

Defense Finance Accounting Service



JOINT SPS USERS' CONFERENCE



DoD's End-to-End Procurement Process

Jimi Crippen

Commercial Pay Services

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Agenda

- The DFAS Story
- Commercial Pay
- Current and Target Environments
- Key Business Process Changes
- Next Steps
- Plan for Success
- Summary

DFAS Mission

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

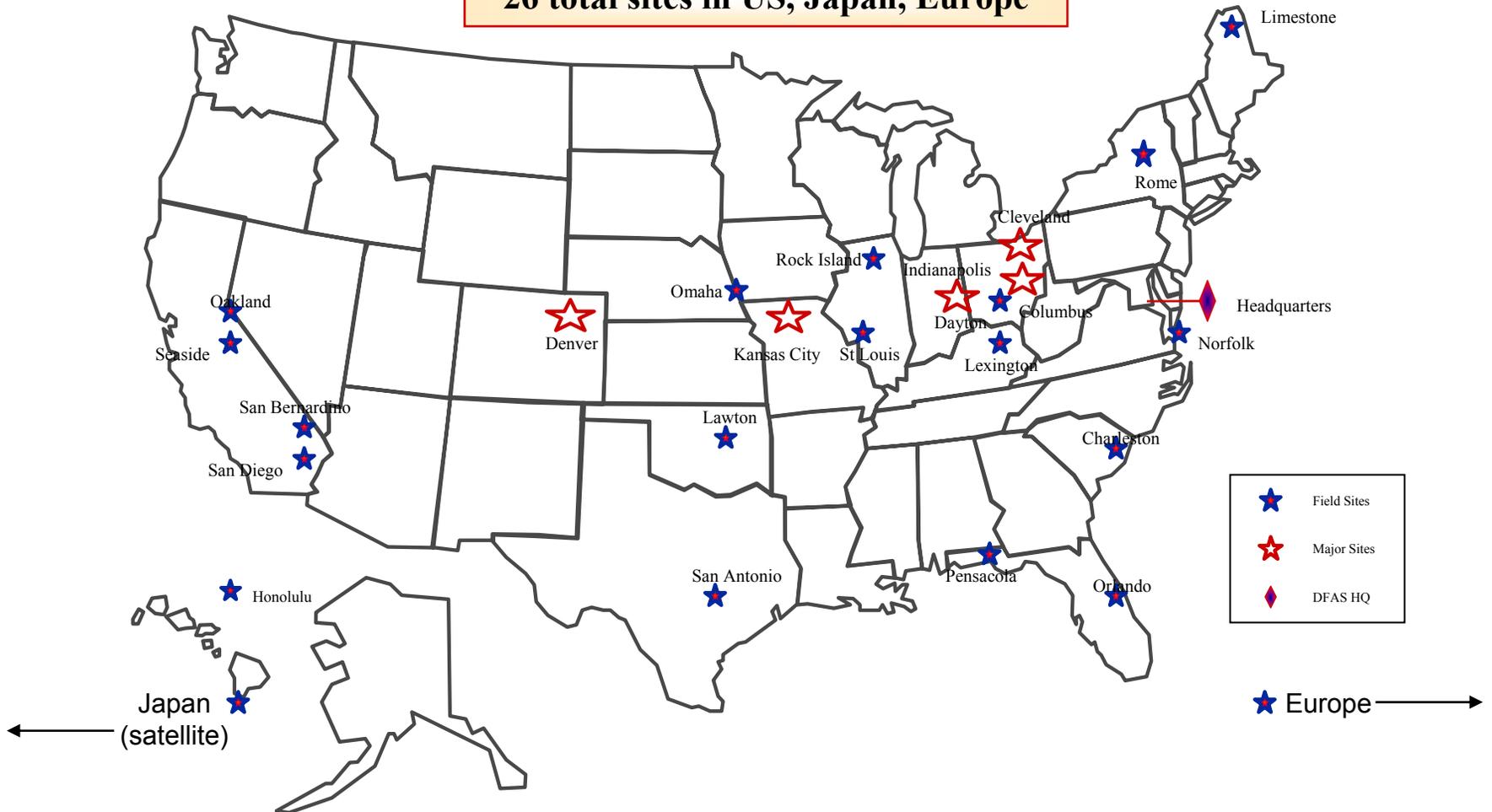


Best Value to our Customers

- World-class provider of finance and accounting services
- Trusted, innovative financial partner
- One organization, One identity
- Employer of choice
 - Providing a progressive
 - And professional work environment

DFAS Sites

26 total sites in US, Japan, Europe



Magnitude of Operations

Annual figures

- 5.5M military, civilians, retirees, annuitants paid
- \$299B in disbursements
- \$13B in Foreign Military Sales
- \$171B Retirement Trust Fund manager
- 100M accounting transactions
- 11M invoices paid
- 6.7M travel payments
- 231 active DoD appropriations

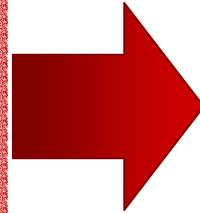
**World's Largest Finance and
Accounting Operation**

DFAS Business Evolution

DBE

Yesterday's Geographical Focus

- **Maintain Status Quo**
- **Geographical Organization
(Centers/OPLOCs)**
- **Site Reductions**
- **Systems Reductions**



Today's Business-line Focus

- **Competitive, Best Value**
- **Strengthened Customer
Partnerships**
- **Business-line Organization**
- **One Organization, One Identity**

DFAS Commercial Pay



Director Commercial Pay
JoAnn Boutelle
Deputy Director Commercial Pay
Steve Worton

Contract Pay -
DCMA Admin
MOCAS

**Contract Pay
Product Line**
Martha Stearns

**Customer Support
and Analysis**
Linda Ferguson

Strategic Business Office
Mary Godwin

**Systems, Quality
and Procedures**
Art Gold

**Vendor Pay
Product Line**
Al Runnels

Vendor Pay -
all non-DCMA



DFAS Vendor Pay & Contract Pay



Contractors (at FYE)

Contract Pay
Vendor Pay

FY00

22,710
Data Unavailable

FY01

16,535

Contracts (at FYE)

Contract Pay
Vendor Pay

324,297

Data Unavailable

300,182

Invoices Paid - Cumulative

Contract Pay
Vendor Pay

960,416

10,833,499

918,544

10,178,277

\$'s Disbursed - Cumulative

Contract Pay
Vendor Pay

\$72.1B

\$77.4B

\$78.0B

\$74.1B



Commercial Pay

Contract Pay Services

- Operates out of DFAS Columbus
- Pays invoices on contracts administered by DCMA
- MOCAS is used by
 - DFAS for payments
 - DCMA for contract administration

Vendor Pay Services

- Operates out of 23 DFAS field sites
- Multiple systems are used to make payment
 - AVEDS, CAPS, DISMS, IAPS, SAMMS, SAVES, STARS
- Pays all other contract invoices
 - Includes transportation payments

Current Environment



- Systemic weaknesses
 - Overpayments to contractors
 - Unmatched disbursements (UMDs)
 - Negative Unliquidated Obligations (NULO's)
 - Inadequate corporate reporting
- Unfavorable Congressional, GAO and public views
- Reform
 - Chief Financial Officer's Act
 - Federal Manager's Financial Integrity Act
 - Government Management Reform Act (GMRA)



Framework

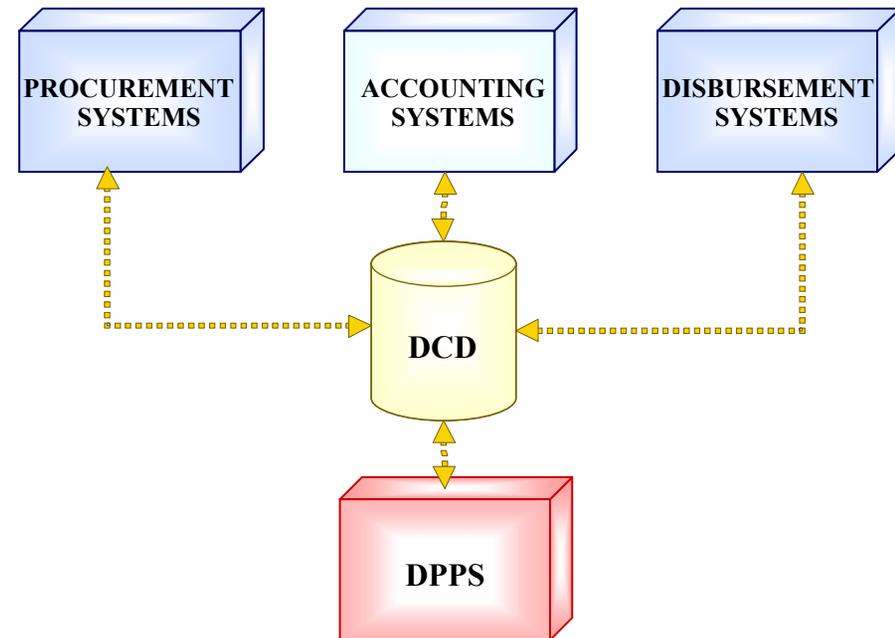
Defense Reform Initiative Directive #47, Dec 1998

“The Department will not receive maximum benefits from process improvements until an end-to-end procurement process for the future environment has been defined and implemented as the basis for a shard data environment. Until this action is completed, we risk developing systems that omit important business functions or will not operate together. We also risk perpetuating problems such as unmatched disbursements and overpayments.”

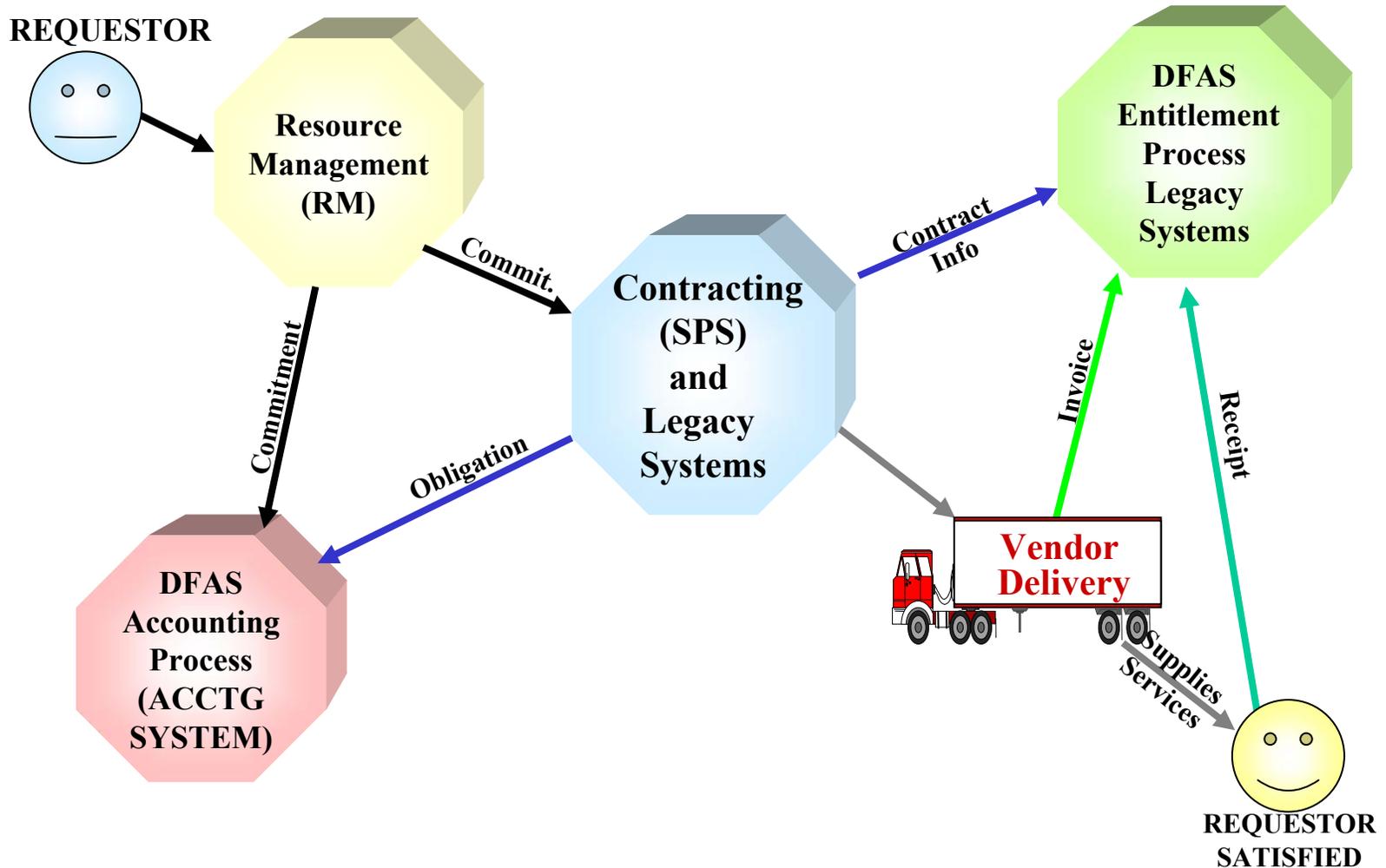


Target Environment

- Latest systems technology and architecture
 - Shared data environment
 - Improved data integrity
 - Standard Data
 - Up-front, input data edits
 - Minimal manual intervention
 - Single point for data entry
 - Electronic vs hard copy data
- Audit trails and internal controls
 - Single point for funds availability

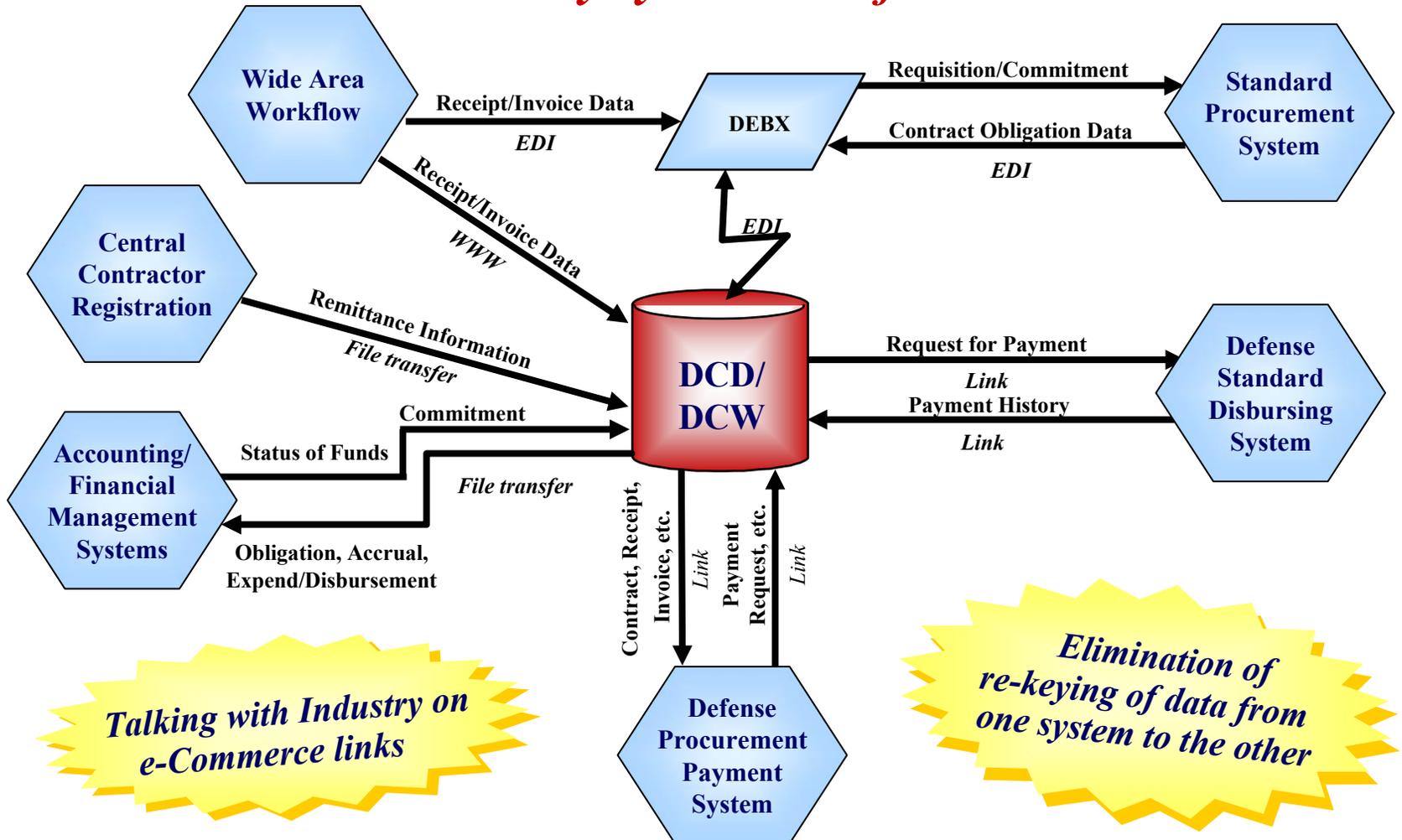


Current Environment



End-To-End Procurement Process

Key system interfaces



Key Business Process Changes

Contract Writing



- Commitment Identification Number (CIN) must be cited on the Contract at the CLIN/SLIN/ELIN level ...
no more contract level funding
- CLIN and currency cannot be changed following payment
- Unit of measure cannot be changed following payment of delivery invoice
- PIIN cannot be changed by contract modification once contract is recorded in DPSS
- All contract modifications that adjust price and obligation must cite specific CLIN/SLIN/ELIN

Key Business Process Changes

Contract Writing

- US progress payments based on costs will be prorated across CLINs with applicable contract clause
- Cost payments must specify CLIN/SLIN/ELIN
- Clauses inserted at the header level of an EDI set 850/860 apply to all lines of the contract
- All payment requests to include those for transportation charges and other traditional miscellaneous charges must be CLIN/SLIN/ELIN specific

Key Business Process Changes Financial Management & CCR



- Financial Management
 - Commitment accounting
 - Commitment used as funds control point
 - Contracting drives funds changes via modifications
- Central Contractor Registration (www.ccr.gov)
 - Timely payments dependent on CCR Registration
 - Remittance per CCR registration
 - Name changes coordinated with procurement officer
 - Certify CCR data annually
 - Ensure EFT information is current

Next Steps

- Publish the Business Rules
- Revise End-To-End Concept of Operations
- DFARS changes
- DoD financial policy changes
- Services and Defense Agencies develop implementation plans

Plan for Success



Communication!

Continue the

Team Effort

Between Contracting Offices

Contractors & Vendors

Contract Administrators

& DFAS

Success requires our cooperative efforts



DFAS



Your Financial Partner @ Work