



THE SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

- JUL 19 2001

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  
DIRECTOR, ADMINISTRATION AND  
MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Financial Management Information within the Department of Defense

One of my highest priorities is to have reliable, accurate and timely financial management information upon which to make the most effective business decisions. Because we do not always have that information, we must change the Department's business operations and systems.

The Department's business activities include financial and nonfinancial operations and systems. Nonfinancial business operations and systems include those that support the acquisition, medical, transportation, property, inventory, supply, and personnel communities, as well as other communities. Currently, the Department's financial and nonfinancial operations and systems do not work effectively together to produce the most desirable financial management information. Correcting this deficiency is everyone's responsibility.

Toward this end, I hereby establish a Department-wide Financial Management Modernization Program and direct the following:



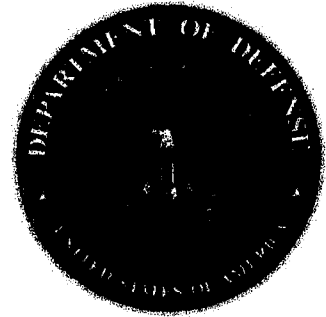
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- The Under Secretary of Defense (Comptroller), in coordination with the Under Secretary of Defense for Acquisition, Technology and Logistics and the Chief Information Officer, shall provide policy direction and oversee the execution of all Financial Management Modernization Program efforts.
- A Program Management Office shall be established and shall report to the Under Secretary of Defense (Comptroller). The Program Management Office shall develop a DoD-wide blueprint--an Enterprise Architecture that is consistent with the Department of Defense Chief Information Officer's Information Technology architecture--that prescribes how the Department's financial and nonfinancial feeder systems and business processes will interact. The Program Management Office also shall be responsible within the Defense Acquisition System for control and oversight of systems development, acquisition, upgrade, deployment, and other changes for all financial management systems and related nonfinancial business systems, to include legacy systems. In addition, the Program Management Office shall perform such other Department-wide Financial Management Modernization Program-related efforts as may be directed by the Under Secretary of Defense (Comptroller), in coordination with the Under Secretary of Defense for Acquisition, Technology and Logistics and the Chief Information Officer.
- The Secretaries of the Military Departments and the Directors of the Defense Agencies shall be accountable to me for the results of their Component's business operations and financial management systems. The Under Secretary of Defense (Comptroller) is responsible for ensuring we meet the objectives of this memorandum and for the overall direction of our financial management reforms.

Modernizing our business operations and systems is a Department-wide priority, and will need leadership at every level. The Under Secretary of Defense (Comptroller) is available as needed to help Components, Services, and Defense Agencies in this effort.



# **Financial Management Modernization Program**



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## **Vision**

The Department of Defense will be managed in an efficient, *business-like* manner in which relevant, reliable and timely financial information, affirmed by clean audit opinions, is available on a routine basis to support *informed decision-making* at all levels throughout the Department.

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## **Scope**

Financial information—necessary to manage the Department's business and report the results of its operations—is a product of *virtually every action* taken by the Department. The scope of this initiative encompasses those defense *policies, processes, people, and systems* which guide, perform or support all aspects of financial management within the Department; from the formulation of budget estimates to the preparation of management reports and financial statements.

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## **Approach**

To achieve the Department's vision for financial management modernization, a Financial Management Modernization Program Office, reporting directly to the Under Secretary of Defense (Comptroller), will employ a two-track approach: *near-term improvements* and *long-term solutions*.

## ***Near-term Improvements***

### **Goals**

- Stabilize the Department's current financial management systems and initiatives.
- Improve public confidence in the Department's ability to manage its finances.

### **Strategy**

- Institute formal processes to 1) constrain the Defense Components' independent financial system investments, and 2) assess the impact of these investments against the Department's pending Financial Management Enterprise Architecture.
- Refocus existing resources and institute initiatives to achieve progress in improving the Department's high-visibility financial management problems. Develop reliable metrics to track and report the results of these initiatives.

## ***Long-term Solutions***

### **Goals**

- Develop an overarching Financial Management Enterprise Architecture.
- Reengineer business practices to emulate, as closely as possible, those of commercial organizations.
- Establish Defense-wide data and process standards.
- Consolidate and modernize the Department's current information systems which perform or support financial management functions.
- Enhance "core competencies" within the Department's financial management workforce and/or augment with private-sector expertise.

### **Strategy**

- Document the "as-is" systems inventory, including interrelationships (interfaces).
- Engage Congress and the Office of Management and Budget to simplify accounting and reporting rules.
- Contract with a world-class consulting firm to develop, in coordination with senior Department officials, the Department's "to-be" architecture.
- Develop a transition plan which directs the Department's investments in interim and end-state solutions.
- Acquire and deploy a modernized suite of integrated financial management systems.



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
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DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
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**SUBJECT:** Financial Management Modernization Executive and Steering Committees

The Secretary of Defense recently implemented a Department-wide financial management modernization program to ensure that the Department's financial management operations are conducted effectively and at least cost to the American taxpayer.

I am establishing the Financial Management Modernization Executive and Steering Committees as the governing bodies to oversee the activities related to this modernization effort. Attached is a copy of the charter for these committees, which supersedes both the Financial Management Steering Committee and the Senior Financial Management Oversight Council.

  
Dov S. Zakheim

Attachment

## **CHARTER**

### **FINANCIAL MANAGEMENT MODERNIZATION EXECUTIVE AND STEERING COMMITTEES**

#### **A. MISSION/PURPOSE**

The Financial Management Modernization Executive Committee is established as an advisory body to the Under Secretary of Defense (Comptroller) for financial management modernization within the Department of Defense (DoD). The overall goal of the modernization initiative is to have reliable, accurate and timely financial information upon which to make the most effective business decisions. The scope of this initiative encompasses those defense policies, processes, people, and systems which guide, perform or support all aspects of financial management within the Department; from the formulation of budget estimates, through execution, to the preparation of management reports and financial statements. The Committee will provide strategic direction, champion program execution, and hold Components responsible for results.

The Steering Committee will advise the Executive Committee concerning program performance, serve as the forum for discussion of Component issues, and provide guidance to the Financial Management Modernization Program Office. These activities include overseeing the process whereby it is determined whether critical accounting, finance and feeder systems, from a single system and integrated systems perspectives, are compliant with applicable federal financial management systems requirements--the Financial and Feeder Systems Compliance Process.

The members of the Executive and Steering Committees whose organizations are responsible for business systems shall be responsible for highlighting to the committees any financial management modernization program impacts that might interfere with the ability of these business systems to accomplish their missions.

#### **B. MEMBERSHIP**

1. Executive Committee membership shall consist of the following officials:
  - a. Under Secretary of Defense (Comptroller) (Chair)
  - b. Under Secretary of Defense (Acquisition, Technology, and Logistics)
  - c. Under Secretary of Defense (Personnel and Readiness)
  - d. Under Secretary of the Army
  - e. Under Secretary of the Navy

- f. Under Secretary of the Air Force
  - g. DoD Chief Information Officer
2. Steering Committee membership shall consist of the following officials:
- a. Principal Deputy and Deputy Under Secretary of Defense for Management Reform (Chair)
  - b. Deputy Under Secretary of Defense (Financial Management) (Vice Chair)
  - c. Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics
  - d. Deputy Under Secretary of Defense (Logistics and Materiel Readiness)
  - e. Principal Deputy Under Secretary of Defense (Personnel and Readiness)
  - f. Deputy Chief Information Officer, Department of Defense
  - g. Assistant Secretaries of the Military Departments (Financial Management and Comptroller)
  - h. Assistant Secretary of the Army (Acquisition, Logistics and Technology)
  - i. Assistant Secretary of the Navy (Installation and Environment)
  - j. Assistant Secretary of the Navy (Research, Development and Acquisition)
  - k. Assistant Secretary of the Air Force (Acquisition)
  - l. Air Force Deputy Chief of Staff (Installations and Logistics)
  - m. Program Manager-Financial Management Modernization Program, Office of the Under Secretary of Defense (Comptroller) (Executive Secretary).
3. The Chairs may appoint additional members to the Committees as appropriate.
4. Attendance at Committee meetings will be by invitation of the Chairs.
5. Representatives from other DoD Components and federal departments and agencies may be invited to participate in Committee meetings at the discretion of the Chairs.

## **C. RESPONSIBILITIES AND FUNCTIONS**

1. **The Under Secretary of Defense (Comptroller) and the Principal Deputy and Deputy Under Secretary of Defense for Management Reform, as the Chairs of these Committees, shall:**
  - a. **Direct the operation of the Committees**
  - b. **Preside at Committee meetings**
  - c. **Approve the agenda for each meeting**
  - d. **Determine the frequency of meetings**
  - e. **Provide the Committees with the strategic direction for the Financial Management Modernization Program and identify areas where advice is needed**
  - f. **Monitor the progress of the modernization effort**
  - g. **Have final decision authority for all business of the Committees**
  - h. **Provide periodic updates to the Secretary's Senior Executive Council**
  - i. **Establish special committees, as determined appropriate by the Committees.**
2. **The Program Manager-Financial Management Modernization Program, as the Executive Secretary of the Steering Committee, shall:**
  - a. **Provide information on the progress of the modernization effort to the Chair**
  - b. **Identify issues to the Chair that require Committee attention**
  - c. **Schedule Committee meetings**
  - d. **Provide advance material to the Chair and members**
  - e. **Ensure preparation of documents reflecting decisions by the Chair**
  - f. **Followup and report on implementation of actions directed by the Chair**
  - g. **Prepare and disseminate minutes for each Committee meeting.**