sourcing

- Results Achieved
 - Since FY 01- FY 03, AF saved \$ 1,332,646,000 improving performance with 104 A-76 competitions
 - AF has completed 18, 675 positions towards completing PBD 729 goals of 51, 501
- Near Term Plans
 - Within the next five years, the AF plans to complete the remaining 32,826 positions achieving PBD 729 goals of 51,501

Financial Management

- Results Achieved
 - Adapted Defense Balanced Scorecard as the basis for gauging financial outcomes and return on investments
 - Developed AF Information Reliability & Integration Action Plan
 - Revised Mid-Range Financial Improvement Plan Under Secretary of Defense (Comptroller) 2/20/04

- Near Term Plans

- Use effects and capabilities-based planning and programming process to validate potential program change requests during the FY 05 APOM cycle--the foundation for developing the Air Force POM for FY 06-11 will be Concept of Operations (CONOPS) driven
- Form an integrated product team (IPT) that ensures seamless integration of our command and control, combat support, and business capabilities across the AF

- Long Term Plans

- Build, validate, and use performance measures in three pilot areas to show causal relationship between resources and outcomes in support of FY 06 President's Budget

Expanded Electronic Government

- Results Achieved

- Increased the % of system certification and authorizations (C&A) from 32% to 62%
- Saved \$6M in computer acquisitions costs using a Quarterly Enterprise Buy process
- Moved 44 major applications to the Air Force Portal
- Returned 1,000 man-years of effort back to the AF mission through NIPRNET Server consolidation initiative, and realized \$200M in cost avoidance.

- Near Term Plans

- Increase the % of system C&A to 100%
- Continue to save dollars through the Quarterly Enterprise Buy process
- Move 300 major applications to the AF Portal
- Return hundreds of man-years of effort and realize many millions of dollars in cost-avoidance through the SIPRNET server consolidation initiative

- Long Term Plans

- Improved uptime of Air Force network due to C&A compliance
- Have single entry point (AF Portal) for all major applications for authoritative AF information

Budget & Performance Integration

- Results Achieved

- Transformed the Air Force Effects Management Program (AFEMP) to align with the four OSD Balanced Scorecard risk areas and implemented the AF Performance Measures Reporting System (AFPMRS) II to support the program
- Draft Annual Defense Report (ADR) submitted reflecting integration of essential framework driving our strategic priorities, defining how well the Air Force is achieving its strategic goals measured against real-world performance, risks, and investment decisions

- Near Term Plans

- Continue to refine performance measures to better assess performance in relation to planning, programming, and budget execution
- Conduct quarterly assessments of performance measures with HQ USAF senior leaders
- Develop pilot program with a major command and installation to test effectiveness of cascading measures through organizational chains

- Long Term Plans

- Full-scale performance and budget integration to enhance health of the Air Force and improve valuation of critical resources

DEPARTMENTS OF DEFENSE AND VETERANS AFFAIRS

Both DoD and VA have established a Joint Executive Council to strengthen their partnership in support of the President's Management Agenda. All collaboration is accomplished through a Strategic Planning Process under one of six Strategic Goals:

- Leadership Commitment and Accountability
- High Quality Health Care
- Seamless Coordination of Benefits
- Integrated Information Sharing
- Efficiency of Operations
- Joint Contingency/Readiness Capabilities

Accomplishments: Integrated Information Sharing & Seamless Coordination of Benefits

Consolidated Health Informatics (CHI) Initiative: DoD and VA are lead partners in this initiative to establish Federal health information interoperability standards as the basis for electronic health data transfer, in all activities and projects among all agencies and departments.

Federal Health Information Exchange (FHIE): FHIE enables the electronic transfer of protected electronic health information, in keeping with privacy laws and regulations, among Federal agencies caring for Federal beneficiaries. The Near Term Solution enables the transfer of protected electronic health information from DoD to VA at the time of a service member's separation from military service. Implemented nationwide on 128 VA computer systems, data from 3.9 million separation records and data on 1.9 million unique patients has been transmitted and available for use by clinicians at 208 facilities.

Credentialing/Privileging: VA and DoD have determined that provider credentialing data exchanged under common business rules would maximize the validity of the data and trust of reviewers. Electronic credentialing software of both Departments has been modified to create an interface between VetPro and CCQAS for exchanging credentials data. Verified credentials data will be exchanged between the two systems through a Virtual Private Network (VPN)

DoD/VA Electronic Health Records Interoperability Initiative: A two-phased effort will enable DoD and VA to exchange patient data and culminate in the development of computerized health record systems that ensure interoperability between the two systems.

Accomplishments: Efficiency of Operations: Facilities

Facilities with Sharing Agreements: Currently, 486 VA/DoD sharing agreements covering 2,694 health services exist, among medical facilities and 159 reserve units. There are 214 VA-DoD agreements covering education and training support, including training for physicians and nurses.

Joint Venture Facility Operations: Seven hospitals and clinics in Hawaii, California, Alaska, Nevada, New Mexico, Texas and Florida operate jointly as federal facilities. New models are emerging in Denver, CO and North Chicago, IL. Also, demonstrations of coordinated DoD/VA management of finance, staffing and IM/IT systems will soon begin at seven locations.

Accomplishments: Efficiency of Operations: Finance and Logistics

Standardized Billing: A standardized billing rate based on CHAMPUS Maximum Allowable Charges schedule has been established for use by both Departments.

Pharmacy/Medical/Surgical Supplies: Joint national contracts have permitted the budgets of both Departments to stretch further. As of September 2003, there were 84 joint VA/DoD contracts, 15 Bid Price Adjustments (BPA's) and two Temporary Price Reductions (TPR) in place for pharmaceuticals. FY 2003 cost avoidance is estimated at \$376 million for VA and \$104 million for DoD. Ten high-volume prescription drugs have been identified for joint contracting possibilities in FY 2004. VA and DoD began the migration to a single Federal pricing instrument for medical surgical products and development of a joint on-line single Federal pricing catalog.

Accomplishments: High Quality Health Care & Joint Readiness Capabilities

Clinical Practice Guidelines: DoD and VA are jointly creating clinical practice guidelines for disease management. Key examples are asthma, chronic kidney disease, chronic obstructive pulmonary disease (COPD), cardiovascular disease, depression, diabetes, redeployment health, substance abuse and tobacco cessation, and many others.

Patient Safety: DoD and VA continue to collaborate on patient safety systems. The most recent collaboration involves VA representatives as members of the Bar Code Point of Service Integrated Product Team.

Medical Research: Joint research has been completed in Amyotrophic Lateral Sclerosis (ALS) among Gulf War veterans, post-traumatic stress disorder and self-reported physical health status, antibiotic treatment trial of Gulf War veteran's illnesses, and among veterans potentially exposed to nerve gas at Khamisiyah, Iraq. Collaborative research also continues in clinical treatment trials of chronic health problems among veterans of the Gulf War, protocols aimed at improving health risk communication of military unique risk factors among veterans and the Millennium Cohort Study, a 21-year prospective study of the health outcomes of deployed and non-deployed veterans.

DEFENSE CONTRACT AUDIT AGENCY

Strategic Management of Human Capital

Since the inception of such scoring, the Defense Contract Audit Agency (DCAA) has achieved a green rating due to effective human capital strategic management resulting in:

- Hiring of a diverse workforce, with 62% female, 30% minority, and 7% disabled veteran in 2003. DCAA's Central Region received the Federal Asian/Pacific American Council (FAPAC) award for Diversity Excellence in the SES category in May 2004.
- Development of a professional staff, with 37% of the audit workforce with CPA/CPB certification, 22% holding advanced degrees, and an average of 42 CPE hours per audit employee.
- Recognition of high performers through performance awards averaging \$2,024 and Special Act awards averaging \$1,145 per employee.
- Workforce distribution reflecting successful hiring and succession planning efforts with a distribution of 16% developmental, 54% journey level, and 29% high grade employees.
- Retaining a highly-skilled workforce as demonstrated by a reduced attrition rate. In 2003, the auditor attrition rate was 6.3%, and it has further improved as of midyear 2004 to 4.1%.
- Flexibility to support key DOD initiatives - As of May 31, 2004, DCAA has 21 auditors duty stationed in the Middle East in support of Iraqi reconstruction efforts.

Competitive Sourcing

In the competitive sourcing environment of contract auditing, DCAA has identified the national accounting firms as the commercial activity most similar in nature to DCAA. DCAA has for years performed an annual cost comparison, utilizing budget and performance metrics, to promote continuous improvement within DCAA and to ensure that it is the most efficient and customer-oriented audit organization. In fiscal years 2003, DCAA's costs were lower than the national accounting firms by 29 percent. Although the comparison has demonstrated DCAA to be the lowest-cost provider of such services, DCAA continually strives to implement new performance-based initiatives that will further reduce its organizational costs. These initiatives are always instituted with a corresponding objective to maintain our quality audit services and customer oriented approach in a competitive environment, thus resulting in DCAA being the best-value source of auditing services for the DOD. For specific positions, DCAA is on target to complete competitive sourcing studies on 50 percent, or 258, full time equivalent positions identified as commercial type activities, by September 30, 2008 (MID 907) . The first major milestone occurs at September 30, 2004, at which time DCAA will have completed a sourcing study on 55 of the 258 positions.

Expanded Electronic Government

The e-Government initiatives undertaken in our end-to-end electronic audit process have linked the DCAA Management Information System (DMIS) with our field audit process. DMIS is used for internal labor reporting, as the mechanism for reporting payroll information to the Defense Finance and Accounting Service (which actually processes our payroll), our billing system for audits performed on behalf of non-DoD customers, and for

reporting exceptions found in audits in accordance with DoD's Contract Audit Follow-Up (CAFU) reporting requirements. Because these systems now have direct linkage, our Expanded Electronic Government initiatives effectively support and supplement improved financial performance and budget and performance integration.

In measuring our success, DCAA's development and implementation of an electronic working paper software program has resulted in estimated savings of \$1.4 million per year. Correspondingly, DCAA's implementation of an electronic records management system will similarly result in significant cost reductions due to reduced file storage and productivity efficiencies resulting from remote access to permanent files.

Improved Financial Performance

DCAA has received a clean audit opinion on our principle financial statements for FY 2001 2002, and 2003. DCAA expects a clean opinion for FY 2004 and future years. DCAA has a low delinquency rate on the CBAs. DCAA's delinquency rate has been averaging below 2% for 60+ Days delinquent on the individual travel cards. DCAA has 77 purchase card accounts currently, with only one account being over 30 days delinquent.

Budget and Performance Integration

The measures of cost per direct audit hour and cost per million dollars audited (along with other measures) are included as part of DCAA's Performance Plan agreed upon with the USD(C) and submitted for approval to DEPSECDEF. With the majority of DCAA's audit effort associated with two major audit activities – forward pricing and incurred cost audits – DCAA has developed cost/performance metrics that reflect a continued emphasis on business process improvements and cost containment. The results for FYs 2001 through 2003 for the two major audit activities are as follows:

Forward Pricing Performance Results – Cost per \$1Million Audited

	FY 2001	FY 2002	FY 2003
Agency-wide Goal	\$ 727	\$ 713	\$ 646
Results	\$ 611	\$ 643	\$ 472
Percent of Goal Accomplished	119%	111%	137%

Note: Forward pricing audits generally are performed on sole source fixed priced contracts over \$500 thousand and flexibly priced contracts over \$10 million. Forward pricing audit efforts include, but are not limited to, price proposal audits, forward pricing rate reviews, contractor system surveys, and should cost studies

Incurred Cost Performance Results – Cost per \$1Million Audited

	FY 2001	FY 2002	FY 2003
Agency-wide Goal	\$1,268	\$1,286	\$ 1,318
Results	\$1,265	\$1,302	\$ 1,215
Percent of Goal Accomplished	100%	99%	108%

DEFENSE CONTRACT MANAGEMENT AGENCY

The Defense Contract Management Agency (DCMA) has been actively involved with performance results since it participated as one of the pilot project organizations involved in the development of the Government Performance and Results Act of 1993, with results reported to Congress in February 1997. Since that time DCMA has been extremely successful at having a living strategic planning process that provides continual flexibility to improve the Agency's ability to focus on internal and external forces that affect the organization and provides the Agency with a mature infrastructure for focusing on customer-focused results and outcomes, as well as aligning our priorities with the President's Management Agenda (PMA) and the Department of Defense's Risk-Based Balanced Scorecard.

Results achieved by DCMA in support of the five initiatives contained in the PMA are:

Strategic Management of Human Capital:

Since FY01, DCMA has achieved its highest level of DAWIA certification in history with certification levels at 93% for Level II and III. In FY03, DCMA took our analysis of DAWIA certification to a new level by assessing not only the certification level but is now measuring the timeliness of each employee's certification after appointment. In FY03, Level I achieved 100% and Levels II and III achieved 99%.

As part of DCMA's Human Capital Strategic Plan implementation Agency wide, DCMA has a Keystone (Intern) Program that recruits, hires, trains and graduates employees possessing our core mission capabilities. Since 2000, DCMA has hired a grand total of 671 keystones and has graduated 322 through FY03.

Also supporting the DCMA Human Capital Strategic Plan, with the help of an independent consulting firm, we performed a Core Competency Assessment for the Agency's core mission functions. Core competencies were identified for 10 occupational series and a pilot project of the Industrial Specialist (1150) work force is currently underway to eliminate core competency gaps. This will result in a roadmap for addressing competency gaps in the other 9 occupational series assessed.

Competitive Sourcing:

DCMA completed a Pioneer Project in January 2004, reorganizing IT organizational structure from a geographically disbursed structure with each IT support staff element reporting to local Commander, to a centrally managed infrastructure under Agency Headquarters. This resulted in a reduction/saving of 110 positions. In 2004, DCMA is preplanning for streamlined competitions, involving approximately 160 positions.

Expanded E-Government:

DCMA's Wide Area Workflow (WAWF) implementation has resulted in 109,000 transactions being processed electronically with a dollar value of \$9.1 billion in calendar year 2003 and in calendar year 2004 71,000 transactions with a dollar value of \$7 billion.

Through our WAWF, the on-time payment rate is 99.99995%. Through paper transactions, 35,000 documents have been lost while WAWF has resulted in one lost document. Non-WAWF interest payments have totaled \$294 million, while WAWF interest payments have been < 2 cents.

WAWF savings totaled \$5.2 million for calendar year 2003 through:
DFAS electronic vs. non-electronic billing rate
Elimination of manual data entry
Prompt Payment Act Interest avoidance.

Improved Financial Management:

In preparation for the FY04 budget submission, DCMA developed and deployed its first web-based POM submittal process which gave all levels of the organization the ability to submit their own POM which rolled up to the Agency level submission. This tool gives the Agency the ability to develop long-range workload and human resource projections from the lowest level of the organization on up, and it is now a key component for development of the Agency's POM and BES. The deployment of this tool enabled the contract management offices, District offices and Headquarters elements to identify and quantify, for FY04, 190 unfunded requirements, ranging from construction costs and supplies and equipment to non-labor funds to cover permanent change of station (PCS) costs used for workforce reshaping efforts. The POM tool also allowed the Agency to risk rate the unfunded requirements based on high/moderate/low risk and the Agency could also identify priority and ranking for each unfunded requirement.

Budget and Performance Integration:

Through DCMA's Integrated Management System, which links the Agency's planning, resourcing, budgeting, execution, and assessment and feedback processes, DCMA has developed a process through which 100% of contract management offices supplement their performance plan with levels of performance (projected and actual) and are able to tie resources (FTEs) to the level of performance achieved for each performance goal. Through this process DCMA is able to determine the cost associated with a level of performance.

DCMA implemented an activity-based management Unit Cost process in FY99. Through FY02, the Agency has realized a 3% productivity improvement annually for contract management services.

DEFENSE FINANCE AND ACCOUNTING SERVICE

Initiative # 1, Strategic Management of Human Capital

- Reduced work force by 30% since FY99 from nearly 21,000 to less than 15,000 as of Jun 2004
- Reduced Headquarters and Corporate Elements work force by 23% since FY01
- Raised Employee Satisfaction by 12 percentage points since 2000 according to the annual Organizational Assessment Survey
- Invested 3.8% of FY03 payroll dollars in employee training

Initiative # 2, Competitive Sourcing

- As part of the competitive sourcing preliminary planning effort, DFAS completed five Business Case Analyses (BCAs) in FY 2003. One resulted in a decision to compete Marine Corps Accounting under OMB Circular A-76 and three resulted in decisions to develop High Performing Organizations for Vendor Pay, Disbursing, and Acquisition Services, and to later reconsider whether to compete these commercial activities. Decision are still pending for BCAs conducted for DFAS's Technology Services Organization (completed in 2003), Navy Accounting, Air Force Accounting, Army Accounting, Defense Agencies Accounting and the Accounting business line (completed in 2004).
- Converted Retired and Annuitant Military Pay to contractor performance which cost \$13.1 million less than anticipated in A-76 cost comparison with no degradation in service
- As a result of participation on the Defense Agency Manpower Review Process (DAMRP) Board, DFAS identified 472 military positions for conversion to civilian positions.
- DFAS continued to refine its Commercial Activities and Inherently Governmental Inventory and in the FY03 Inventory reduced the total number of Inherently Governmental positions to 1,604 from 1,950 in FY02.

Initiative # 3, Improved Financial Performance

- Increased overall customer satisfaction by 5 percentage points from 2002 to 2003.
- Reduced amount of interest paid by 16.3% through mid-year 2004, compared to mid-year 2003 (\$13.9M compared to \$16.6M)
- Reduced overage invoices from 5.01% (FY 02) to 4.36% (FY 03)
- In FY03, DFAS received a 4th consecutive clean audit opinion and helped four customers achieve similar results
- Reduced unsupported accounting adjustments from baseline year FY99 from 30% down to 10% as of mid-year FY04 financial statements.
- The DoD Agency-wide problem disbursements have been reduced 69% from the 2001 baseline of \$4,163 million to \$1,298 million as of April 2004.
- Reduced Travel Card Delinquencies to 1.5%
- The Military Retirement Fund received its 11th consecutive clean audit opinion.
- The Medicare Eligible-Retiree Health Care Fund received a qualified audit opinion in its first year.

- Designed and implemented the first standard DoD receivables report to manage the Department's receivables, enhancing DoD stewardship of public funds.

Initiative # 4, Expanded Electronic Government

- Expanded online access and service to DFAS's 5.9 million payees with myPay (<https://mypay.dfas.mil>), which provides convenient, secure access to personal pay records online, any time. myPay has nearly 2.8 million registered users and has eliminated printing of over 450,000 military and civilian leave and earnings statements.
- Reduced the amount of interest paid by DoD for late payments from \$343 per million in FY01 to \$160 per million in FY03 by expanding ecommerce processes involved with paying defense vendors and contractors. DFAS electronically pays 95% of its 12.3 million invoices annually.
- Launched and expanded "DFAS Kids 1st" program that automates garnishment processes for court-ordered debt collection. As of May 2004, 14 states use the process to help more than 200,000 children receive the support they deserve every month.
- Won OPM's ePayroll competition to provide payroll services to an additional 321,000 Federal civilian employees from Department of Energy (successfully converted in September 2003), Health and Human Services, Environmental Protection Agency, and Veterans Affairs based on DFAS efficiency and low cost from its highly automated processes.
- Reduced the number of days required to complete quarterly audit reports from 45 to 21 by exploiting online collaborative tools that are part of DFAS's enterprise portal.
- Enhanced DFAS enterprise financial management by implementing a comprehensive financial management suite, eBiz. eBiz has improved the process of tracking and approving time and attendance by over 50 percent for DFAS nearly 15,000 employees and reduced requisitioning workflow time from two days to 10 minutes.
- Reduced workload and increased efficiency associated with managing travel-related activities by implementing the Defense Travel System at nine DFAS locations and 26 other DoD locations
- Enhanced DFAS work environment, employee productivity and internal communications by implementing a single enterprise portal solution, which consolidated three portals, over 200 individual Web sites, reduced agency email bandwidth requirements, and saved more than 10 work years by consolidating HR applications.
- Provided DFAS employees the ability to electronically view their OPF, SF-50s, Total Compensation statements, training history, and benefits through the ePortal.
- DFAS implemented Portfolio Management process in FY03 to evaluate 100% of its Information Technology budget and 40% of its overall budget. This process disciplines investments, strengthens the link between budget and strategy, and provides a means for assessing financial investment performance.
- In FY04, DFAS ensured all proposed investments greater than \$1M were reviewed by the Business Management Modernization Program for compliance with the Business Enterprise Architecture. As of May 2004, 94% of submissions were approved.
- Office of Management and Budget (OMB) Exhibit 300s submitted for FY04 major investments (52% of DFAS Information Technology Budget).

- DFAS has 100% systems accredited with 61% receiving an Authority to Operate and 39% receiving an Interim Authority to Operate. DFAS has also maintained 100% accreditation of DFAS systems in 2004 and increased the number of systems with full authority to operate by 35% as of May 25, 2004.
- Improved security of DFAS infrastructure by implementing common access card (CAC) and public key access. DFAS employees at all locations have common access cards (except Foreign Nationals) and 61% of DFAS workstations have been enabled for CAC login.
- Consolidated DFAS mid-tier server processing at fewer Defense Information Systems Agency locations achieving a 3% reduction in FY04 charges (from the FY03 \$33M baseline).
- Implemented the Paper Check Conversion System that automatically converts paper checks into electronic Automated Clearinghouse debits to a check writer's bank account. From FY02 through FY03, 72 DoD sites worldwide processed 504,403 items valued at \$209,057,301 with a success rate of over 99%.

Initiative # 5, Budget & Performance Integration

- Reduced the percentage of Defense budget required for DFAS operations from 0.56% in FY99 to 0.34% in FY03. Projected FY04 budget is 0.30%.
- Reduced costs to our customers by \$84M from FY02 to FY03 (from \$1,539M to \$1,455M)
- Came in under budget by \$70M in FY03
- Decreased DFAS footprint by 13% since FY01, reduced facility related costs by 7% (\$5.1M/yr)

Awards

- DFAS ePortal recognized as an outstanding site within its first year
 - Named one of 10 best government intranets in the world by the Nielsen Norman Group
- myPay
 - Named top federal innovator by MIT/Accenture (FOSE 04)
 - Named among top technology innovations (Government Executive 03)
- Defense Civilian Pay System earned Level 4 Capability Maturity Model Certification (SEI 04)
- DFAS suite of developmental programs won the 2003 National Association of Government Accountants Educator of the Year Award.

DEFENSE COMMISSARY AGENCY

Tangible Results

Since FY 2001, the Defense Commissary Agency (DeCA) has implemented several initiatives that support the President's Management Agenda (PMA), which have resulted in improved levels of service to our customers, reduction in the taxpayer dollars needed to operate the commissary system, and more effective use of our resources.

Through implementation of cultural, managerial, and organizational changes, the number of budgeted full-time equivalents (FTE) was decreased by over 12 percent, from 17,117 in FY 2000 to 15,016 projected for FY 2004. In addition, the amount of appropriated funds required by DoD in FY 2003 to operate the commissary system were reduced by \$176M, and outyear costs were reduced by approximately \$120M per year from the FY 2000 baseline.

DeCA increased patron savings from 30.4 percent in FY 2001 to 32.1 percent in FY 2003. From FY 2001 to FY 2004, DeCA increased its rating on the commissary customer satisfaction survey score from 4.33 to 4.47 (on a scale of 1-Very Poor to 5-Very Good). Using the American Customer Satisfaction Index (ACSI) to measure customer satisfaction against private industry, DeCA scored 75 against the supermarket average of 75 in FY 2002 and 76 against the supermarket average of 74 in FY 2003.

DeCA received an unqualified opinion on the FY 2001 Balance Sheet. In both FY 2002 and FY 2003, DeCA financial statements received unqualified audit opinions. Travel card delinquency rates decreased from 1.74 percent in FY 2001 to 1.09 percent as of April 27, 2004. DeCA has a less than one 1 percent purchase card delinquency rate against DoD's goal of 2 percent.

Since FY 2001, the Agency has increased its workforce population as follows: women – an increase of 170; Blacks – an increase of 121; Hispanics – an increase of 78; and for Asians – an increase of 355. For career progression, primary concentration is placed to increase representation at the GS-12 through GS-15 senior grade levels. Throughout these grade levels, Blacks have the greatest increase at 23. Hispanics increased by four. Asians increased by 10. In FY 2002, DeCA hired a female into the SES ranks. Since FY 2001, DeCA has hired 67 students with disabilities under the Workforce Recruitment Program and increased its overall number of employees with disabilities by 10.

In 2001, DeCA's only mission essential information technology system, Point of Sale (POS), had an Interim Authority to Operate. In 2004, DeCA is 100 percent DoD Information Technology Security Certification and Accreditation Process (DITSCAP) compliant on all mission essential systems, platforms and networks. A secure environment ensures that data is kept safe during transmission and that customer's personal data is not compromised.

DeCA uses Electronic Data Interchange for ordering, receiving, and pricing. In 2001, all information was transmitted through a modem line. Since then, File Transfer Protocol has

been added for DeCA's industry partners and EDI Internet (EDIINT) has been added as an alternative data access method. The current environment has resulted in equal and accurate data exchange with our trading partners, who supply commissary patrons with products valued over \$5B annually, thus bringing the best value to our government-business enterprise.

Using a combination of A-76 initiatives and alternative competition sourcing mechanisms, DeCA has completed competitions on 3,572 FTEs (637 FTEs as A-76 Commercial Activities studies and 2,935 FTEs as alternative mechanisms to A-76). DeCA's budgeted reductions for A-76 and Commercial Activities from FY 2001 through FY 2004 are 754 civilian FTEs for a savings of \$6.7M.

DeCA uses the Facilities Condition Index (FCI) to monitor, upgrade, and maintain state-of-the-art facilities for our Service members. The FCI is a weighted measure of a commissary's condition, refrigeration system, and energy usage and efficiency. DeCA has increased its FCI from 69.3 in FY 2001 to 74.5 for FY 2003.

DeCA recently completed its first semi-annual performance report to PA&E on year to date progress toward meeting FY 2004 goals. DeCA met or exceeded the performance measure targets for Total Agency Resources, customer savings, customer satisfaction, and FCI. The DeCA Director and senior DeCA managers review specific programs and processes, with associated measures, during the weekly corporate staff reviews and in resource management committee meetings to make timely and informed decisions. The FY 2005 President's Budget accurately reflects the full cost of achieving these performance goals that are linked to the Agency's strategic goals, objectives, and performance measures.

Near and Long-Term Plans

DeCA conducted an Agency level corporate reengineering review resulting in a provisional realignment of business areas and staff offices at the headquarters and field operating activities. Provisional realignment was implemented in April 2004. The review optimized the organization above and at store level. The realignment ensures the largest number of employees possible are in direct service positions that interact with commissary customers in order to improve commissary store support and productivity, while enhancing above store efficiency. Organization processes were realigned to enhance all functions and processes needed to support commissaries on a day-to-day basis and improve functional oversight and policy. The skills and leadership abilities of senior personnel were analyzed and reassignments were effected to maximize the current corporate force structure. This effort further enhanced DeCA's succession planning efforts by updating our inventory of highly skilled and leadership focused candidates in the Agency's Corporate Development Program. DeCA will cascade the reengineering effort down to regional and store level with a completion date of FY 2006/FY 2007.

Through continued implementation of the PMA initiatives, DeCA's performance against strategic goals and objectives indicates positive progress in meeting our deliverables. DeCA is improving the Quality of Life Social Compact for our Service members while operating in the most cost efficient and effective manner utilizing best business practices.

DEFENSE LOGISTICS AGENCY

Budget & Performance Integration

- Developed a Strategic Management System to Track DLA Performance Strategies

DLA has developed a Strategic Management System to focus leaders and employees on its goals and to manage execution of its strategies to achieve results. The Strategic Plan conforms to GPRA and A-11 guidelines to provide strategic goals and quantitative objectives. DLA uses the Balanced Scorecard (aligned with the DoD risk scorecard) to manage strategy execution in the 2-3 year timeframe. Finally, the DLA Business plan tracks specific actions plans and milestones toward strategy execution. The DLA Director and Corporate Board review strategic performance quarterly and operational metrics monthly.

- Above Goal and Improving Supply Materiel Availability (SMA)

Despite dramatically increased demand associated with Operation Enduring Freedom and Iraqi Freedom, exceeded SMA goal of 85% consistently throughout the war and increased month-to-month performance throughout FY 04 to date. Demand for DLA materiel has grown almost 20% over the past two years and approximately 40% in the past four years.

- Backorders Reduced 34.8% to Lowest Level Since 1962

DLA collaborated closely with the military services in advance planning of logistics support for Operation Iraqi Freedom. Readiness drivers were identified, early contracts awarded and receipts expedited to accommodate force needs in petroleum, food, medicine, clothing, and spare parts. Backorders were reduced 34.8% from October 2001 to April 2004.

Improved Financial Performance

- DLA Lowers Operating Cost Recovery Rate to 15% in FY05

DLA has lowered its operating cost recovery rate from a 1992 high of 34.4%. Increased sales and DLA efforts to streamline logistics processes drove the reduction.

- \$1.8 B Projected Savings to DoD

DLA will return dollars to the warfighter through several transformation initiatives, such as Business System Modernization, Competitive Sourcing, and Strategic Supplier Alliances. Reduced costs, coupled with increased performance, will translate to improved readiness and more buying power for the Military Services.

- Smallest Workforce Since 1963

DLA's workforce has been reduced from 23,241 to 21,828 over the past three years, despite significant workload growth in our two major business areas, Distribution and Supply Management.

- Bank of America Names DLA as an Industry Benchmark for Travel Services

DLA was invited by Bank of America to become one of its industry benchmarks for travel card programs. This benchmark designation encompasses Government entities as well as private industry. DLA is the only DoD program to be designated. DLA has reduced its Travel Card delinquency rate from a high of 6.23% in October 2001 to .8% in March 2004.

Strategic Management of Human Resources

- DLA Streamlines Human Resources Processes to Save \$36.3M

DLA made significant changes to its Human Resource organization to gain efficiencies and eliminate duplication. Changes resulted in savings of \$10.9 million in FY03-FY04 and \$25.4 million dollars in savings projected for FY05-FY09. DLA reduced the employment processing time from close of a vacancy announcement to extension of a job offer to an average of 36 days, which is significantly below the Office of Personnel Management 45-Day Hiring Model.

- DLA Streamlines Human Resource Processes to Save \$36.3M

DLA made significant changes in its Human Resource organization to gain efficiencies and eliminate duplication. Changes resulted in savings of \$36.3 million dollars for FY 04-FY 09. Additionally, time to recruit and fill jobs was reduced 26 days.

- DLA Rates Among the Best Places To Work in Government

Careers and the disABLED magazine rated DLA 8th in the top 20 best places to work in government. *The Hispanic Network Magazine* rated DLA one of the “Best of the Best” places to work in government.

- DLA’s Injury Compensation Center saves >\$1M in FY03

DLA reduced its injury compensation costs by more than a million dollars by aggressively supporting the President’s Safety, Health, and Return-To-Employment (SHARE) initiative. Projected future savings of \$11.5 million are expected.

Expanded Electronic Government

- DLA IT Capital Asset Plans Rated Highly by OMB

DLA’s major information technology investment plans, required and reviewed by the Office of Management and Budget (OMB), received a grade of four (very good) against the highest possible score of five (excellent) last year.

- DLA Manages Information Technology (IT) Cost, Schedule, and Performance to 90% Standard (<10% Over Runs)

DLA internally manages and monitors all major information technology projects using a composite score to track cost, schedule and performance for IT investments. FY04 averages only 5.19% variance from the baseline standard.

- DLA Expands the Role of eGovernment

DLA has spearheaded DoD’s web-based ordering system known as EMALL. FY 04 sales through EMALL are expected to top \$150M, more than doubling FY 03 levels. DLA has also maximized the movement of document production from paper to on-line processes. For FY97 – FY03 traditional bulk printing has decreased by 37% while on-line access has increased by 170%.

Competitive Sourcing

- DLA Saves \$365M in Competitive Sourcing Contracts

DLA has completed competitive sourcing studies of 4,367 positions. For the twelve studies completed to date, seven contracts have been awarded to outside sources. Those contracts are projected to return \$365m in savings to the taxpayer.

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY

The Department of Defense Education Activity (DoDEA) is a DoD field activity operating under the oversight of the Under Secretary of Defense for Personnel and Readiness. DoDEA is comprised of the DoD Dependents Schools (DoDDS), the overseas school system, and the DoD Domestic Dependent Elementary and Secondary Schools (DDESS), the domestic school system. These school systems provide a world-class education program that inspires and prepares all students in the military communities around the world to be successful and responsible citizens in a dynamic global environment. Today, approximately 8,800 teachers and other instructional personnel serve more than 101,000 students in 223 schools located in 13 foreign countries, seven states, Guam, and Puerto Rico.

The Department has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security, and technology. Just as schools throughout our nation are leaving no child behind, the Department of Defense schools are a showcase for educational excellence.

To ensure sustained high levels of student achievement, DoDEA has initiated and/or implemented numerous educational and organizational initiatives.

Full-Day Kindergarten and Reduced Class Size - Beginning in FY 2000, DoDEA has implemented a full-day kindergarten program for overseas schools (this program already existed in the domestic schools) and reduced the pupil to teacher ratio in grades 1 through 3 from 23:1 to 18:1.

High School Programs - To provide consistent and quality educational programs for all high school students, regardless of where they may be stationed, DoDEA redefined the high school (grades 9-12) program to include advanced studies, vocational/technical preparation, support courses, and enrichment in academic courses. This initiative also enhanced college and career counseling, and increased distance learning opportunities for student learning and professional development of staff.

Special Education Program - DoDEA increased staffing for assessment teams to maximize instructional time for students with moderate and severe disabilities, standardized curriculum across all DoDEA areas, and provided extensive professional development to special needs educators, regular education classroom teachers, administrators, and parents. This initiative also provided specialized equipment and furnishings for Category IV (moderate to profound) sites.

Technology - To infuse technology in the curriculum, DoDEA purchased and installed T-1 lines in schools system wide. This initiative provided increased bandwidth and faster internet access required for current and planned curriculum and courseware plans, as well as access to DoD and DoDEA web-based systems.

Recruiting and Hiring Highly Qualified Educators - To meet the challenge of the increasing competition for teachers, DoD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality. The DoDEA Human Resources Center has a multifaceted recruitment plan designed and directed to ensure a large data base of highly qualified candidates for the consideration of hiring officials. The recruitment plan includes strategies for outreach to and the hiring of overseas local hire family members, former DoDDS student teachers and CONUS applicants. DoDEA runs an aggressive advertising campaign and advertises at conference programs, in the best educational journals and in publications designed to reach various ethnicities and disabled individuals and links to educator recruitment sites. The development and use of an on-line Employment Application System (EAS) and recruitment on campuses, including the signing of many new student teaching agreements, have also enhanced the applicant pool. Nearly 7,900 educators now maintain applications in the DoDEA EAS database and are actively applying for positions in the overseas schools. Due to the large number of candidates available, principals/selecting officials are able to hire the best qualified educators.

The quality of DoD schools and the results of the investments in educational initiatives are measured in many ways, but most importantly, as in other schools systems, by student performance. DoD students regularly score substantially above the national average in every subject area at every grade level on a nationally standardized test. In addition, students participate in the National Assessment of Educational Progress (NAEP) tests. NAEP is known as "the Nation's Report Card" because it is the only instrument that permits a direct comparison of student performance between states and jurisdictions across the country. In November 2003, the National Center for Educational Statistics (NCES) released the results of the NAEP reading assessment administered at both the fourth and eighth grade levels. On the reading assessment, DoD fourth and eighth graders, domestically and overseas, scored significantly better than the national average. Eighth grade students in the overseas schools tied with Massachusetts for the highest score in reading. Eighth graders in the stateside schools ranked fourth. Minority achievement is also noteworthy. African American students in DDESS and DoDDS scored in either first or second place in the nation, respectively, when compared to their counterparts, continuing the high level of performance exhibited in previous NAEP assessments. Hispanic students in DDESS and DoDDS also continued their national chart topping performance in reading. Hispanic eighth graders in both systems scored in first and second place in reading. Of special note is the fact that DoD Hispanic students matched or surpassed the national average score for all students on the reading assessment.

DoDEA's results are also evidenced by the 2002-2003 Customer Satisfaction Survey. Survey results showed 74% of DoDEA parents graded their local school either an "A" or "B" compared to only 56% of parents nationwide. Eighty-six percent of DoDEA teachers graded their local schools "A" or "B" compared to 64% of teachers nationwide.

DEFENSE INFORMATION SECURITY AGENCY

Budget and Performance Integration

Performance Management: Management Initiative Decision (MID) 901 "Establishing Performance Outcomes and Tracking Performance Results for the Department of Defense," approved 20 December 2002, encouraged Defense Agencies to implement the BSC in order to provide a consistent framework for establishing executive-level performance targets and tracking results. Development of the Balanced Scorecard (BSC) began in DISA in 2003 to focus the Agency on new strategies and initiatives to support the Department's goal to accelerate the transition to a network centric environment. As part of the BSC process, DISA's mission and vision were aligned with this goal as well as other ASD(NII) goals and priorities. DISA implemented the BSC in FY 2003, submitting the initial document to the Director, Program Analysis and Evaluation (D, PA&E) on 30 September. DISA is currently cascading the BSC to the second level of the organization. Each organization reports the results of its expected outcomes based on output targets. DISA's BSC goal to build confidence in its financial stewardship is supported by a variety of strategies that will ensure transparency, quality and timeliness of financial information.

Benefits of implementing BSC thus far include:

- Creates incredible focus on the net-centric vision and operationalizes organizational strategy in the form of specific initiatives and measures of success
- Provides clear and executable strategy known by all, improving communications and incentives for contributing to organizational success
- Makes strategy everyone's job. Also improves accountability for achieving results through the alignment of BSC outcomes with employee performance appraisals, effective in FY 2005 for members of the SES and supervisors
- Incorporates vigorous review and analysis process, allowing the linkage of investments (budget and Program Objective Memorandum) to strategies
- Initiatives to ensure assignment of full budgetary cost to program accounts and activities are also incorporated

Product Line Implementation: Management Initiative Decision (MID) 910 "Budget and Performance Integration Initiative", approved 24 December 2002, instructs the DoD Components to associate performance metrics with resources. In order to link program capabilities, budget accounting structures, execution actions and streamline system reporting, the DISA Chief Financial Executive (CFE)/Comptroller Directorate and the Strategic Planning and Information Directorate developed the DISA strategic product line/output coding structure. This coding structure is linked to all manpower and resource databases and is now embedded in the financial accounting code. The structure reflects the warfighter support products as well as the business activities of DISA consistent with DISA's transformed mission and allows capture of costs (direct, indirect, general and administrative) to each of the product lines. In turn these product lines are linked to the DISA balanced scorecard metrics, the DoD reporting, and congressional justification materials. This structure is being used to develop the FY 2006-2011 program and to assess indirect and general and administrative costs to identify cost drivers and potential streamlining and reduction activities, and to drive performance metric assessments.

Timeline: 2003-2005. Benefits include:

- Establishes a common resource denominator for all resource activities (planning, programming, budgeting and execution) and DISA resource systems
- Links execution of resources to outputs
- Provides the transparency senior management requires to gain insight into cost drivers and areas requiring cost control and management

Improved Financial Management

Financial Management Home Teams: As a part of the Defense Information Systems Agency's transformation, the Chief Financial Executive (CFE)/Comptroller established goals to improve the accuracy, timeliness and reliability of financial data for the core business units. At the same time, the CFE addressed the DoD goals of achieving a clean financial audit. As a key component of the strategy to improve the financial products and processes, the DISA CFE

assessed the workforce supporting these activities and recommended virtual reintegration of the financial management workforce under the CFE. While the streamlined business units have an on-site financial manager who takes day-to-day operational direction from the strategic business units' needs, the CFE, as senior rater, ensures that the team has the requisite financial training, education and skills to perform the work as well as direct access to the core financial team. The business unit and the CFE work as a team to establish baseline requirements, performance metrics and workload support requirements that will improve response time and availability of key information, reduce errors, and control accounting and financial costs. Timeline: 2003-Present. Benefits include:

- Reduced costs of financial management (through consolidation, standardization, process streamlining, and reduction of rework),
- Trained resource management workforce to target on the shifts in workload
- Effective workforce with professional credentials
- Just-in-time, accurate information for management decisions

Strategic Management of Human Capital

Human Capital Strategies and Programs: Workforce Planning: Interactive development of workforce requirements between the Manpower, Personnel, and Security (MPS) Directorate and the Agency's organizations was initiated in FY01. Organizational site visits began in 2001 and have continued, with discussions on projected vacancies, over hire issues, mission changes, intern/co-op recruitment, attrition rates, retirement data, workforce diversity, and retention statistics. All organizational data is automated and made accessible on-line via the MPS Corporate Management Information System. Long-Range Workforce Plans were published for FY02 and 03. The FY04 Plan is currently in development for publication later this year. Quarterly Readiness Reviews (QRRs) keep work force planning initiatives current through quarterly reviews of requirements involving civilian and military personnel, manpower, employee development, security, and facilities. Managers from each of these areas meet with each organization's key staff members to resolve current issues and plan for new and emerging mission requirements.

Organizational Restructuring: DISA Transformations accomplished a substantial restructuring in 2001 to refocus the workforce to meet changing requirements in communications and computing support. In 2004, the DISA conducted a total baseline review of the Agency's personnel authorizations and review of skills of its employees. A resulting plan to transform the workforce to meet the transition to a network centric environment is supported by the Career Management Plan (CMP), which was developed in early 2004 will be implemented this fiscal year.

Succession Planning and Professional Development: In addition to Competitive Development and Competitive Education Programs, DISA developed and implemented the following suite of opportunities to ensure that employees are ready to assume greater leadership responsibility: Executive Leadership Development Program, launched in January 2002, provides mid to senior grade employees with a systematic, coherent framework and mechanism to clarify career goals, develop managerial and leadership skills and abilities, and enhance their technical and functional expertise. Two classes are currently underway, with the first graduates expected in the Spring 2005. Selections for the next class will be made in July 2004. Emerging Leader Program will be launched in 2004 and will provide an opportunity for employees at GS-5-12 to identify current leadership competency skills, increase and strengthen personal and organizational leadership ability, and design a plan to meet developmental activities, milestones, and goals. Mentoring Program matches employees with more experienced individuals for coaching, counseling and teaching and is part of the Agency's commitment for continuous personal and professional development of our entire workforce. George Mason University (GMU) Certificate Program, the result of a partnering effort between DISA and GMU, provides areas of study in Computer, Information, and Software Intensive Systems and Information Systems Security. Video Teleconferencing was expanded to enable DISA's 31 field sites to participate real time in programs such as Executive Leadership Development, Technical Speakers, Joint Warfighter Training, This is the Transforming DISA, Smart Card Training, and Worksite Forums. Savings to date are estimated at \$326,000. DISA eLearning was also expanded to offer more on-line training opportunities for employees to further development of technical and support skills regardless of location; On-Line Application System, implemented in 2003, allows the entire process for all of competitive programs to be accomplished on-line, including employee application, supervisory endorsement, technical review, and management evaluation and selection.

The major benefits to the DoD and the Federal Government as a result of strategic management of human capital efforts include:

- Workforce Planning has provided the strategic ability to determine the human capital required to meet organizational goals and to develop human resource strategies to meet mission requirements. It has also resulted in increased efficiency in recruitment as historical, current, and projected attrition rates are used as a means of being proactive vice reactive when determining recruitment strategies and timing of recruitment actions.
- Quarterly Readiness Reviews have ensured that DISA organizations are kept apprised of the latest human resource strategies/initiatives and provide the organizations with the opportunity for immediate feedback.

- Succession Planning and Professional Development have improved our ability to address our aging workforce by ensuring we have personnel in the pipeline that are well-qualified and ready to address future DISA challenges.
- Career Management Programs will provide distinct career paths to develop and retain the best talent to support our critical missions.
- Organizational Restructuring has ensured DISA is postured for the future, with a critical review completed regarding the types of positions needed, breaking down of stovepipes through the establishment of home teams, and layering to increase the numbers of personnel that deal directly with the customer.

Competitive Sourcing

DISA competitive sourcing initiative: Management Initiative Decision 907, Subject: Commercial Activities and Competitive Sourcing Programs, as implemented by Program Budget Decision 729, A-76 Commercial Activities Goals, required DISA to study 432 positions for possible outsourcing from FY 2005 to FY 2009. As an alternative, DISA proposed an A-76 alternative initiative known as the “Transformation of Combat Support Computing” to the Business Initiative Council. Transforming combat support computing will result in substantially reduced costs. The largest portion of the estimated cost avoidance, nearly \$90 million per year, will result from reducing DISA computing services civilian staffing by nearly 1,200 positions. Benefits include:

- More efficient operation resulting in less costs per customer’s unit of work
- Improved economies of scale through further consolidation and optimization of the Defense Enterprise Computing Centers and their detachments

Expanded E-Government

The Defense Information Systems Agency is directly supporting the President’s Management Agenda by being assigned the Executive Agent responsibility for the following DoD/Federal Enterprise Wide eBusiness Applications under the functional ownership of OUSD AT&L DPAP Eb as directed by DoD Management Initiative Directive (MID) – 905:

DoD Electronic Document Access (EDA): DoD Electronic Document Access (EDA) acts as an electronic file cabinet for the storage and retrieval of contract documents used by multiple DoD activities. EDA replaces the paper process by providing a single, read-only “electronic file cabinet” that can be accessed by any authorized user, both within DoD and in the vendor community. Vendors may be authorized to view only contract documents that match their validated DUNS or CAGE codes. Benefits derived from EDA to date include a reduction in the DoD’s unmatched disbursements, paper consumption, paper storage requirements, and increased convenience and efficiency provided to EDA’s user community. Users all view the same document(s) and the information is entered once and used many times, which eliminates the potential for transposition errors and redundant maintenance of information. DoD EDA services over 15,000 accesses daily; has over 30,000 registered users and of those, over 14,000 are active users. There are over 60 million documents available via DoD EDA with over 10.2 million contract award and contract modification documents.

Wide Area Workflow (WAWF): Wide Area Workflow (WAWF) was designed to eliminate paper from the receipts and acceptance process of the DoD contracting lifecycle. The goal is to enable authorized Defense contractors and DoD personnel the ability to create invoices and receiving reports and access contract related documents. The contract is available through a seamless interface with EDA. WAWF supports DoD's efforts to reduce unmatched disbursements in the DoD receipt, acceptance, entitlement and payment process through data sharing and electronic processing. The benefits to DoD are global accessibility of documents, reduced need for re-keying, improved data accuracy, real-time processing, secure transactions with audit capability and faster processing resulting in fewer interest penalties. For vendors, benefits include the capability to electronically submit invoices, reduction of lost or misplaced documents, and online access to contract payment records.

Central Contractor Registration (CCR): Central Contractor Registration (CCR) is the primary vendor database for all U.S. Government procurement and financial departments. CCR collects, validates, stores, and distributes vendor data. As of Oct 1, 2003, registration in CCR is mandated for all vendors intending to do business with the federal government. Registration in the CCR database is free to all vendors, but must be maintained on an annual basis. To register in the CCR database, a vendor must first obtain a DUNS number through Dun & Bradstreet. CCR registration can be accessed via the web. As of June 7, 2004, there are currently 316,924 active vendor registrations in CCR. There are 1,584 Government users accessing CCR data through the CCR Tools capability, and 24 agencies receiving CCR data through daily extracts.

Federal Technical Data Solutions (FedTeds): Federal Technical Data Solutions (FedTeds) was developed under E-Government's Integrated Acquisition Environment. It enables the distribution and dissemination of Sensitive but Unclassified (SBU) acquisition material related to solicitations found on FedBizOpps.gov, the single government point-of-entry for Federal government procurement opportunities. FedTeds is designed to safeguard sensitive acquisition related information during the solicitation phase of the procurement cycle. FedTeds has 6234 registered users, 3826 uploaded data packages, 2447 released data packages associated with active solicitations. Some of the benefits of using FedTeds include: Improved efficiency, credibility, and effectiveness of the acquisition and logistics support process by streamlining the Federal procurement process; Real time vendor access to SBU acquisition material, saving government agencies valuable time and dollars; Additional security from a physical firewall between the Federal government and its public customers without decreasing vendor satisfaction; and ability to use existing DoD databases to validate a user's access to export controlled data. FedTeds is part of the Department of Homeland Security, GSA and several other federal and state agencies via the Federal E-government Integrated Acquisition Environment initiative.

Past Performance Information Retrieval System (PPIRS): Past Performance Information Retrieval System (PPIRS) provides timely and pertinent contractor past performance information to the Federal acquisition community for use in making source selection decisions. PPIRS assists Federal acquisition officials make source selections by serving as the single source for contractor past performance data. Confidence in a prospective contractor's ability to satisfactorily perform contract requirements is an important factor in making best value decisions in the acquisition of goods and services.

Each of these web based net-centric applications was developed in support of the DoD's Paperless Contracting Initiative. Three of the above eBusiness applications are being used across the Federal Government and are directly supporting the GSA/OMB E-Government effort under the Integrated Acquisition Environment (IAE) Initiative (CCR, FedTeds, and PPIRS), which falls under the PMA. All of these applications have won numerous DoD eBusiness awards as well as awards from the E-Government OMB Group. FedTeds recently won the Grace Hopper award, and WAWF just received the E-Government Institute Solutions Center Pioneer Award for Innovative Best Practices. All of the above eBusiness applications have saved the taxpayer Millions of Dollars, and have assisted in transforming the way the DoD and the Federal Government performs their business processes both internally and externally with industry.

The major benefits to the DoD and the Federal Government as a result of the eBusiness efforts are:

- Has allowed the Acquisition and Finance Functional Communities to reengineer/change their business processes from a labor-intensive paper driven process to an electronic process in support of the DoD's Paperless Contracting Initiative
- Has improved the Contract/Vendor payment cycle time
- Has allowed the Services and agencies the capability to reduce their interest payments to vendors as a result of being able to pay vendors on time and take advantage of the Prompt Payment Act
- Has allowed the DoD to enter information once and share the same information across communities, thus reducing the need to rekey information into other systems/applications and reducing the potential of entering data erroneously
- Has reduced action officer's redundant efforts in obtaining information by being able to access the eBusiness applications for various contractual documents and related information
- Has provided the capability of sharing information across the entire DoD and Federal Government
- Has also assisted in the removal of redundant systems in the various Departments and Agencies to which a contractor must provide information
- Has increased the efficiency of the DoD and Federal business processes thus savings are accrued in time and money

DEFENSE SECURITY SERVICE

1. Background: The DSS Transition & Transformation

In November 2002, the Department of Defense (DoD) made the decision to divest the personnel security investigations (PSI) function and procure these services from the Office of Personnel Management (OPM). This decision is reflected in the President's Budget for Fiscal Year (FY) 2004. DoD will also transfer to OPM approximately 1,850 employees and positions in the DSS currently responsible for performing PSI-related functions. The transfer of the PSI function and the affected DSS employees will ensure that OPM has the capacity to address the critical national need for PSI services on a Government-wide basis through the improved utilization of existing resources within the federal government and private sector. The transfer of the PSI function and DSS PSI employees is expected to occur sometime during fiscal year (FY 2005).

Because of the sweeping changes impacting the Defense Security Service, i.e. transferring a major DSS program out of the Department of Defense, a process is in place to fundamentally change the way DSS measures agency performance for the remaining missions.

In order to ensure the successful implementation of the transformation and to measure the results of the transformation, the agency has developed a prototype Balanced Scorecard (BSC) that will provide the strategic direction and focus to ensure success in these efforts. The BSC will be used throughout the agency to measure our progress and, where applicable and appropriate, our operational performance in meeting the objectives associated with this major initiative. DSS is using the Norton and Kaplan model of balanced scorecard.

DSS' New Mission: To oversee the national security assets in the hand of industry and provide integrated security services to DoD. Integrated security services include, but are not limited to: the National Industrial Security Program; industrial security enhanced with critical infrastructure protection, technology protection, and counterintelligence integration; security education, training, and awareness; and collaborative adjudication services.

2. Results to date:

- a. The Agency is in the process of eliminating a redundant information system for the processing of personnel clearances – DSS has initiated actions to decommission the Case Control Management System and migrating to the Office of Personnel Management's Personnel Investigation Processing System (PIPS) System. (E-Gov and Eliminate redundancy)
- b. DSS and OPM have established a common investigator's handbook and a standard investigation reporting format. (Reduced redundancy)

- c. DSS has supported the design of the DoD Information System for Security, a security migration system to support key functional areas: National Industrial Security Program (NISP), Personnel security Program, and Security Education Training and Awareness, with peripheral support for counter intelligence (CI) and research and technology protection (RTP). Additionally, this system will streamline, standardize and automate, where appropriate, core mission and other support processes such as financial and performance management, measurement and reporting. (e-Gov, Budget & Performance Integration, Financial Management, Strategic Management of Human Capital)
- d. DSS has realigned its accounts to separate its O&M from the DWCF funds. The DWCF is in the process of being reconciled and closed. (Financial Management)
- e. Development of DSS strategy map/scorecard that aligns to the Department of Defense Risk Management Framework/Balanced Scorecard. (e-Gov, Budget & Performance integration, Financial Management, Strategic Management of Human Capital)
 - The Agency scorecard reflects the broad goals of the President's Management Agenda (Budget and Performance Integration).
 - Agency initiatives undertaken to effect the transformation reflect the PMA.
- f. Development of the initial objectives and measures that are strategically focused.
- g. Development of five draft cascaded scorecards for our functional areas that align to the agency's scorecard
- h. Initial integration of strategic initiatives and measures and DoD's PPBE process. (Budget and Performance Integration)
- i. Agency personnel beginning to focus around organizational strategy and evidenced by their participation in this process.

3. The Way Forward.

DSS' next steps are to:

- a. Complete the transition process.
- b. Continue to use the BSC process to implement the Agency's transformation.
- c. Refocus agency leadership meetings around strategy implementation and performance management.
- d. Develop, field, and operate the DoD Information System for Security.
- e. Complete the budget and performance integration piece with the submittal of our performance plan with our POM/BES.
- f. Complete functional area and support area cascades (Financial Management & Human Resources).
- g. Perform personnel skills assessments; identify strategic job families that align with the transformed agency missions; align personal performance standards with the transformed Agency's missions & strategic objectives.
- h. Program for, implement and manage strategic initiatives.
- i. Integrate specific PMA measures developed by the DoD, as appropriate, into DSS corporate level, functional level or operational level scorecards.
- j. DSS goal is to be collecting data on 75% of our newly established measures by end of calendar year 2004.

DEFENSE THREAT REDUCTION AGENCY

The Defense Threat Reduction Agency (DTRA) received an unqualified (clean) opinion on all five of its fiscal years (FY) 2002 and 2003 principal financial statements. This laudable accomplishment is attributable to DTRA's senior leadership placing a strategic focus on the need to achieve a clean audit opinion as well as the tremendous dedication and hard work of many people in various organizations within the Agency and across the Department of Defense (DoD).

The single most important factor was the Agency Director's clear commitment of making the clean audit opinion a top priority and his consistent and constant communication of this goal throughout the Agency. Without this emphasis from the top, it is unlikely that such an accomplishment would have been possible. An unqualified opinion was included in the Agency's balanced scorecard and was cascaded to lower organizations. The entire staff knew the importance of this goal and was proactive in identifying and resolving audit-related issues. When difficult issues arose during the audits, DTRA had the creativity, tenacity, and energy to overcome them. Audit Committee members facilitated efforts to obtain support from external organizations such as the Defense Finance and Accounting Service (DFAS) and Office of the Under Secretary of Defense (Comptroller). The DoD Inspector General's representative provided valuable contributions as a nonvoting member of the Committee.

In a memorandum dated January 13, 2000, the Under Secretary of Defense (Comptroller) directed that the "Other Defense Organizations" prepare stand alone financial statements and have them audited by an independent public accounting firm. DTRA's management immediately took steps to comply with this requirement by contracting with an independent accounting firm to assess our financial posture and then taking corrective actions on identified weaknesses. Careful attention was given to identify the root cause and full impact of deficiencies. These efforts were successful and verified by DTRA's receiving a clean opinion on the first audit of our FY 2001 Balance Sheet. This first audit established beginning balances for DTRA's proprietary accounts, produced audit recommendations, and set the stage for a clean opinion on all financial statements for FY 2002 and FY 2003.

Expanded Electronic Government. In FY 2001, DTRA installed an Electronic Freedom of Information Act Request Processing System (E-FOIA). This system digitizes requested documents for electronic processing (to include review and redaction). It also simplifies providing electronic copies to requestors and provides a digital record of previously released documents. By the end of FY 2003, the average processing time decreased by 37% from the baseline year of FY 1999, resulting in a 65% decrease in the overall FOIA backlog, and a reduction in cases more than 3 years old by 26%. DTRA expects the time to process FOIA requests will continue to decrease as E-FOIA is fully implemented across the Agency.

DTRA manages for results using a Strategic Planning Model that links the DTRA Strategic Plan and supporting Acquisition and Financial Plans to the Agency Performance Plan and its Annual Performance Report. The Performance Plan uses a Balanced Scorecard approach that includes the risk management perspectives as defined by Management Initiative Decision 901. This ensures the Annual Performance Plan supports the Agency's mission, vision, values, and long-term strategic goals and objectives. Scorecards cascade down the Agency's organizational structure, with a DTRA Scorecard consisting of appropriate items from the Directorates' Scorecards. The Agency senior leadership reviews the DTRA Scorecard quarterly. The DTRA strategic plan is reviewed annually and updated biannually. Scorecards are prepared annually for the subsequent two years. The PMA initiatives are being integrated into the Scorecards.

QUALITY AWARDS

DOD Human Resource Agency Civilian Personnel Management System Category: Strategic Management of Human Capital

The Defense Civilian Personnel Data System was migrated to a web-based architecture designed to improve and simplify personnel transaction processing, the delivery of personnel services and retrieval of timely civilian workforce information.

The HR servicing ratio has already achieved significant savings by improving from 1:66 at program inception to 1:77 currently. The DCPDS Economic Analysis projected approximately \$200 million annual savings after full operating capability and the attainment of servicing ratio goals.

Defense Acquisition University

Category: Expanded Electronic Government

The Performance Learning Model developed a Roadmap for e-learning and online Performance Support and built a comprehensive e-learning instructor training program

Productivity gains realized through the implementation of this process were a 87% increase in graduates (from 32,802 in FY98 to over 60,000 in FY03) and \$12.5M reduction of student travel costs (from \$32.5 M in FY00 to \$20M in FY03). Graduates per full-time equivalent faculty increased 22% (from 91 in FY02 to over 113 in FY03). Average cost per student decreased 44% (from \$3000 in FY98 to \$1700 in FY03). All of this was accomplished without an increase in budget or operational funding.

Assistant Secretary of Defense for Health Affairs

Category: Expanded Electronic Government

The Military Health System Information Management/Information Technology Program provides almost instant access to health care services and information. The system acquires, develops, and implements information technology systems that envision, adapt, and develop the platforms for electronic patient records and a standards-based technology that will facilitate interagency and program interoperability. These are the two major requisites for a universal, life-long patient record.

TRICARE Online has 68,289 registered users, averaging an increase of about 1,000 users per week; registered providers/managers now number 15,854 and the number of appointments scheduled, to date system-wide, is 14,645. Defense Medical Logistics Standard Support program realizes a 6:1 return on investment for every dollar invested.

Defense Logistics Agency (DLA)

Category: Expanded Electronic Government

The Document Automation & Production Service transforms the DoD from products printed in bulk, through on-demand output to web-delivered, electronic document solutions.

The Procurement Gateway is credited with generating an *annual cost savings exceeding \$3 million*. Electronic Document Management Service initiative is *saving more than \$11 Million over a 7 year period* when compared to prior processes. The Defense Standardization Program generated for the Department an *annual cost savings of approximately \$5M*. The DFAS Electronic Document Access system has generated an *annual cost savings of \$32.4 million*.

Defense Contract Audit Agency (DCAA) Category:
Strategic Management of Human Capital

The DCAA human capital strategies are part of an integrated strategic planning process

Achieved an average of 260 new auditor hires per year for the past four years. Attained diversity with new hires composition. Delivered an average of 98 hours of training per employee in FY 2002.

Acquisitions Technology & Logistics
Category: Expanded Electronic Government

The Acquisition Domain consists of senior leadership and working representatives from all the Defense Services and Agencies. Working jointly rather than focusing solely on Service-specific issues, they built consensus on the functionality needed for Departmentwide electronic government solutions.

Wide Area Workflow - Receipts and Acceptance - this total end-to-end electronic solution resulted in a cost savings of \$1 million to the DoD. This cost savings is a direct result of processing documents electronically versus by clerks. The savings attributable to the latest version of Standard Procurement System totals \$1.08B. Federal Technical Data Solution introduced a 40% decrease in cycle time. Central Contactor Registration brought the validation time down from over 30 days in 1997 to less than 12 hours today.

Oklahoma City Air Logistics Center
Category: Strategic Management of Human Capital

The Education and Training Partnership teams the Oklahoma City Air Logistics Center with Oklahoma's educational institutions to develop training programs to address areas of critical need.

A General Accounting Office Review of Human Capital Management made Tinker AFB the first defense site to earn a top rating.

Defense Logistics Agency
Category: Competitive Sourcing

The DLA Competitive Sourcing Program follows a systematic approach to centrally managing competitive sourcing opportunities and conducting Most Efficient Organization studies.

Estimated five-year performance net savings of \$355 Million based on eleven studies completed to date since FY 2000. No tentative decisions were overturned based on appeals and only one GAO protest was submitted, which was subsequently denied by GAO for lack of standing. To date the Agency has completed studies on 23% of its FAIR Act 2000 inventory, as compared to the OMB goal of 15% by end of FY 2003.

82nd Training Wing, Sheppard AFB

Category: Strategic Management of Human Capital

Make extensive use of the PALACE Acquire Intern program. Currently, there are 20 interns assigned in the areas of technical training, budget, civilian personnel, and services. Actively recruit employees for Cooperative Education appointments from the Stay-in-School workforce. The civilian leadership training program facilitates productivity and retention.

Reduced by over 60% the number of students not in training status and students who must repeat training. Government Travel Card program decreased interest penalties 96%. Individual Medical Readiness sustained zero discrepancies on Air Expeditionary personnel and equipment. Success rates of over 90% on end-of-course tests for personnel in upgrade training

Defense Logistics Agency

Category: Competitive Sourcing

The Defense Distribution Center Commercial Activities Study Team subjected 16 of the Center's then 22 distribution depots to A-76 competition while maintaining seamless customer support.

Operational cost savings of almost \$200 Million are anticipated.

DCAA

Category: Improved Financial Performance

DCAA developed the Financial Management Reporting System to match accounting information from the DFAS Defense Business Management System against DCAA funding. The system is a report generator that provides management officials with a series of Agency standard budget and accounting reports, and is used to manage the Annual Financial Plans

Budget execution rate for Fiscal Year 02 was 99.74 % of Budget Authority. Reduced the Fiscal Year 2001 accounts receivable balance by 28 percent. Costs are 14 percent lower than the national accounting firms.

90th Space Wing

Category: Strategic Management of Human Capital

The Leadership & Total Force Development program develops opportunities for junior and senior personnel to interact formally and informally for both personal and professional growth and to integrate these opportunities across the officer, enlisted, reserve, and civilian components for total force development.

Has been adopted by many other Air Force Bases to include the Air Force Academy.

Defense Acquisition University

Category: Budget and Performance Integration

DAU implemented a performance-based strategic planning process that also encompasses DAU's performance measurement system, budgeting system, and enterprise resource management systems to ensure that the DAU focuses its resources on those tasks that will support the accomplishment of the strategic goals, and that resource allocation decisions are made in the context of past results.

Student throughput up 87%, staff reduced by 26%, student travel costs down 41%, 300 productive work-years returned to the workplace, online instructional time increased 890%, online graduates increased by 645%. Average cost per student has declined 44%

DCAA

Category: Expanded Electronic Government

DCAA has worked to ensure the maximum use of electronic processes needed to reduce procurement lead time in the award of contracts. From a customer perspective, they have worked with customers to submit their requests for audit electronically and have increased the percentage of electronic proposals and other submissions from contractors.

Electronic requests have doubled since 2000. Forward pricing cycle time was reduced 20%. Cost per direct audit hour were consistently reduced every year since 1999.

Wright Patterson Aeronautical Enterprise Office

Category: Expanded Electronic Government

The Enterprise Knowledge Management (EKM) program enhanced mission efficiency by capturing and automating customer processes and by providing interoperability between their tools and data sources resulting in a visible increase in productivity and a notable reduction in program costs.

Government and contractors predict Economic Service Life Study will provide a 50 percent cycle time reduction, a labor savings of approximately 30,000 hours for each study performed.

DCAA

Category: Budget and Performance Integration

DCAA has developed an integrated, collaborative planning, budgeting and performance process. The Strategic Plan serves as DCAA's long-term conceptual framework for achieving its output goals.

The Agency has been able to consistently meet or exceed its mission objectives.

Office of Director, Administration and Management

Category: Expanded Electronic Government

The Interactive Customer Evaluation (ICE) system is an internet-based comment card system giving the Defense community a way to provide customer feedback on-line. The ICE replaces the old paper comment cards used by most military base support organizations.

40% of people in authorized billets have access to an ICE site on their base. 82% have been satisfied and 66% of the total submissions provided a written comment on the service. One base alone realized a cost avoidance of \$1,015,427.

US Air Force Europe - Surgeon

Category: Expanded Electronic Government

This set of initiatives are a world-class phone/online communication system that: 1) cut telephone waiting time by 51%; 2) offers a broad collection of multimedia tools to show an MTF customizable window and, 3) offers our ultimate customers -our military families, simple phone and online access to a number of open access opportunities. Importantly, this Web-served, browser-based system resides online where it is available to the patient and the staff from home and office.

The overall total annual savings for the command equals total man-hours saved times per man-hour equals \$586,152.