

# Compliance Failings Hinder Defense Business System Efforts

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The Department of Defense is working towards business system modernization and auditability targets, but some agencies are struggling with competing priorities. According to an inspector general report published October 28, 2014, the Defense Logistics Agency (DLA) enterprise business efforts have failed to synch compliance requirements and implementation objectives, creating challenges for the organizations financial managers.

The Defense Business Council is responsible for portfolio analysis and process integration related to defense business systems (DBS) lifecycles. If an implemented DBS doesn't comply with the business enterprise architecture (BEA), it might not get funding approval from the Defense Business Council. Each year, the Defense Department updates BEA transformation priorities and capabilities. In February 2013, the tenth version of the BEA was delivered containing 15 standard, integrated, end-to-end business processes, including the business processes for Procure-to-Pay. The BEA Procure-to-Pay business process supports purchasing of goods and services while generating accurate and reliable financial management information.

DLA started Business Systems Modernization (BSM) in 2000. The Enterprise Business System (EBS) was developed in FY 2007 through the combination of business system modernization initiatives with customer service management and product data management initiatives. Some 22,000 personnel use EBS to support and operate a \$44 billion global enterprise. By September 30, 2013, DLA spending on EBS implementation reached \$2.5 billion. The business case document for EBS submitted with the FY 2015 budget request included \$18.9 million for development, modifications, and enhancements (excluding planning costs) as well as operations and maintenance funding that amounted to \$120.1 million. Approximately \$21.0 million in operations and maintenance resources would provide government personnel for the program.

At the end of October 2014, review of the EBS program revealed some implementation shortfalls. According to the [Defense Department's Inspector General \(IG\)](#), the EBS program management office did not configure EBS to comply with evolving BEA standards a top priority. In the IG's words, they "placed higher priorities on ensuring mission accomplishment." The PMO also did not complete re-engineering of the Procure-to-Pay business process. Validation and certification procedures were not executed by the Deputy Chief Management Officer in a way that ensured managers implemented and reported BEA requirements. The DOD's Inspector General found that the Defense Logistics Agency did not fully implement the business enterprise architecture Procure-to-Pay business process in the Enterprise Business System. The system suffers incorrect posting logic and lacks the re-engineering to avoid abnormal balances. As of the end of September 2013, \$942.2 million in abnormal balances were reported for DLA activities within the general ledger. This creates a need for Although DLA has spent \$2.5 billion on EBS, the agency's financial managers cannot rely on EBS trial balance data to prepare financial statements.

As the DOD IG notes, "Data standardization was essential for achieving auditable financial statements and providing DoD managers with the financial information needed to make effective day-to-day budget and management decisions." The FY 2015 business case for the EBS program highlights the benefits it will bring to the agency: "Enterprise-wide data is more readily available and financial cycle times shorter. Virtually all companies with such systems report substantial reductions in financial cycle times. With increased financial accountability, DLA will be able to achieve an unqualified audit certification for the first time." However, until the various compliance and re-engineering issues are addressed, progress toward DOD audit readiness goals will be hampered.

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