DFAS: Enterprise Driven Performance

Defense Finance and Accounting Service

Ms. Audrey Davis
Principal Deputy Director
March 13, 2014
Who We Are...

To lead DoD in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information.

To be a recognized leader in DoD's financial management by consistently delivering first-class service and products.

CORE VALUES

Integrity - Service - Innovation
Our Purpose...

$ We pay the people who defend America

$ We pay the contractors who support the warfighters

$ We provide financial information to DoD decision makers
Our Customers...

- All DoD military and civilian personnel, retirees and annuitants
- Defense Agencies
- Major DoD contractors and vendors
- Customers outside the DoD
Our Customers... (Continued)

The Operations Business Model (OBM) provides an enhanced capability for cross-Site analysis by Mission Area and Customer

<table>
<thead>
<tr>
<th>Mission Area Views</th>
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<th>CO</th>
<th>IN</th>
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<td>Retired &amp; Annuitant Pay</td>
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<td>Out of Service Debt</td>
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Customer Views

- Army
- Marines
- Navy
- Air Force
- Defense Agencies

3/14/2014

Integrity - Service - Innovation
Our Diverse Workforce...
Our Operation...

Congress Provides **Funding**

- $527B requested during DoD FY14 Budget Request
- $1.5B for purchase of finance & accounting services

Congress Provides **Cost Authority**

- Authorization to incur costs for services provided
- Bill Services for **revenue** to recover costs in accordance with OSD budget

Note: Funding reflects FY 2014 Department of Defense (DoD) budget request
In FY 2013, DFAS:

✓ Pay Services
  • Paid 6.6 Million Customers
  • Disbursed $579 Billion
  • Processed 161.8 Million Pay Transactions
  • Made 6 Million Travel Payments
  • Paid 10.3 Million Commercial Invoices

✓ Accounting/Account Management Services
  • Accounted for 1,232 Active DoD Appropriations
  • Maintained 270.4 Million General Ledger Accounts
  • Managed $700 Billion in Military Retirement and Health Benefits Funds
  • Managed $21.5 Billion in Accounts Receivables
  • Managed Foreign Military Sales cases valued at $403 Billion
    *(Reimbursed by foreign governments)*
Our Footprint...

Then - 1991

300 Sites
28K Employees
300+ Systems

Now - 2013/2014

<12K Employees
101 Systems
10 Sites
Where We Are Going...

DFAS 2011–2016 Strategy Map

Vision: To be a recognized leader in DoD’s financial management by consistently delivering first-class service and products.

Strategic Results
- Customer Collaboration
  - Achieve clearly defined, negotiated expectations through partnerships that balance task-based requirements, enterprise standards, and cost realities.

- Continuous Improvement
  - Demonstrate a culture of innovation delivering new capabilities and improving existing operations.

- Operational Excellence
  - Achieve service excellence and superior results through a high-performing workforce, effective analytical capabilities, and standardized procedures.

Strategic Objectives
- Increase Employee Engagement
  - Build a Culture of Innovation to Improve Service Excellence
  - Increase Talent Management
  - Leverage Technology

- Improve Customer Satisfaction
  - Improve Cost Efficiencies

- Improve Service Excellence
  - Improve Business Processes and Controls

- Increase Efficiency and Value
  - Through meaningful analysis & collaboration
  - Improve continuous improvement processes/methods
  - Exceed customer expectations

- Improve Processes
  - Improve customer relations
  - Provide proactive, user-friendly products and services
  - Increase quality and productivity
  - Execute standardized operating procedures

Mission: Lead the DoD in finance and accounting by ensuring the delivery of efficient, exceptional quality pay and financial information

Integrity - Service - Innovation
The DFAS Journey to our FY16 Vision

**VISION:** To be a recognized leader in DoD’s financial management by consistently delivering first-class service and products

### FY 2009 thru 2010
- Leaders Embrace Strategic Planning and Execution: Strategic Objectives and the Portfolio of Outcomes, Measures, Targets, and Initiatives are Established

### FY 2011
- Improve Customer Satisfaction
- Improve Service Excellence
- Strengthen Partnering Processes
- Improve Business Processes and Controls
- Build a Culture of Innovation to Improve Service Excellence**
- Leverage Technology
- Increase Employee Engagement*
- Improve Talent Management

**Strategic Objective Owner Roles Mature**
Stakeholder Solicitation and Feedback Occurs

**Strategic Priorities Defined**
Strategic Opportunities and Gaps Identified for:
- Operational Excellence
- Audit Readiness
- ERP Optimization
- Efficiencies

**DFAS Annual Business Refresh (DABR) Implemented**
Annual Business Plan (ABP) Developed and Executed

**2016 Vision and Outcomes Achieved**
- Focus on Completion of Remaining In-progress Strategic Outcomes
- Lessons Learned Vetted and Applied

- Objective Owners and Champions Continue Focusing Contributions on Strategic Outcomes
- Fewer new investments
- ERp Optimization Priority replaced by:
  - Target Business Systems Environment (TBSE)

- Implemented Human Capital Plan designed to support the Target Business Systems Environment
- Supported cost-capped DoD budget targets
- Prioritized and programmed financial resources based on informed cost analysis
- Identified and championed cost saving opportunities for the Department

* Originally “Increase Employee Satisfaction”
** Originally “Build a Culture of Service Excellence and Innovation”

3/14/2014
By end of FY14, we will have…

**Operational Excellence**
1. Achieved 89% Agency Operational Health

**Audit Readiness**
1. Achieved 95% of material/critical FY14 FIAR milestones related to the Schedule of Budgetary Activity (SBA)
2. Completed 100% of customer CONOPS to support SBA audit

**Target Business Systems Environment (TBSE)**
1. Implemented ERPs on schedule*
2. Developed TBSE Human Capital Plan to include optimum org structure and talent management requirements

**Efficiencies**
1. Achieved Agency cost savings targets

*May extend into FY15/16
How we manage our progress
DFAS Metrics Examples

**FY14 Strategic BSC Results At-A-Glance**

<table>
<thead>
<tr>
<th>Perspectve</th>
<th>Objective</th>
<th>Measures</th>
<th>FY14 Q1 Target</th>
<th>FY14 Q1 Result</th>
<th>FY14 Q2 Target</th>
<th>FY14 Q2 Result</th>
<th>FY14 Q3 Target</th>
<th>FY14 Q3 Result</th>
<th>FY14 Q4 Target</th>
<th>FY14 Q4 Result</th>
<th>FY14 Q1 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CUSTOMER</strong></td>
<td>Improve Customer Satisfaction</td>
<td>Annual Customer Survey</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
<td>95%</td>
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<tr>
<td></td>
<td>Annual Customer Satisfaction Survey</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
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<td>95%</td>
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<td>95%</td>
</tr>
<tr>
<td><strong>FINANCIAL</strong></td>
<td>Improve Cost/Efficiencies</td>
<td>% Variances Actual Expenses vs. Actual Goal</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
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<tr>
<td></td>
<td>% Variance Actual Expenses vs. Budgeted</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
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<td></td>
<td>% Cost Savings Achieved</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
<td>5%</td>
<td>3%</td>
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<tr>
<td><strong>INTERNAL</strong></td>
<td>Improve Service Excellence</td>
<td>Agency Service Impact</td>
<td>80%</td>
<td>85%</td>
<td>80%</td>
<td>85%</td>
<td>80%</td>
<td>85%</td>
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<td>Recovery</td>
<td>5%</td>
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<tr>
<td><strong>ORGANIZATION CAPACITY</strong></td>
<td>Leverage Technology</td>
<td>% Work Years Made Available for Repurposing</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>15%</td>
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<td></td>
<td>% Cost Efficiency</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
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<tr>
<td></td>
<td>Improve Talent Management</td>
<td>Customer Service Rating</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
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<td>90%</td>
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<td></td>
<td>Leadership Competency</td>
<td>75%</td>
<td>80%</td>
<td>75%</td>
<td>80%</td>
<td>75%</td>
<td>80%</td>
<td>75%</td>
<td>80%</td>
<td>75%</td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Improve Employee Engagement</td>
<td>Absenteeism Rate</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
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</table>

**FY14 ABP Metrics: Q1 Scorecard**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Metric</th>
<th>Description</th>
<th>Q1 Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Excellence</strong></td>
<td>ACH (EBC)</td>
<td>The purpose of this measure is to assess, analyze and report overall Agency (Operational Health)</td>
<td>86.95%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agency Operational Health - (ACH)</td>
<td>Measures utilized for this goal measurement: All organizations</td>
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<td></td>
<td></td>
<td>Performance 90%, Cost 90% and Schedule 90% weighting</td>
<td></td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>CDRB 1-3</td>
<td>This measure is a composite score of the following: (1) - SACC, (2) - Self Reviews, (3) - EMF &amp; IAM</td>
<td>95.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The following agencies are included in the goal: Military Services, DLA, MDA, DARPA, DSS, TMA</td>
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<tr>
<td></td>
<td></td>
<td>Critical/ material milestones included in the rating are as follows:</td>
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<td>SACC: 5 phases (discovery, evaluation, assertion, validation, examination)</td>
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<td></td>
<td></td>
<td>Self Reviews and EMF &amp; IAM: controls documented, controls tested, controls implemented</td>
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<td>Composite score is a two-part timelessness rating</td>
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<td>Part 1 - Schedule Performance Index (S/P of work completed)</td>
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<tr>
<td></td>
<td></td>
<td>Part 2 - % milestone completion prior to assertion date</td>
<td></td>
</tr>
<tr>
<td><strong>Audit</strong></td>
<td>CDRB 4</td>
<td>DFAS will ensure that each PAM AU included in the goal has a complete draft CONOPS that supports the requirements as defined by OBO</td>
<td>89.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DFAS will ensure that each PAM AU included in the goal has a complete draft CONOPS that supports the requirements as defined by OBO</td>
<td>89.1%</td>
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<tr>
<td></td>
<td></td>
<td>Draft CONOPS will be measured in this goal; draft is the version provided for component review</td>
<td>89.1%</td>
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<tr>
<td></td>
<td></td>
<td>The following agencies are included in the goal: Military Services, DLA, MDA, DARPA, DSS, TMA</td>
<td>89.1%</td>
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<tr>
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<td>Success is measured against assertion date (CONOPS must be completed prior to assertion)</td>
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<tr>
<td><strong>ITSEC</strong></td>
<td>EDP Plan Execution</td>
<td>Progress against schedule milestones</td>
<td>2.92</td>
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<tr>
<td><strong>ITSEC</strong></td>
<td>TBSE Human Capital Plan Execution</td>
<td>Progress against schedule milestones</td>
<td>2.92</td>
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<tr>
<td><strong>Efficiency</strong></td>
<td>% Cost Savings Achieved (EBC)</td>
<td>Measure indicates the variance in the year to date (YTD) savings of actual cost in FY14 by comparing YTD actual execution with YTD Budget Plan for the same period</td>
<td>2.92%</td>
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<td>DFAS leadership provided the following savings targets:</td>
<td>2.92%</td>
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<td>Agency 4.6% from PS14 (FY14)</td>
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<td>DO 12.6%, DOD 4.0%, DD: 5.2%</td>
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<td>Total agency cost excludes depreciation, agency withhold, and any agency adjustments</td>
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Agency Health: The Foundation

**Program Goal**

Manage the Agency like a business*

**Vision Statement**

Establish an enduring performance management capability enabling every level of management to effectively plan, measure, and manage operational health

**Objectives**

- **Performance Measures and Indices**
  - Cascade/Manage Standard Performance Data to Support Analysis at All Levels
- **Goals and Targets**
  - Develop Standard Measures and Assess Performance Against Targets
- **Multiple Views of Operational Health**
  - Support Decision-Making Capability at the Site, Product Line, and Customer Levels
- **Single Source of Performance Data**
  - Identify Proponents for All Performance Elements to Establish Single, Objective Sources of Data
- **Leadership and Accountability**
  - Establish Clear Accountability for Goals, Targets, and Performance Reporting at All Levels

* Has application to other like DoD activities
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*Has application to other like DoD activities*
Creating a Performance Management Culture

Key Outcomes

2008 – 2010

- Established performance, cost, and workload drivers within Operations
- Created measurement framework (SIPPCs to KPIs to metrics and reports)
- Developed central data repository for data collection, reporting, and analysis
- Implemented E2E analytical capability to assess performance

2011 – 2013

- Implemented automated reporting with integrated analytics
- Cascaded framework to the Strategy and Support Organizations
- Developed an integrated Agency Operational Health capability
- Implemented Mission Area Reviews
- Developed Army Customer View

2014 – 2015

- Develop Audit Readiness Model
- Develop Customer Views for all Services to support customer relationship management
- Develop the Corporate Business Model
- Continue to increase capability to predict and adapt to internal and external changes
Audit Readiness Model
Enabling Management Decisions at All Levels

### Performance Manager
- DFAS Director, Agency Executives
  - Corporate Business Model (CBM)
  - Audit Readiness

### Performance Model
- DFAS Director, Agency Executives
  - Manage Agency Mission and Resources
  - Manage Agency Strategy Execution
  - Manage overall Agency Operational Health
  - Track Audit Readiness progress/milestones

### Purpose
- Operational Directors, Operational Managers
  - Identify Operational Improvement Opportunities
  - Manage Resources

- Customer Management, Client Executive Teams
  - Manage performance and priorities in alignment with customer requirements
  - Communicate performance to customers

- Supervisors and Managers
  - Analyze and manage monthly performance in alignment with Agency and customer priorities

---

**Strategic**
- Is the Vision being achieved?

**Operational**
- Are business outcomes being achieved?
- Are customer requirements being met?

**Tactical**
- Is the day-to-day operation efficient/effective?
- Are improvement targets being met?
Where We Are on Our Journey

Legend:
- ✔ Completed
- ★ Where we are

- Establish OBM Framework
- Implement OBM
- Formalize and automate Site Review Process
- Mission Area Reviews
- Implement SSBM
- Implement CBM
- Implement Customer View

- Defense Agencies
- Army
- Air Force
- Navy
- Marines

Features Include:

- Bill Summary
- Workload Summary
- Performance Summary and Scorecard

*Army Customer View provides performance metric reporting and bill summary data to Army customer*
Our Successes