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Army Business Systems Information Technology
Strategy Needs Improvement

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Acronyms and Abbreviations

AESIP	Army Enterprise Systems Integration Program
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
DCMO	Army Deputy Chief Management Officer
ERP	Enterprise Resource Planning System
GCSS-A	Global Combat Support System–Army
GFEBs	General Fund Enterprise Business System
IPPS-A	Integrated Personnel and Pay System–Army
LMP	Logistics Modernization Program
NDAAs	National Defense Authorization Act
OBT	Army Office of Business Transformation
SBR	Statement of Budgetary Resources



INSPECTOR GENERAL
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February 7, 2013

MEMORANDUM FOR DEPUTY CHIEF MANAGEMENT OFFICER
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Army Business Systems Information Technology Strategy Needs Improvement
(Report No. DODIG-2013-045)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report. Army Office of Business Transformation officials did not develop and implement a comprehensive strategy to provide adequate governance and program management of its enterprise resource planning systems (ERPs). Without a comprehensive strategy guiding the successful implementation of its ERPs, with an estimated life-cycle cost of \$10.1 billion, Army management may not have the timely, accurate, and complete information it needs for decisionmaking. In addition, the Army risks not being able to meet its FY 2014 and FY 2017 auditability deadlines.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We received comments from the Army Deputy Chief Management Officer on behalf of the Director, Army Office of Business Transformation. The Army Deputy Chief Management Officer's comments to Recommendation 3 were nonresponsive. Therefore, we request additional comments from the Director, Army Office of Business Transformation, on this recommendation by March 11, 2013.

If possible, send a portable document format (.pdf) file containing your comments to audfmr@dodig.mil. Copies of management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8938.

A handwritten signature in black ink, reading "Richard B. Vasquez".

Richard B. Vasquez, CPA
Acting Assistant Inspector General
Financial Management and Reporting



Results in Brief: Army Business Systems Information Technology Strategy Needs Improvement

What We Did

We determined whether the Army Business Systems Information Technology Strategy (the Strategy) and its implementation provided adequate governance and program management of enterprise resource planning systems (ERPs). Specifically, we reviewed the February 2011 Strategy, related business transformation plans, supporting documentation, implementation tasks, and relevant laws and regulations.

What We Found

Army Office of Business Transformation (OBT) officials did not develop and implement a comprehensive Strategy needed for adequate governance and program management of its ERPs. Specifically, the Strategy did not include specific ERP implementation milestones and performance measures for accomplishing the Strategy's goals, including a plan for using ERP capabilities, or clearly define the Army Enterprise Systems Integration Program's ERP integration role or milestones.

This occurred because OBT officials focused on near-term milestones but did not develop a comprehensive plan outlining milestones and performance measures for all planning periods. In addition, their Strategy did not focus on eliminating legacy system interfaces and incorporating additional functionalities into the ERPs. Finally, OBT officials did not decide on the scope and future of the Army Enterprise Systems Integration Program.

In addition, although OBT officials included 25 implementation tasks in the Strategy, with due dates of May 2011 and August 2011, the Army did not complete 16 of these tasks as of March 2012. This occurred because OBT officials did not

adequately monitor the development and completion of the implementation tasks.

Without a comprehensive Strategy guiding the successful implementation of its ERPs, with an estimated life-cycle cost of \$10.1 billion, Army management may not have the timely, accurate, and complete information it needs for decisionmaking. In addition, the Army risks not being able to achieve an auditable Statement of Budgetary Resources by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017.

What We Recommend

The Director, OBT, should coordinate with Army Comptroller officials to schedule ERP audits. In addition, the Director should:

- issue an updated Strategy to include a plan outlining specific milestones and performance measures that the Army is to use to govern and manage ERP implementations and to help achieve the Strategy's goals, and
- implement controls to monitor the development and completion of the Strategy implementation tasks and milestones.

Management Comments and Our Response

The Army Deputy Chief Management Officer provided comments on behalf of the Director, OBT, stating agreement with recommendations to schedule ERP audits and update the Strategy. We request additional comments from the Director, OBT, on Recommendation 3 regarding the implementation of controls to monitor the development and completion of the Strategy implementation tasks and milestones. Please see the recommendations table on the back of this page and provide comments by March 11, 2013.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Army Office of Business Transformation	3	1, 2

Please provide comments by March 11, 2013.

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Introduction

Objective

Our objective was to determine whether the Army Business Systems Information Technology Strategy (the Strategy), dated February 14, 2011, and its implementation ensure adequate governance and program management of enterprise resource planning systems (ERPs). See Appendix A for the audit scope and methodology and Appendix B for prior coverage related to the audit objective.

Background

National Defense Authorization Act Requirements

For more than 2 decades, Congress has pressed the DoD to improve systems of accounting, financial management, and internal controls to produce reliable financial information and to deter fraud, waste, and abuse of Government resources. In FY 2005, the annual National Defense Authorization Act (NDAA) required development of a defense business systems enterprise architecture, system accountability, and conditions for obligation of funds costing in excess of \$1 million. NDAA 2010 required audit readiness validation of all financial statements by September 30, 2017, and NDAA 2012 required each Military Department to prepare a plan to validate audit readiness of the Statement of Budgetary Resources (SBR) by September 30, 2014. (See Appendix C for more information on the NDAA's and other related Congressional requirements and guidance.)

Office of Business Transformation

In response to Section 908 of Public Law 110-417, "Duncan Hunter National Defense Authorization Act for Fiscal Year 2009," October 14, 2008 (NDAA 2009), the Army established the Office of Business Transformation (OBT), giving it authority to require Army agencies, commands, and other elements to carry out actions within the purpose and scope of business transformation. OBT's mission, as the Army's lead business transformation organization, is to assist the Army in transforming its business operations to more effectively and efficiently use national resources. OBT planned to achieve this mission by accomplishing the following objectives:

- improve the effectiveness and efficiency of business processes,
- transform business systems information technology,
- promote resource-informed decisionmaking, and
- achieve an integrated management system.

OBT, under the direction of the Army's Chief Management Officer, developed a family of plans to transform and improve Army business practices. These plans include the Army Business Transformation Plan, the Business Systems Architecture and Transition Plan, and the Strategy. See Appendix D for more information on these plans.

Army Business Systems Information Technology Strategy

OBT published the Army's first Strategy on February 14, 2011. The Strategy serves as the Army's roadmap for compiling and detailing their enterprise architecture. The Strategy states that it leverages the capabilities and business process improvement opportunities offered by the four ERPs currently under development or in implementation phases within the Army. The Strategy's goals are to:

- achieve audit readiness by FY 2017,
- enable cost-informed enterprise governance,
- improve the efficiency and effectiveness of business operations,
- provide better alignment between business operations and operational forces, and
- improve business process and policy alignment between the Army and the DoD.

The Strategy describes the Army's plan for governing ERPs and other business systems. In 2011, the Army expanded governance by establishing the 2-Star Business Systems Information Technology Working Group and the 3-Star Business Systems Information Technology Review Group. In the Strategy, OBT recognizes that although the Strategy serves as a roadmap, the Strategy will be revised in the future as missions, capabilities, and technology change.

Army Enterprise Resource Planning Systems

ERPs are commercial software packages containing functional modules that integrate all the information flowing through an entity. The modules can be used individually or in conjunction with other modules as needed. ERP functional modules are either integrated within the ERP or interfaced to external systems. Individual modules contain the business processes needed to complete their intended function.

The Strategy focuses on the Army's four core ERPs: Global Combat Support System-Army (GCSS-A), General Fund Enterprise Business System (GFEBs), Integrated Personnel and Pay System-Army (IPPS-A), and Logistics Modernization Program (LMP).

- GCSS-A will integrate the Army supply chain, obtain accurate equipment readiness, support split base operations, and get up-to-date status on maintenance actions and supplies in support of the warfighter.
- GFEBs is an Army financial management system developed to improve the timeliness and reliability of financial information and to obtain an audit opinion.
- IPPS-A will be the Army's integrated pay system, replacing the legacy systems and serving as a critical piece of the Army's future state systems environment.
- LMP is the Army's core initiative to achieve the Single Army Logistics Enterprise vision. LMP's objective is to provide integrated logistics management capability

by managing the supply, demand, asset availability, distribution, data retention, financial control, and reporting.

All the Army ERPs were either deployed or in development before the development of the Strategy. The Army began developing GCSS-A in 1997, LMP in 1999, IPPS-A in 2009, and GFEBS in 2005. As of December 31, 2011, the Army's estimated life-cycle cost of its ERPs is \$10.1 billion.

Review of Internal Controls Over the Strategy

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the Army's development and implementation of the Strategy. OBT officials did not achieve the following: develop a complete plan outlining the measures for accomplishing the goals of the Strategy, focus on eliminating legacy system interfaces and incorporating additional functionalities into the ERPs, or outline a plan for the Army Enterprise Systems Integration Program (AESIP). Finally, OBT did not adequately monitor the development and completion of the implementation tasks identified in the Strategy. We will provide a copy of the report to the senior officials responsible for internal controls in the Department of the Army.

Finding. Army Needs a Comprehensive Information Technology Strategy

OBT officials did not develop and implement a comprehensive Strategy needed for adequate governance and program management of its ERPs. Specifically, the Strategy did not:

- include specific ERP implementation milestones and performance measures for accomplishing the Strategy's goals. This occurred because OBT officials focused on near-term milestones but did not develop a comprehensive plan outlining milestones and performance measures for all planning periods.
- include a plan for using the capabilities of the Army's four core ERPs. This occurred because OBT officials' Strategy did not focus on eliminating legacy system interfaces and incorporating additional functionalities into the ERPs.
- clearly define AESIP's ERP integration role or milestones because Army officials had not decided on the scope and future of AESIP.

In addition, although OBT officials included 25 implementation tasks in the Strategy with due dates of May 2011 and August 2011, the Army did not complete 16 of these tasks as of March 2012. This occurred because OBT officials did not adequately monitor the development and completion of the implementation tasks.

Without a comprehensive Strategy guiding the successful implementation of its ERPs, with an estimated life-cycle cost of \$10.1 billion, Army management¹ may not have the timely, accurate, and complete information it needs for decisionmaking. In addition, the Army risks not being able to achieve an auditable SBR by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017.

OBT Officials Did Not Develop and Implement a Comprehensive Strategy

OBT officials did not develop and implement a comprehensive Strategy. Specifically, the Strategy did not:

- include specific ERP implementation milestones and performance measures for accomplishing the Strategy's goals,
- include a plan for using the capabilities of the Army's four core ERPs, and
- clearly define AESIP's ERP integration role or milestones.

¹ Army management includes commanders and financial managers relying on the information produced by the Army ERPs.

Specific Enterprise Resource Planning System Implementation Milestones and Performance Measures Needed

The Strategy did not include specific ERP implementation milestones and performance measures for accomplishing the Strategy's goals. Since 2005, Congress enacted laws requiring DoD to develop details to support business modernization efforts. For example, Public Law 108-375, "National Defense Authorization Act for Fiscal Year 2005," October 28, 2004 (NDAA 2005), requires DoD to develop specific time-phased milestones, performance metrics, and a statement of the financial and nonfinancial resource needs for defense business system modernization efforts. Congress established additional requirements for specific performance measures for DoD in Public Law 112-81, "National Defense Authorization Act for Fiscal Year 2012," December 31, 2011 (NDAA 2012). NDAA 2012 requires that milestones include a justification of the time required, metrics identifying progress made, and mitigating strategies for milestone timeframe slippages. Although NDAA 2012 became law after the Strategy's publication, OBT officials should comply with it in future updates to the Strategy.

To remain relevant and continue to guide the Army's path in business transformation, the Strategy stated that mechanisms must be in place for assessing performance against the Strategy's goals. The Strategy outlined six key metrics and measures OBT officials would assess and use to influence revisions: functional scope, integration scope, cost, schedule, risks, and benefits realization. Briefly describing each metric and measure, the Strategy did not include specific time-phased milestones or performance measures needed to evaluate the Army's progress in accomplishing the Strategy's goals.

The Army is focused on achieving the Strategy's goals as it prepares for SBR auditability in 2014 and full financial statement auditability in 2017. Consequently, establishing specific performance measures with clear deliverables is important to illustrating the Army's plan for accomplishing the Strategy's goals within the allotted timeframes. For example, because the Strategy's success depends on the successful implementation of the Army ERPs, the Strategy should include performance measures related to:

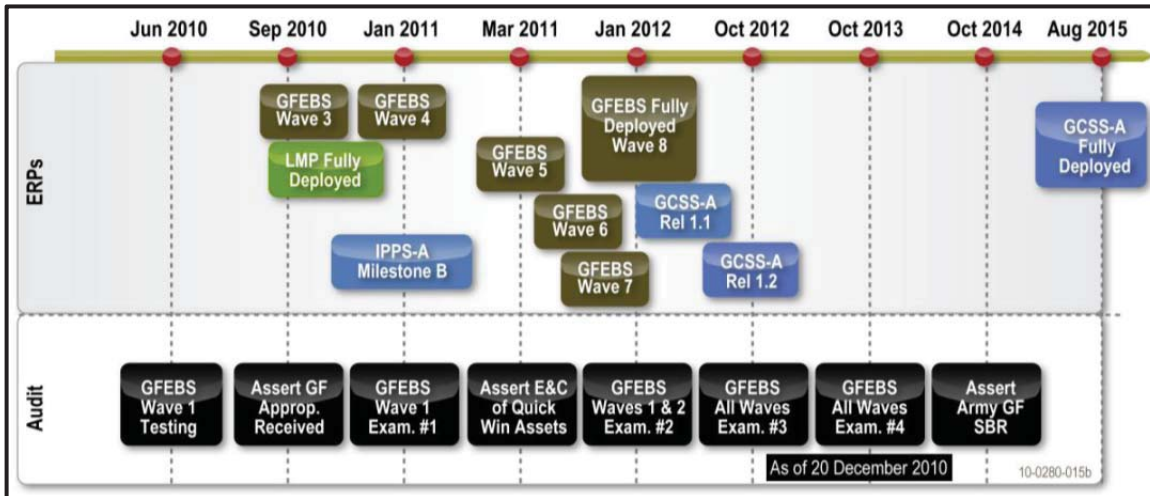
- ERP implementation schedules,
- audit schedules, and
- reengineering business processes.

To ensure that the Army progresses toward achieving the Strategy's goals, OBT officials need to establish a performance measurement baseline and present plans for corrective action when the Army experiences significant delays. The need to present plans for corrective action is particularly relevant because OBT has already encountered significant delays in implementing the Strategy.

Enterprise Resource Planning System Implementation Schedules

The Strategy did not include specific ERP implementation schedules as performance measures for accomplishing the Strategy's goals. When the Strategy was published in February 2011, the Army stated it had fully deployed LMP² and planned to fully deploy GFEBs in January 2012. GFEBs was deployed incrementally, or in waves, to Army sites. The Strategy included a schedule for the final phases of GFEBs implementation. (See Figure 1.)

Figure 1. ERP Milestones Presented in the Strategy



Source: Army Business Systems Information Technology Strategy, February 14, 2011.

However, the Strategy did not contain similarly specific IPSS-A and GCSS-A implementation schedules to serve as performance measures with time-specific targets and milestones. The only IPSS-A milestone presented in the Strategy was a January 2011 Milestone B decision. The Strategy did not identify when the IPSS-A payroll and GCSS-A financial functions would be implemented. These functions are especially important because the two systems are critical to the Army's goal of achieving auditability. As of the third quarter of FY 2012, the Army planned to implement IPSS-A payroll and GCSS-A financial functions in FYs 2016 and 2017, respectively, and full system deployment is scheduled for FY 2017. In addition, the Army plans to implement a capability upgrade to LMP and reach full deployment at the end of FY 2016.

These implementation dates are quite close to the auditability deadline, and delays could jeopardize the Army's ability to assert audit readiness.

These implementation dates are quite close to the auditability deadline, and delays could jeopardize the Army's ability to assert audit readiness. For Army officials to properly manage and plan for successful ERP implementations, the Strategy should have presented specific implementation schedules that served as performance measurement baselines.

² In December 2011, LMP was approved to proceed with Increment 2, which is intended to deliver expanded logistics capability. The full deployment date for Increment 2 is September 2016.

To improve ERP governance and accountability, OBT should update the Strategy to include specific ERP implementation schedules. This measurement of performance would assist Army management in ensuring and documenting proper governance over ERPs and in attaining the Strategy's goals.

Enterprise Resource Planning System Audit Schedules

The Strategy did not include specific ERP audit schedules as performance measures for accomplishing the Strategy's goals. The Strategy stated that it defines how the Army will secure delivery of compliant business systems and processes needed to support an unqualified audit opinion. In addition, the Army audit readiness strategy hinges on and is synchronized with the deployments and audits of the Army ERPs. The Strategy should have included audits of compliance with Federal Financial Management Improvement Act of 1996, DoD Standard Financial Information Structure, and system controls in accordance with Government Accountability Office (GAO) Federal Information Systems Control Audit Manual. Although the Strategy presented audit schedules for GFEBS, it did not include audits of GCSS-A, IPPS-A and LMP. (See Figure 1.)

Presenting the plan for auditing the Army ERPs as the systems are deployed is critical to guaranteeing that effective controls have been implemented and are operating effectively. The Federal Managers' Financial Integrity Act and its implementing guidance, OMB Circular No. A-123, require all DoD managers to assess the effectiveness of management

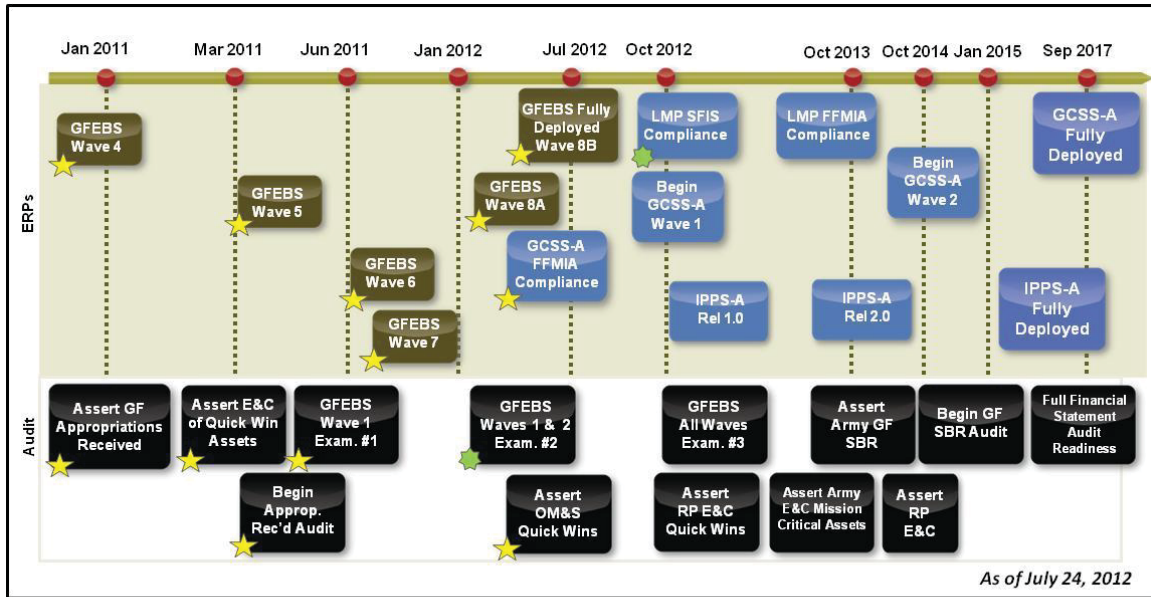
Presenting the plan for auditing the Army ERPs as the systems are deployed is critical to guaranteeing that effective controls have been implemented and are operating effectively.

controls. If they discover material deficiencies, managers must report them, with a summary of corrective action plans. Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) is the lead organization responsible for ensuring that the Army meets FY 2014 and FY 2017 auditability deadlines and OBT should consult ASA(FM&C) as it makes decisions

affecting the timing of ERP deployments. The timing of the ERP audits is important because LMP is scheduled for full deployment in FY 2016, and IPPS-A and GCSS-A are scheduled for full deployment in FY 2017, the same year the Army is required to assert audit readiness on its financial statements. With full system deployments scheduled near the end of FY 2017, Army officials may not have sufficient time to complete required systems control evaluations and corrective actions for the independent auditors' use in auditing the financial statements in 2017. This increases the risk that the Army will be unable to achieve its auditability goals.

After OBT published the Strategy in February 2011, ASA(FM&C) updated the "ERP Milestones" to include various GCSS-A and LMP audits. (See Figure 2.)

Figure 2. ERP Milestones as of July 24, 2012



★ Complete ★ In Process

Source: ASA(FM&C) Army Audit Readiness Overview, July 2012

These updated milestones add more detail to the Army’s plan for auditing the ERPs but do not include DoD Standard Financial Information Structure and Federal Information Systems Control Audit Manual audits for GCSS-A. In addition, neither a Federal Information Systems Control Audit Manual audit for LMP nor any audits for IPPS-A were included. To help guarantee delivery of compliant business systems needed to support an unqualified audit opinion, OBT should coordinate with ASA(FM&C) to schedule any remaining ERP audits and also update the Strategy to include these specific ERP audit schedules.

Business Processes Mapping Schedule

The Strategy did not present a schedule for the detailed mapping of business processes as performance measures to accomplish the Strategy’s goals. The mapping is used to reengineer business processes. The Strategy stated that the Army would leverage its ERP investments to reengineer business processes; however a detailed mapping schedule was not included in the Strategy.

The Business Enterprise Architecture, version 7.0, published by DoD on March 12, 2010, identified 15 End-to-End business processes to help officials view business operations from an end-to-end perspective because many processes cut across traditional organizations and functional business areas. The 15 End-to-End processes are: Acquire-to-Retire, Budget-to-Report, Concept-to-Product, Cost Management, Deployment-to-Redeployment/Retrograde, Environmental Liabilities, Hire-to-Retire, Market-to-Prospect,

Order-to-Cash, Plan-to-Stock-Inventory Management, Proposal-to-Reward, Procure-to-Pay, Prospect-to-Order, Service-Request-to-Resolution, and Service-to-Satisfaction.

Process maps are key documents that demonstrate how the business processes in the new ERP system will be more streamlined and efficient. The Army identified various levels of End-to-End process mapping. The mapping detail increases as the level number increases. The Strategy identified mapping for 7 of the 15 End-to-End processes (Acquire-to-Retire, Budget-to-Report, Order-to-Cash, Cost Management, Deployment-to-Redeployment, Procure-to-Pay, and Hire-to-Retire). In addition, the Strategy identified a milestone for completion of level 2 mapping for the other 8 of the 15 business processes and the need for level 3 mapping for the most urgently needed processes. However, the Strategy did not identify a need or schedule for the completion of the remaining levels of process mapping.

The DoD Inspector General (DoD IG) has identified problems with the Army's process map preparation. Specifically, DoD IG Report No. D-2012-111, "Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals," July 13, 2012, found that process maps were not adequately prepared for GFEBS and LMP. (The auditors did not review GCSS-A and IPPS-A.) To best leverage the Army's investment in its ERPs to reengineer business processes, OBT should revise the Strategy to include milestones for the detailed mapping of reengineered business processes.

OBT Officials Did Not Develop a Complete Plan for Implementing the Strategy

OBT officials focused on near-term milestones and did not develop a complete plan outlining milestones and performance measures for all planning periods. Although OBT developed a separate Business Systems Information Technology Implementation Plan (Implementation Plan) after publishing the Strategy, it did not address ERP implementation plans and performance measures beyond 2 years. The Implementation Plan was released on May 30, 2012, as an attachment to the 2012 Army Campaign Plan. (See Appendix D for more on the Implementation Plan and the Army Campaign Plan.)

As part of the Strategy, OBT needs to publish a plan outlining specific near-, medium-, and long-term milestones and performance measures with clear deliverables that the Army will use to govern and manage ERP implementations and help achieve the Strategy's goals. This plan should span at least until FY 2017, to coincide with the Strategy's goal of achieving auditability. In addition, subsequent updates to the Strategy should present results of progress against the milestones presented in the plan, identify the impact of delays, and present a plan for corrective action, if needed.

Strategy Lacks a Plan for Using Existing ERP Capabilities

The Strategy did not include a plan for using the capabilities of the Army's four core ERPs. The Strategy acknowledged that the Army had not exploited ERP capabilities yet did not include a specific plan to do so. Opportunities exist to integrate more

The Strategy acknowledged that the Army had not exploited ERP capabilities yet did not include a specific plan to do so.

functionality within ERPs that would improve the control environment and make operations more efficient. By using the capabilities of the four core ERPs, the Army could reduce the need for interfaces with other systems. Interface weaknesses in the Army's current information

technology systems environment demonstrate the importance of using existing ERP capabilities. These weaknesses have significantly contributed to the lack of auditability of the Army's financial statements.

Various audit organizations have identified weaknesses in both the legacy and ERP environment. For example, GAO and DoD IG have issued reports identifying significant system interface problems. DoD IG Report No. D-2012-087, "Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses," May 29, 2012, found that the lack of LMP integration with the entitlement process was a significant reason for abnormal balances in accounts payable. In addition, GAO Report No. GAO-12-134, "Implementation Weaknesses in Army and Air Force Business Systems Could Jeopardize DOD's Auditability Goals," February 28, 2012, found that interface problems necessitate that about two-thirds of invoice and receipt data be manually entered into GFEBs from the invoicing and receiving system.

Strategy Did Not Focus on Elimination of Legacy System Interfaces

OBT officials did not focus the Strategy on the elimination of legacy system interfaces and incorporating additional functionalities into the ERPs. According to the Strategy, ERPs would support a variety of goals. For example, the Strategy stated that ERPs would support the achievement of NDAA 2010, section 1072, which states that the business process to be supported by system modernization would be as streamlined and efficient as practicable.

In addition, section 1072 states that the need to tailor commercially available off-the-shelf products to meet unique requirements or incorporate unique interfaces should be eliminated or else reduced to the maximum extent practicable. Beyond identifying the goal of supporting the achievement of section 1072, OBT officials should have focused the Strategy on clearly illustrating the Army's plan for ensuring ERPs streamline business processes and eliminating or reducing unique requirements or interfaces to the maximum extent practicable. OBT needs to revise the Strategy to shift the focus from building interfaces to reflecting the Army's plan for fully using ERP capabilities and minimizing system interfaces.

Strategy Needs To Clearly Define Army Enterprise Systems Integration Program's ERP Integration Role or Milestones

The Strategy did not clearly define AESIP's ERP integration role or milestones. Specifically, the Strategy did not identify the actions the Army would take to identify the scope of AESIP's future responsibilities. In November 2007, after the Army began ERP deployment, the Army identified the need to develop AESIP. Although the Army does not consider it an ERP, AESIP uses the same commercial SAP³ product suite as the primary enabler of its implementation as GFEBs, GCSS-A, and LMP. The Army awarded a \$240 million contract for the development of AESIP in April 2011.

Although the Strategy outlined the Army's approach for integration between ERPs and AESIP, the Strategy created uncertainties because it did not present information about the planned role of AESIP or whether another system may be needed. Although the Strategy stated that the Army would reevaluate AESIP's role in the future as a result of evolving requirements and capability needs, the Strategy should have provided a plan to do so.

In addition, the Strategy did not identify specific AESIP implementation milestones. The Strategy stated that full deployment and tight integration of the Army ERPs were key elements. Because AESIP is the Army's stated ERP integration platform, the Strategy should have included specific implementation milestones illustrating the Army's plan for ensuring the timely deployment of AESIP. The Army must have a plan that clearly defines AESIP's role and milestones to successfully implement the system and to guarantee that AESIP or another solution will provide the functionality required to integrate the Army ERPs.

The Strategy did not clearly define AESIP's ERP integration role or milestones because OBT management had not decided on the scope and future of AESIP. The Strategy stated that AESIP reflected the Army's approach for most integration and that the ERP program and AESIP personnel would jointly investigate the possibility of using other master data synchronization/syndication capabilities wherever suitable. Because ERP integration is critical to auditability, OBT should update the Strategy to include the Army's plan for identifying AESIP's scope and implementation milestones.

OBT Officials Need To Adequately Monitor the Development and Completion of Strategy Implementation Tasks

Although OBT officials included 25 implementation tasks in the Strategy with due dates of May 2011 and August 2011, the Army did not complete 16 of these tasks as of March 2012. The 25 implementation tasks represented OBT's approach to implementing a new plan for governing ERPs by addressing governance, portfolio management, and the

³ SAP, which stands for Systems, Applications, and Products in Data Processing, is the market leader in enterprise application software.

management of End-to-End processes. These 25 tasks varied from completing level 2 and 3 mapping of business processes to developing a standard Business Process Management and Reengineering framework. OBT officials assigned the 25 implementation tasks to various organizations, including Program Executive Office for Enterprise Information Systems and ASA(FM&C); however, OBT officials were ultimately responsible for holding the organizations accountable for completing assigned tasks.

Of the 25 implementation tasks, 18 were to be completed within 90 days, and 7 were to be completed within 180 days of the February 14, 2011, Strategy publication date. However, as of March 2012, 10 months after the 90-day deadline and 7 months after the 180-day deadline, the Army had not completed 11 of the 90-day tasks and 5 of the 180-day tasks.

This occurred because OBT officials did not adequately monitor the development of the 25 implementation tasks identified in the Strategy.

OBT officials did not adequately monitor the development of the 25 implementations tasks identified in the Strategy.

Specifically, OBT officials did not validate the development of well-defined, measureable performance goals and objectives for these tasks. For example, one implementation task was the “continued development of the BSA.” OBT officials approved this task even though it did not identify the expected product to be completed

within the 90-day timeframe. Without having well-defined, measureable performance goals and objectives, the Army cannot ensure that it can achieve the Strategy’s goals.

In addition, OBT officials did not adequately monitor the completion of the tasks and inappropriately classified 10 of the 90-day tasks as complete. For example, one task called for establishing and adopting specific rules and steps for business process analysis and reengineering. OBT officials classified this task as complete in documentation provided to DoD IG. However, as evidence of completion, OBT provided only a partially completed draft version of a document titled “Developing Business Rules Framework for Analyzing and Re-engineering Army Business Process,” which established a framework for the development of the rules. Without completing this task, the Army would be unable to demonstrate it was applying a consistent methodology for analyzing and reengineering the business process. Furthermore, without adequately monitoring the completion of the tasks, the Army could not ensure that it achieved the Strategy’s goals. See Appendix E for a list of the 90-day implementation tasks OBT officials inappropriately classified as completed.

To help achieve the goals of the Strategy, OBT officials need to implement controls to monitor the development and completion of Strategy implementation tasks and to hold organizations accountable for completing assigned implementation tasks. These controls should ensure that implementation tasks are well defined and that task completions promote desired outcomes.

On June 27, 2012, we briefed OBT management on the results of the audit. OBT management was receptive to the audit finding and stated that they would work to incorporate the recommendations into the next version of the Strategy.

Enterprise Resource Planning System Implementations Are Key to Auditability

Without a comprehensive Strategy guiding the successful implementation of its ERPs, with an estimated life-cycle cost of \$10.1 billion, Army officials may not have the timely, accurate, and complete information they need to make informed financial, logistical, and personnel decisions. In addition, the Army is relying on the implementation of ERPs to achieve its goal of an auditable SBR by FY 2014 and audit readiness for all of its financial statements by FY 2017. The Assistant Secretary

In addition, the Army is relying on the implementation of ERPs to achieve its goal of an auditable SBR by FY 2014 and audit readiness for all of its financial statements by FY 2017.

of the Army, Financial Management and Comptroller, echoed this sentiment in her September 8, 2011, statement before the House Armed Services Committee:

Establishing and maintaining an auditable organization requires executing standardized business processes and systems, as well as complying with Federal accounting standards and the DoD business enterprise architecture. By linking the FIP [Financial Improvement Plan] with the Army's ERP Strategy, we are able to ensure [that] the development and modernization of business systems is synchronized with audit readiness requirements.

OBT needs to update the Strategy to illustrate the plan for accomplishing the Strategy's goals as the Army prepares for auditability in FY 2014 and FY 2017.

Recommendations, Management Comments, and Our Response

We recommend that the Director, Army Office of Business Transformation:

- 1. Coordinate with the Assistant Secretary of the Army (Financial Management and Comptroller) to schedule Enterprise Resource Planning system audits.**

Department of the Army Comments

The DCMO, responding on behalf of the Director, OBT, agreed. OBT will incorporate the ASA(FM&C) schedule of audits, from the present until FY 2017, into an updated Strategy.

Our Response

The DCMO's comments were responsive, and the proposed actions met the intent of the recommendation.

2. Issue an updated Strategy to include the Army's plan to:

a. Outline specific near-, medium-, and long-term milestones and performance measures with clear deliverables that the Army will use to govern and manage enterprise resource planning system implementations and help achieve the Strategy's goals. At a minimum, to coincide with the goal of achieving auditability, this plan should span until FY 2017 and should include:

- i. Enterprise Resource Planning system implementation schedules;**
- ii. Enterprise Resource Planning system audit schedules;**
- iii. Milestones for mapping of reengineered business processes; and**
- iv. Results of progress against milestones, the impact of delays, and a plan for corrective action, if needed.**

b. Fully use Enterprise Resource Planning system capabilities and minimize system interfaces.

c. Identify the Army Enterprise System Integration Program's scope and implementation milestones.

Department of the Army Comments

The DCMO, responding on behalf of the Director, OBT, agreed. The Army will update the Strategy to reflect the following:

- a. ERP implementation schedules with near-, medium-, and long-term milestones;
- b. ERP audit schedules from present to FY 2017;
- c. Business process reengineering mapping milestones;
- d. Semiannual reports on progress and any necessary corrective actions; and
- e. An updated Army Business Policy on the optimization of ERP capabilities.

Our Response

The DCMO's comments were responsive, and the proposed actions met the intent of the recommendation.

3. Implement controls to monitor the development of well-defined implementation tasks and the completion of Strategy implementation tasks and milestones that promote desired outcomes. These controls should hold organizations accountable for completing assigned implementation tasks.

Department of the Army Comments

The DCMO, responding on behalf of the Director, OBT, disagreed with the audit report's focus on the Army's failure to complete 16 of the 25 implementation tasks identified in the Strategy. The DCMO stated the Army would measure the Strategy's success on the

Army's ability to achieve the Strategy's three overarching goals of governance, portfolio management, and End-to-End business process management. The DCMO provided examples of improvements made in these three areas. In the area of governance, the DCMO provided an example of the progression of the Business Systems Information Technology governance group. In the area of portfolio management, the DCMO discussed the portfolio review of the business mission area domains in March-April 2012. Finally, the DCMO stated the Army embraced an improved use of the 15 End-to-End business processes for business process reengineering.

Our Response

The DCMO comments were nonresponsive. The DCMO's response did not address the implementation of controls to monitor the development and completion of Strategy implementation tasks and to hold organizations accountable for completing assigned tasks.

We recognize the magnitude of the Strategy's goals, including the Army's requirement to achieve an auditable SBR by FY 2014 and auditable financial statements by FY 2017. The initiatives mentioned in the DCMO's comments represent progress in the three areas of governance, portfolio management, and End-to-End business process management. However, the Strategy listed 25 specific implementation tasks the Army would complete in those three areas, which would lead to incremental progress toward achieving the goals of the Strategy. The Army's inability to complete 16 of those tasks lessened potential progress in accomplishing the Strategy's goals. The DCMO stated that the Strategy's implementation has multiple components, many of which will occur repeatedly over the years. This magnifies the need to implement controls to monitor the development and completion of well-defined Strategy implementation tasks that hold organizations accountable for completing assigned tasks. Therefore, we request that the Director, OBT provide additional comments to the recommendation in response to the final report.

Appendix A. Scope and Methodology

We conducted this performance audit from June 2011 through November 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We interviewed personnel from OBT, ASA(FM&C), and Army Assistant Chief of Staff for Installation Management, and Program Executive Office Enterprise Information Systems. We issued five requests for information to OBT along with various other requests for information to ASA(FM&C). Our information requests to OBT primarily concerned development and implementation of the ERPs and the related Strategy-specific implementation tasks and included the following categories:

- ERP investment costs,
- governance meeting minutes and related documentation,
- system implementation and audit schedules,
- performance metrics,
- system requirements, and
- prior audit coverage.

We obtained information concerning plans and schedules for ERP system audits. We used the information obtained as a result of our requests to determine whether the Strategy and its implementation ensured adequate governance and program management of ERPs.

We reviewed the Strategy published February 14, 2011, by OBT. We identified, obtained, and reviewed other related business transformation plans (see Appendix D) to assess their relationships and consistency with the Strategy. We reviewed prior audit reports that identified ERP interface problems. We obtained and reviewed available documentation supporting statements made in the Strategy. We also compared the Strategy and supporting documentation to the laws and regulations related to the Strategy. We reviewed documentation for the 25 implementation tasks identified in the Strategy to determine if they were completed.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform this audit.

Appendix B. Prior Coverage of Information Technology Investments

During the last 5 years, GAO, DoD IG, and the U.S. Army Audit Agency have issued 17 reports relating to information technology investments. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>.

GAO

GAO-12-565R, “DOD Financial Management: Reported Status of Department of Defense’s Enterprise Resource Planning Systems,” March 30, 2012

GAO-12-406, “DOD Financial Management: The Army Faces Significant Challenges in Achieving Audit Readiness for its Military Pay,” March 22, 2012

GAO-12-134, “Implementation Weaknesses in Army and Air Force Business Systems Could Jeopardize DOD’s Auditability Goals,” February 28, 2012

GAO-11-181R, “Defense Business Transformation: DOD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts - Briefing for Congressional Committees,” January 26, 2011

GAO-11-53, “DOD Business Transformation: Improved Management Oversight of Business System Modernization Efforts Needed,” October 7, 2010

GAO-10-663, “Business Systems Modernization: Scope and Content of DOD’s Congressional Report and Executive Oversight of Investments Need to Improve,” May 24, 2010

GAO-09-888, “Information Technology: DOD Needs to Strengthen Management of Its Statutorily Mandated Software and System Process Improvement Efforts,” September 8, 2009

GAO-09-586, “DOD Business Systems Modernization: Recent Slowdown in Institutionalizing Key Management Controls Needs to Be Addressed,” May 18, 2009

GAO-09-272R, “Defense Business Transformation: Status of Department of Defense Efforts to Develop a Management Approach to Guide Business Transformation,” January 9, 2009

GAO-07-860, “DOD Business Transformation: Lack of an Integrated Strategy Puts the Army’s Asset Visibility System Investments at Risk,” July 27, 2007

DoD IG

DoD IG Report No. DODIG-2012-111, “Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD’s Auditability Goals,” July 13, 2012

DoD IG Report No. D-2012-087, “Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses,” May 29, 2012

DoD IG Report No. D-2011-072, “Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program,” June 15, 2011

DoD IG Report No. D-2011-015, “Insufficient Governance Over Logistics Modernization Program System Development,” November 2, 2010

DoD IG Report No. D-2010-041, “Acquisition Decision Memorandum for the Defense Integrated Military Human Resources System,” February 5, 2010

DoD IG Report No. D-2008-108, “Agreed-Upon Procedures Related to the 10th Edition of the Army Chief Financial Officers Strategic Plan,” July 18, 2008

Army Audit Agency

U.S. Army Audit Agency Attestation Report No. A-2009-0224-FFM, “Examination of Federal Financial Management Improvement Act Compliance-Requirements: Global Combat Support System-Army Release 1.1,” September 30, 2009

Appendix C. Requirements and Guidance for Defense Financial Management Systems

This appendix details Congressional requirements and federal guidance impacting defense financial management systems and the development of an information technology strategy.

Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act requires ongoing evaluations and reports of the adequacy of the systems of internal accounting and administrative control of each executive agency. In addition, the Federal Managers' Financial Integrity Act requires the preparation of an annual statement that the agency's systems fully comply with the requirements of the Federal Managers' Financial Integrity Act and, if systems do not comply, the plans and schedule for correcting any such weaknesses as described.

Chief Financial Officers Act of 1990

Public Law 101-576, "Chief Financial Officers Act of 1990," November 15, 1990, requires that financial statements be prepared annually. It also provides guidance to improve financial management and internal controls to help ensure that the government has reliable financial information and to deter fraud, waste, and abuse of government resources.

Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 requires each Federal agency to implement and maintain financial management systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level.

National Defense Authorization Acts

Public Law 112-81, "National Defense Authorization Act for Fiscal Year 2012," December 31, 2011 (NDAA 2012), requires DoD to include time-phased milestones, performance measures, financial resource needs, and risks or challenges for integrating new, or modifying existing, systems. These milestones should include a justification of the time required, identify progress made, and mitigating strategies for milestone timeframe slippages. The Act also requires each military department to validate the SBR for audit by not later than September 30, 2014.

Public Law 111-83, "Ike Skelton National Defense Authorization Act for Fiscal Year 2011," January 7, 2011 (NDAA 2011), requires the DoD to establish interim milestones for achieving audit readiness of the financial statements of the DoD, including each major element of the SBR. In addition, the milestones should address the existence and completeness of each major category of DoD assets.

Public Law 111-84, “National Defense Authorization Act for Fiscal Year 2010,” October 28, 2009 (NDAA 2010), requires DoD to develop and maintain the Financial Improvement and Audit Readiness Plan. The Financial Improvement and Audit Readiness Plan should describe specific actions and costs associated with correcting the DoD financial management deficiencies. In addition, NDAA 2010 requires that the DoD financial statements be validated as ready for audit by September 30, 2017.

Public Law 110-417, “Duncan Hunter National Defense Authorization Act for Fiscal Year 2009,” October 14, 2008 (NDAA 2009), Section 908, requires the Secretary of each military department, acting through the Chief Management Officer, carry out a business transformation initiative. The objectives of the business transformation initiative include the development of a well-defined business systems architecture and transition plan encompassing End-to-End business processes and capable of providing accurate and timely information in support of the military department’s business decisions.

Public Law 108-375, “National Defense Authorization Act for Fiscal Year 2005,” October 28, 2004 (NDAA 2005), requires DoD to develop a defense business system enterprise architecture. In addition, DoD should develop a transition plan for implementing the enterprise architecture. The defense architecture and transition plan should include specific time-phased milestones, performance metrics, and a statement of financial and nonfinancial resource needs. This is to be done not later than September 30, 2005.

OMB Circular No. A-123

OMB Circular No. A-123 Revised, “Management’s Responsibility for Internal Control,” December 21, 2004, requires management to establish and maintain internal controls over its financial reporting process. The Circular requires that agencies maintain documentation of its financial reporting internal controls that are in place and the assessment process management used to determine control effectiveness.

OMB Circular No. A-127

OMB Circular No. A-127 Revised, “Financial Management Systems,” January 9, 2009, implements the Federal Financial Management Improvement Act of 1996 requirements and provides policies and standards for executive departments and agencies to follow when managing financial management systems. The Circular requires that financial events be recorded applying the requirements of the United States Standard General Ledger. Application of United States Standard General Ledger at the transaction level means that each time an approved transaction is recorded in the system, the system will generate appropriate general ledger accounts for posting the transaction according to the rules defined in the United States Standard General Ledger guidance.

Appendix D. Overview of the Army's Business Transformation Plans

This appendix details the Army's various related plans seeking to develop an integrated management system that aligns and integrates Army business operations.

Army Campaign Plan

The Army directs actions and measures progress toward transforming the Army of the 21st Century through the Army Campaign Plan. The Army Campaign Plan lists imperatives, outcomes, and strategic requirements as major objectives, and its objective to "Transform Business Operations" closely relates to the Business Systems Information Technology Strategy. This business operations transformation includes the policies, processes, information, and systems relating to the End-to-End financial, logistics, facility management, human capital, acquisition, administrative, and other such functions that support the warfighter. The objective focuses on the development and implementation of an Integrated Management System consisting of collaborative decisions aligned with strategic enterprise guidance to achieve Army objectives and produce required Army outcomes, including improving the integration and synchronization of business systems with the acquisition and fielding process. A sub-objective of the Army Campaign Plan was to strengthen the effectiveness of financial management and improve stewardship of taxpayer dollars by adapting current business practices to leverage the capabilities of integrated ERPs.

Business Transformation Plan

The Army Business Transformation Plan is a high-level view of what the Army plans to accomplish but does not provide specific tasks, timelines, or metrics. The Army's singular business transformation goal is achieving a performance-based and outcome-focused integrated management system that will enable cost-informed decisions and trade-offs for successful management and improvement of the Army's business operations. The plan indicates that the Army recognizes its need to reform its institutional management processes and is ready to execute its processes, goals, and objectives and deliver measurable cost savings and efficiencies. The plan lists 26 candidate business initiatives that the Assistant Secretaries of the Army and Army Staff Principals have submitted to align people, processes, and technology more closely with Army vision and business strategy.

Business Systems Architecture and Transition Plan

This is the Army's first Business Systems Architecture and Transition Plan, which provides a framework and roadmap for optimizing business operations, enabling audit readiness, and developing a fully integrated business process platform that is aligned with the Army business operating model. The plan is a high-level roadmap for the transitioning of more than 750 legacy business systems and data to the Business Process Platform. It aligns to the Business Transformation Plan and supports Portfolio Management to fully integrated lines of business. The Business Systems Architecture

and Transition Plan is the blueprint with a 10-year horizon for transforming the Army's business operations and the supporting technology using a three-phased implementation strategy that emphasizes the Business Enterprise Architecture's 15 End-to-End business processes to create a strong linkage between architecture development and business systems transition planning. The Business Systems Architecture is the body of knowledge and framework describing and prescribing the activity in terms of lines of business, process, business systems capabilities, and information. It represents a change from previous architecture approaches of focusing on vertical functional domains to one focused on lines of business and the 15 horizontal End-to-End processes defined in the DoD Business Enterprise Architecture.

Army Business Systems Information Technology Strategy

The Strategy describes the Army's plan for governing ERPs and other business systems using a structure that totally reflects enterprise considerations and employs business process analysis and systems portfolio management principles. The Strategy includes specific tasks to be completed within 90 to 180 days. These tasks focus on governance, portfolio management, and the management of End-to-End processes. The Strategy's goals include achieving audit readiness by FY 2017 and enabling cost-informed enterprise governance. It assumes two planning periods: near-term of 1 to 4 years, and medium-term of 5 to 7 years. The near-term planning aligns with the Army's delivery objectives for the existing four core ERP programs and the Program Objective Memorandum-cycle, as it validates and refines business operation strategic planning. In the medium-term planning, the Army plans to expand its opportunities for business process improvement capabilities. The Strategy will examine and place greater emphasis on measuring and reporting process performance and system portfolio migration of its ERPs.

Business Systems Information Technology Implementation Plan

The Implementation Plan contains steps the Army will take to institutionalize and validate improvements in governance, systems competencies, and processes over a 2-year period. After publishing the Strategy, the same team that developed the Strategy reconstituted as an Implementation Team with the following tasks: define the improved Business Systems Information Technology Management Process, develop the Implementation Plan, and oversee business systems management. The Implementation Plan notes the Army continues to view business systems management from an enterprise perspective and that a streamlined business management framework will provide the guidelines for integration of the four ERPs into a holistic and auditable environment.

Appendix E. 90- and 180-Day Strategy Implementation Tasks

The Army did not complete 16 of the 25 implementation tasks identified in the Strategy. Specifically, of the 90-day tasks identified in the Strategy, the Army did not complete 11 of 18. Of the 180-day tasks identified in the Strategy, the Army did not complete five of seven.

90-Day Tasks Not Completed

Of the 90-day tasks identified in the Strategy, the Army did not complete 11 of 18. Specifically, OBT documentation did not support completion of the following tasks.

1. Continued development of the Business System Architecture.⁴
2. Establish and adopt specific and transparent rules and steps for Business Process Analysis and Reengineering.
3. Establish a standard Business Process Management and Reengineering framework and methodology.
4. Assess and report on the status of its inter-ERP integration plans and milestones.
5. Maintain a prioritized listing of capability improvement requirements that will be the subject of Business Process Analysis and Reengineering, including reporting on analysis and execution timelines and milestones.
6. Identify challenges and enablers of operationalizing End-to-End business process governance.
7. Coordinate new, or adjustments to existing, governance organizations' charters to enable enterprise governance.
8. Determine the data needed for decisionmaking by each body.
9. Gather and assess data about the value of its current portfolio of systems as a result of the extent of the business processes they carry out.
10. Gather and assess data about the costs (both direct and indirect) of its current portfolio of systems as a result of the contractual, opportunity, and unintended consequences of their development and use.
11. Define a roadmap for the ongoing implementation of its ERPs and their existing and future capabilities' scope.

⁴ Of the 11 incomplete 90-day tasks, this task is the only task that OBT does not list as complete in their documentation. This task is listed "Task is Behind Schedule or Under-Performing for Timely Completion."

180-Day Tasks Not Completed

The Army did not complete five of the seven 180-day tasks identified in the Strategy. Specifically, OBT documentation did not support completion of the following tasks.

1. The Army will use its business governance bodies to make decisions of enterprise-wide significance, including a detailed roadmap of ERPs and their future capabilities' scope.
2. The Army will achieve milestone development of the Business Systems Architecture required by NDAA 2009, Section 908.
3. The Army will make decisive choices among alternatives so as to begin optimizing its portfolio of systems, including its ERPs, particularly in the context of capability improvement opportunities, and the subsequent Program Objective Memorandum/Budget Estimate Submission processes will reflect these decisions.
4. The Army will ensure it can meet its Financial Improvement and Audit Readiness responsibilities to achieve auditable data by FY 2017 with its systems roadmap.
5. The Army will develop an implementation plan spanning the subsequent 2 years which contains the steps it will take to institutionalize and validate (through performance management and measures) improvements in governance, systems, competencies, and processes.

Under Secretary of the Army Comments



DEPARTMENT OF THE ARMY
OFFICE OF THE UNDER SECRETARY OF THE ARMY
WASHINGTON DC 20310-0101

0 5 DEC 2012

SAUS-DCMO

MEMORANDUM FOR Department of Defense Inspector General, Attn: Program Director, Financial Management and Reporting, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Draft DoDIG Report, Project No. D2011-D000FL-0237.000, Army Business Systems Information Technology Strategy Needs Improvement

1. The Army has reviewed the Draft DoDIG Report and provides the attached comments.
2. Army business systems strategy and processes are changing rapidly and frequently due to both internal and external influences. New laws and policies have been implemented since the issue of the Army Business Systems Information Technology strategy in February 2011. While the overall goals remain unchanged, the details of the approach have necessarily matured. The Army's comments reflect the latest intention of Army senior leaders but may be subject to future revisions in the near-term as the result of emerging guidance from the DoD Deputy Chief Management Office.
3. The Army point of contact is [REDACTED]

A handwritten signature in blue ink that reads "Mark R. Lewis".

Encl
as

MARK R. LEWIS
Army Deputy Chief Management Officer

CF:
Under Secretary of the Army
DoD Deputy Chief Management Officer
Deputy Under Secretary of the Army

**DODIG DRAFT REPORT DATED NOVEMBER 5, 2012
DODIG PROJECT NO. D2011-D000FL-0237.000**

“Army Business Systems Information Technology Strategy Needs Improvement”

**DEPARTMENT OF ARMY COMMENTS
TO THE DoDIG RECOMMENDATIONS**

DoD RECOMMENDATION 1: The DoDIG recommends that the Director, Army Office of Business Transformation coordinate with the Assistant Secretary of the Army (Financial Management and Comptroller) to schedule Enterprise Resource Planning systems audits.

ARMY RESPONSE: The Army concurs with the DoDIG recommendation. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) is already executing a financial audit plan that incorporates successive financial audits by an independent auditor to assess the Army's preparedness for the FY2014 and FY2017 financial audit goals. The Army Office of Business Transformation will incorporate the ASA(FM&C) schedule of audits, from the present until FY2017, into an appendix to the Army's Business Systems IT Strategy.

DoD RECOMMENDATION 2: The DoDIG recommends that the Director, Army Office of Business Transformation issue an updated Strategy to include the Army's plan to:

a. Outline specific near-, medium-, and long-term milestones and performance measures with clear deliverables the Army will use to govern and manage enterprise resource planning system implementations and help achieve the Strategy's goals. At a minimum, to coincide with the goal of achieving auditability, this plan should span until FY 2017 and should include:

- i. Enterprise Resource Planning system implementation schedules;
- ii. Enterprise Resource Planning system audit scheduled;
- iii. Milestones for mapping of reengineered business processes; and
- iv. Results of progress against milestones, the impact of delays, and a plan for corrective action, if needed.

b. Fully use Enterprise Resource Planning system capabilities and minimize system interfaces.

c. Identify the Army Enterprise System Integration Program's scope and implementation milestones.

ARMY RESPONSE: The Army concurs with the DoDIG recommendation and will update the Army's Business Systems IT Strategy to reflect the following:

- a. ERP Implementation Schedules with near-, medium-, and long-term milestones
- b. ERP Audit Schedules from present to FY2017
- c. Business Process Reengineering mapping milestones
- d. Semi-Annual Reports to the 3-Star BSIT on progress towards achieving milestones and any corrective actions if necessary.
- e. An updated Army Business Policy on the optimization of ERP capabilities.

DoD RECOMMENDATION 3: The DoDIG recommends that the Director, Army Office of Business Transformation implement controls to monitor the development of well-defined implementation tasks and the completion of Strategy implementation tasks and milestones that promote desired outcomes. These controls should hold organizations accountable for completing assigned implementation tasks.

ARMY RESPONSE: The Army does not concur with the DoDIG assessment of completion of the implementation tasks.

As is stated at the beginning of section VII - Implementation, "The Army will pursue its strategy in three ways, namely governance, portfolio management and the management of E2E processes."

Each of these three areas have multiple components, many of which will occur repeatedly over the years. The DoDIG assessment was based on the eaches of the components and not the overall goals as stated. The measure of success for the Army is whether the Army has completed these three items. It is the Army's position that we have accomplished all three of these. Specifically:

In the area of governance, the Army has significantly improved the management and oversight of business governance primarily by the maturation of the BSIT. This body has evolved into regularly scheduled meetings that are making informed decisions about business process and policy issues. The membership has expanded to include both voting and non-voting membership. An indication of the value of this body is that the Secretary of the Army informed Congress that he would use the BSIT to validate the requirements for Enterprise Email and other Enterprise IT capabilities. This body is being used to review the business value for proposed materiel solutions and acquisition programs that are on-going. Additionally, this forum is being used to shape Army input to the Office of Secretary of Defense (OSD) Deputy Chief Management Officer (DCMO) and the Defense Business Council (DBC). The routine exercise of the governance is evidenced by the broad range of subjects and decisions resulting from the governing body minutes.

In the area of portfolio management, the BSIT conducted portfolio reviews for each of the Business Mission Area domains in the March-April 2012 timeframe. These reviews not only served as an important milestone in business systems investment management but also as a template for the revised OSD business system certification process. The

results of the portfolio reviews were instrumental in the Army's preparedness to comply with the revised OSD business certification process where 317 Army business systems were certified for \$2.25B of FY 13 expenditures. The structure and analysis for the Army portfolio reviews and the OSD certifications were based on a broad assessment of each functional business investment portfolio against the strategic requirements for both the Army and OSD. For the first time this included a review of legacy IT systems as well as developmental IT initiatives over the Future Years Defense Program (a 5 year horizon).

Lastly, through partnership between the Office of Business Transformation and the Business Mission Area domains, the Army has embraced an improved use of the 15 End-to-End business processes for business process reengineering (BPR). Following the OBT lead, each domain has assessed the current investment portfolio of systems against the OSD Business Enterprise Architecture (BEA) and BPR. For those legacy systems that were previously not routinely reviewed for BEA and BPR compliance, the Army has an approved BEA/BPR Compliance Plan to ensure compliance with the recent changes in the OSD certification processes. Additionally, OBT has provided focused assistance to domains to conduct "deep dives" of prioritized business processes identified during the Spring 2012 portfolio reviews. We are specifically targeting ammunition maintenance, real property management, and the hire to retire process to facilitate strategic decisions about potential IT investments in the future.

The maturation of the Army's Business Systems strategy and governance will continue for the foreseeable future. The Army will improve the strategy as stated in Recommendation 1 & 2 and continue to evolve under the guidance of the Under Secretary of the Army/Chief Management Officer and with the counsel of the Office of Secretary of Defense.



Inspector General Department of Defense

