



2011 JCTD Managers Conference

Financial Management

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Why Is Managing Finances for JCTD Program Important?



- **JCTD FY10 budget decremented due to perception of limited transitions, unobligated funds, and unexpended (disbursed) funds**
- **JCTD budget is now visible as a program that has sustained a hit – increased vulnerability to being perceived as a “bill payer” (“scent of blood” phenomena – JCTD is no longer untouchable).**
 - **And they keep decrementing!**
- **Tighter budget climate has driven Comptroller and ASD (R&E) leadership to increased scrutiny of financial execution and raise the bar on financial performance against *Benchmarks***
- **Strategy is to demonstrate strong oversight of JCTD performance coupled with strong Management of JCTD project performance**

Must prove we are executing to a good plan or we become a bill-payer!



Remember Those Comptroller Benchmarks?



- **Obligation** – Amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or future, period. Includes payments for which obligations previously have not been recorded and adjustments for differences between obligations incurred is segregated into undelivered orders and accrued expenditures – paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligations refers to each separate obligation amount identified by a separate line of accounting.
 - **What that really means: The government intends to spend the funding in the designated manner (like writing a check from a checking account)**
- **Disbursements** – Amounts paid by Federal Agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. “Disbursement” is often used interchangeably with the term “outlay.” In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. For purposes of matching a disbursement to its proper obligation, the term disbursement refers to the amount charged to a separate line of accounting.
 - **What that really means: The government has paid for the work performed (the check has cleared the account)**
- For more information, visit OSD Comptroller website: <http://comptroller.defense.gov/fmr/>



FY2011 OSD Comptroller Obligation/ Expenditure Benchmarks



	Obligations	Expenditures
October	7%	4%
November	15%	8%
December	22%	11%
January	30%	15%
February	37%	19%
March	45%	23%
April	52%	26%
May	60%	30%
June	67%	34%
July	75%	38%
August	82%	41%
September	89%	47%



What is and Why does OSD Request an Integrated Baseline?



- An Integrated Baseline (IB) is a depiction of:
 - What work tasks need to be accomplished to execute the intent and objectives of the JCTD
 - When those tasks must be performed
 - How much those tasks are expected to cost
- An IB is an **estimate** of what will be accomplished, the schedule, and the cost. It allows Integrated Management Teams (IMT) to organize the work effort to ensure objectives are achieved on time and within expected cost.
- Because an IB is an estimate of intent, reality will likely not mirror exactly what was planned. The utility of an IB is that it enables the IMT to **track real performance against planned performance**. Variances to plan can be detected when they are small and more easily dealt with.



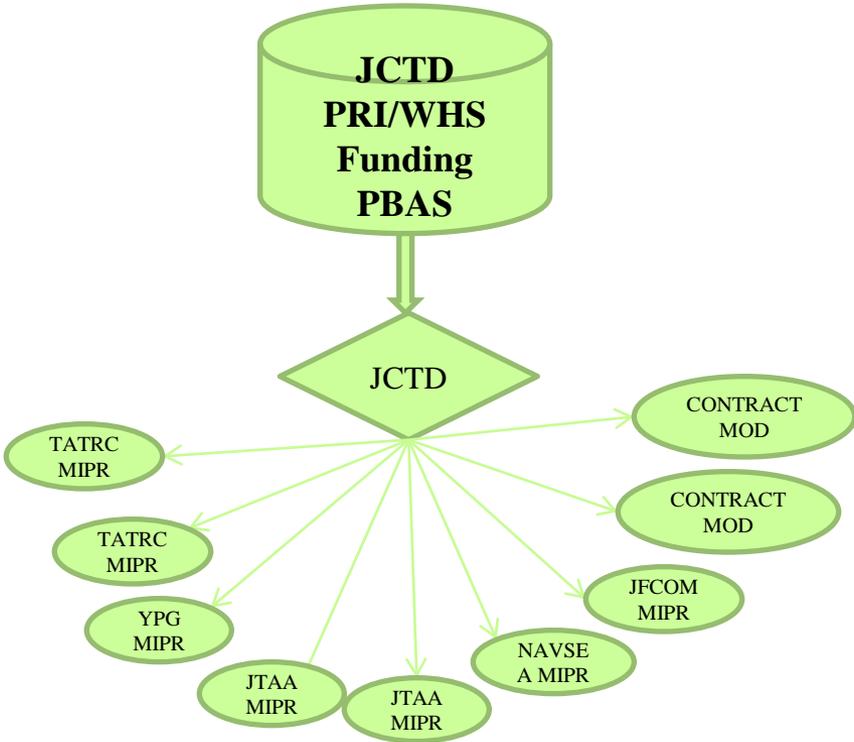
Plan for JCTD Project Budget & Allocation of Funds (Spend Plan)



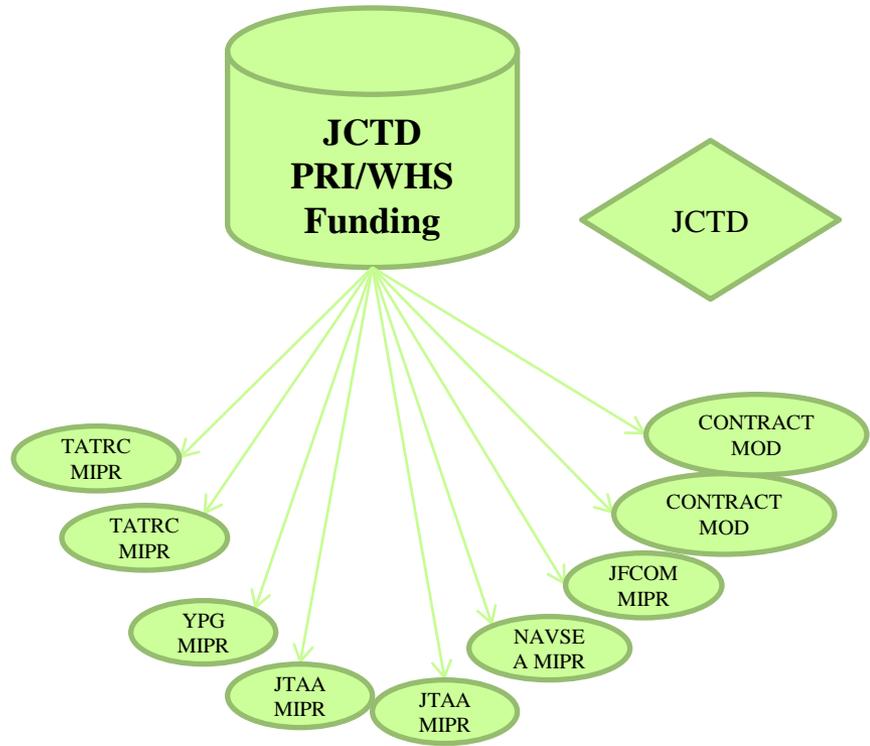
- Identify Work Tasks
- Develop Cost Estimate for Each Work Task
- Schedule Each Work Task
- Integrate into JCTD Project Budget & Spend Plan



Efficiency & Visibility Trade Space



- One PBAS transaction to field
- More difficult to track obligations
- Decreased Workload on PRI issuing funds
- Less visibility by OE into funding
- Control by TM via Business Office issuing MIPRs



- Mostly MIPRs, few Sub-Allocations
- Easier tracking & error correction
- Increased Workload on the OE and PRI
- More visibility by OE into funding
- Same Control by TM but via PRI



Sample Integrated Baseline



SAMPLE JCTD/Vogt	FY2011 JCTD INTEGRATED BASELINE (IB)												TOTAL by Task	** CONTRACTOR/GOVERNMENT (REQUIRED) For each TASK: 1) Is it CONTRACTOR or GOVERNMENT performed? or Both? If Both, list amount attributable to each. 2) List GOVERNMENT entity name and CONTRACTOR name if known. 3) Existing or New Contract? If New Contract, is it Sole-sourced or Competed?	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep			
TOTAL FY11 RFD FUNDING \$6,148K															
Purchase Equip & OD			\$860	\$3	\$2	\$3	\$2	\$4	\$3					\$877	Government performed (AFRL). Purchase a large piece of UAV equipment component.
JCTD Management System Integration and checkout			\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$53		\$530	Government performed (Navy Surface Warfare Center Dahlgren) \$375K, Contractor performed (SAIC) \$155K. No new contracts, adding new tasks to existing contract in place.
Operational Demo 2 Transition			\$105	\$170	\$250	\$270	\$120	\$72						\$987	Contractor performed (Contractor not known). New contract, sole-sourced
Testing								\$42	\$42	\$458	\$418			\$960	Government performed (USACE Army) \$319K. Contractor performed (Raytheon) \$641K. Existing contract.
Training							\$84	\$62	\$62	\$21	\$21	\$21		\$271	Government performed (PM DCGS-A).
Support Services				\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$53	\$53		\$477	Contractor performed (Contractor not known). New contract, competed.
Support Tasks									\$42	\$42	\$458	\$418		\$960	Contractor performed (CSC). Existing contract, new mods.
Task 9								\$84	\$62	\$21	\$21	\$21		\$209	Contractor performed (CSC). Existing contract, new mods.
Task 10						\$860	\$3	\$2	\$3	\$2	\$4	\$3		\$877	Contractor performed (SAIC). Existing contract, new mods.
Task 11														\$0	
Task 12														\$0	
Monthly Total	\$0	\$0	\$1,018	\$279	\$358	\$1,289	\$315	\$372	\$320	\$650	\$1,028	\$569	\$6,148	\$6,148	
Cumulative Total	\$0	\$0	\$1,018	\$1,297	\$1,655	\$2,894	\$3,209	\$3,581	\$3,901	\$4,551	\$5,579	\$6,148	\$6,148	\$6,148	
Obligation Plan (Cumulative)			\$3,000	\$3,000	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	\$6,148	
Disbursement Plan (Cumulative)				\$499	\$1,275	\$1,515	\$1,721	\$1,997	\$2,228	\$2,489	\$2,723	\$3,325	\$3,325	\$3,325	

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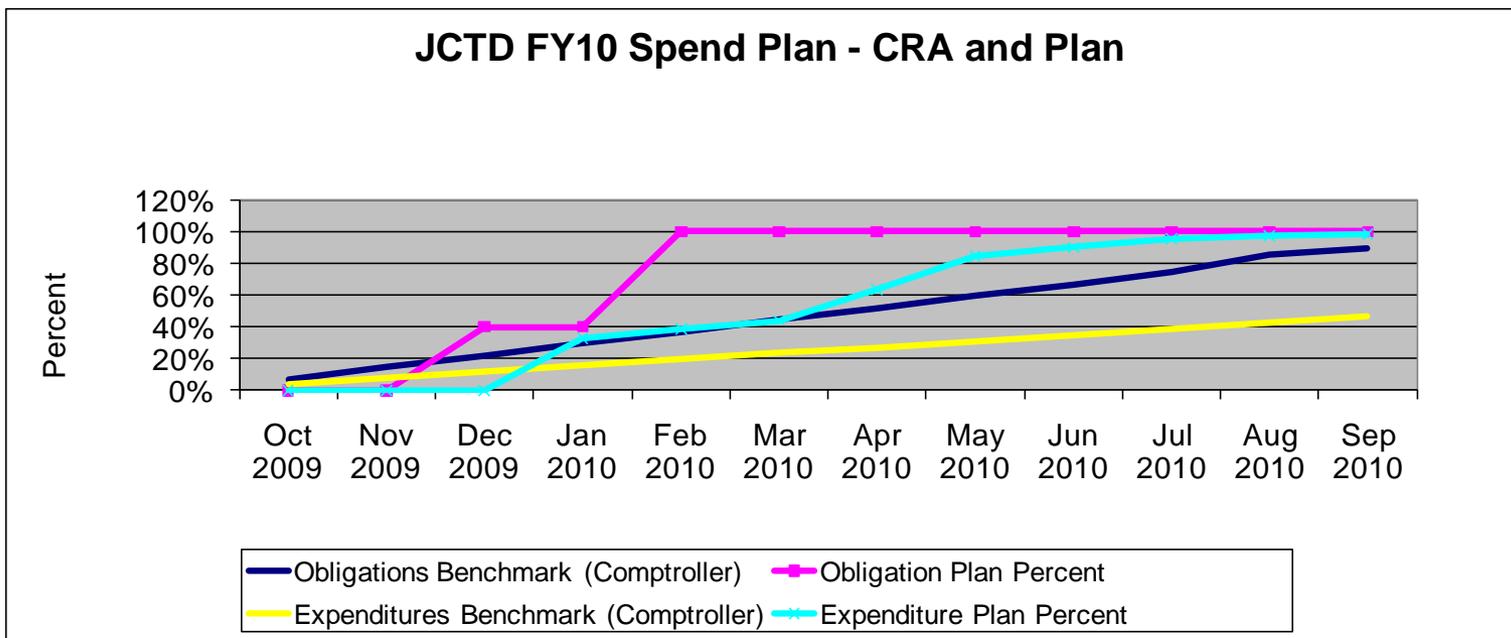
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JCTD Program Office Tracks/Reports IAW Phased Plan/Spend Plan



	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	Jul 2010	Aug 2010	Sep 2010
Obligation Phasing Plan Cumulative	\$ -	\$ -	\$ 1,200	\$ 1,200	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Obligated Actual Cumulative												
Expenditure Phasing Plan Cumulative	\$ -	\$ -	\$ -	\$ 984	\$ 1,153	\$ 1,321	\$ 1,906	\$ 2,532	\$ 2,702	\$ 2,871	\$ 2,915	\$ 2,958
Expended Actual Cumulative												
Obligations Benchmark (Comptroller)	7%	15%	22%	30%	37%	45%	52%	60%	67%	75%	85%	89.5%
Obligation Plan Percent	0%	0%	40%	40%	100%	100%	100%	100%	100%	100%	100%	100%
Expenditures Benchmark (Comptroller)	4%	8%	12%	16%	20%	24%	27%	31%	35%	39%	43%	47%
Expenditure Plan Percent	0%	0%	0%	33%	38%	44%	64%	84%	90%	96%	97%	99%



Note: RFD Policy Goal is 100% Obligation and 54% Disbursement by end of Year 1



How is an IB Useful?

- IBs provide IMTs a sense of whether they are accomplishing intended work within the allotted time and allotted dollars. Variances to plan can come in the form of:
 - On schedule, above cost (may run out of funds before work is completed)
 - On schedule, below cost (may have funds left over for other activities)
 - Behind schedule, above cost (worst possible situation)
 - Behind schedule, below cost (things are moving slowly, but still within expected available funding)
 - Ahead of schedule, above cost (work is being done quicker than planned, but in danger of not being completed due to lack of sufficient funds)
 - Ahead of schedule, below cost (overestimated time and funding needed – postured to deliver early and at lower cost, leaving funds left over for other activities)
- An IB enables OSD to understand how all the funded projects contribute to the execution of the funding at the Program Element (PE) level. It provides an understanding of risk to the PE in terms of ability to obligate and expend according to Comptroller benchmarks.
- An IB enables PE managers to defend PE funds against “bill payer” actions, because the PE Manager can demonstrate visibility into and effective management of the funds at the project level.



JCTD



Overall	ID	MP	TTA	Contributions	Contracts	Reporting	Schedule	Obligations	Disbursements	IB
●	●	●	●	●	●	●	●	●	●	●

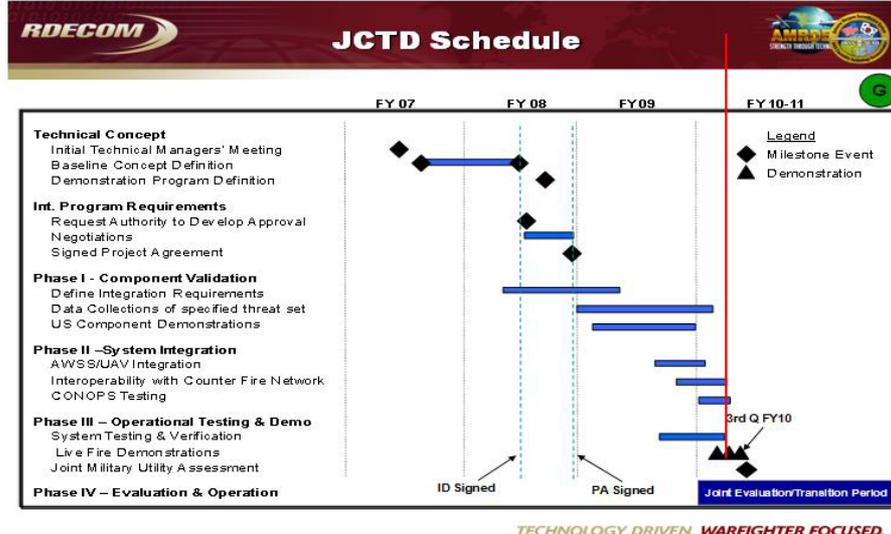
Problem:

- The CFC capability to detect, identify and target nK fires is essential for the defense of Korea.
- Current Counterfire detection assets are venerable.
- Addresses war fighting need expressed by US and ROK leadership.

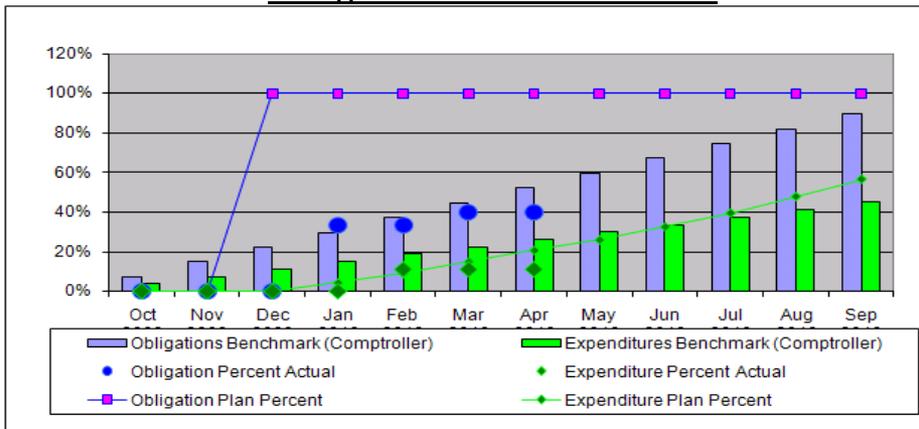
Solution:

Joint Operational Capability consisting of:

- U.S. developed sensor and processor payload (30 lbs, 200w) (High frame rate MWIR Sensor and Signal Processor, 120x6 deg FOV covers 10 X 25 km ground area, 100m TLE and direct reporting to C4I net in < 30s,



Obligations/Disbursements



April Notes:

- Issues: Obligations 60% below plan and 12% below benchmark, Disbursement 10% below plan and 15% below benchmark
- Solution:

Key Accomplishments:



JCTD Key Performance Indicator Metrics



Overall KPI: Takes on color status of worst performing KPI – indicator of issue

- Contributions:
 - R \leq 75% of total funding received from identified sources
 - Y < 90% of total funding received from identified sources
 - G \geq 90% of total funding received from identified sources

- Contracts:
 - R > 60 days beyond planned award date
 - Y > 30 days but \leq 60 days beyond planned award date
 - G – contract awarded or \leq 30 days beyond planned award date

- Reporting:
 - R – data not entered by 28th of the month
 - Y – data not entered by 26th of the month
 - G – data entered by 25th of the month



Key Performance Indicator Metrics



- Schedule:
 - R > 50 days behind plan based on actual start date
 - Y – 31-50 days behind plan based on actual start date
 - G – within 30 days of plan based on actual start date
- Obligations
 - R > 20% below obligation benchmark for that month
 - Y < 20% but >10% below obligation benchmark for that month
 - G < 10% below obligation benchmark for that month
- Disbursements
 - R > 20% below disbursement benchmark for that month
 - Y < 20% but > 10% below disbursement benchmark for that month
 - G < 10% below disbursement benchmark for that month



IB Key Performance Indicator Metrics



• Integrated Baseline

– Red

- Disbursements exceed IB by $\geq 20\%$ and scheduled tasks are yellow or red (costing significantly more to complete less work)
- Disbursements below IB by $\geq 20\%$ and scheduled tasks are yellow or red (work proceeding slower and below expected cost – check severity of schedule slip to determine possibility of insufficient funds or excess funds)
- Disbursements below IB by $\geq 20\%$ and scheduled tasks are green (overestimated cost of work & potential for unexpended funds or bills not being submitted/paid)

– Yellow

- Disbursements exceed IB by $> 10\%$ and scheduled tasks are yellow or red (costing more to complete less work)
- Disbursements below IB by $> 10\%$ and scheduled tasks are yellow or red (work proceeding slower but near expected cost – check severity of schedule slip)
- Disbursements below IB by $> 10\%$ and scheduled tasks are green (overestimated cost of work & potential for unexpended funds, or bills not being submitted/paid)

– Green

- Disbursements within $\pm 10\%$ of IB and schedule is green



How is IB Performance Data Used?



- **Monthly reporting by JCTD IMT enables assessment of performance against IB and Comptroller benchmarks:**
 - Explain financial performance against benchmarks (defend against bill payers)
 - Perceive negative performance trends before JCTD develops an intractable problem
 - Understand what aspects of the JCTD are causing the variance to plan
 - OEs work with JCTD management to establish “get well” strategies if needed
- **Monthly reporting enables PE managers to understand risk of:**
 - Low obligation and disbursement performance
 - Unfunded Requirements (UFRs)
 - Unobligated/undisbursed funds available for re-allocation
- **Monthly reporting enables PE managers to:**
 - Reallocate unobligated/undisbursed funds to satisfy UFRs
 - Avoid bill payer actions
 - Demonstrate the JCTD program can execute the President’s Budget effectively

Monthly disbursement reporting enables OEs to protect JCTD budget!



Bottom Line for Tracking & Reporting



- IBs are an effective management tool to ensure JCTD is performed to cost and schedule
- IBs are tool of choice for enabling Director, Rapid Fielding to Manage RFD PEs
- IBs allow “cause and effect” to be understood leading to effective performance strategies
- IBs and Monthly Reporting enable OEs to justify JCTD funding



QUESTIONS?