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Exhibit R-2/R-2a, RDT & E Budget Item Justification					February 2003			
Appropriation/Budget Activity Engineering and Manufacturing Development Defense Wide, Budget Activity 5				Item Nomenclature Financial Management Modernization Program PE 0605016D8Z				
Cost (\$ in Millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total PE Cost	98.521	67.838	84.688	9.861.0	0.0	0.0	0.0	0.0

A. Mission Description and Budget Item Justification**BRIEF DESCRIPTION OF ELEMENT**

This program element is to provide funding for the development and initial sustainment of the Department of Defense (DoD) wide financial management enterprise architecture and the design, development and proof of concept of the “To Be” Defense architecture. The architecture will serve as a “blueprint” to guide and constrain investments in financial management operations and systems. The new architecture is a high priority for the Secretary of Defense and is required for the Department to have timely, accurate and reliable financial data for use in making effective management decisions and achieving favorable audit opinions on financial statements.

Program Accomplishments and Plans/New Starts:**FY 2002 Accomplishments:**

1. Develop and maintain a Department-wide architecture to guide financial management modernization and reform efforts. The resulting architecture is planned to be used to manage financial management systems and business operations across the DoD Components, clearly defining organizational business relationships and functions, and defining technical solutions for the Department’s integrated financial management network. This architecture will be fully validated against current commercial business practices and government business improvement initiatives.
2. Define standard Department-wide data requirements and develop a plan for implementing such standard data requirements. Currently, DoD Components do not employ standard financial management data elements and definitions within their various systems. By defining and implementing DoD-wide standard data requirements, the Department’s financial management systems—as modified and implemented in accordance with the DoD-wide architecture—is expected to increase and provide more efficient interoperability and generate more reliable, consistent and relevant management information.

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Program Accomplishments and Plans/New Starts (Cont.):

3. Document (i.e., map) the flow of financial management transaction data from origin to financial and other management reports. In order to better ensure the reliability, relevance and consistency of financial data used by DoD managers and decision makers, it is essential that such data be subjected to adequate internal controls and processed in accordance with applicable federal and DoD standards. By defining management data requirements and documenting the flow of financial data and the processes that impact such data, the Department expects to be in a position to greatly enhance the quality and veracity of its management information. Selected areas will be further defined to ensure easier implementation of the architecture and provider users will better direction.
4. Develop and implement a process for achieving compliance in the Department's financial and nonfinancial (feeder) systems. Currently, most of the Department's financial management and critical feeder systems do not satisfactorily meet pertinent federal requirements. By bringing its systems into compliance with applicable federal management requirements, the Department expects to be in a position to reduce systems operating costs, generate more reliable data for managers and decision-makers, and achieve more favorable audit opinions on its financial statements.

FY 2003 Plans:

1. (11,580) Maintain and provide updates to the financial management enterprise architecture and transition plan. Analysis support will be provided for potential changes to the architecture. All updates will be configuration managed to ensure an audit trail is maintained.
2. (46,174) Funding budgeted for the Financial Management Modernization Program prototypes will be used to validate the functional and technical designs of the enterprise architecture, at six representative business areas in the Department. These six business areas will be selected to ensure a broad proof of concept of the reengineered business processes. To the extent possible, the prototypes will test the architecture across Components, business lines, and command levels. In FY 2003, the Department will complete business process reengineering and begin the acquisition process for the software solution. Implementation plans will be developed for each prototype site to address; data conversions, training, change management, and interface solutions.
3. (10,084) Execution of the first phase of the enterprise architecture transition plan will be executed. To move the Department from its current "As Is" environment to the desired "To Be" environment will require a phased approach, which will be developed as a requirement of the enterprise architecture. Execution of the transition plan will allow the Department to make progress while moving toward its desired state. Effort such as implementation of Defense standards, Departmental performance metrics and system consolidations are anticipated to be presented as phases of the transition plan.

FY 2004 Plans:

1. (72,995) In FY 2004, the Department will acquire and deploy prototype software solutions to the six different business line activities. Prototyping will include implementation support (such as: interface solutions, data migration, program management), computing/communications services, training, and operational support. The system then be assessed against the Federal Financial Management Improvement Act requirements and we will conduct Operational Test & Evaluation to include interoperability assessments. Also, this will update the architecture.
2. (11,693) Program management support to develop, communicate and implement the change management strategy that supports "To Be" environment. Program support also includes testing and continued risk mitigation.

FY 2005 Plans: In FY 2005, the funding will be used to facilitate changes to the architecture as the architecture is implemented and changes due to approved business changes are applied.

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<u>B. Program Change Summary</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Previous President's Budget	100.000	96.250	113.756	189.545
Current BES/President's Budget	98.521	67.838	84.688	9.861
Total Adjustments	-1.479	0	0	0
Adjustment to Appropriated Value/Transferred Amount	0	-25.000	-27.500	-179.684
a. Congressional realignment	0	0	0	0
b. Congressionally Directed Undistributed Reductions		-1.627	0	0
c. Small Business Innovative Reserve	-1.479	-1.785	-1.568	0

Current Budget Submit/Budget Estimate

Funding: Continuation of new program established in FY 2002.

Schedule: Maintenance of the Department-wide Enterprise Architecture (EA), conduct proof of concept and begin execution of the Enterprise Architecture transition plan. EA and Transition Plan will be completed by May 2003. The proof of concept/prototype sites will started after completion of the EA.

Technical: Not Applicable

C. Other Program Funding Summary: N/A

D. D. Acquisition Strategy: The strategy will be to contract with the private sector for required effort, to include public accounting firms.

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Exhibit R-3, RDT & E, DW Project Cost Analysis										Date: February 2003		
Appropriation: RDT&E, Budget Activity: 5					Program Element: 0605016D8Z					Financial Management Modernization Program		
Cost Categories	Contract Method & Type	Performing Activity & Location	Total PYs Cost	FY 03 Cost	FY 03 Award Date	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	Cost to Complete	Total Cost	Target Value of Contract
Develop Architecture, Data Standards, Transaction Flow and Maintain Architecture	Competitive Blanket Purchase Agreement	BMSI	25.9	8.4	Apr 03	8.4	Apr 04	8.6	Apr 05		51.3	
Independent Verification and Validation	Competitive Time & Material	BMSI	1.2	1.2	Mar 03	1.2	Mar 04	1.3			4.9	
Develop and Implement Compliancy Process for Financial and Non-financial Feeders	Competitive Time & Material	BMSI	15.7								15.7	
Develop Functional Requirements, Data Standards, and Transaction Flow Analysis	In-House	BMSI	55.7								55.7	
Proof of Concept Testing	Competitive Time & Material	BMSI		39.2	TBD						50.4	
Execute Transition Plan	Competitive Time & Material	BMSI		19.0	TBD						19.0	
Prototype Implementation	In-House/ Competitive	BMSI				77.09	TBD		TBD		77.09	

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Exhibit R-3, RDT & E, DW Project Cost Analysis									Date: February 2003			
Appropriation: RDT&E, Budget Activity: 5						Program Element: 0605016D8Z (Continued)			Financial Management Modernization Program			
Cost Categories	Contract Method & Type	Performing Activity & Location	Total PYS Cost	FY 03 Cost	FY 03 Award Date	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	Cost to Complete	Total Cost	Target Value of Contract

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Exhibit R-4, Schedule Profile																				Date:																
Appropriation/Budget Activity RDT&E, 5										Program Element Number and Name 0605016D8Z Financial Management Modernization Program										Project Number and Name																
Fiscal Year	2001				2002				2003				2004				2005				2006				2007				2008				2009			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Enterprise Architecture						▲				△																										
Acquire & Test Software										△				△																						
Deploy to Prototype Sites														△								△														
Compliance Assessment																		△				△														
Deploy Defense Wide																																				

R-4 Schedule Profile - Item No. 20-3 of 20-4

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Exhibit R-4a, Schedule Detail				Date: February 2003					
Appropriation/Budget Activity RDT&E, 5		Program Element Number and Name 0605016D8Z Financial Management Modernization Program			Project Number and Name				
Schedule Profile	FY 2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	
Enterprise Architecture	3-4Q	1-3Q							
Acquire & Test Software		3-4Q	1-2Q						
Deploy to Prototype Sites			3-4Q	1-3Q					
Compliance Assessment				3-4Q					
Deploy Defense Wide					1-4Q	1-4Q	1-4Q	1-4Q	

R-4a Schedule Profile - Item No. 20-4 of 20-4