

DEPARTMENT OF DEFENSE ESTABLISHES FMS FINANCIAL MANAGEMENT
IMPROVEMENT PROGRAM (FFMIP) OFFICE

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INTRODUCTION

In a November 1982 memorandum to the secretaries of the military departments and the directors of the Defense Logistics Agency and the Defense Security Assistance Agency, Mr. Frank C. Carlucci, Deputy Secretary of Defense, chartered a central program office within the DoD to ensure consistent and cost effective implementation of DoD-wide financial management policies, procedures and practices in support of Foreign Military Sales (FMS). In addition to the central program office; there are to be component project offices established within each military department, the Defense Security Assistance Agency and the Defense Logistics Agency. The initiative to establish a central program office and supporting component offices is the DoD response, in part, to Congressional direction to centralize FMS case management. The office is to be under the direction of the Assistant Secretary of Defense (Comptroller) [ASD(C)].

BACKGROUND

During the past several years, the General Accounting Office (GAO) has been critical of the DoD's management of the Foreign Military Sales Program, charging that the program was conducted at great cost to the U.S. taxpayer. As a result of criticisms published in GAO reports, the Congress has been making significant budget reductions in DoD direct appropriations. Justification for the reductions were alleged "underbillings" of foreign purchasers by the military departments.

Earlier, the House Appropriations Committee directed the DoD to centralize the accounting and disbursing for FMS. A test team was established and operated at the Security Assistance Accounting Center during 1980/1981.

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As a result of that test, the DoD determined that while centralization of FMS accounting and disbursing was feasible, it was not cost effective.

The Deputy Secretary of Defense believes that a move to centralized case management would result in substantial disruption and loss of productivity with few, if any, discernible benefits. It is felt that improvement efforts should concentrate on correcting the "nuts and bolts" problems that are known and in developing and refining existing systems and procedures. The DoD earlier initiated efforts to make improvements to Army, Navy, and Air Force Customer Order Control Systems. These improvements were aimed at solving the reconciliation problem between SAAC and Treasury balances and are anticipated as near-term solutions to accounting and disbursing problems cited by the GAO.

The FMS Financial Management Improvement Program (FFMIP) Office is intended to solve FMS financial management problems that cut across organizations and systems within DoD logistics, procurement and financial functions. The approach outlined by Mr. Carlucci is to be from a DoD systems perspective and is based on the structured process provided in DoD Directive 7920.1 and DoD Instruction 7920.2. This process involves life cycle management through reviews conducted at designated decision points by the Major Automated Information System Review Council (MAISRC). This Council is chaired by ASD(C) and will oversee the FFMIP.

It is apparent from the many initiatives taken by the Deputy Secretary of Defense in managing the FMS program that he means business. Initiatives taken by the DoD in improving its business management of FMS over the past decade have been significant. Completion and distribution of the DoD Financial Management Manual (DoD 7290.3-M) was an important initiative. DoD financial managers now have in one manual a single source for financial policy. However, there are still improvements to be made. To that extent, Mr. Carlucci intends that the chartering of the FFMIP be a clear signal to the Congress that the DoD is serious about improving FMS financial management.

The Charter of this new office follows. It should provide the reader with further insight into the workings of the FFMIP Office.

FFMIP CHARTER

SECTION I - GENERAL PROVISIONS

This charter establishes a DoD Program Office to provide centralized and coordinated direction to the Military Departments and DoD Components to ensure the consistent and cost effective implementation of DoD-wide financial management policies, procedures and practices in support of the Foreign Military Sales Program (FMS). The focus of the Program Office will be to improve the FMS functional systems planning process and provide appropriate guidance for the implementation and integration of automated FMS financial management systems. The Program Office will provide FFMIP

direction/tasking directly to the specified DoD Components through project offices located within each Component.

SECTION II - OBJECTIVES

The primary objective of the Program Office is to ensure, through appropriate planning, direction, review and coordination activities, the development of FMS financial management (or related) systems which:

1. Meet the functional requirements established in DoD 7290.3-M, "FMS Financial Management Manual," June 1981.
2. Are compatible, to the extent practicable, among Military Services.
3. Appropriately interface with the Security Assistance Accounting Center.
4. Allow the Services the flexibility to interface or integrate with existing or planned systems.

SECTION III - ORGANIZATION

1. The Program Office will be an organization within the Office of the Secretary of Defense directly accountable to the Assistant Secretary of Defense (Comptroller) [ASD(C)] and will be headed by a Program Director (PD) at the O-6 or higher level (or civilian equivalent). This staff will consist of an appropriate mix of technical and functional specialists from the Components, and administrative/clerical support. The grades of the specialists will be O-4 or higher (or civilian equivalent). The PD will report directly to the ASD(C).

2. Project offices will be established in each Military Department, Defense Security Assistance Agency (Security Assistance Accounting Center) [DSAA(SAAC)], and Defense Logistics Agency (DLA). Each Component project office will be headed by a project manager at the O-5 or higher grade level (or civilian equivalent) and be provided full-time functional membership from the financial and ADP areas. Personnel from other functional areas will be provided when requested by the project manager.

3. The PD and Component project managers will establish a close working relationship. Component project managers will be responsible for coordination, implementation, and integration of program activities within their respective Components. Additionally, each project manager will provide the Program Office with management information and project status reports.

4. A Major Automated Information System Review Council (MAISRC), chaired by ASD(C), will exercise management review at major milestones in the life cycle management process of the systems

encompassed in the FFMIP. This process is outlined in DoD Directive 7920.1 and DoD Instruction 7920.2.

5. An Executive Committee chaired by the Deputy Assistant Secretary of Defense (Management Systems) with equivalent level members from the offices noted below will provide advice and assistance to the FFMIP. The Committee will provide assistance on policy matters and help resolve major issues.

a. Assistant Secretary of the Army (Installations, Logistics, and Financial Management).

b. Assistant Secretary of the Air Force (Financial Management).

c. Comptroller of the Navy.

d. Defense Security Assistance Agency.

e. Defense Logistics Agency.

SECTION IV - RESPONSIBILITIES

The PD will have the following responsibilities:

1. Perform a comprehensive analysis and document the results of that analysis in a Functional Description (FD) which clearly identifies the FMS financial management functional requirements, including case management, necessary to establish accurate and verifiable DoD FMS financial management systems. As part of that analysis, it is necessary to:

a. Review all existing DoD FMS financial policies, procedures, and organizational roles and responsibilities for clarity, consistency and adequacy.

b. Identify organizational, policy, procedural, functional processes or information systems problems impacting implementation of the existing FMS accounting policies and procedures.

c. Evaluate existing FMS financial management systems and associated procedures to determine:

(1) The level of compliance with DoD policy.

(2) Ability to provide financial controls and timely and accurate financial management information.

(3) Cost effectiveness.

(4) The extent to which these systems meet functional requirements.

(5) Actual/potential capabilities to interface with each other when required.

2. Apply and adapt the life cycle management process outlined in DoD Directive 7920.1 and DoD Instruction 7920.2 to accomplish the objectives specified in Section II.

3. Coordinate the activities of the Military Departments and involved DoD agencies in the development and documentation of comprehensive plans to satisfy the DoD-wide functional requirements outlined in the Functional Description.

4. Establish the reporting requirements necessary to monitor the implementation of the approved Component plans. Review and evaluate program accomplishments against the approved milestones and cost criteria.

5. Serve as the program focal point for keeping key Congressional staff and committee members informed on all aspects of the FFMIP.

6. Coordinate on all major planned hardware procurement and software development activities directly impacting on the FFMIP.

7. In coordination with the Components, assess resource requirements and monitor resource utilization. In coordination with the DSAA Comptroller, identify adequate resources for program implementation, including operation of the Program Office.

SECTION V - AUTHORITY

The PD is delegated the authority of the ASD(C) for the planning, coordination and implementation of the FMS Financial Management Improvement Program (FFMIP). The PD is authorized to task the FFMIP project managers to:

1. Provide the necessary technical, analytical and management assistance required to develop the Functional Description.

2. Provide status reports and briefings necessary to monitor the Components' implementation of the FFMIP.

3. Accomplish all other tasks necessary to achieve all the FFMIP objectives noted in Section II.

SECTION VI - REVIEW PROCESS

Reviews shall be conducted at designated decision milestones/points during the automated information system life cycle by the MAISRC. The PD will present required documentation to the MAISRC at the milestones prescribed in DoD Instruction 7920.2. The MAISRC, after its review at each decision point, will recommend to the Deputy Secretary of Defense whether to proceed to the next phase. The

Deputy Secretary of Defense will be the final decision authority and release the System Decision Memorandum.

SECTION VII - CHANGES TO CHARTER

The Program Office can make administrative changes to this Charter. The Charter will be reviewed, as a minimum, annually. Proposed changes arising from the annual review or at other times necessary will be forwarded for Deputy Secretary of Defense approval.

SECTION VIII - TERM OF CHARTER

The initial term of this Charter is three years. It can be renewed or rescinded at the option of the Deputy Secretary of Defense.

IN CLOSING

The FMS financial management problems cited in GAO and other audit reports are pervasive; they cut across all kinds of organizations and systems. The FFMIP is considered a positive step in establishing better coordination among DoD components. The FMS program, by almost any measurement, is a major undertaking by the USG. It is deserving of our best management efforts.

ABOUT THE AUTHORS

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