



DEPARTMENT OF DEFENSE
FINANCIAL
MANAGEMENT TRANSFORMATION

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT STRATEGY

FY22-26



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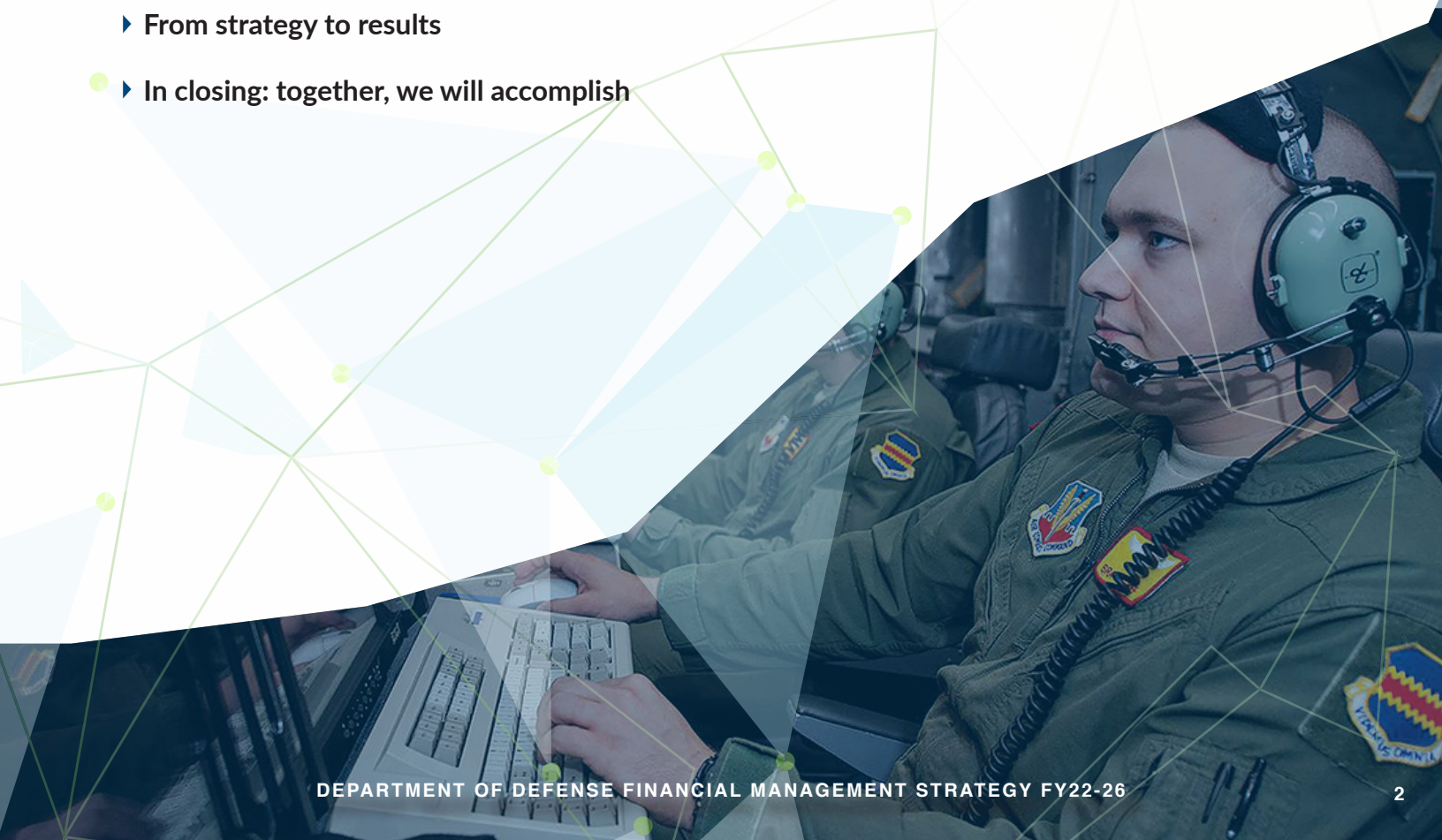
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Message to the financial management workforce

"Be bold in business as in battle!" This motto captures the spirit of our Department of Defense (DoD) Financial Management (FM) Strategy. Underpinning this strategy is a call to action across our entire DoD FM community to unify around essential enterprise-wide priorities that support defense mission success. Our vision for the future found in this document will guide Department-wide priorities for the FM community over the next five years. This strategy incorporates input from across DoD, including Military Department and Defense Agency leaders, budget analysts, data analysts, accountants, auditors, and partners of the FM community, and we will only succeed in realizing our vision when it is executed in partnership. Focusing on the top priorities with enterprise-wide impact to the defense mission is paramount to our collective success over the next five years. Impact to mission outcomes will be our compass.

Why launch this now? Our nation is facing global threats of an unparalleled nature, demanding resources and attention. As DoD confronts increasing budget pressure and scrutiny, impatience around audit remediation, mounting cyber threats, and unparalleled geopolitical, economic, and public health uncertainty, we must act smartly and swiftly to solve persistent challenges with the Department's business operations. The time is now to overcome longstanding barriers and to rapidly achieve transformational outcomes. Many of our strategic goals are not new, but they are overdue, and meeting them requires different approaches strengthened by leadership and commitment from the entire FM community.

This strategy describes "what" we want to become as an FM community and "why" it is important. The plan for "how" to implement it will follow in the form of an FM Transformation Implementation Roadmap that outlines a critical set of campaigns and initiatives. This strategy builds upon progress made by our workforce of over 55,000 talented professionals through continuous improvement and innovation. However, our work here is far from done. Simplifying and standardizing our FM environment will accelerate our ability to deliver with budget confidence, operational effectiveness, cybersecurity protection, auditability, transparency, and agility. Upon an efficient and audit-compliant foundation, we can operate as valued strategic partners to the warfighter. Rapidly implementing changes that will enable us to get there is critical.

Be bold in business as in battle. We need everyone in the game to embrace and help execute this strategy, as the risks are real and the benefits to the mission and the workforce are undeniable. Every action matters. Outcomes matter. We must continue our pursuit of excellence and set our sights high.

Our office will exercise leadership and partnership to achieve breakthrough performance in FM transformation. Over the next six months, you will learn more about the priority campaigns and initiatives that will drive these changes, as summarized in the FM Transformation Implementation Roadmap. These changes will initiate a new era of productivity, trust, and fulfillment for our workforce. We encourage you to reach out to your leaders or our team to share your thoughts and get involved. Be bold and dare to change. We appreciate the work that you do each and every day to support the mission, and we look forward to achieving these transformational results together.



A handwritten signature in black ink that reads "Michael McCord".

Honorable Michael McCord
Under Secretary of Defense (Comptroller)/
Chief Financial Officer



A handwritten signature in black ink that reads "Kathleen S. Miller".

Honorable Kathleen Miller
Deputy Under Secretary of Defense
(Comptroller)

Introduction

The case for change

As global adversaries accelerate our need for advanced warfighter capabilities and mounting fiscal debt threatens economic security, today's national security environment is complex, dangerous, and rapidly changing. Concerns with public health, climate change, and energy availability, among others, add to the complexity of the DoD mission. The Department's fiscal discipline is more vital than ever to setting priorities and making tough decisions among many competing demands in order to maximize the impact of every dollar – because every dollar matters.

The FM workforce is responsible for supporting commanders, program managers, and procurement professionals, among many other stakeholders, in ensuring the best use of every dollar to deliver essential defense mission capabilities with speed and agility. FM plays a crucial role in partnering with professionals from other competencies to support investment prioritization decisions, but we are also responsible for simplifying and standardizing our own operations with a focus on prioritizing actions that lead to faster, better support to the warfighter. We must further reduce the complexity of our business operations and overhead costs by simplifying and modernizing in order to repurpose those funds to the mission and to remain competitive and ready.

FM enables the defense mission

Effective DoD FM connects the balance sheet to the battle space. Every decision we support generates a financial outcome that either adds value or decreases the warfighter's ability to achieve mission success. DoD's ability to make timely, data-informed financial decisions determines how competitive we ultimately will be in the global arena. In a world with complex, rapidly evolving geopolitical, economic, and global public health concerns, our ability to respond quickly is even more crucial than ever before.

As financial managers, we directly support the goals and objectives of our national defense agenda by supporting the warfighter in making critical decisions swiftly, at the speed vital to the defense mission. We value precision balanced with the critical thinking required to solve complex problems and overcome obstacles quickly. Our ability to be agile and pivot to integrate financial and operational data empowers global force decision-making and enables us to be highly productive in supporting the warfighter.

The FM mission, vision, and guiding principles outlined on the following page define the road ahead for our FM workforce and emphasize our need to continuously improve to enable the warfighter.

► Imagine this real-world scenario:

Our satellites recognized an adversary's unusual military maneuvers at an ally's border. We need to prepare a response. Instead of creating courses of action by collecting data of questionable accuracy using slow, manual methods, our planners and operators are viewing a single pane of glass that combines mission data with near real-time data from our audited inventory, supply chain, warehousing, financial, and personnel systems. Our operators and planners know where and how ready our equipment, supplies, and personnel are to respond to this potential crisis. They also understand our fiscal readiness to procure more supplies and equipment. As a result, they are able to plan for scenarios rapidly and understand the impact of each proposed course of action before making a decision. With the right information at their fingertips, they are able to mobilize resources and funds in an appropriate, effective, and timely manner.

The ability to link mission data with business data provides the capability to develop the most effective and efficient course of action. Today, our ability to respond to this scenario requires improvement, but it is our time and our mission to make this level of immediate response a reality.

Our mission, vision, and guiding principles

Mission

Deliver world-class, responsive financial management that ensures the Department of Defense remains the premier global military and can accomplish the defense mission in a fiscally responsible manner while inspiring trust with our civilian and military leaders, Congress, and the American taxpayer.

Vision

Fiscal readiness accelerates mission

readiness: Make every decision at DoD fiscally informed by delivering actionable financial advice that empowers global force decision-making.

Guiding principles

The following guiding principles describe the valued behaviors of the FM workforce as we strive to achieve our vision together:

- **Steward taxpayer dollars** and provide actionable, fiscally responsible advice to our civilian and military leaders
- **Lead by example** by putting the national defense agenda and DoD as a whole first
- **Take care of our people** by supporting training, development, and the well-being of the FM workforce
- **Be a strategic partner** who obtains the optimized resourcing for the highest mission priorities and enables effective decision-making
- **Focus on outcomes** by adequately funding customer priorities, focusing on maximizing the impact of every dollar spent, and increasing citizen trust
- **Be curious** and focus on continuous learning and improvement
- **Embrace innovation** to accelerate outcomes and be relentless in the pursuit of new thinking and approaches; additionally, protect investment funds needed to achieve innovation
- **Drive change** through standardization, simplification, productivity, agility, and auditability
- **Generate insights** by using the power of enterprise data to help DoD make better decisions
- **Manage performance and risk** by using clear prioritization criteria, governance, and tradeoff analyses for decision-making and by integrating performance, cost, and risk criteria into every decision
- **Take prudent risks** to achieve breakthrough performance outcomes

The force multiplier of our success: our people

Leaders and team members, providers and customers – the co-dependent variables in the equation for success that, when combined and balanced correctly, create force multipliers that achieve tremendous feats. Our country’s history is replete with such examples.







Our people – all stakeholders of our collective FM community’s success – share one thing: they require each other to deliver world-class financial management that optimizes taxpayer dollars. Every leader needs a team with a “get it done” attitude, and every team needs a leader with vision, conviction, and focus. Every warfighter needs a resource manager to attain the resources required for the mission. Every entity needs an auditor and an accounting team whose work can be relied upon. Every American taxpayer deserves a cost analyst’s work that demonstrates how his or her money was invested wisely and contributed to measurable outcomes. Every budget requires successful collaboration with Congress and the Office of Management and Budget (OMB) in order to align our resources with national defense priorities effectively. In short, we can only achieve successful financial management outcomes described in this strategy together – unified in vision and effort.

Additionally, being “fiscally ready” in order to be mission ready requires us to be stewards of not just our funds, but also of each other’s time – at the end of the day, our time costs money, too. And so, it requires us to make smart choices, enabled by scenario planning, tradeoff analyses, teamwork, and communication, to invest our collective time wisely in

the actions that have the highest impact to the mission and to the broadest set of stakeholders. All of us play a role in focusing on the critical tasks at hand and prioritizing the right things. To meet the needs of our military and civilian leaders, the warfighter, our resource managers, accountants, auditors, and the American public, among others, we must become an FM community and environment characterized by simplicity, standardization, automation, innovation, compliance, security, and real-time authoritative data so that we can focus on what matters: resourcing the warfighter and achieving the mission.

This strategy was strengthened by canvassing all of our stakeholders below for feedback about what they believe is most important to achieving world-class financial operations. One thing became clear from our outreach: what makes this strategy different is not just the exciting changes we aim to achieve or the strategic imperatives shaping our future, but the common sentiment that none of us can do this alone and that we need a common compass to guide our priorities. As mentioned, this strategy describes the “what” and the “why” that will guide our priorities over the next five years. The “how” we get it done requires all of us working together and will be forthcoming in our FM Transformation Implementation Roadmap.

Driving change amongst an organization and set of stakeholders as vast as ours will not be easy. It will take dedication, unity of purpose and effort, and relentless focus to achieve it. And we must do it together.

<p>Military and Civilian Senior Leaders</p>	<p>Resource Managers, Cost Analysts, and Budget Analysts</p>	<p>Accountants and Financial Operations Analysts</p>
<p> "I have real-time data and analytics to drive rapid mission-critical decisions with tradeoff analysis."</p> <p>Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, Office of the Under Secretary of Defense Principal Staff Assistants, and Leaders across the Military Departments, and Defense Agencies</p>	<p> "I have visibility into operating costs and can effectively advise decision makers to achieve greater efficiencies."</p> <p>"I have end-to-end budget to execution line of sight that optimizes every dollar while meeting mission requirements."</p> <p>Program Managers, Division Chiefs, Team Leads, Deputy Executives, Program Analysts, Budget Analysts, and Data Scientists</p>	<p> "I can identify early trends that help me fix root cause transactional problems to eliminate financial statement reconciliation issues upfront."</p> <p>"I can match obligations and invoices, close contracts, post de-obligations, and make unused funds available."</p> <p>Accountants, Financial Operations Analysts, FM Systems Engineers, Financial Compliance Experts, and Data Scientists</p>
<p>Warfighters in the “Trenches”</p> <p> "I have confidence moving into combat operations that my troops are armed and prepared for victory."</p> <p>"My real-time inventory data enables me to predict precise re-order timeframes to minimize operational risk."</p> <p>Troops in Combat and Combat Support</p>	<p>Auditors and Contractors</p> <p> "I can verify my client's financial statements with smaller samples and perform the audit faster and with fewer accountants - enabling repurposing of funds for the mission."</p> <p>"I can now implement Commercial Off the Shelf (COTS) affordably and quickly with a standard configuration."</p> <p>External Auditors and Management Consultants</p>	<p>Congress, OMB, GAO, and American Taxpayers</p> <p> "I understand the costs and performance of DoD to ensure that my taxpayer dollar is providing value."</p> <p>"I have full transparency into DoD's compliance with laws, regulations and policies."</p> <p>Congress, Government Accountability Office, Office of Management and Budget, Inspector General, and the American Public</p>

Strategic goals, strategic objectives, and what success looks like

The five strategic goals that follow represent the highest priorities for the DoD-wide FM community over the next five years, focused on driving to meaningful outcomes together.



STRATEGIC GOAL 1

Cultivate a skilled and inspired FM workforce

Investment in our FM professionals is critical to the success of the DoD FM Strategy. The Department made significant strides in recent years by utilizing direct hire authorities to acquire new talent and by establishing the DoD FM Certification Program to enhance our current workforce capabilities. However, the changing FM landscape necessitates an agile workforce that can adapt to new requirements in leadership, data management and analytics, and risk mitigation. Additionally, recent rapidly changing global events make flexibility more important than ever.

We will shape a premier FM workforce that demonstrates our guiding principles and represents the best of the federal FM community. We will strengthen our proficiency through robust training and development focused on preparing for tomorrow's challenges with opportunities offered equally to military and civilian personnel. We will build an FM community of practice that supports our people and enables the mission.

Strategic objectives

1.1 Build and maintain a premier FM workforce:

Recruit and retain a diverse and skilled FM workforce by providing career opportunities that appeal to top talent and driving workforce planning initiatives that position employees for success.

1.2 Optimize and evolve FM training solutions:

Provide forward-thinking, accessible, skills-based training and education that prepares our workforce for tomorrow's FM requirements.

1.3 Foster an FM community of practice:

Provide forums, tools, and experiences that promote information-sharing, networking, mentoring, and collaboration across the workforce.

What success looks like

Imagine a fulfilled, engaged, and productive workforce motivated by bold leaders with vision and commitment to mission success. These professionals are meeting all DoD FM mission responsibilities in a timely and compliant manner. The FM community is a vital partner to the operators, providing strategic advice for key decisions and effectively resourcing successful missions. Our people are engaged and learning through state-of-the-art academic experiences, mentorships, and developmental

opportunities. Career paths are clear, yet flexible, and succession planning helps organizations cultivate the next generation of FM leadership. Staff are empowered to identify, evaluate, and act to solve problems. Prudent risk taking is celebrated, and performance reviews reflect impact. As a result, employee satisfaction is high and FM professionals at all levels are leaders, skilled in current requirements, and able to support fiscally informed decisions that optimize mission execution.

How to measure progress

The following summary represents a collection of important considerations to focus on and measure progress against during the implementation of this strategy. Additional priorities may be added as implementation planning and delivery unfold.

✓ 1.1 Build and maintain a premier FM workforce

What to measure

1.1.1 Increase employee engagement and satisfaction scores.

Why it matters

Our people are a priority, and measuring our employee engagement and satisfaction enables us to identify pockets of excellence to replicate elsewhere, as well as areas of opportunity to implement targeted, data-informed change initiatives.

What to measure

1.1.2 Establish a proficiency assessment model and increase workforce proficiency scores.

Why it matters

It is critical that we foster an environment where our workforce has opportunities to specialize in its craft as well as broaden its skillsets. Accountants should have a basic understanding of the budget process, how audits work, and how to use data for decision support analytics, just as much as budget analysts should understand enough about accounting data to make decisions as the budget is executed. Monitoring the distribution in skills and proficiency of our workforce provides us with data to inform changes to training and career development opportunities.

✓ 1.2 Optimize and evolve FM training solutions

What to measure

1.2.1 Increase the percentage of the workforce holding relevant certifications, test-based where possible.

Why it matters

The DoD Financial Management Certification Program (DFMCP) is a requirement for employment of many FM professionals throughout DoD already. Increasing the number of other relevant FM certifications held by our workforce, such as the Certified Public Accountant (CPA) certification, among others, indicates an increase in continuous learning, which is critical to maintaining the competitive advantage of the Department and our nation.

What to measure

1.2.2 Establish FM training on leadership and mission-critical management skills, including tradeoff analysis, risk management, etc., and increase the percentage of the workforce trained in these critical skills.

Why it matters

Management and leadership skills may not be addressed by the aforementioned certification programs, but they are a core set of skills critical to the career development of our people – and just as important to the success of the FM community as technical skills are. Focused attention on these trainings is critical to increasing employee engagement and satisfaction, improving our office culture, and providing our workforce with tools and enablers to manage their careers.

What to measure

1.2.3 Establish an FM data, analytics, and digital curriculum, and increase the percentage of the workforce trained in these critical skills.

Why it matters

Digital innovation is changing the way we produce and consume information and how modern business systems operate. Opportunities abound at DoD to improve our systems environment and to leverage trusted data that is used for purposes of the financial statement audit and decision-making. Positioning our FM workforce to be ready for these opportunities requires training on modern data and analytics practices, as well as training on modern cloud-based solutions, automation solutions, and other enablers critically shaping the way we operate.

✓ 1.3 Foster an FM community of practice

What to measure

1.3.1 Establish on-the-job forums to share leading practices across the Department.

Why it matters

As the FM workforce strives to make transformative improvement over the next few years, it is essential that there are forums to recognize and share leading practices and accomplishments with others so that they can be replicated elsewhere.

STRATEGIC GOAL 2

Optimize taxpayer dollars for the highest value outcomes

The FM community is responsible for amassing, justifying, and obtaining the optimal resourcing to ensure mission success, as well as executing our budget while sustaining trust with our leaders, Congress, and the American taxpayer. With that responsibility comes the crucial need to be responsive to both planned missions and emergencies as they unfold, all while maintaining legal, ethical, and accountable stewardship of those funds.

The DoD Planning, Programming, Budgeting, and Execution (PPBE) process determines which programs meet military strategy requirements and how much funding they receive. As part of this process, DoD FM leaders concentrate on budget formulation, justification, apportionment, allocation, obligation, and expenditure of monetary resources to support our warfighting capabilities and all other DoD continuing operations.

Today, the process steps and technology traditionally used to perform the PPBE process include manual, siloed tasks that increase the effort required to get the job done. Innovation through further automating the budget to execution portion of this process will greatly improve PPBE operations overall and reduce ongoing workforce strain while ensuring necessary risk mitigation, controls, transparency, and oversight. Most of all, greater agility is needed to deliver capability better and faster to the warfighter. This can be achieved by improving process inefficiencies while automating wherever possible, thereby freeing up valuable bandwidth for more dynamic support to the warfighter and all other stakeholders of this process.

The PPBE process requires collaboration across DoD's planners and programmers, the DoD FM community, DoD leadership, OMB, and Congress to ensure alignment of priorities and resources. Continued collaboration with congressional defense committees is particularly critical in both identifying key defense priorities that support the President's

Budget and aligning priorities to congressional processes and timelines to support legislative action. Similarly, collaborating on the highest priorities of Congress on matters of innovation that impact the agility and outcomes of the PPBE process will require continued successful collaboration as well.

Strategic objectives

2.1 Optimize budget to execution: Refine the budget to execution process, enabled by Congressional collaboration, reduction of outdated regulations and policies, and use of streamlined end-to-end standard capabilities, in order to provide total funds visibility and to ultimately deliver defense mission capabilities faster and with agility.

2.2 Manage cost, performance, and risk together: Deliver and act on financial insights focused on cost, performance, and enterprise risk management (ERM) simultaneously, the results of which should inform tradeoff analyses, cost controlling, and resource budgeting and forecasting activity.

2.3 Foster a high integrity funds control environment: Provide fiscal control over assets, including the dissemination of funds, the tracking of budget execution, and the realignment of funds.

What success looks like

Imagine a simplified, automated budget to execution environment that optimizes funding through precise alignment between prioritized requirements and mission outcomes. Congressional collaboration and transparency required on matters of defense authorization and appropriation extends to partnership on solving tough challenges, including innovation efforts to enhance the budget to execution process itself in order to better serve the needs of all officials. Additionally, DoD leaders compare budgeted versus executed results using real-time data, and regularly occurring cost and performance

management reviews use a common enterprise-wide framework for success criteria and risk management, including both financial and non-financial metrics. A dynamic, agile, end-to-end operation produces data-driven analyses to drive continuous prioritization and tradeoff decisions throughout the year. Ultimately, necessary resources are acquired responsibly to meet national defense objectives and ensure the legal, effective, and efficient use of those resources, as well as transparency and oversight to instill confidence and trust for Congress and the American public.

How to measure progress

The following summary represents a collection of important considerations to focus on and measure progress against during the implementation of this strategy. Additional priorities may be added as implementation planning and delivery unfold.

2.1 Optimize budget to execution

What to measure

2.1.1 Increase budget to execution visibility with near real-time execution data using modern enterprise solutions.

Why it matters

An optimal budget to execution process requires visibility that can be provided by modern enterprise solutions. The number of systems used to orchestrate PPBE represents a substantial share of systems in the FM portfolio, which has historically complicated this task. Achieving end-to-end funds visibility using enterprise solutions is a necessary step to achieve further meaningful outcomes in simplifying the budget to execution process and improving data quality.

What to measure

2.1.2 Increase visibility into execution against disaster and emergency response funding by implementing a capability to track rapid response.

Why it matters

When an emergency occurs, we must have data on hand to respond rapidly and also have the ability to track progress against our response, including execution of funds. Having a clear process and capability to track this Department-wide is critical to responding to the next incident.

2.2 Manage cost, performance, and risk together

What to measure

2.2.1 Reduce volume and magnitude of recurring, controllable revolving fund indicators and warnings.

Why it matters

Revolving funds exist as a flexible funding mechanism to help support mission outcomes and are an excellent example of where it is critical to measure cost, performance, and risk together in order to remain solvent and performant. Indicators and warnings relating to revolving funds include cash balances breaching upper or lower threshold limits as well as inventory and accounts receivable patterns that ultimately put cash management at risk. Reducing indicators and warnings in this area is an indication that we are effectively managing cost, performance, and risk in ways that may support maturation of this framework to be used beyond revolving funds in the future.

2.3 Foster a high integrity funds control environment

What to measure

2.3.1 Increase control over our enacted budget execution by developing spend plans using a standard methodology to compare to monthly execution, identify spend plan variances, and take action to implement cost controls that address changing demands.

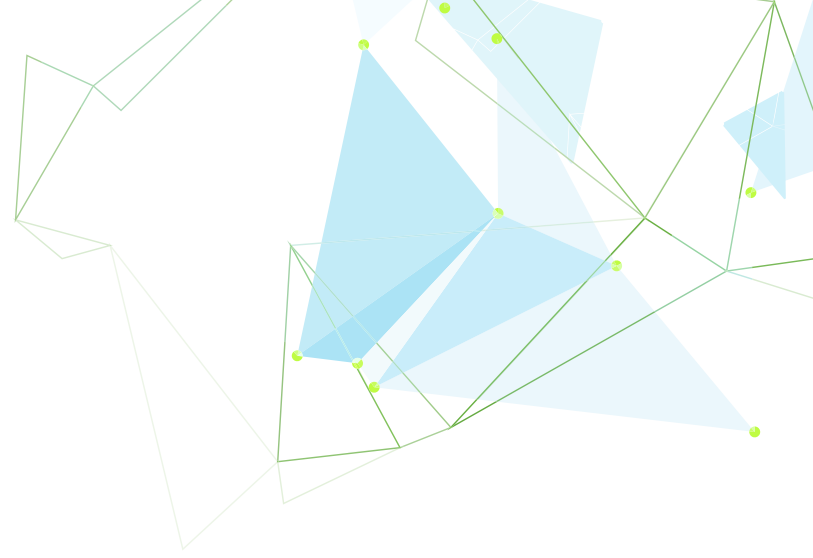
Why it matters

A spend plan should operate like a forecast, typically updated monthly to reflect latest expected events throughout the remainder of the fiscal year, and thus is a better comparison point than the budget, particularly as the year goes on. This metric is a byproduct of something more important: ensuring flexibility to account for emerging requirements. Reducing spend plan variances is an indication that the spend plan process is capturing emerging requirements and that our FM community has a plan to address them with funding. Thus, as dollars are executed, execution is in line with the spend plan, to a reasonable extent, because we had a plan in place to adjust to recent requirements changes.

STRATEGIC GOAL 3

Increase the integrity of financial results

The financial statement audit is often seen as an indicator of financial integrity. DoD has made strides on its journey to a Department-wide unmodified opinion of its financial statements; however, there is still work to be done. Controls must be enhanced, material weaknesses resolved, documentation expanded, policies adjusted, and the workforce trained to create a more accountable financial environment for the Department. We must quickly reduce our legacy FM systems and fix our enduring FM systems to move forward, with an intense focus on the controls necessary to deliver a secure and compliant systems environment that ensures the integrity and confidentiality of the Department's critical information assets. We remain committed to this



transformational effort as the best measure for providing the DoD community timely and reliable financial and performance information for decision-making, as well as the kind of transparency and accountability that taxpayers rightfully expect. Our primary focus is to move beyond a disclaimer on the DoD audit toward qualified opinions on the path of an unmodified result.

Strategic objectives

3.1 Accelerate the path to an unmodified audit opinion: Build confidence in the efficacy of our financial results by mitigating material weaknesses and achieving an unmodified audit opinion through relentless implementation of internal controls and pursuit of excellence in all financial execution activities.

What success looks like

Imagine a secure environment in which financial data and reporting integrity are the norm, providing confidence in the data used for decision-making across the Department. This happens through continued diligence in our audit remediation efforts, which continue to foster an environment that features fewer but more capable and secure systems, better data, adherence to Generally Accepted Accounting Principles (GAAP), a more analytical workforce, and improved transparency that enables faster insights that support focused, sustainable solutions for the Department's complex challenges. These efforts, in turn, also increase confidence in the data used for decision-making, leading to better decisions and results.

Success means correcting critical material weaknesses, such as the following:

- Real property
- Inventory, operating materials, and supplies
- Government property in the possession of contractors
- Information technology access controls
- Fund Balance with Treasury
- Financial reporting internal controls
- Joint Strike Fighter (JSF) Program

Ultimately, success in this area means that while audit becomes an annual and well-practiced routine, the emphasis is placed on making decisions about our results with our data, not on remediating material weaknesses. DoD leaders and process owners wholeheartedly embrace audit as a valuable management tool for ensuring strong and reliable internal controls, efficient and effective funds execution, and a fully compliant FM culture.

How to measure progress

The following summary represents a collection of important considerations to focus on and measure progress against during the implementation of this strategy. Additional priorities may be added as implementation planning and delivery unfold.

3.1 Accelerate the path to an unmodified audit opinion

What to measure

3.1.1 Increase the number of favorable (unmodified or qualified) financial statement audit opinions.

Why it matters

If we truly simplify our environment, improve our FM practices, and are successful in our approach to target material weaknesses, we should see the outcome of increased unmodified and qualified audit opinions. Notices of findings and recommendations (NFRs) associated with material weaknesses should be strategically targeted so as to remediate the most material issues in our financial statements. Monitoring this progress is critical to achieving an environment of financial integrity. As NFRs associated with material weaknesses are resolved and the number decreases, the Department will find itself closer to achieving the target of a DoD-wide favorable audit opinion.

What to measure

3.1.2 Increase the number of favorable (unmodified or qualified) Statement on Standards for Attestation Engagements No. 18 (SSAE-18) opinions.

Why it matters

Similar to 3.1.1., the more SSAE-18 audit opinions that improve to become favorable, the closer DoD will be to achieving the target of an overall favorable audit opinion for its financial statements. Furthermore, as we make changes to simplify our systems environment, it is critical that we monitor the change in compliance associated with our financial systems. This monitoring encourages smart and sustainable choices when making systems changes.

What to measure

3.1.3 Centralize all Fund Balance with Treasury (FBWT) reconciliation tools in Advana.

Why it matters

FBWT is a DoD material weakness and an obstacle to obtaining a favorable audit opinion on our financial statements. The fastest path to adopting proven reconciliation tools requires centralizing all FBWT reconciliations on Advana in order to help identify, prioritize, and address thematic feeder system data quality issues.

What to measure

3.1.4 Establish processes and controls to clear undistributed disbursements and collections in a timely manner, including posting and matching transactions to obligations.

Why it matters

Undistributed (or unmatched) disbursements and collections are amounts that have been reported to Treasury but have not been posted to the appropriate obligation in the source accounting system. Proper accounting requires that undistributed disbursements and collections be identified to a specific transaction and organization, involving research, reconciliation, and supporting documentation. Improved processes and controls for obligation matching and transaction posting will enable clearing these accounts and reporting accurate balances in a timely manner.

What to measure

3.1.5 Reduce undistributed disbursement and collection balances to a small percentage of the total FBWT.

Why it matters

Undistributed (or unmatched) disbursements and collections occur because of invalid line of accounting values and timing differences, among other reasons. Reducing undistributed amounts, ideally by addressing causes at the source, will increase the integrity of the Department's financial information as well as enable shifting workforce resources from ad hoc, manual research and reconciliation to higher-value efforts.

What to measure

3.1.6 Increase systems with appropriate user access control solutions implemented to improve cybersecurity and audit posture.

Why it matters

Identity and access management deficiencies represent a significant obstacle to achieving unmodified audit opinions for the Department. As these are resolved and the number decreases, it is expected that information technology security NFRs will be resolved, and the Department will find itself closer to achieving the target of a DoD-wide unmodified financial statement audit opinion and, more importantly, improving our cybersecurity posture.

STRATEGIC GOAL 4

Simplify and optimize our end-to-end business environment

Business systems are critical enablers for the efficient, effective, and accountable execution of taxpayer dollars in support of the DoD mission. The Department has long been challenged by non-compliant, non-secure technology that has impeded not only streamlined, integrated operations, but also an accurate rendering of DoD financial information. Changing that reality is a journey in which progress has been made, but much more is needed.

Under this strategic goal, our FM community must aggressively retire obsolescent systems that are unable to cost-effectively meet the stringent business standards and security protocols established by the Department and the broader federal community. FM leaders will direct the use of explicit standard definitions and criteria to identify those systems that will remain in tomorrow's environment. Identified systems that do not meet the appropriate standards will be subject to decommissioning. Enduring systems will be funded for standardization and audit compliance, utilization of all preventative controls, and expansion of capabilities that unify end-to-end process execution. Technical alternatives will be implemented to ensure mission continuity while meeting federal and business requirements. Those alternatives will be folded into a target business systems environment that will continue to automate processes with a focus on optimizing end-to-end capabilities rather than catering to siloed business functions. Only with an enterprise approach to end-to-end optimization will we achieve our target outcomes that preserve data integrity through efficient operations.

Strategic objectives

4.1 Optimize a secure systems environment: Retire legacy systems and accelerate optimization of modern enterprise solutions by partnering with all stakeholders across end-to-end processes and leveraging proven commercial and federal capabilities.

4.2. Leverage innovative digital and automation solutions: Leverage innovative solutions including machine learning, artificial intelligence, and other automation solutions to streamline transaction processing while sustainably improving our analytics and business environment.

4.3 Simplify FM regulation and policy: Simplify FM regulation and policy to support desired outcomes of the FM strategy, address cultural barriers, and partner with appropriate stakeholders to create productive change.

What success looks like

Imagine world-class, highly automated FM operations where proper segregation of duties and access controls drive accountability throughout standard end-to-end processes and modernized capabilities. Success in this area is measured by the number of systems removed quickly from the environment, along with the adoption of robust federal and DoD standards. Success means a lean, cost-effective, highly productive environment where funds and personnel can be repurposed to support the highest priority, mission-critical activities. Efficiency

and effectiveness measures validate enhanced end-to-end process execution. FM benefits from greater data integrity based upon Chief Data Officer (CDO) and Chief Financial Officer (CFO) data standards, use of the Advana enterprise analytics platform, and the sensible adoption of robust COTS business solutions. FM leadership works collaboratively with cross-functional partners to execute this vision of a streamlined, secure end-to-end business environment, making changes to existing practices as necessary to achieve this outcome.

How to measure progress

The following summary represents a collection of important considerations to focus on and measure progress against during the implementation of this strategy. Additional priorities may be added as implementation planning and delivery unfold.

✔ 4.1 Optimize a secure systems environment

What to measure

4.1.1 Decrease the number of legacy, financial statement audit-relevant business systems.

Why it matters

Modern, scalable business system capabilities exist with a fraction of the maintenance cost of years past. DoD legacy systems are costly, create cyber risk for the Department, and impede our financial statement audit efforts. Retiring legacy systems swiftly allows the Department to avoid unnecessary maintenance costs and other serious risks, while reinvesting in modern capabilities that will better serve our workforce for decades to come. Additionally, focusing specifically on audit-relevant systems has the added benefit of simplifying our environment that impacts the audit, accelerating strategic objective 3.1.

What to measure

4.1.2 Increase compliance with regulations including Federal Information System Controls Audit Manual (FISCAM), Federal Financial Management Improvement Act (FFMIA), Federal Information Security Management Act (FISMA), and Standard Financial Information Structure (SFIS) across FM systems.

Why it matters

To streamline business operations, reduce costs, and accurately report DoD's financial information, all business systems (first and foremost, those relevant to the DoD financial statement audit) should invest the resources necessary to achieve optimal financial and operational outcomes while ensuring systems are compliant with audit and security regulations, such as FISCAM, FFMIA, FISMA, and SFIS. Systems scheduled to retire in the near-term should be deprioritized in favor of enduring systems worthy of investment and likely to impact audit results.

✔ 4.2 Leverage innovative digital and automation solutions

What to measure

4.2.1 Increase automation of end-to-end processes.

Why it matters

Automating repeatable process steps and interfaces between enduring systems that require manual intervention today will allow us to unlock valuable time to reinvest in modern capabilities.

What to measure

4.2.2 Streamline intra-governmental transaction processing in all target FM systems.

Why it matters

Understanding progress on leveraging Treasury's G-invoicing solution provides insight into DoD's ability to transition to innovative digital and automation solutions to optimize resources and improve auditability.

✔ 4.3 Simplify FM regulation and policy

What to measure

4.3.1 Simplify regulations or policies to address priorities throughout the FM strategy.

Why it matters

As changes to FM systems and processes are implemented throughout the implementation of this strategy, issuing simplified regulations and policies that address barriers to fully enabling standardization will demonstrate that a common understanding and advocacy exists across stakeholders to create productive change to achieve our objectives.

STRATEGIC GOAL 5

Empower data-driven, fiscally informed decision-making

Every business event generates a financial transaction, and in an enterprise as enormous as DoD, the need for standards around data management, data quality, data governance, and the application of analytics practices abound. The Department is on a path to adopting better data management standards, as articulated in the DoD Data Strategy and implementation plan that impacts the FM community. Our partnership with the DoD CDO is critical to implementing standards for data management and analytics practices, data quality improvement, and open architecture that promotes appropriately access-controlled data transparency. Adoption of these critical standards, along with the appropriate internal controls, will significantly enhance the integrity of data that our leaders use for critical decision-making in support of the DoD mission.

The FM community has a unique vantage point due to the visibility provided by the financial statement audit to understand

a variety of business data and how it interacts. Providing solutions that exploit this advantage are critical to positioning FM as a partner in making mission-critical decisions. This requires visibility into data quality and usability enabled by bringing all FM and other business data into the Department's single enterprise data and analytics solution, Advana. This creates a fully reconcilable Universe of Transactions (UoT) that links financial outcomes to upstream business events – a reconciliation necessary for the financial statement audit that has the added benefit of increasing our understanding of drivers and outcomes foundational to analytics that inform business decisions. This Department-wide capability will drive a dramatic increase in analytics capability and reduction in discrete and redundant data lakes, data warehouses, dashboards, and business analytics tools. Further, citizen developers and analysts can leverage Advana as a single source of truth to support the analytics they require.

Strategic objectives

5.1 Drive universal use of secure, single-source

reporting: Leverage Advana as the single enterprise data and analytics environment for all fiscally informed decisions and management reporting.

5.2 Instill confidence in FM data for decision-

making: Improve data quality as well as universal data management and modeling standards that make data easier to use for decision-making.

What success looks like

Imagine a world where transactional business processes are automated, trusted real-time data is available at our fingertips, and because of well established, automated internal controls, reviewing financial and performance results is a discussion rather than a fact-checking exercise. Executives use real-time data, and regularly occurring performance management reviews are led by reviewing interactive dashboards and a common enterprise-wide framework for success criteria. FM not only has a seat at the table to support decision-making from the perspective of financial health and success but also actively drives decisions by providing scenario and tradeoff analyses using common enterprise data generated with integrity by audited source systems from across the Department. As a result, the Department makes better, faster decisions that directly impact our competitiveness and lethality of the warfighter.

How to measure progress

The following summary represents a collection of important considerations to focus on and measure progress against during the implementation of this strategy. Additional priorities may be added as implementation planning and delivery unfold.

✔ 5.1 Drive universal use of secure, single-source reporting

What to measure

5.1.1 Produce a supportable UoT balance as a percentage of financial statement balances.

Why it matters

We have over 28 general ledger systems and dozens more feeder systems complicating our environment. Producing a UoT focused on coverage of financial statement balances is crucial to our objectives for audit as well as for furthering the use of data and analytics across the FM community. In many cases, the fastest path to reconciling data for audit and using data for decision-making is completing the enterprise-wide UoT available in Advana.

What to measure

5.1.2 Increase Advana customer satisfaction and retention score.

Why it matters

For DoD to optimize use of an authoritative FM data source as an asset to improve decision-making and overall FM mission execution, the FM community must be satisfied with and embrace the Advana capability. Encouraging a customer-first approach helps us to ensure all offerings of our enterprise data and analytics environment are serving our customers well. Recurring feedback allows us to iterate quickly and continuously improve.

What to measure

5.1.3 Decrease the number and cost of discrete data lakes, data warehouses, dashboards, micro-apps, etc.

Why it matters

Treating Advana as a single source for FM data and analytics introduces simplicity. The proliferation of redundant systems and applications today creates siloed approaches to data management. As adoption of Advana increases, the number of redundant data lakes, warehouses, and other applications should naturally decrease.

✔ 5.2 Instill confidence in FM data for decision-making

What to measure

5.2.1 Increase data quality scores.

Why it matters

Making reconcilable data transparently available in the Advana enterprise UoT will allow more rapid identification of data quality issues to address with source system owners, which in turn should drive change and increases in data quality scores over time. Data quality measures will include DoD-wide approved standards per the DoD CDO, as well as FM-mandated data standards such as SFIS, Standard Line of Accounting (SLOA), Procurement Data Standard (PDS), and Procurement Request Data Standard (PRDS), among others.



From strategy to results

This strategy describes “what” we need to achieve and “why” it is important. The critical, detailed implementation plan required to realize these goals and objectives will describe the “how” we will get there. It is forthcoming as part of our immediate next steps.

As we look to translate this strategy into action and results, we will identify campaigns and initiatives that help us realize the outcomes described in this document. We will rank and prioritize the campaigns and initiatives with the highest impact to the DoD enterprise. Realizing this strategy hinges upon focused, unified FM leadership across the Department driving to vital enterprise outcomes together.

The Office of the Under Secretary of Defense, Comptroller (OUSD(C)) will establish a governance forum that meets regularly to manage the collective priorities outlined in this strategy, hold campaign and initiative owners accountable, and focus resources in support of driving to our desired outcomes. Specifically, this governance forum will bring together FM leaders from across the Department to accomplish the following:

- Assess, affirm, and oversee the implementation of the strategy
- Drive execution, accountability, and performance results of the key campaigns and initiatives
- Identify and mitigate risks that may impact our ability to achieve the desired outcomes, including removing obstacles and determining when to take appropriate risks
- Ensure these prioritized activities are properly resourced to enable success

In closing: together, we will accomplish

Our “all of FM” DoD FM Strategy is a call to action across our military, civilian, and contractor professionals – to not merely brace for but fully embrace change – as the essential element of the critical FM improvements we must make together. We must work in partnership with all DoD FM offices to realize this strategy and focus on our impact to the mission.

Be bold in business as in battle. We need all hands to help execute this strategy, as the benefits to the mission and the workforce are undeniable.

Every action matters.
Every dollar matters.
Every individual matters.
Every outcome matters.

We must continue our pursuit of excellence and set our sights high. Our DoD FM leaders must commit to boldly exercise leadership and partnership to achieve breakthrough performance in FM transformation. These meaningful changes will initiate a new era of productivity, trust, security, and fulfillment for our workforce.

Embrace change, so we can realize these crucial transformational results together for our warfighters and our nation.

