

**DFAS STRATEGIC PLAN  
SEPTEMBER 2004**

**IT'S ABOUT THE  
CUSTOMER**



## DIRECTOR'S STATEMENT



DFAS is on a mission to provide responsive, professional finance and accounting services for the people who defend America. This complex mission involves more than simply paying the members of our Armed Forces. It involves paying and supporting the people and companies who serve those members. It involves providing the financial business intelligence for decision makers to understand the resources they command and to act prudently in allocating those resources in the best manner to succeed in their missions. DFAS exists to enable the men and women who provide national security to perform their missions more effectively and efficiently.

Today, more than ever, the world challenges us. We operate in a more dynamic environment, with a continually changing security and economic landscape. The environment is also more competitive with private industry becoming increasingly capable of providing similar services on the same scale at a competitive price. DFAS's vision is to be the best value to our customer, which requires us to become a world-class finance and accounting organization and to maintain our competitive edge. To continue succeeding in our mission and to achieve our vision, DFAS must take a strategic approach to managing our transformation. DFAS will meet these challenges by being a strategy-based, customer-focused and metrics-driven organization.

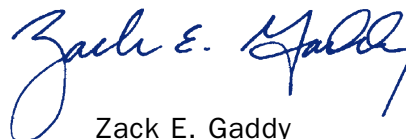
Our strategy must place our customers' needs in the forefront and must be fully informed by the voice of our customers. This strategy must focus less on the outputs of processes and more on the results that matter to our customers. Our strategy must articulate the challenges we face, provide a path for longer term progress that is measured in mid-term strategic targets that satisfy more immediate needs of our customers and fill gaps in DFAS's own core competencies.

For DFAS to succeed in the future, we will:

- Deliver error-free pay services on time. Pay affects people's lives and satisfies their basic needs. A failure in our ability to fully satisfy this basic capability risks adversely affecting the morale and readiness of our military forces at a time when the world demands more from them.
- Provide business intelligence that enhances leaders' ability to make resource decisions. We must provide knowledge that arrives in time to make a difference and in a format and level of detail that can be used easily and effectively.
- Lead a partnership with our customers to anticipate their needs and deploy integrated solutions that enhance financial management capabilities across the Defense enterprise. We cannot take years to deliver systems required to satisfy needs today.
- Attract, develop and retain a world-class work force with the skills, agility and motivation necessary to achieve the DFAS mission. DFAS employees will ultimately determine the agency's success and our ability to serve the men and women who defend America.

This strategy moves DFAS ahead in its transformation journey, moving from a process of integrating ongoing initiatives to a strategy-based process that identifies and directs the necessary initiatives to transform DFAS into a world-class finance and accounting organization. It requires the continued commitment to disciplined management processes and tools including our Balanced Scorecard, Lean6 Program, Portfolio Management, and Business Case Analyses.

Succeeding with this strategy and in our mission demands a total team commitment and effort. DFAS employees have built a tremendous record of excellence of continually making DFAS more effective and more efficient. I know we will continue to deliver results for our customers as we tackle this next chapter in DFAS's transformation.



Zack E. Gaddy  
Director

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# 1: WHO WE ARE: OUR MISSION, VISION, GOALS & CORE VALUES

## **MISSION:**

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Provide responsive, professional finance and accounting services for the people who defend America.

## **VISION:**

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Best value to our customers

World-class provider of finance and accounting services

One organization, one identity

Trusted, innovative financial partner

Employer of choice, providing a progressive and professional work environment

## **GOALS:**

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World-class provider of finance and accounting services

- Fully satisfy customer requirements and aggressively resolve problems to deliver best value services
- Use performance metrics to drive best business practices and achieve high quality results
- Optimize the mix of our military, civilian and contractor work force

One organization, one identity

- Ensure everyone is working toward the same vision and can connect what they're doing to make the vision a reality

Trusted, innovative financial partner

- Establish consultative relationships with leaders
- Deliver business intelligence to enable better decisions

Employer of choice, providing a progressive and professional work environment

- Embrace continuous learning for our work force to ensure critical, high quality skill sets
- Develop the next generation of oF DFAS leadership

**CORE VALUES:**

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***Integrity***

Integrity is doing what is right.

- Uphold the laws and regulations
- Demonstrate accountability
- Communicate openly and honestly
- Treat everyone with fairness and respect
- Follow through on our commitments

***Service***

We are committed to be the Department's trusted financial partner.

- Partner with our customers
- Leverage technology and resources
- Strive for excellence
- Train and develop our employees
- Recognize and reward exemplary performance
- Bottom line - We exist to serve America's best!

***Innovation***

We embrace change and aggressively seek new ways to do business.

- Encourage best business practices
- Invest in leading-edge technology
- Reduce cost and improve quality through leadership and teamwork

## 2: REFINING OUR VISION

DFAS's vision is to provide best value services to our customers by becoming a world-class finance and accounting organization. As we reach for that vision, we will establish objectives and milestones that enable us to measure and evaluate our progress. In addition, we will compare ourselves to other best-of-breed finance and accounting services, private and public, to ensure that we are in fact the best value for our customers.

Ultimately, achieving our vision is dependent on continual improvement of our value proposition in the core functions of our business: paying people, paying vendors and accounting for business events. As we define the value we will generate in the future, we must be informed by the expected changes in our business. Over the next eight to ten years, we expect the following shifts in our business environment and in the way we deliver services.

### ***Our customer profile is evolving and so will DFAS***

The DFAS customer will continue to evolve, both in nature and number. Our customers will develop higher expectations for better quality products and services, and all for a reduced cost. They will become increasingly technology savvy and capable of enhanced self service. Our customer base may grow to include other federal agencies and/or state and local governments.

DFAS customers will demand improved quality for reduced costs. Our customer base may expand to include other federal agencies and/or state and local governments.

As our customers develop higher expectations for products and services, DFAS will need to deliver more value-added products and services. To further position ourselves as advisors while retaining our expertise at payment processing and accounting services, we will need to leverage our core assets such as the ability to look across different customers. As we transform,

DFAS will become an integration broker, aiding them in the application of best business practices and standard business rules and processes. DFAS has already established experience in this arena. For instance, DFAS acted as an integration broker for the U.S. Special Operations Command (SOCOM) when we integrated accounting data from four separate service-unique accounting systems giving SOCOM visibility into previously disparate operational costs.

DFAS will build a better business intelligence capability to integrate information, add

DFAS will become an integration broker by leveraging Business Intelligence to aid our customers in the application of best business practices and standard business rules.

analytical value, and present the information to the customer in a way that is meaningful to them. Business intelligence refers to the collective data, information and expertise we provide to our customers that allow them to make informed decisions.

### ***Our people and our culture will continue to develop***

DFAS employees will be more multi-skilled and better represent the full spectrum of DFAS offerings. The DFAS employee of the future will be more knowledgeable about DFAS business and the customers' business and will be able to apply analytical skills to deliver tailored customer solutions. As the nature of DFAS work shifts, the DFAS employee will have an increased opportunity to look across and know the business of multiple customers. This knowledge should aid in



both the integration and the application of best business practices across our entire customer base. Furthermore, building on our current strengths, DFAS will establish an energized, focused and motivated culture that is committed to customer service, operational excellence, advancement of our employees and professionalism.

Our people will be better able to represent the full spectrum of customer offerings and deliver tailored customer solutions.

***Our customer service model will shift***

As DFAS becomes an advisor to our customers, we will more actively partner with them to better understand, anticipate and meet their requirements. We will deal directly with decision-makers, customer management teams and warfighters to provide high-value and affordable solutions that will help achieve key objectives.

DFAS will establish a culture committed to customer service, operational excellence, advancement of our employees and professionalism.

DFAS customers are becoming more self sufficient and demanding more control over their finances. Using customer self-service solutions, DFAS will enable them to access business intelligence and key financial information when, how and where they need it to make informed decisions about their financial resources. DFAS will launch more initiatives like myPay, a Web-based application that allows customers to have 24/7, real-time access and control of their pay information.

DFAS will foster active customer partnerships, expand customer self-service, and improve access to DFAS products and services.

***Our operations will become even more efficient and effective***

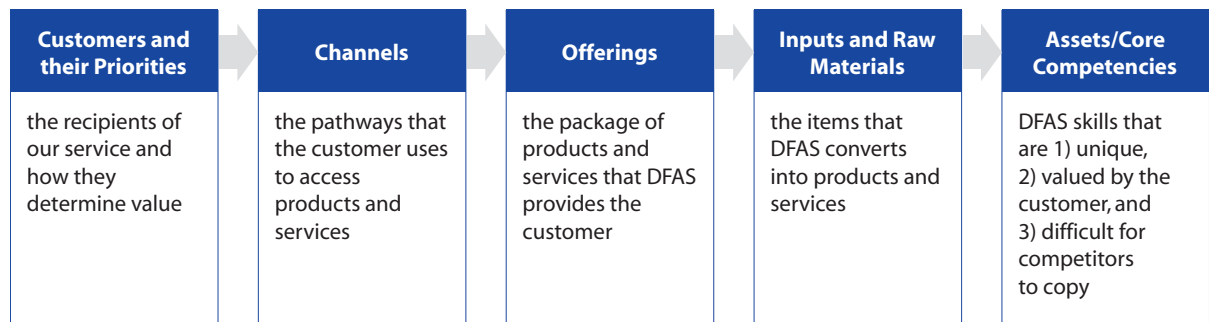
The evolution and development of technology will affect the work that we do, the way we do it, and from where we do it. As DFAS modernizes our current systems and adopts new technology, much of the work performed today will be absorbed in end-to-end automated processes. For example, the implementation of the Defense Travel System (DTS) will automate the travel computation function. As a result, we can realign our resources to higher value solutions for our customers. Technology will also allow us to better integrate business functions through the development of DoD-wide enterprise architecture, allowing for example, personnel and payroll to be sourced from integrated entitlement systems and allow most of the current work to reside with the personnel community. Current initiatives such as the Business Management Modernization Program (BMMP) will help integrate systems, modernize our business processes, develop standard financial data and business processes, and allow us to look at system development through a collected portfolio management system instead of as independent projects.

DoD and DFAS's systems efforts and technology enhancements will automate end-to-end processes, increase integration, and create the possibility for alternate working environments.

Technology will also affect how and where we work together. With the help of wireless technology and virtual workspaces, we will be able to support our customers from many locations. We will transition from a brick and mortar view of DFAS sites to one based on customer needs and DFAS capabilities.

### 3: WHAT OUR CUSTOMERS WANT AND NEED

For DFAS to identify its strategic priorities, we must have a thorough understanding of DFAS from our customers' point of view. The value chain is an excellent tool for this analysis. The value chain provides an external perspective of DFAS's competitive position. This approach starts by determining our customers and their priorities and then describes how our business is designed to meet customers' requirements. The graphic below describes the five components of the value chain.



DFAS Value Chain Model

DFAS is in business to deliver high-value outcomes to our customers and to do this, we must first identify our customers and determine what they want. DFAS has divided the customer base into two categories: individual and organizational. The individual customers are DFAS's first-line payment recipients and the organizational customers refer to our partners in servicing those payment recipients.

#### **Individual Customers**

First-line payment recipients - *Active Duty, Retirees, Reserve/Guard, Civilians, Annuitants/Survivors, Contractors, Spouses/Families, Garnishment Recipients*

#### **Organizational Customers**

Partners in servicing our payment recipients - *Field Level, Major Command, Unified Command, Pentagon/DoD, Other Federal and State Agencies, Congress, Finance Offices, State and Local Tax Authorities*

Both individual and organizational customers have distinct priorities as described below:

**Individual Customer Priorities**

- Timely and accurate payment
- Payment information

**Organizational Customer Priorities**

- Timely and accurate payments
- Payment information
- Timely and accurate business intelligence
- Timely and accurate financial statements

These priorities relate to specific customer desired outcomes such as:

- People paid correctly, on time, every time and where they want it
- Contractors/vendors paid correctly, on time, every time
- All mistakes identified and corrected promptly (100 percent warranty)
- Consistent, complete, timely, reliable financial data available to the customer so they can make informed decisions that support operational and strategic missions
- Superb customer service and professional interactions with DFAS employees
- All financial services at an affordable cost for the customer
- Better operational support to the warfighters and their families
- Enhancements and efficiencies as a result of financial management and analysis

## **4: HOW WE WILL MEET OUR CUSTOMERS' WANTS AND NEEDS: THE FIVE STRATEGIC TARGETS**

As DFAS transforms over the next eight to ten years, our evolution will come in phases. During the next phase of transformation, DFAS will focus on achieving five strategic targets that have been identified based on what we have heard from our customers, legislative and regulatory organizations, and our own internal evaluation.

In identifying the agency's five strategic targets, we have considered three timeframes: we have evaluated where we are today, developed plans that prepare us for our near-term future, and ensured that we will be positioned for where we need to be in our long-term future.

The five targets are to:

1. Pay Service Members what they are entitled to on the scheduled pay date
2. Implement electronic commerce for all Commercial Pay processing by FY 2005
3. Receive an Unqualified Audit Opinion on the FY 2007 Financial Statements
4. Develop a corporate capability to deliver client-unique Business Intelligence by FY 2005
5. Retain, recruit and train a DFAS work force capable of developing and implementing the DFAS Strategic Plan

The first three targets focus on achieving world-class operations in our major business lines — paying people, paying vendors and accounting for events. Without achieving these world-class capabilities, we cannot provide our customers more innovative and enhanced services and solutions. Targets four and five focus on enhancing DFAS's core competencies. These competencies are the foundation upon which DFAS will achieve the previous three targets and become a trusted, innovative financial partner.

#### ***4.1. Pay Service Members what they are entitled to on the scheduled pay date***

##### **Description**

A primary prerequisite for a world-class finance and accounting organization is the ability to pay customers what they are entitled to on the scheduled pay date. By focusing on the quality and accuracy of on-time payments, DFAS will identify and correct pay inaccuracies in advance of payment and will develop a process to communicate any pay inaccuracies, which cannot be corrected in advance of the payment.

This target will require a seven-part process:

- Work with process partners to improve the timeliness and quality of incoming data. This includes field-input organizations such as finance and personnel offices, and communication channels
- Detect errors early and correct identified problems before pay date
- Develop error prevention procedures to isolate the cause and effect and change the process to prevent the errors from happening at all
- Work the system to make sure we have system efficiencies and data integrity
- Make the errors transparent to the customer by developing ways to fix the error before it affects the customer
- Engage all process partners through bi-directional communication and cooperation
- Improve systems work to ensure we focus efforts on resolving customer pay-impacting problems quickly

This concept will incorporate performance intelligence metrics, which include customer intelligence, quality intelligence and process intelligence, and will be integrated within the Military Pay Customer Service Delivery Model. Targeted implementation is for Army Military Pay by the end of FY 2005.

Accomplishing this target is critical to meeting the agency goal of providing world-class customer service. Success depends on the collective efforts of not only agency assets within the areas of Military Pay, Policy, Acquisition Management, Corporate Communications, and Technology Services, but also Service personnel, finance and communication professionals.

If this initiative is not successful we will face continued pay problems, which create financial hardships for our military members and their families. Failure to meet this mission adversely affects the readiness and morale of America's military forces.

## **Outcomes**

### **Customer**

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- Receive accurate and timely pay
- Receive advance notice that a pay inaccuracy exists and is being resolved if the error cannot be corrected prior to pay date
- Receive world-class customer service
- Enhanced communication with process partners
- Reduced costs

### **DFAS**

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- Increase accuracy and capabilities to interface with pay entitling organizations
- Reduce rework and additional corrective transactions because of greater accuracy
- Enhance Department of Defense's readiness, morale and reputation

## ***4.2. Implement electronic commerce for all Commercial Pay processing by FY 2005***

### **Description**

The electronic commerce (EC) goal is to move from a paper-based environment where transactions are entered multiple times, to an electronic environment where transactions are entered once by the source and transmitted systemically to all process partners. This goal enables DFAS to process transactions in a more timely, accurate and efficient manner.

DFAS is assisting with widespread adoption and implementation of EC initiatives within the DoD systems infrastructure to improve financial management and expand electronic government. This strategic goal focuses on electronically capturing, transmitting and storing the components necessary for end-to-end processing by FY 2005.

The current end-to-end processing environment is predominately paper-based. Inefficiencies from paper-based processing and storage result in greater costs to our customers as well as reduced accuracy and timeliness of transaction processing. Though the majority of our current workload is paper, many tools exist to move us towards our electronic processing goal.

Implementing these tools will improve the process through:

- Single source entry — results in improved data accuracy; elimination of redundant data entry; and reduction in unmatched transactions
- Electronic transmission of data — results in lower postage, handling and document management costs; reduction of lost or misplaced documents; and more timely availability of data
- Electronic storage of data — provides capability to view and track transactions throughout the process; results in fewer customer service calls for transaction status

Accomplishing this strategic goal enhances DFAS's ability to provide services at a competitive price and therefore remain a provider of choice.

Achieving this goal requires a cooperative effort between DFAS and our Service and industry partners. The Services must develop a deployment strategy to ensure their members are properly trained and are using available tools. Equally important is the effort the Services must make in working towards standardization of processes and business rules. Industry must comply with electronic invoicing and payment mandates. Contractors and vendors must register in the Central Contractor Registry to provide electronic file transfer (EFT) payment routing information and must submit invoices electronically using approved methods.

### **Outcomes**

#### Customer

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- Lower transaction processing costs, reduced interest penalties, and increased discounts earned will reduce our customers' cost
- Increased cash flow to Vendor/Contractor customers

#### DFAS

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- Provide services at a reduced cost — For DFAS, streamlined processing results in the ability to provide our services to our customers at a reduced cost
- Increased quality of service — Electronic processing results in reduced data entry and a reduction in erroneous transactions. Resources focused on these areas can be redirected to concentrate on process reviews. This further enhances the quality of service DFAS can offer customers

### ***4.3. Receive an Unqualified Audit Opinion on the FY 2007 Financial Statements***

#### **Description of the Target**

Audited financial statements are expected to provide timely, reliable and useful information to the DoD program managers, Congress and the public. They facilitate effective allocation of resources and enhanced assessment of management performance and stewardship. Receiving an unqualified opinion provides assurance that every line on the financial statements has reliable data that are traceable to source records and were posted in accordance with laws and regulations.

Our target is to deliver FY 2007 financial statements capable of receiving an unqualified audit opinion. Our goal is to establish a reliable and repeatable end-to-end process to produce statements that contain timely, reliable and useful information—statements that can and will be used to manage the Department.

Audited financial statements consist of six key statements: Balance Sheet, Statement of Net Cost, Statement of Net Position, Statement of Budgetary Resources, Statement of Financing and Statement of Custodial Activity. The Office of Management and Budget (OMB) has mandated that, along with preparing consolidated DoD-wide audited financial statements, that nine component reporting entities also prepare annual stand-alone audited financial statements. In addition, the DoD Chief Financial Officer requires that eleven Defense agencies prepare their own stand-alone financial statements. Several of these Defense Agency statements have been audited by certified public accounting firms and have received favorable audit opinions. The OMB-mandated entities are:

- Consolidated DoD-wide
- Army General Funds
- Army Working Capital Funds
- Navy General Funds
- DoD Medicare-Eligible Retiree Health Care Fund
- Air Force General Funds
- Air Force Working Capital Funds
- Military Retirement Trust Fund
- Navy Working Capital Funds
- U.S. Army Corps of Engineers (Civil Works)

Achieving this target requires a partnership between DFAS and our customers. In moving toward this target, initiatives will need to address standardization of business processes and systems and focus on resolving long-standing material weaknesses. DFAS initiatives must focus on fixing those deficiencies that are under our control, such as reconciling our cash balances with those maintained by the U.S. Treasury. We must also be the trusted, innovative financial partner for our customers by



providing professional support to assist them in overcoming some of their major issues, as well. To that end, we have worked with our customers to develop plans to resolve longstanding problems that are barriers to a clean opinion.

## **Outcomes**

### Customer

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The primary impact on our customer will be enhanced business intelligence and a foundation for accumulating reliable cost information the Secretary of Defense needs to run the Department in a business-like fashion. In addition, our customers will be able to:

- Use reliable information to support the budget deliberation process
- Receive enhanced analysis and integration of budget and performance information through improved data quality
- Improve trust of the Department's fiduciary performance from the Congress and taxpayers
- Contribute substantially to the Federal Government's goal of an unqualified audit opinion on the Financial Report of the US Government

### DFAS

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For DFAS, the watermark achievement of providing auditable financial statements is a quantum leap forward in the incremental realization of our agency's vision of becoming a world-class provider of finance and accounting services and trusted, innovative financial partner. We will also:

- Correct our material weaknesses
- Enhance DoD's capability to participate in reconciling buyer-seller transactions with other federal agencies
- Improve timeliness of collections through increased visibility of accounts receivable data
- Monitor and reduce erroneous payments through greater visibility of accounts payable data
- Reduce cost of operations and improve efficiencies through streamlined and standardized business practices

#### ***4.4. Develop a corporate capability to deliver client-unique Business Intelligence by FY 2005***

##### **Description**

This strategic target delivers a seamless, integrated business intelligence capability to our customer base. This effort will also result in making delivery of customer-unique business intelligence solutions a core competency within DFAS. The end state of the target is to move beyond the DFAS successes in place today (e.g., the ASK-FM Army Financial Management Dashboard, the Business of DFAS Dashboard, etc.) to an integrated solution that provides value-added information to both DFAS customers and DFAS decision makers. Business intelligence development under this target will capitalize on the data integration already in place in the DFAS enterprise and deliver:

- Faster, near real-time access to information
- Instantaneous reach into broad networks of disparate data systems
- Proactive decision-making vs. rear-view mirror looks at historical data
- Broader availability of analytics to more users
- Metrics-driven performance measurement, management and alerts
- Data exchange and analysis among related functions (supply, accounting, finance, logistics, etc.)

Successful integration of business intelligence methods will contribute to our vision of being a world-class provider of finance and accounting services and trusted, innovative financial partner. Hitting the target will also ensure that data we are managing, and the resulting analyses that are formulated and presented, are portrayed as coming from one organization with one identity.

##### **Outcomes**

###### **Customer**

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The development of an integrated and robust DFAS business intelligence capability allows our customers to:

- Receive and conduct better enterprise analytics: A robust financial business intelligence capability will enable the customer to combine financial and non-financial information in an enterprise-wide central repository, accessible via the customer's performance management system(s). The customer will be able to model, measure and optimize their organizational resources, operations and behaviors, and decisions, based on reliable, accurate and timely information.

- Avail themselves of relevant, consistent, integrated information: The DFAS business intelligence solution will be integrated into the netcentric vision of the DoD Business Enterprise Architecture (BEA) and will potentially affect everyone who deals with financial and accounting data. A highly scalable business intelligence capability will make consistent information visible, in a secure environment, to any authorized user in the DoD enterprise.
- Improve decision-making with access to more timely information: A business intelligence solution gives our customers more immediate access to value-added, salient, and pertinent information when and where they want it.

## DFAS

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The successful development of a business intelligence solution will provide DFAS with the ability to:

- Support the customer's analytical requirements: The design and development of data warehouses, for data that must be shared across the DoD enterprise, will benefit almost every DFAS function and process. DFAS will be able to combine data sources to create and support a breadth of analytical requirements.
- Enhance our ability to support DoD decision making: A well-constructed business intelligence solution will provide avenues for DFAS to consult with DoD business managers in their decision-making, using information modeling, advanced analytics and expert systems.
- Improve Corporate Performance Management: Timely and accurate business intelligence, to which properly designed performance metrics have been applied, offers DFAS customers and DFAS itself, the opportunity to positively impact business strategy, tactics and operations. This will improve the collective DFAS information base and improve on the way the agency creates, captures and re-uses knowledge to achieve organizational objectives.

#### ***4.5. Retain, recruit, and train a DFAS work force capable of developing and implementing the DFAS Strategic Plan***

##### **Description**

The future of DFAS depends on its ability to retain, recruit and train a dedicated team capable of implementing the DFAS strategy and achieving its mission. This target provides a foundation for achieving the previous four targets by developing robust programs to attract, develop and retain and support the best talent possible, because the cornerstone of any service-based organization is superior people and leadership.

For DFAS to deliver excellent service to our customers, we must focus our efforts toward meeting their needs. To address the wants and needs of our customers, remain competitive and thrive as an organization, DFAS must dedicate resources to develop the people, processes and systems necessary to accomplish our Strategic Targets and provide our customers with the greatest solutions possible.

Action toward the accomplishment of this target in 2004 through 2005 will focus on three core initiatives including:

- Development of a National Recruiting Strategy
- Establishment of Competency Assessment and Skills Inventory program
- Formalization of Succession Planning

The strategic management of human capital is an integral part of the day-to-day business operations within DFAS. The Human Capital Strategy demonstrates the commitment of the organization to support employees in the critical dimensions of human capital: leadership, talent and environment.

Each initiative will be carried out in phases beginning with a planning and design phase, followed by research on best practices in 2004, and continuing with implementation and evaluation in 2005.

## **Outcomes**

### Customer

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To meet the needs of our customers and provide the greatest solutions possible DFAS must dedicate resources to develop the people, processes and systems necessary to accomplish the Strategic Targets. The changes in human capital at DFAS will allow the customer to:

- Obtain consistent, high-quality and seamless delivery of future service offerings that are derived from customer wants and needs
- Receive superb customer service and have professional interactions with DFAS employees
- Have available financial consulting and advisory services

### DFAS

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By defining the skill set of our future employees within the context of our business strategy, we will be able to recruit, support, develop, and retain the talent we need to realize our vision. This will also provide us with the opportunity and resources to:

- Have the right talent with the right skills at the right time for the right cost
- Create and adopt a method to advance successive generations of leadership
- Have a work force that can better self-manage their careers with a clear career path and specific competency development
- Accurately assess and predict current and future work force capabilities and needs
- Rely on a cadre of skilled, trained recruiters to employ and support consistent interview processes and recruiting practices
- Value and manage potential leaders as corporate assets
- Be flexible in the face of changing business factors outside of DFAS

## **5: HOW WE WILL MEET OUR CUSTOMERS' WANTS AND NEEDS: ENABLING INFRASTRUCTURE**

### ***5.1. Technology Strategy***

DFAS's technology strategy is integrated and capabilities driven. It evolves DFAS to the future Business Enterprise Architecture compliant environment where Enterprise Resource Planning initiatives are used to integrate functions across organizations and provide a single-threaded process to produce auditable financial statements. It provides the foundation for acquiring and implementing new capabilities to further the DFAS business strategy. This systems strategy has several focus areas:

#### ***5.1.1. Standard Business Practices***

DFAS will serve as the finance and accounting subject matter expert in support of the Business Management Modernization Program and the applicable Domains to develop, implement and maintain standard business practices and rules governing performance of the department's financial management operations. Observing these practices and rules will ensure compliance with the business architecture. These business rules will provide a basis for evaluating future system solutions for compliance with the architecture to facilitate the transition to an integrated DoD business enterprise architecture. In addition DFAS will support domain analysis of solutions that extend and comply with the target architecture. The outcome will be standard business rules and solutions that implement the Business Enterprise Architecture.

#### ***5.1.2. Implement Enterprise Resource Planning (ERP) Solutions***

DFAS will partner with our customers to implement ERP solutions that meet the core mission needs of our customers' business environment. ERP solutions will eliminate the existing DFAS-owned core accounting systems, people pay systems and some commercial pay systems. DFAS will serve as the subject matter experts to ensure these solutions are integrated and implemented consistent with the business enterprise architecture.

### **5.1.3. Near-Term Capabilities**

Near-term capabilities include BMMP approved solutions that complete our previous systems migration strategy, provide solutions that are forward compatible to the planned architecture, and evolve infrastructure capabilities to enable the DFAS strategy. These near-term capabilities will accomplish two primary objectives: (1) deploy common defense-wide capabilities and (2) eliminate redundant obsolete systems. These capabilities will be complete within two years, are based on a near-term return on investment and/or mission critical, interim need. They will transition to the target architecture as ERP solutions are identified and implemented in a timeframe driven by availability of ERP components in the BEA.

#### **Common DoD-wide Capabilities**

- Defense Travel System (DTS)
- Intra-Governmental Transactions System (IGTS)
- Defense Departmental Reporting System (DDRS)
- Defense Cash Accountability System (DCAS)
- Data Integration/Translation Capabilities
- Defense Integrated Military Human Resources System (DIMHRS)

#### **Eliminate Redundant/Obsolete Systems**

- Forward Compatible Pay System (FCP)
- Defense Industrial Financial Management System (DIFMS)
- Defense Working Capital Accounting System (DWAS)
- e-BIZ
- General Accounting & Financial System (GAFS-R)
- Mechanized Online Contract Administration System (MOCAS-R)
- Deployable Disbursing System (DDS)

#### **5.1.4. *Improve Current Operational Environment***

This focus area will change current systems to improve operations, reduce cost and/or increase the timeliness and accuracy of financial management information. These types of changes could include database consolidations, workload migration between systems, and interface automation through electronic commerce. Approval of changes will be based on a business case analysis and the value toward achieving DFAS strategic targets. Current systems improvements are intended to be "quick wins" that can be accomplished within 12 months with a return on investment within 24 months.

#### **5.1.5. *InfoStructure Enterprise Services***

Timely and trusted delivery of the right information anytime, anywhere is dependent on a seamlessly integrated robust Information Infrastructure (InfoStructure). The InfoStructure Enterprise Services strategy implements the foundational infrastructure components required to support DFAS's and our customer's information requirements. This strategy includes the technical refresh of our aging infrastructure, which redesigns the current network architecture to implement industry standards, enabling DFAS to more rapidly use innovative technologies at a lower cost and simplify the management of our enterprise local area network. Also, it allows us to use the DoD IT infrastructure and take advantage of critical capabilities including: expanding the bandwidth of the global information grid (GIG), increasing interoperability as DoD transitions to internet protocol version 6, and providing net-centric enterprise services to rapidly, precisely and efficiently discover information to support decision-making needs. This strategy aggressively pursues ePortal adoption to improve and enable DFAS business processes through collaboration and workflow, leveraging the sharing and reuse of information across our enterprise. It also assures protection of the information we process by providing multi-level security for our systems and networks.

Focusing our systems and technology efforts in these areas will transform DFAS and help us and our customers to transition to the DoD BEA. This transformation will equip us with the tools to provide accurate, reliable, and timely information to our customers, and the capability to advise and support our customers and our own business intelligence needs. We will use the same guiding principles to make information available on the network to any authorized user who needs it, when they need it, and where they need it in support of DoD's Net-Centric vision.





## 6: OUR OPERATING ENVIRONMENT

### 6.1. External Influences and Opportunities

#### 6.1.1. Changing Workload and an Uncertain World

World events such as the Global War on Terror, increasing competition in the financial services sector and changing technological security requirements for our customers will require DFAS to maintain agility and anticipate customer needs. As military operational tempo increases, DFAS must increase support to our customers but with fewer resources. Additionally, competition in the financial services sector is increasing, and with that the customers' tolerance for poor quality services decreases. DFAS will need to respond to these changing demands and expectations. As technology becomes more advanced and available, we will need to develop improved security and privacy measures for our customers' personal and financial information. In responding to this changing global environment and increased competition, we will have the opportunity to improve operational support to the warfighter.

#### 6.1.2. Customer

Our customers' requirements, demands and wants will develop and evolve. As DFAS exceeds its basic service goals, customer expectations will increase, and we will need to be ready to deliver the next-generation of financial services and products. As a result, we will have the opportunity to better anticipate customer needs and proactively deliver additional value-added services.

#### 6.1.3. Human Capital

There are a number of personnel-related issues influencing DFAS and our work force, both DoD-related and environmentally influenced.

##### **DoD-related: The National Security Personnel System (NSPS)**

NSPS will change the recruitment, management, reward and advancement of DoD's civilian personnel. It is founded on the principles of fairness and flexibility and focuses on providing the department greater ability to achieve its mission.

##### **Environmental: Economy & Sociological Trends**

As economic conditions change, there will be a changing availability of a skilled work force and resources available for compensation. The public sector is at risk of losing critical knowledge and expertise within its seasoned employee base due to under-developed succession planning and a lack of targeted staff recruitment. In addition, the values and expectations of the work force will be influenced by the offerings of the general job market. To compete for top talent, the public sector will need to provide a more seamless transition to and from the private sector and develop robust technological and virtual workspace and work-flow capabilities.

In response to and in anticipation of these changing dynamics, DFAS must continue to focus on retention, recruitment and training of top talent. These influences provide DFAS with the opportunity to develop a work force with the right skills to meet customer requirements, increase our investment in the development of our employees and adeptly respond to the changing availability of a skilled work force.

#### **6.1.4. Infrastructure**

DoD and DFAS must continue to achieve greater operational effectiveness and make more efficient use of physical infrastructure. To eliminate excess capacity, legislation authorized an additional Base Realignment and Closure round to help the department eliminate excess capacity and increase readiness and effectiveness.

#### **6.1.5. Policy**

DFAS is affected by changes in legislation, Presidential directives, and departmental actions. We need to continue to be compliant and responsive to policy changes through improved organizational performance, integration and consolidation. In doing so, DFAS will be positioned to better serve a broader set of customers. Recent additions of the Department of Veterans Affairs and Department of Energy as ePayroll customers are two examples of DFAS's customer base expanding as a result of our proven value and excellence.

#### **6.1.6. Systems Modernization Efforts**

The DoD is in the process of multiple systems modernization initiatives that include those broad in scope, such as the BMMP, and those specific to a Service component, such as various ERP implementations. These solutions increase the pressure to standardize processes, business rules and systems across functional areas. In addition, DFAS has the opportunity to lead the charge in integration by shifting our role from system developers to system integrators.

#### **6.1.7. Uncertainty of Financial Resources**

DFAS will continue to face uncertainty about financial resources as funding priorities continue to shift from support services to the operational mission and support of the warfighter. As DFAS responds to these changes, we will have the opportunity to create efficient processes and eliminate unnecessary and redundant work. Each dollar saved by DFAS is another dollar that can go toward training, equipping, protecting and supporting America's soldiers, sailors, airmen and Marines.

## **6.2. Internal Challenges and Opportunities**

### **6.2.1. Remaining Focused on the Customer**

DFAS has historically been a process-oriented organization. Since we have traditionally targeted improving our processes to maximize efficiency, we now face the challenge of remaining focused on the actual outcomes for our customers. Through the use of tools such as Lean6 and customer partnership models that involve the customer in helping us redesign our business practices, we will be able to keep our customers and their needs clearly in sight. We will have the opportunity not just to improve our systems and gain additional efficiencies, but more importantly to enable our customers to better achieve their financial planning goals.

### **6.2.2. Human Capital**

DFAS is facing the challenges posed by an aging work force. The average age of a DFAS employee is 49 years. As DFAS employees retire in greater numbers, we are faced with filling those positions with skilled people who have a good understanding of DFAS, our people, and our customers and who are able to deliver the highest value services to our customers. We will address many of these challenges through our Human Capital Strategy and Strategic Target Five that encompasses succession planning, flexible and easily accessible training programs, and a national recruiting strategy. In doing so, DFAS will have the opportunity to develop a more agile and skilled work force who will not only meet our customers' wants, but also begin to anticipate them.

### **6.2.3. Technical and Physical Infrastructure**

DFAS has a history of customized system development initiatives. DFAS is currently shifting from a systems-based technology framework to a portfolio-based framework. We are challenged with continuing and maintaining that transition. We are challenged with thinking strategically about our investments in technology as well as physical infrastructure. Through the use of Portfolio Management, Business Case Analyses, and other organization-wide transformation initiatives, we address these challenges. In doing so, we will have the opportunity to standardize our processes and business rules, transform ourselves from system developers to process partners, increase integration across the enterprise, and maximize our overall efficiency and effectiveness.



## 7: HOW WE WILL IMPLEMENT OUR STRATEGY

To ensure successful implementation of DFAS's strategic plan, DFAS has identified Target Masters responsible for each Strategic Target, launched the development of an Operating Plan, and committed to supporting a set of management initiatives.

### 7.1. Target Masters

To achieve our strategic targets, the DFAS leadership team has identified a "Target Master" for each strategic target. The Target Master is accountable to the Agency Director for the successful implementation of the target. The progress of each target will be reported monthly to the DFAS executive leadership and significant events will be communicated to the DFAS work force.

<b>Strategic Target</b>	<b>Target Master</b>
1. Pay Service Members what they are entitled to on the scheduled pay date	Military and Civilian Pay Business Line Executive (BLE)
2. Implement electronic commerce for all Commercial Pay processing by FY 2005	Commercial Pay BLE
3. Receive an Unqualified Audit Opinion on the FY 2007 Financial Statements	Accounting BLE
4. Develop a corporate capability to deliver client unique business intelligence by FY 2005	Senior Executive
5. Retain, recruit and train a DFAS work force capable of developing and implementing the DFAS Strategic Plan	Senior Executive

### 7.2. Operating Plan

The Operating Plan will identify short-, mid- and long-term objectives, and describe the key initiatives that must be implemented to achieve the desired results. Progress against the Operating Plan will be monitored by DFAS's executive leadership.

### 7.3. Management Initiatives

DFAS will continue to champion a set of management initiatives that contribute to the success of each strategic target and our overall vision. These initiatives help the organization achieve success through increased efficiency, improved business management and more accurate performance measures.

#### 7.3.1. A-76

OMB Circular A-76 establishes federal policy for the competition of commercial activities based on the principle that for the American taxpayer to receive

maximum value for their tax dollars, all commercial activities performed by government personnel should be subject to the forces of competition.

### **7.3.2. Balanced Scorecard (BSC)**

The BSC is a strategy and performance management tool that links metrics to the agency's strategy and provides a balanced overview of four key perspectives: customer, financial, internal business processes and growth and learning.

### **7.3.3. Business Case Analysis (BCA)**

The BCA process is an analysis tool used to identify options, conduct comparative analysis, and provide a transformation recommendation to the DFAS leadership for decision.

### **7.3.4. Capability Maturity Model (CMM)**

A method used to develop and refine an organization's software development process. The model describes a five-level evolutionary path of increasingly organized and systematically more mature processes.

### **7.3.5. Lean6 - Lean Thinking and Six Sigma**

Lean6 is a fact-based method to maximize value and eliminate waste. Lean6 combines the process-improvement methods of Lean Thinking and Six Sigma. Lean Thinking has five key principles:

- Define customer value
- Identify the sequence of activities to create the end-to-end value stream
- Make the activities of the value stream flow
- Let the customer pull products or services through the process
- Perfect the process to achieve standardization and reduce variation

Six-Sigma is a project-based, data-driven method for improvement that looks at the root cause of problems and eliminates variation at the source.

### **7.3.6. Portfolio Management (PFM)**

DFAS is committed to ensuring that strategy drives program-funding decisions. Portfolio Management enables that linkage by allowing leadership to make timely, strategic and tactical decisions for the best allocation of resources.

## 8: ACRONYMS AND DEFINITIONS

**A-76** - OMB Circular A-76 establishes federal policy for the competition of commercial activities based on the principle that for the American people to receive maximum value for their tax dollars, all commercial activities performed by government personnel should be subject to the forces of competition.

**BCA** - Business Case Analysis: The BCA process is an analysis tool used to identify options, conduct comparative analysis, and provide a transformation recommendation (with supporting information) to the DFAS leadership for a decision. It is the preliminary planning step for a transformation initiative. The BCA Process consists of six key steps: (1) launch team, (2) define scope, (3) define current organization, (4) conduct market research, (5) analyze options, and (6) provide a recommendation. The BCA process is normally accomplished over a 3-month period.

**BEA** - Business Enterprise Architecture.

**BI** - Business Intelligence which is the collective data, information and expertise we provide to our customers that allow them to make informed decisions

**BLE** - Business Line Executive

**BMMP** - Business Management Modernization Program: BMMP represents an unprecedented effort to integrate financial management and business operations into a joint Defense Department business enterprise.

**BRAC** - Base Realignment and Closure: Congressional plan passed in 1990 to realign and close military installations to execute DoD objectives more efficiently and effectively.

**BSC** - Balanced Scorecard is a performance management approach that links metrics to the Agency's strategy and provides a balanced overview of four key perspectives: customer, financial, internal business processes, and growth and learning.

**CMM** - Capability Maturity Model: A methodology used to develop and refine an organization's software development process. The model describes a five-level evolutionary path of increasingly organized and systematically more mature processes.

**COTS** - Commercial Off-the-Shelf

**CPBL** - Commercial Pay Business Line

**DCAS** - Defense Cash Accountability System

**DDRS** - Defense Departmental Reporting System

**DDS** - Deployable Disbursing System

**DFAS** - Defense Finance and Accounting Service

**DIFMS** - Defense Industrial Financial Management System



**DIMHRS** - Defense Integrated Military Human Resources System

**DoD** - Department of Defense

**DTS** - Defense Travel System

**DWAS** - Defense Working Capital Accounting System

**EC** - Electronic Commerce

**EFT** - Electronic Funds Transfer

**ERP** - Enterprise Resource Planning

**FCP** - Forward Compatible Pay System

**FY** - Fiscal Year. The 12-month period for which an organization plans the use of its funds.

**GAFS-R** - General Accounting and Finance System - Rehost

**GIG** - Global Information Grid

**HPO** - High Performing Organization

**IGTS** - Intra-Governmental Transactions System

**Lean6** - Lean Thinking and Six Sigma: A fact-based methodology to maximize value and eliminate waste. Lean6 is a fact-based method to maximize value and eliminate waste. Lean6 combines the process-improvement methodologies of Lean Thinking and Six-Sigma. Lean Thinking has five key principles:

- Define customer value
- Identify the sequence of activities to create the end-to-end value stream
- Make the activities of the value stream flow
- Let the customer pull products or services through the process
- Perfect the process to achieve standardization and reduce variation.

Six-Sigma is a project-based, data-driven methodology for improvement that looks at the root cause of problems and eliminates variation at the source.

**Military Operational Tempo** - The speed, frequency and level of activity of a branch or unit of the military

**MOCAS-R** - Mechanized Online Contract Administration System

**myPay** - a Web-based application that allows customers to have 24/7, real-time access and control of their pay information

**NSPS** - The National Security Personnel System

**OMB** - Office of Management and Budget

**PFM** - Portfolio Management: The aggregation, management, and resourcing of a diverse portfolio of initiatives that ultimately allows leadership to make timely, strategic, and tactical decision for the best allocation of resources.

**POA&M** - Plan of Action and Milestones

**SOCOM** - Special Operations Command

**Target Master** - DFAS Executive responsible for managing and achieving DFAS Strategic Target.

**Value Chain Analysis** - The first step in this process is to identify our customers and gain insight into their requirements (i.e., who are they and what they want). The second piece in the value chain is to identify the channels our customers use to communicate their needs and requirements to us. Third, the identification of the offerings (or the specific products and services we provide) allows us to link these back to our customer requirements. The fourth component, "inputs and raw materials," refers to the specific data, information, and products that are supplied to DFAS to deliver the offerings. The final step in the value chain is the identification of the assets and core competencies for the organization. These core competencies are defined in the block below. Typically, core competencies are much broader and strategic in nature than the specific products and services the organization provides.

In the case of DFAS, our assets and core competencies define both our current and future state. Analysis suggests that as technology and customer needs evolve DFAS will generate more value from our unique intellectual capital and the ability to deliver high-value business intelligence than from traditional core competencies of processing transactions.





**DFAS STRATEGIC PLAN  
SEPTEMBER 2004**