DEPARTMENT OF THE ARMY

2014 Annual Report on Business Transformation
Providing Readiness at Best Value

13 JANUARY 2014

The estimated cost of report for the Department of Defense is approximately $4,060 for the 2014 Fiscal Year. This includes $10 in expenses and $4,050 in DoD labor. Generated on 2014Jan10. Ref ID: 6-2837C37.

WWW.ARMY.MIL/OBT

TABLE OF CONTENTS

COMPLIANCE STATEMENT

This report fulfills the requirement outlined in Section 901 of the National Defense Authorization Act (NDAA) for Fiscal Year 2012. This legislation directs the Secretary of Defense to submit to the congressional defense committees a report on Department of Defense business systems compliance not later than March 15 of each year from 2012 through 2016. This legislation further directs the Secretary of Defense to include a copy of the most recent report of the Chief Management Officer of each military department on implementation of business transformation initiatives by such department in accordance with section 908 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Public Law 110–417; 122 Stat. 4569; 10 U.S.C. 2222 note).

JANUARY 13, 2014

Serving as the thirtieth Under Secretary of the Army and Chief Management Officer of the Army, it has been my privilege to assist Secretary McHugh as he transformed the Army into a leaner, more cost-conscious organization capable of providing the Nation a ready land force capable of deterring and, when necessary, defeating adversaries.

Much hard work has been accomplished, and there is more to do in these times of fiscal challenge. Yet, as I transmit this Army Business Transformation Report to Congress, I am confident the Soldiers, Department of the Army Civilians, Families, and the supporting contractor force will persevere and never allow our Army to falter. With the support of Congress, the Army will become more efficient by conducting its business operations in more streamlined ways and aligned with private industry best practices where applicable.

This 2014 Army Business Transformation Report to Congress describes the advances the Army has made in describing and optimizing its business processes and supporting information technology systems, the federation of its Enterprise Resource Planning systems, and the Institutional Headquarters transformation efforts. The Army's continued embrace of these aspects of business operations will allow it to operate more efficiently and preserve valuable budget space for our combat forces.

Many of these endeavors were also codified in the *Army Business Management Strategy* that I signed on December 3, 2013. I am confident in the leadership within the Business Mission Area and that we will continue to promote readiness at best value in support of our most critical asset—our Soldiers.
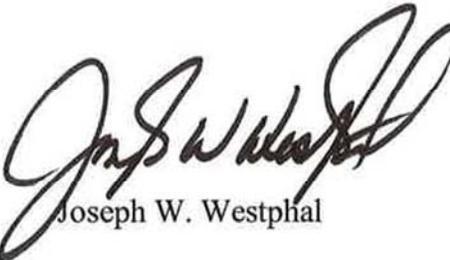
Joseph W. Westphal

Introduction

In 2013, the Army continued transforming business operations to be smarter, faster, and cheaper. Our efforts improved audit readiness, reduced costs, and increased transparency—all so that the Army could be a better steward of taxpayer resources. Army business transformation focuses specifically on improving both the processes and the information technology (IT) systems that support business operations to provide trained and ready forces at best value for the Nation.

> **The Army as a Business**
>
> 1. Scopes to size of a Fortune 5 Company.
> 2. Fourth largest enterprise in world by aggregate manpower.
> 3. Vehicle fleet exceeding world's largest delivery companies.
> 4. More than 700 enterprise-level business systems which exceed $2B annually.

The Army will reduce the size of its business IT system portfolio from 714 to 420 systems through 2018, reducing net programmed costs by over $600 million. We sustained the progress of our Enterprise Resource Planning (ERP) systems within cost, performance, and schedule. Army business process reengineering and continuous process improvement in 2013 conferred over $2.6 billion in benefits and reduced Army fiscal shortfall pressure. The Army also embarked on an aggressive headquarters restructuring effort that will, after completion in 2020, reduce approximately 10,000 military and civilian billets in the Institutional Army and free resources for the Army's operating forces. We will execute efforts to utilize space more efficiently and reduce energy consumption. Over the mid-term, our combined transformation efforts will ameliorate some forecasted fiscal pressure by reducing the annual costs of business operations by $4 billion a year, and we will seek to accelerate and increase these gains.

In years past, the Army established numerous mechanisms which ensured adherence to business transformation actions mandated by law, improved our integration with Department of Defense (DoD) business activities, and fulfilled our Title 10 responsibilities to man, train, and equip the force. The *2013 Army Strategic Planning Guidance* emphasized four areas: supporting Afghanistan operations; ensuring stability of institutional processes that preserve readiness – specifically ERP systems; embarking on a series of activities to improve the agility, transparency, and efficiency of the Institutional Army; and enhancing the effectiveness and efficiency of business process and supporting business IT portfolios to meet DoD requirements – the essence of Army Business Transformation. In late 2013, the Army consolidated all its business transformation mechanisms into one integrated strategic planning document, the *Army Business Management Strategy*.

Improving Governance Over the Business Mission Area

Throughout 2013, the Army improved overall governance of the Business Mission Area and portfolio-based management of Army Business Systems. The Army's refinement in governance over the Business Mission Area reflected strong collaboration across the Army, the DoD Deputy Chief Management Officer, the other Services, the Government Accountability Office, and the Department of Defense Inspector General. The Army aligned its business operations with the Department of Defense's *Strategic Management Plan* and significantly improved the synchronization between the DoD Business Enterprise Architecture and the Army's Business System Architecture. In addition, the Army established the Army Business Council to enhance its federated approach to both business processes and business IT systems. Chaired by the Under

Secretary of the Army as the Chief Management Officer, this governance forum integrates business functions across differing business domains, manages the ERP system federation, synchronizes related activities with the Warfighter and Enterprise Information Environment Mission Areas, shapes business IT investment decisions, and strengthens investment management controls supporting annual portfolio reviews held by the Army Chief Management Officer and the DoD Deputy Chief Management Officer.

> **Army Business Management Strategy**
>
> Goal 1: Assert Army Statement of Budgetary Activity NLT 30 September 2014; Achieve audit readiness by FY 2017.
> Goal 2: Enable cost-informed enterprise governance.
> Goal 3: Improve the efficiency and effectiveness of business operations.
> Goal 4: Provide better alignment between business operations and operational forces.
> Goal 5: Improve business process alignment between the Army and the DoD.

The *Army Business Management Strategy* clarifies the roles and responsibilities of Business Mission Area stakeholders from the Chief Management Officer, through the Army Business Council, and down to individual business system owners. It codifies the alignment between the Department of Defense's Business Enterprise Architecture and the Army's Business Systems Architecture. The strategy provides detailed plans regarding legacy system retirements, systems migrations, portfolio cost reduction activities, integration of the ERP systems within overall portfolio activities, and the target business systems computing environment. Most significantly, the strategy links Business Mission Area investments and compliance requirements to Institutional Army activities and the Enterprise Information Environment Mission Area. Finally, the strategy directs implementation of the Government Accountability Office's recommended Enterprise Architecture Management Maturity Framework.

Governance over the Business Mission Area is divided into three major areas: evolving the Business Enterprise Architecture, managing the business systems IT portfolio, and improving Army business processes.

Evolving Business Enterprise Architecture

The DoD Business Enterprise Architecture provides the direction and compliance requirements for DoD and Service-specific business activities, and it fulfills National Defense Authorization Acts from 2009-2012 by guiding and constraining implementation of interoperable defense business system solutions. The Army's Business System Architecture is derived from the DoD architecture and reflects the totality of Army processes and capabilities across the Business Mission Area. Specifically, the end-to-end processes within the Army's Business Systems Architecture cover all business operational activities performed by the Army and its external stakeholders.

The Army made significant progress in mapping to the 15 end-to-end processes defined by the Department of Defense, and it will continue developing its process and system architecture maps to greater fidelity in 2014. This work is critical to the Army's long-term efforts to improve business process efficiency because it integrates enterprise-wide end-to-end process flows with all the operational activities and business systems of the Army. As the process maps gain granularity, the Army will increase its ability to identify inefficient or non-value added activities with poor return on investment. Further, progress in mapping has enabled the Army to identify

where and how approximately 100 DoD and over 700 Army business IT systems support the hundreds of operational activities that comprise the end-to-end processes.

Through 2013, special emphasis was given to IT systems for certification, audit readiness, interoperability, and investments. As in years past, we focused upon the costs imposed by the IT systems within the business space. However, the largest cost drivers reside in the inefficient processes and the wasted work force effort required to execute those inefficient processes. The maturation of process architecture in 2013 provided visibility of those inefficiencies and costs.

As described, and further directed, in the *Army Business Management Strategy*, the Army's Business Mission Area segment made dramatic gains along the Government Accountability Office-recommended *Enterprise Architecture Management Maturity Framework*. This framework captures best practices in realizing cost savings through consolidation and reuse of shared services, elimination of unnecessarily redundant operations, improvement of information sharing through data standardization, and optimization of services. The Army achieved stage 2 with many completed elements within stage 3 of the GAO framework in 2013 and developed a way ahead to achieve stages 4 through 5 by 2018.

As a component of its architecture efforts, the Army Office of Business Transformation successfully piloted the Enterprise Knowledge Repository with Army Materiel Command in 2013. The Enterprise Knowledge Repository will provide an Army-wide process architecture structure and management capability to ensure accountability, control, and visibility of business processes in real-time. The repository will accelerate the retirement of unnecessarily redundant business IT systems and aid process improvement experts in streamlining enterprise-level processes. The pilot created the conditions for initial Army-wide fielding in 2014.

Managing the Army's Business Systems Portfolio

The direction provided by previous National Defense Authorization Acts, particularly regarding architecture development and business systems investment, helped the Army refine its approach to business systems portfolio management. The Army's plans reduce its $1.9B business system portfolio costs by an overall trajectory of 10% annually while simultaneously increasing systems effectiveness. In May 2013, the Army used portfolio reviews and Department of Defense investment certifications to assess its business investment portfolio. The *Army Business Management Strategy* framed the targets for reducing the number of systems and cost of these systems each year through 2018. While the Army has made great progress in reducing systems costs, three risks challenge the 10% annual cost reduction efforts.

Risk 1. In conjunction with the Army Chief Information Officer's Army Data Center Consolidation Plan and a comprehensive series of internal audits, the Army conducted a two-year inventory and discovery effort of business systems across all of its commands. The Army identified and integrated over 700 business IT systems within its Business Mission Area portfolio. This is an ongoing effort, and the Army is still identifying systems for inclusion within its portfolio. Thus, the aggregate programmed costs and total number of systems identified within the portfolio will likely increase compared to 2013 investment certification estimates.

While increasing the portfolio of identified business systems will increase the reported costs, those costs are already a component of the overall Army program. Identifying and bringing those systems into the business portfolio gives us the opportunity to consolidate systems, reduce process costs, and eliminate redundant systems more comprehensively.

Army Business System Reductions

	FY13	FY14	FY15	FY16	FY17	FY18
Number of Systems	714	655	620	601	515	420

Army Business System Cost Reductions

	FY13	FY14	FY15	FY16	FY17	FY18
Cost ($M)	$1,943	$1,900	$1,640	$1,600	$1,473	$1,303
10% Trajectory	$1,943	$1,749	$1,574	$1,416	$1,275	$1,147
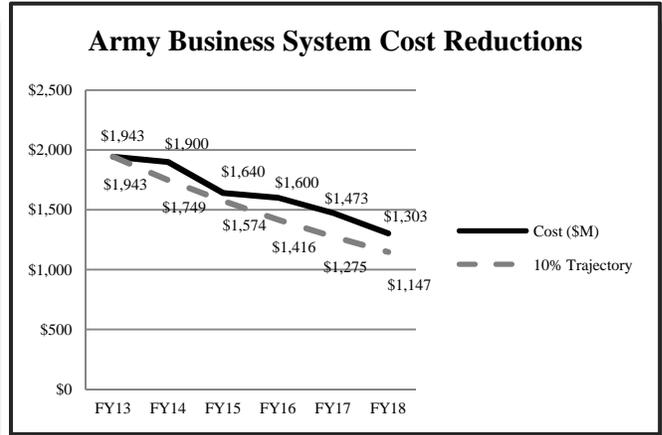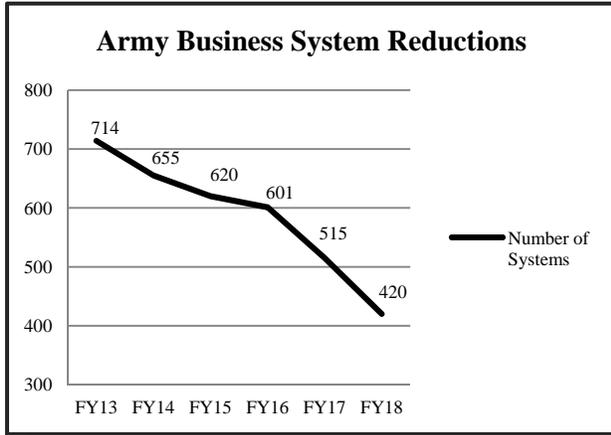
Risk 2. Fiscal austerity reduces the amount of funds available and inhibits program flexibility to modernize core IT systems that are programmed to subsume the functionality of systems scheduled for retirement. In 2013, budget shortfalls and restricted programming authority delayed our ability to invest in the Enterprise Knowledge Repository and to modernize several systems in response to process reengineering initiatives. Further, our limited ability to reprogram funds in 2013 and subsequent cuts to the financial feeder programs increased the Army's challenges in complying with the changing requirements associated with Standard Line of Accounting and Government Wide Accounting standards. To date, Congress has supported the Army's efforts to protect investments in the feeder systems and ERP systems to ensure that we meet our business portfolio goals—particularly in areas affecting audit readiness. Fiscal austerity will force prioritization to the Army's core mission and potentially away from the retirement of systems we have planned across the business portfolio.

Risk 3. In 2013, the Department of Defense Chief Information Officer mandated that all enterprise business systems be migrated to Defense Information Systems Agency data centers by 2018. While this initiative should improve overall services and enhance our security posture, it remains an unfunded mandate for the Army. Since current estimated hosting costs at the Defense Information Systems Agency are projected to exceed current Army costs, there is significant risk that the cost of the overall Army portfolio will increase.

Improving Army Business Processes

Throughout 2013, the Army capitalized on the increasing sophistication of its governance efforts, its growing maturity with enterprise architecture, and its enhanced portfolio management of business systems to execute high-return enterprise-directed business process reengineering and continuous process improvement. We label some of these efforts 'deep dives,' and they provide focus on a specific, enterprise-level problem where the Army could improve process efficiency and optimize those processes supported by IT systems.

As a proof-of-concept for its process reengineering 'deep dives,' the Army initiated an effort to create an auditable and streamlined travel orders process for the enterprise. This 2013 effort combined the operational/process architecture and the systems/technical architecture to depict an "as-is" process map. Army Business Mission Area architects and Lean Six Sigma experts subsequently optimized that process to a preferred "to be" process. As a result, the Army

identified a single solution that it can modify to replace 16 redundant IT systems and their parallel processes. Further, this streamlining enables the Army to achieve audit readiness for all types of travel expenses. The expected savings from this effort exceed $80M over the Future Years Defense Program 2015-2019. This initial effort validates the intentions of the authors of the 2009 and 2010 National Defense Authorization Acts who sought to make optimized operational architecture inform better investment and IT solution decisions.

In 2013, the Army-wide Lean Six Sigma program continued to drive efficiencies into major processes across the Army—1,586 projects which yielded $2.6B in benefits with another 875 projects in progress. Of those efforts, the Better Buying Practices within our acquisition community accounted for almost half of the conferred benefits. These continuous process improvement efforts increased throughput, reduced delays, and improved the effectiveness of the Institutional Army while reducing costs.

Enterprise Resource Planning System Implementation

The Army's four ERP systems create an integrated business environment that enables the Army to fulfill financial reporting requirements, establish end-to-end processes, clarify authoritative data sources, and reduce inefficient or non-value added operations within our business activities. Through a federated approach based primarily on financial controls, the ERPs provide the internal controls, integrated data, and traceability required for a credible financial management system. The General Fund Enterprise Business System (GFEBS) and the Logistics Modernization Program (LMP) are fully fielded. The Global Combat Support System-Army (GCSS-Army) is operational with fielding and improvements underway. The Integrated Personnel and Pay System-Army (IPPS-A) will begin first increment delivery in 2014.

The Army's ERP solutions capitalize on modern, commercial-off-the-shelf technology, are integrated and share pertinent data; but, each centers on a very different functionality.

- GFEBS. A single integrated system for distributing most general funds; maintaining effective internal controls; managing real property accounting, other assets and funds execution in compliance with 5,500 Federal Financial Management Improvement Act of 1996 (FFMIA) and other statutory and regulatory requirements, standards, attributes and business rules; and producing both cost and financial accounting data.

- GCSS-Army. Provides a logistics sustainment and support processes system for tactical unit logistics, installation logistics, and the financial component of those functions across the Army.

- LMP. Provides a range of functionality associated with the national wholesale logistics support mission (including depot operations) and certain logistics lifecycle management activities of Army Working Capital Fund (AWCF) organizations.

- IPPS-A is a web-based human resources system designed to provide integrated, multi-component (Active Army, National Guard, and Reserve) personnel and pay capabilities across the Army. The Army modified its fielding schedule within the program's original scope and schedule to capture lessons learned from limited user testing within the Army National Guard.

High-Level Architectural Process Map Depicting ERP-based Financial Data Sharing
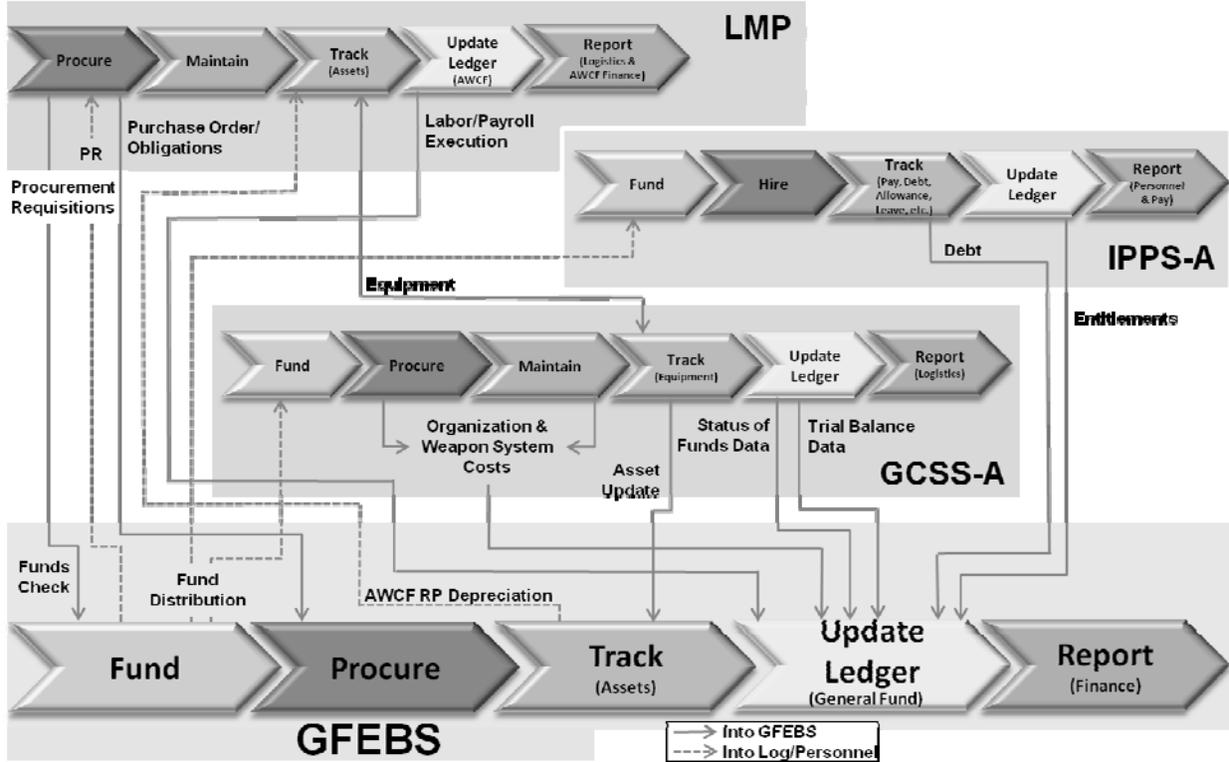
Parallel to enterprise-directed 'deep dives' and Lean Six Sigma projects described earlier, Army leaders executed process reengineering efforts intended to align existing processes to the solution maps resident within the commercially procured ERP systems. These solution maps capture industry best practices and streamline the flow of information and activity within the ERP system. By aligning Army logistics, financial, and personnel processes to these solution maps, the Army reduced interface costs (and their related transactional errors) for IT systems, reduced complexity within the ERP fielding, and simultaneously improved outdated processes within supporting commands and activities.

In 2012 and 2013, the Army conducted monthly internal control tests with validations by external auditors, achieved multiple unqualified or positive opinions regarding audit readiness, and made progress across its core ERP systems. While these audits identified potential problem areas within the ERP federation for audit readiness, all identified challenges can be rectified to meet the 2014 and 2017 targets.

The robust schedule of audits continues through 2017, as described in the following chart:

		FY13	FY14	FY15	FY16	FY17
GFEBS	Monthly internal controls testing by ASA (FM&C) audit team	X	X	X		
	Periodic substantive testing by ASA (FM&C) audit team	X	X	X		
	IPA examination	X	X			
	IPA audit, annually starting in FY 15			X	X	X
	AAA FFMIA assessment		X	X		
	AAA FFMIA assessment for GFEBS-SA, FY 14-15		X	X		
	FISCAM assessment	X	X			
	SFIS asessment, FY13 and continuing	X	X	X	X	X
LMP	Periodic substantive testing by ASA (FM&C) audit team	X	X	X		
	IPA examination	X	X			
	IPA audit, annually starting in FY 15			X	X	X
	IT General Control discovery	X				
	IT General Controls corrective actions	X	X			
	IT Business Process Applications Controls, discovery	X	X			
	IT Business Process Applications Controls, dis‹corrective actions	X	X	X		
	AAA FFMIA assessment, FY13-14	X	X			
	FISCAM assessment	X	X			
	SFIS asessment, FY13 and continuing	X	X	X	X	X
GCSS-A	Monthly internal controls testing by ASA (FM&C) audit team	X	X	X		
	Periodic substantive testing by ASA (FM&C) audit team	X	X	X		
	IPA examination	X	X			
	IPA audit, annually starting in FY 15 (GFEBS-LMP-PADDS interface only)			X	X	X
	AAA FFMIA assessment, FY 13-14	X	X			
	FISCAM assessment, FY13	X				
	SFIS asessment, FY13 and continuing	X	X	X	X	X
IPPS-A	Internal Controls Testing			X	X	X
	Substantive Testing			X	X	X
	AAA FFMIA Assessment			X	X	X
	FISCAM assessment			X	X	X
	IPA Examination			X	X	X

	LEGEND
GFEBS	General Fund Enterprise Business System
GFEBS-SA	General Fund Enterprise Business System Sensitive Activities
LMP	Logistics Modernization Program
GCSS-A	Global Combat Support System-Army
IPPS-A	Integrated Personnel and Pay System-Army
IPA	Independent Public Accounting Firm
AAA	Army Audit Agency
FISCAM	Federal Informatin System Controls Audit Manual
SFIS	Standard Financial Information Structure
IT	Information Technology

Achieving Audit Readiness

This past year, the Army achieved many improvements in financial management and audit readiness. Financial reporting is the unifying thread in our ERP federation and our efforts to support the audit readiness assertion milestones directed in the National Defense Authorization Acts (NDAA) of 2010 and 2012. The acts require audit readiness assertions for the Schedule of Budgetary Activity (SBA) by 30 September 2014, and all financial statements by 30 September 2017.

We remain confident that the Army will achieve audit readiness goals in both 2014 and 2017. Challenges to audit readiness remain, but these challenges are surmountable with budget stability through 2017. The Army is aggressively addressing noted deficiencies and implementing the corrective actions recommended by internal and external auditors. Notably, in November 2013,

the Army earned an unqualified opinion on more than 50% of its real property assets from an independent public accountant. Further, the Army retains a robust audit schedule to ensure we comply with audit readiness goals in the future.

Concurrent to this progress was the continued development of the Secretary of the Army's study and plan to optimize Army financial management operations for efficiency and audit readiness. This study includes the realignment of roles and functions across the enterprise to leverage the improvements that GFEBS makes available. The optimization task force intensely studied and recommended a holistic approach to the organization, standardization of business processes, and workforce development to ensure they are complementary and fully integrated with the ERP solution.

> "The Army is well postured to achieve audit readiness of the schedule of budgetary activity by September 30, 2014, without an unaffordable or unsustainable level of one-time fixes and manual work-arounds and without delaying full auditability of the Army's financial statements by September 30, 2017."
>
> -- Under Secretary of the Army, Joseph W. Westphal, *2013 DoD Financial Improvement and Audit Readiness Status Report to Congress*

Institutional Army Reorganization

In concert with the directive by the Secretary of Defense to reduce Service and joint headquarters, the Secretary of the Army and the Chief of Staff chartered a focus area review to best apply reductions to Army programs in order to continue providing ready land forces. Senior leaders recognized the need for the Army to reduce both military, civilian, and contractor personnel involved in Institutional Army headquarters activities to better focus limited fiscal resources for sustaining training and readiness.

The Secretary of the Army and the Chief of Staff directed 25% reduction targets for all Army headquarters commanded by either a 2-star general officer or a Tier 2 Senior Executive Service member or higher. Reductions to support contractors and contracting funds are to be taken at the same or even higher levels. The focus area review is providing final recommendations for a planned reduction occurring in fiscal years 2016-2020. These efforts are expected to streamline the Institutional Army structure by approximately 10,000 positions. The focus area reductions are part of the much larger reductions to the Army program which require improved business management activities to meet fiscal constraints.

Next Steps

In 2014, the Army will continue to follow the actions specified in the *Army Business Management Strategy*. Our main effort within the Business Mission Area will be achieving our audit readiness targets for 2014. We expect to complete validation and documentation of our end-to-end architectures in 2014, and this will accelerate the Army's IT portfolio optimization and process reengineering efforts. We will integrate more business IT systems into the Business Mission Area portfolio and work with the Department of Defense and the Defense Information Systems Agency on identifying, categorizing, and reducing portfolio cost drivers. With their assistance, we will start driving costs down while fulfilling DoD's mandate for consolidated

hosting. Further, we will provide active governance and program stability for our four ERP systems to ensure that the core of our federated architecture remains on time, within costs, and at targeted performance levels.

The Army will expand our efforts to control the costs of business operations. We will execute the first wave of headquarters reductions in 2015 and continue them over the next five years. With the better-defined architecture, we will identify many targets for business process reengineering to eliminate unnecessary high-cost, high restriction operational activities. As we streamline processes, we will identify better baselines of activities and gain better understanding of the costs of doing business. This will enable us to develop more cost-informed performance measures and help us frame the future of the Army's business intelligence. All of these efforts enable the Army to garner better readiness from reduced resources. The Army will fully implement the *Army Business Management Strategy*. The strategy provides direction to Process Champions, Domain Leads, system owners, and staffs across the Army's Business Mission Area. It establishes an active management system for senior Army leaders to synchronize planning, execution, and investment across the Army's Business Mission Area portfolio and in-line with *The Army Plan*. Using its federated approach to ERP systems and portfolio reduction through business process reengineering and continuous process improvement, the Army will reduce administrative overhead and continue to provide the best land force in the world at the best value feasible.

Conclusion

Our business transformation activities in 2013 were constrained by budget impacts, but we still made important progress. The Army improved its business operations through emphasis on governance, synchronization of business enterprise architecture, and business IT portfolio optimization. We sustained the progress of our Enterprise Resource Planning systems and critical financial feeder systems to achieve audit readiness goals. We demonstrated that architecturally-informed business process reengineering 'deep dives' could substantially improve Army business operations, and we sustained our focus on continuous process improvement informed by Lean Six Sigma techniques. We will continue to aggressively pursue a variety of initiatives that will help us drive efficiency gains into everything we do.

Appendix 1 (Army Enterprise Resource Planning Systems)

The Army's Enterprise Resource Planning (ERP) systems create an integrated business environment for finance, personnel management, and logistics that enables the Army to fulfill financial reporting requirements, establish end-to-end processes, and close the seams, gaps, and overlaps within our business activities. The ERPs provide the internal controls, integrated data, and traceability required for a credible financial management system.

- The General Fund Enterprise Business System (GFEBS) provides a single integrated system for distributing most general funds; maintaining effective internal controls; managing active Army real property (facilities) accounting; funding execution in compliance with some 5,500 Federal Financial Management Improvement Act of 1996 (FFMIA) and other statutory and regulatory requirements, standards, attributes and business rules; and producing both cost and financial accounting data.
  o GFEBS was fully deployed in July 2012 and was the Army system of record for $118 billion in obligations for FY13.
  o GFEBS is the cornerstone for Army accomplishing the National Defense Authorization Act for Fiscal Year 2010 requirement to produce an unqualified audit by 2017.
  o GFEBS-Sensitive Activities (GFEBS-SA), a variant of GFEBS, is being developed to provide similar functionality for classified funds and sensitive activities.
- The Global Combat Support System-Army (GCSS-Army) captures tactical logistics sustainment and support processes. GCSS-Army is also a financial system in terms of the execution of funds to provide logistics sustainment and support.
  o GCSS-Army subsumes outdated logistics systems that are not financially compliant.
  o GCSS-Army integrates approximately 40,000 local supply and logistics databases into a single, enterprise-wide authoritative system.
  o GCSS-Army employs the financial template from GFEBS for tracking logistics funds execution.
  o GCSS-Army executes the funds provided by GFEBS and provides fund execution data to GFEBS for consolidation.
- The Logistics Modernization Program (LMP) provides a range of functionality associated with the national wholesale logistics support mission and certain logistics lifecycle management activities of the Army Working Capital Fund organizations.
  o LMP merges four Army Working Capital Fund activities into one fund.
  o LMP integrates financial and logistics operations, meets the requirements of the Chief Financial Officers Act, and aligns with the DOD's Financial Business Enterprise Architecture.
  o LMP is being expanded to provide for complete depot operations and national-level ammunition management.
  o LMP provides the auditable financial ledger for all Army Working Capital Funds and will meet 2017 audit readiness requirements.

- The Integrated Personnel and Pay System-Army (IPPS-A) is a web-based human resources system designed to provide integrated, multi-Component (Active Army, National Guard, and Reserve) personnel and pay capabilities across the Army. This system will:

  o Create a comprehensive personnel and pay record for each Soldier for their entire career.
  o Feature self-service capabilities, allowing Soldiers to access their personal information 24 hours a day.
  o Allow personnel actions to drive associated pay events.
  o Ensure access to accurate and timely military personnel data and delivery of benefits to all levels of management.
  o Serve as the authoritative database for personnel and pay data, subsuming many antiquated and disjointed systems.

Appendix 2 (Army Business Initiatives)

AcqBusiness provides an enterprise-level and service-oriented business environment populated with authoritative data and business intelligence tools designed to facilitate agile management of acquisition functions. During FY13, the initiative released version 3.2.10 which enhanced numerous applications and also was the first release of the Army Acquisition Dashboard, providing an initial Business Intelligence capability to the ASA(ALT) leadership.

Army Corrosion Prevention and Control initiates and sustains efforts to reduce the negative impacts of corrosion through the design and sustainment of systems, facilities, and infrastructure in accordance with Title 10 U.S.C. Section 2228 and section 903 of the FY09 NDAA. The recently approved implementation plan identifies how the Army Corrosion Control and Prevention Executive will track reductions in future sustainment costs as a result of the business initiative. The cost-benefit analysis determined that the estimated cost avoidance of the Army's Corrosion Prevention and Control program will be over $1B when completed.

Army Data Center Consolidation Plan (ADCCP) The Army Data Center Consolidation Plan implements the 26 February 2010 mandate of the Office and Management and Budget's Federal Data Center Consolidation Initiative. As of 30 September 2013, the Army has discovered 888 data centers. This is a dramatic increase from the 250 data centers inventoried in 2010. Through 30 September 2013, the Army closed 136 centers. The plan is to close a target of 533 data centers by end-2018 with additional follow-on closures expected. To support cost reduction and required capability objectives, ADCCP oversees establishing scalable and standard processing nodes at Army post, camp, stations, and Army supported joint bases and application rationalization, modification and retirement. Through ADCCP, the Army will migrate its enterprise applications to DoD Core Data Centers by end-FY18 to satisfy the 11 July 2013 DoD Chief Information Officer directive. Assuming a consistent investment approach, projections are that Army investments will yield an annual cost saving of $200 million starting in 2021.

Army Enterprise Email and Calendar enhances centralization and eliminates disparate and duplicative systems. It will improve the Army's security posture, enable standardization of hardware and software, improve configuration control, centralize administration and support while enhancing financial transparency. This year: 1) Enterprise Email completed migration of 1.4 million non-secure and 128,000 secure users, 2) enabled auto-provisioning of Enterprise Email accounts for new users to eliminate the users having to be migrated from an Army Knowledge Online (AKO) email account. Implementation reduces costs of services by $75M over the 5-year period, 2013-2017.

Army Enterprise Service Desk (AESD) Army Enterprise Service Desk provides a single point of contact for all LandWarNet (LWN) Information Technology (IT) service requests, issues, and inquiries. The goal is to achieve standardized IT services, achieve cost savings and efficiencies, improve network posture, and enhance the quality of service across the Army. The AESD provides a single phone number or on-line contact that provides 24/7/365 support to users of Army information technology assets and networks in both the Operating Force and Institutional Army. AESD service support and problem resolution will prescribe to standardized processes and procedures. In FY13, AESD achieved First Call Resolution Capability to 41 installations. The goal in FY14 is to add 48 more installations, reduce the number of incident templates by 63% (754 to 278) and continue to improve the quality of service. AESD global deployment will be optimally attained through virtual linking and coordination of the existing major Army Service Desks. These desks will then conduct coordinated planning and operations in order to deliver a global AESD. With continued congressional support, and the assistance and collaboration of Army leadership, the AESD will continue to establish enterprise consistency, optimize benefits, and achieve global AESD implementation in a cost efficient manner.

Army Environmental Liabilities Recognition, Valuation, and Reporting provides the methodology and blueprint to correctly and appropriately value and categorize environmental liability-related data in support of the real property accountability enterprise priority. The reengineered business processes in Army environmental programs (AEP) provides the capability for timely, authoritative, and auditable environmental data reporting, and corrects the GAO identified deficiency in environmental liabilities.

Army Item Unique Identification establishes the Unique Item Identifier (UII) as the global data key in the Army Logistics Enterprise and permits data across our automated information systems to be linked to the individual item level of detail and support improved life-cycle management and financial accountability. The Army Equipping

Appendix 2 (Army Business Initiatives) (continued)

Enterprise System and the emerging lead materiel integrator systems position the Army to exploit existing systems as well as new processes and technologies to improve traceability. The Army Unique Item Identification effort continued mobile marking teams through 2013, will field within GCSS-Army through 4QFY17, and design and build LMP Item Unique Identification solution through August 2014 with full implementation in September 2015. Projected completion date is 2017.

Authoritative Data implements *Army Directive 2009-03, Army Data Management*, which directs that data be treated as a strategic asset to create and support a network-enabled environment that gives decision makers access to timely and secure authoritative data. It serves as a technical framework and process to expose the data consistently across the Enterprise to support current as well as future requirements. Authoritative Data is one of three key initiatives to implement the DoD Data Strategy within the Army. Authoritative Data completed its initial end-to-end business process mapping and assisted in registering identified Authoritative Data Sources in the DoD Enterprise Authoritative Data Source (EADS) Registry.

Civilian Hiring Reform is a process to improve the end-to-end hiring process by integrating resource management and manpower into the management/human resources team. Civilian Hiring Reform has reduced fill time form 119 days to 79 days, HR portion to 24 days; 73% reduction in rework; 65% reduction in time to open vacancy announcements; and 52% reduction in time to issue referral lists. The process has been deployed enterprise-wide and has a projected completion date by the end of FY17.

Energy Management: Army Central Meter Program implements the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007 requirements for installing advanced meters for electric, water, natural gas, and steam across Army installations. Installed meters are then integrated into energy monitoring systems to collect effective and accurate data for timely reporting of energy consumption and accountability. Through FY13, the Army had completed installation of advanced electric meters in approximately 70% of appropriate facilities.

Enterprise Traceability is a systematic procurement traceability effort that provides transparency of equipment procurements from budget request to unit-level deliveries. The initiative achieved 50% for end items fielded in 1QFY13; 100% for night vision, truck, and joint combat support items; and 60-80% for protective, bridging, aviations, and rifles. The program builds and pilots mobile applications and measure itemized purchase requests.

Financial Management Improvement Plan is an ongoing business initiative to improve financial management, prioritize improvement activities, strengthen internal controls, and ultimately achieve audit-ability by 2017. The Financial Management Improvement Plan continues to leverage the capabilities of enterprise resource planning systems (ERPs): GFEBs, GCSS-Army, and LMP. GFEBs successfully completed year end closing for FY13 and will continue deployment of GFEBS as scheduled.

Procure-to-Pay (P2P) Pilot demonstrates an end-to-end procure to pay capability within a single enterprise resource planning tool that improves the effectiveness of overall business processes, reduces cost of ownership, and improves audit readiness. The initiative will reduce the Defense Finance and Accounting Service (DFAS) disbursements bill by approximately $100M/year when completed. The P2P program currently consists of two initiatives: the Army's General Fund Enterprise Business System direct Treasury disbursing and Supplier Self-Services (SUS). The direct Treasury disbursing process enables tracking payments from beginning to end within the same system of record, thus allowing the Army to meet mandated requirements effectively while providing significantly improved levels of transparency and audit readiness. This effort has ensured zero difference on the Fund Balance with Treasury (FBwT) since going live 24 months ago. The SUS enables vendors to submit invoices that have been systematically pre-populated with pre-validated contract data, ensuring the invoicing process is more accurate, incurring fewer invoicing penalties, and reducing manual processing.

Small Business Utilization facilitates a better understanding of small business capabilities within certain industries and increases market research and outreach efforts to ensure maximum small business utilization. Small Business Utilization achieved the OSD assigned goals of 27.35% for Small Business, 12.62% for Small Disadvantaged Business, 5.13% for Women-Owned Small Business, 3.18% HUBZone and 3.91% for Service-Disabled Veteran-Owned Small Business in FY13.

WWW.ARMY.MIL/OBT