



Defense Security Cooperation Agency

**Foreign Military Sales
Performance Based Budget Cycle
Implementation Plan**

October 25, 2000

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EXECUTIVE SUMMARY

The Department of Defense (DOD) utilizes the Security Cooperation Program to provide weapons systems, defense items, services, and military training through cash and credit sales, grants, leases, and loans. Foreign Military Sales (FMS) is a critical component of the Security Cooperation Program. In fiscal year 1999, the Air Force, Army, Navy, and other DOD organizations, which are collectively referred to as Implementing Agencies (IAs), had combined sales of over \$12.2 billion. To execute these sales, approximately 4,600 work years are currently devoted toward FMS and security cooperation related functions. Currently, the IAs maintain approximately 14,200 active cases valued at \$228 billion.

The Defense Security Cooperation Agency (DSCA) is responsible for coordinating and overseeing the FMS program. The FMS Administrative Trust Fund exists in order to facilitate these sales. DSCA manages this fund, which currently has an average monthly balance of approximately \$5.8 billion. The Trust Fund's Administrative Account is used to fund the FMS infrastructure that supports the execution of the FMS program. Congress furnishes an annual ceiling to be provided in the FMS Administrative budgets. In fiscal year (FY) 1999, \$343 million was distributed to various organizations to assist in the execution of the FMS program. Additionally, a closeout reserve of \$110 million was maintained in FY 1999 to safeguard against unforeseen contingencies. The Trust Fund remains solvent through revenue from an administrative fee levied on FMS customers.

Several stakeholders have voiced a need to develop more accountability and cost visibility in the FMS program. Most notably, the General Accounting Office (GAO) released a report in November 1999 entitled *Foreign Military Sales: Efforts to Improve Administration Hampered by Insufficient Information*, which concluded "the DOD does not have sufficient information to determine the administrative costs associated with the FMS program." A bottoms up push from the IAs is also occurring in the form of separate costing initiatives all seeking to improve cost information and FMS management and operational data. Additionally, DSCA leadership recognizes that adopting a process that enables performance based budgeting is crucial to the health and survival of the FMS program.

The culmination of these events has prompted DSCA to both develop a new budget process and commission a study to assess the costing capability for the Military Departments (MILDEPs), to include projected resources and time necessary to develop standard and reliable costing capabilities at the MILDEP level. Consequently, KPMG Consulting LLC (KPMG Consulting) was retained in June of 2000 to assist with the design, implementation, and documentation for the new Performance Based Budget (PBB) Cycle. This plan presents the findings and recommendations for the implementation of the PBB Cycle. A second phase of the project addresses the costing component that will support the PBB Cycle. This phase, referred to as Performance Based Costing (PBC), is addressed in a separate study due in December of 2000.



The objectives of the PBB project include developing a budget process that:

- Links budgets to corporate strategy, planning, and performance measures for justification purposes.
- Provides a basis for determining and allocating the annual FMS Administrative fund ceiling.
- Designs a mechanism for developing DSCA-level corporate performance plans and IA-level operational performance plans over multiple years.
- Responds to and addresses inquiries and concerns from Congress, the Office of Management and Budget (OMB), GAO, and foreign governments.
- Utilizes aspects of the DOD Planning, Programming, and Budgeting System (PPBS), but tailored to the FMS environment.

The initial PBB Cycle will only address the FMS Administrative Budget funding source; however, DSCA will include the remaining funding sources, particularly the Foreign Military Financing (FMF) administrative budget in the new planning and budgeting process over time. Also, first year implementation will focus on the MILDEPs with the remaining IAs added in the second year, as feasible. DSCA is aware that the first year (FY 2002) will be a significant transition year; thus, various points within the implementation plan will allow for assessment, feedback, and adjustment.

The following paragraphs provide a summarization of the major issues and events to date, as well as the recommended PBB Cycle. An overview of critical implementation dates and tasks are also provided at the end of the *Executive Summary*.

Core Functions

The new PBB Cycle is built around six FMS Core Functions developed collaboratively with the MILDEPs and other key stakeholders. Figure 1 provides an overview of the Core Functions and Definitions.

**Figure 1
Foreign Military Sales Core Functions**

Core Function	Definition
Pre-Letter of Request (LOR)	Efforts expended prior to receipt of a Letter of Request (LOR), includes responding to inquiries, pre-requirements determination, developing a Total Package Approach (TPA), if required, or, specifying the mix of FMS and Direct Commercial Sales (DCS) under a hybrid approach.
Case Development	Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA). These efforts continue from receipt of a customer's LOR through case preparation, staffing, and customer acceptance.
Case Execution	Overall coordination to initiate case implementation efforts required to conduct and execute case management, security assistance, team management, technical, logistical, and financial support, and the contractual efforts under acquisition and contracting.
Case Closure	All actions required to perform logistical reconciliation, financial reconciliation, certify line, and case closure.
Other Security Cooperation	All efforts involved in the administration and management of special programs and projects associated with security cooperation requirements, particularly, the non-FMS security cooperation programs authorized under the Foreign Assistance Act, such as International Military Education and Training (IMET), the FMF program, and the grant Excess Defense Articles (EDA) program.
Organizational Support	Overall coordination of efforts for country program direction, supervision and secretarial support, automation and information support, budget, manpower, policy and procedures, miscellaneous organizational support, and non-mission time.

Note: The Core Function definitions were discussed and agreed upon in a conference between DSCA, Army, Navy, and Air Force on July 25, 2000. Some definitions were altered slightly to better delineate and articulate the core process more accurately.

A more thorough explanation of the six FMS Core Functions is presented in Appendix B: *Foreign Military Sales Core Functions*.

Technology

Technology is a key enabler of the PBB Cycle and can optimize the new processes through automation. Standardization of terms, processes, and procedures enhance automation.

A process that utilizes low levels of automation might include the usage of faxes and mail to exchange performance information. A medium level of automation utilizes the World Wide Web to communicate and facilitate an exchange of information. A high level of automation capitalizes on the World Wide Web and provides the ability to produce budgets and reports from different sources and organizations, analyze and manipulate data to forecast budgets more accurately, and formulate fiscal projections. The current best practice in both the private and public sectors is to transition as much of the budgetary process as possible to a web-based environment.

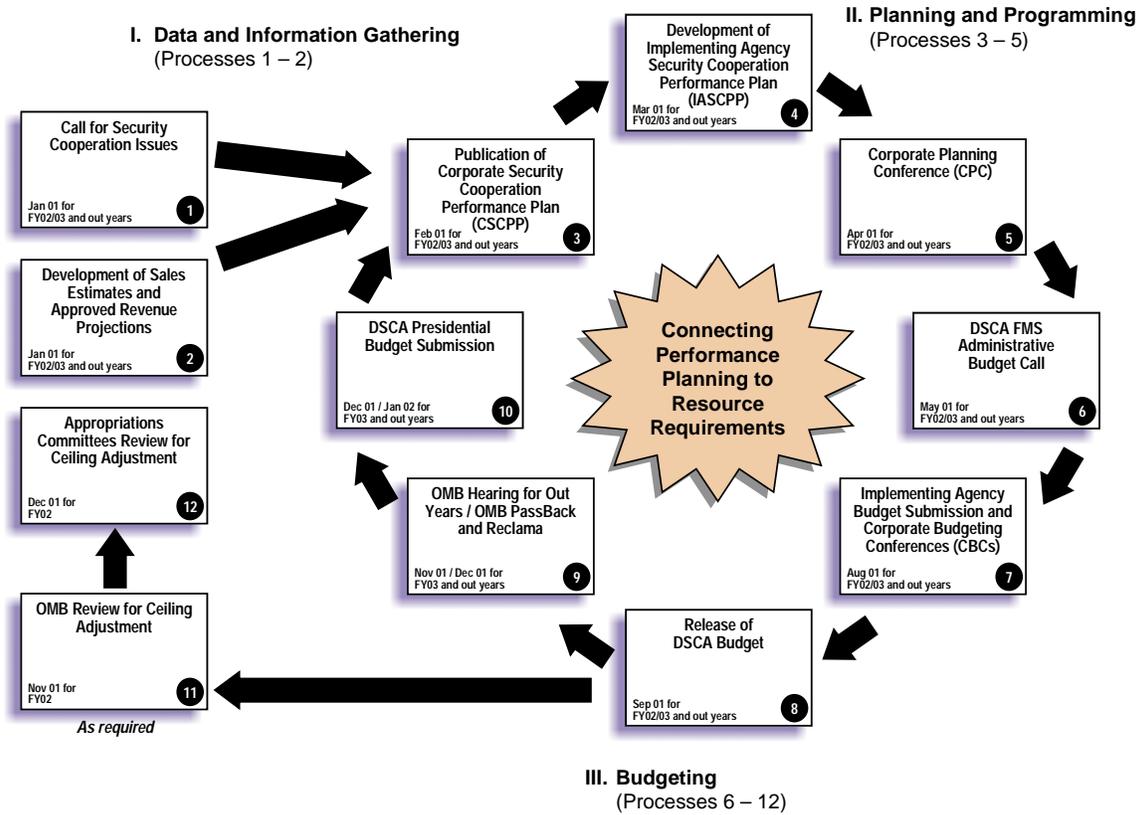
In order to raise the level of automation, both DSCA and IAs must adhere to standardized terms, definitions, processes, and procedures. Once all participants in the PBB Cycle adhere to established standards, the ability to automate to a more advanced level is possible. The benefits include a reduction in the amount of time necessary to complete the PBB processes and increased accuracy of information, which allows DSCA and IA leadership to identify issues and trends and take appropriate action swiftly.

The PBB Cycle Implementation Plan and Budget Execution and Performance Review process assume a medium level of automation in order to achieve the objectives and functionality envisioned. PBB Cycle standardization will entail actual budget submissions including processes, procedures, and usage of terms. The PBC phase will go to the next level of standardization detail by working from the ground up and further refine the elements of the PBB phase. For a more detailed discussion of the technology issues refer to Section II: *Performance Based Budget Cycle*.

Performance Based Budget Cycle

The new PBB Cycle is a twelve step process that incorporates planning, programming, budgeting, and performance measurements into a single coherent and integrated cycle. Figure 2 provides an overview of the full PBB Cycle, which begins in January 2001 for FY 2002 budget development and FY 2003 Presidential Budget (PB) request.

Figure 2
Overview of the Full Performance Based Budget Cycle



Each of the processes that comprise the PBB Cycle have a distinct and value-added objective. Figure 3 provides a summary of the components of the PBB Cycle.

Figure 3
Summary of Performance Based Budget Cycle Components

Process	Description	Timeframe
Call for Security Cooperation Issues	<ul style="list-style-type: none"> Informal call for general security cooperation programmatic, issue-oriented strategies and guidance. Requests detailed information for the upcoming fiscal year (FY 2002-2003) and general information for out years (FY 2004-2007) from key DSCA stakeholders. 	January 2001 for FY 2002/2003 and out years (FY 2004-2007)



Process	Description	Timeframe
Development of Sales Estimates and Approved Revenue Projections	<ul style="list-style-type: none"> ▪ Provides a mechanism and process to assess the business environment. Begins with the FMS Sales Estimates provided by DSCA Country Program Directorates (CPDs), which are mainly focused on country sales information, although global and regional estimates are also derived. DSCA then develops revenue streams and projections of the FMS Administration account for the upcoming fiscal years (FY 2002-2003) and out years (FY 2004-2007). 	January 2001 for FY 2002/2003 and out years (FY 2004-2007)
Publication of the Corporate Security Cooperation Performance Plan (CSCPP)	<ul style="list-style-type: none"> ▪ Serves as the principal framework for security cooperation initiatives and objectives ▪ Addresses expected IA performance levels and macro level resource requirements and constraints (high and low targets) ▪ Provides detailed guidance for the upcoming fiscal year (FY 2002), general guidance for the next fiscal year (FY 2003) and broad guidance for out years (FY 2004-2007) ▪ CSCPP provides the framework for IAs to develop individual Implementing Agency Security Cooperation Performance Plans (IASCPP) 	February 2001 for FY 2002/2003 and out years (FY 2004-2007)
Development of Implementing Agency Security Cooperation Performance Plan (IASCPP)	<ul style="list-style-type: none"> ▪ IASCPP is IAs' response to the CSCPP, and identifies the defense articles, services, performance levels, and resources required to meet security cooperation goals ▪ Provides detailed guidance for the upcoming fiscal year (FY 2002), general guidance for the next fiscal year (FY 2003) and broad guidance for fiscal years 2004-2007 ▪ IAs should identify issues for the upcoming Corporate Planning Conference (CPC) 	March 2001 for FY 2002/2003 and out years (FY 2004-2007)

Process	Description	Timeframe
Corporate Planning Conference (CPC)	<ul style="list-style-type: none"> ▪ Reviews and resolves security cooperation issues and disconnects between IASCPP and CSCPP ▪ Creates corporate level positions to set the stage for finalization of the CSCPP ▪ Establishes working groups to address issues concentrating on upcoming fiscal year (FY 2002), if necessary ▪ Discuss potential Unfunded Requirements (UFRs) ▪ Finalizes high-level DSCA performance measures for upcoming fiscal year (FY 2002) ▪ CSCPP may be adjusted in response to discussions 	April 2001 for FY 2002/2003 and out years (FY 2004-2007)
Foreign Military Sales (FMS) Administrative Budget Call	<ul style="list-style-type: none"> ▪ Final call for budget resources using the CSCPP as the key planning document as revised by CPC and IASCPP presentations ▪ Includes FMS Administrative funding levels (floor and ceiling) for the upcoming fiscal year (FY 2002) floor and estimated annual funding floors for FY 2003 and out years (FY 2004-2007) ▪ Structured by FMS Core Functions and object class 	May 2001 for FY 2002-2003 and out years (2004-2007)
Implementing Agency Budget Submissions and Corporate Budgeting Conferences (CBCs)	<ul style="list-style-type: none"> ▪ IAs submit budget, structured by Core Functions, in response to call ▪ DSCA reviews the proposed IAs FMS Administrative Budget Submission by Core Functions and objectives, and validates the reasonableness of the budget to support initiatives ▪ CBCs are optional and are meant to provide a one-on-one forum for DSCA and IAs to understand and resolve budgeting disconnects found in the IAs' FMS Administrative Budget submission 	August 2001 for FY 2002/2003 and out years (2004-2007)
Release of DSCA Budget	<ul style="list-style-type: none"> ▪ DSCA provides final budget and quarterly funding allotments for each IA ▪ Revised CSCPP from CPC now becomes IAs baseline for all subsequent security cooperation execution and reviews for the upcoming fiscal year (FY 2002) and the starting point for creation of the next fiscal year's plan (FY 2004-2007) 	September 2001 for FY 2002/2003 and out years (2004-2007)

Process	Description	Timeframe
OMB Hearing for Out Years / OMB PassBack and Reclama	<ul style="list-style-type: none"> ▪ Presentation of FMS Administrative Budget request by DSCA to OMB ▪ Budget request by the IAs and justification for the request may be provided ▪ OMB provides the expected ceiling for the next fiscal year (FY 2003) ▪ DSCA prepares a Reclama, if necessary 	November/ December of 2001 for FY 2003 and out years
DSCA Presidential Budget Submission	<ul style="list-style-type: none"> ▪ Using the OMB PassBack DSCA will complete the PB Submission ▪ PB includes ceiling for FY 2003 	December 2001 / January 2002 for FY 2003 and out years (2004-2007)
OMB Review for Ceiling Adjustment (As necessary)	<ul style="list-style-type: none"> ▪ DSCA provides notification, justification, and documentation for a FMS Administrative ceiling adjustment to OMB (primarily meant for transition year) 	November 2001 for FY 2002
Appropriations Committee Review for Ceiling Adjustment (As necessary)	<ul style="list-style-type: none"> ▪ DSCA requests a ceiling adjustment from the Congressional Appropriations Committees, communicates the decision to the Security Cooperation Community, and reinserts the impact of the decision back into the planning, programming, and budgeting loop. 	December 2001 for FY 2002

A more detailed discussion of the new PBB Cycle is presented in the Section II: *Performance Based Budget Cycle*.

Performance Based Budget Cycle Execution and Performance Review

The PBB Cycle includes a PBB Execution and Performance Review Process. The budget execution review process will enable DSCA to evaluate not only the allocation of funds but also the core functions that those funds support. The PBB Execution and Performance Review Process provides a mechanism for evaluating planned versus actual performance.

Performance measures are an integral component to the new PBB Cycle. To date, a number of potential performance measures have been developed and discussed. A draft of selected measures are presented in Appendix E: *Sample Performance Metrics*. DSCA plans to continue the development of FMS performance measures through iterative sessions with IAs before finalizing them.

Figure 4 describes the PBB Execution and Performance Review Process.

Figure 4
Summary of Performance Based Budget Execution
and Performance Review Process

Process	Description	Timeframe
PBB Execution and Performance Review	<ul style="list-style-type: none"> ▪ Measures expenditures and performance by predetermined performance measures and performance metrics ▪ Two execution reviews the first year; number and cycle may be adjusted in the future 	<ul style="list-style-type: none"> ▪ April 2002 using March 2002 data ▪ July 2002 using June 2002 data

DSCA will work with IAs to establish a set of basic performance measures and performance metrics to be used in developing the FY 2002 budget and will seek to refine them in FY 2003 and out years. A detailed assessment of the capability of IAs to provide cost and performance data will be included in the PBC phase of the DSCA project. A detailed review of performance measures, metric development, and the PBB execution and performance review process is discussed in Section III: *Performance Based Budgeting Cycle Execution and Performance Review*.

Performance Based Budget Cycle Implementation Schedule

Figure 5 illustrates the high-level tasks associated with implementing the new PBB Cycle.

Figure 5
Summary Performance Based Budget Cycle Implementation Schedule

Task Name	Start Date	Finish Date
PBB Cycle Initiation	Fri 9/1/00	Mon 9/30/02
STAGE I: DATA AND INFORMATION GATHERING	Fri 9/1/00	Thu 2/15/01
Call for Security Cooperation Issues	Fri 9/1/00	Wed 1/31/01
Develop Sales Estimates and Approve Revenue Projections	Fri 9/1/00	Thu 2/15/01
STAGE II: PLANNING AND PROGRAMMING	Fri 12/1/00	Wed 4/11/01
Publish Corporate Security Performance Plan	Fri 12/1/00	Thu 2/15/01
Develop Implementing Agency Security Cooperation Performance Plan	Thu 2/15/01	Thu 4/5/01
Conduct Corporate Planning Conference	Thu 3/1/01	Wed 4/11/01
STAGE III: BUDGETING	Wed 11/1/00	Mon 9/30/02
Issue DSCA FMS Administrative Budget Call	Mon 1/1/01	Tue 5/15/01
Submit Implementing Agency Budgets and Conduct Corporate Budgeting Conferences	Tue 5/15/01	Fri 8/31/01
Release of DSCA Budget	Tue 5/1/01	Mon 9/30/02
OMB Hearing for Out Years / Passback and Reclama	Wed 11/1/00	Fri 12/14/01
Submit DSCA Presidential Budget (PB)	Thu 11/1/01	Thu 1/31/02
OMB Review for Ceiling Adjustment	Thu 11/1/01	Fri 11/30/01
Appropriations Committees Review for Ceiling Adjustment	Thu 11/1/01	Mon 12/31/01
Budget Execution and Performance Review	Mon 9/25/00	Mon 12/2/02
Identify and Validate Potential Measures	Mon 9/25/00	Tue 11/7/00
Agree on Performance Measures	Mon 11/6/00	Fri 12/1/00
Determine Standards and Targets	Mon 11/13/00	Fri 9/28/01
Assess Systems and Methods of Capturing Data	Mon 9/25/00	Fri 11/10/00
Execution Review, Analysis, and Reporting	Tue 4/2/02	Mon 12/2/02
Automation and Technology	Mon 9/11/00	Mon 11/20/00
Design Templates and Content for Budgeting and Planning Documents	Mon 9/11/00	Mon 10/9/00
Assess Automation Requirements	Tue 10/10/00	Mon 10/30/00
Develop Web-Enabled Budgeting	Tue 10/31/00	Mon 11/20/00
DSCA Implementation Analysis	Mon 1/1/01	Fri 3/30/01
Analyze DSCA Division Activities and Map Core Functions	Mon 1/1/01	Wed 1/31/01
Analyze DISAM Activities and Map to Core Functions	Thu 2/1/01	Thu 2/15/01
Analyze HA&D, DSADC Activities and Map to Core Functions	Thu 2/15/01	Wed 2/28/01
Identify Core Function Disconnects	Thu 3/1/01	Thu 3/15/01
Revise Core Functions and Publish Guidance	Thu 3/15/01	Fri 3/30/01
Project Management & Control	Fri 9/1/00	Mon 09/30/02
Project Control	Fri 9/1/00	Mon 09/30/02
PBB Implementation Assessment / Checkpoint	Fri 12/1/00	Mon 10/1/01
Change Management	Mon 9/11/00	Mon 10/1/01

A more detailed implementation schedule is presented in Appendix A: *Performance Based Budgeting Implementation Schedule*.

I. INTRODUCTION

This section begins with a background of Foreign Military Sales (FMS) and the Defense Security Cooperation Agency (DSCA). The impetus for the project, project objective and scope, the six FMS Core Functions, and the project approach and methodology are then discussed. The section concludes with the report organization.

Background

The Department of Defense (DOD) utilizes the Security Cooperation Program to provide defense items, services, and military training through cash and credit sales, grants, leases, and loans. FMS is a critical component of this program. In fiscal year (FY) 1999, the Air Force, Army, Navy, and other defense organizations, known collectively as Implementing Agencies (IAs) had combined sales of over \$12.2 billion.

DSCA is responsible for coordinating and overseeing all FMS programs. DSCA manages the FMS Administrative Trust Fund, which was developed to fund the FMS infrastructure and support the execution of all FMS. This Trust Fund has an average monthly balance of approximately \$5.8 billion. Part of the Trust Fund is set up in an administrative cost clearing account, from which a portion (\$343 million in FY 1999) is distributed annually to DOD organizations that execute FMS. The Trust Fund remains solvent through revenue from an administrative fee charged to foreign FMS customers¹.

Various other funding sources support non-FMS security cooperation activities. For instance, in 1999 the Foreign Military Financing (FMF) program issued \$3.4 billion in Congressionally appropriated grants and loans assistance. Additionally, funds for the International Military Education and Training (IMET) program totaled approximately \$50 million worth of FMS-related activities.

Impetus for the Project

The FMS Administrative Trust Fund is not appropriated by Congress. As a result, expenditure of these funds is neither required to conform to the DOD Planning, Programming, and Budgeting System (PPBS), nor the Program Objective Memorandum (POM) cycle. However, DSCA has intended, for some time, to create a similar structure that links planning, programming, budgeting, and strategy to execution through performance measures.

¹ From October of 1977 to June of 1999, the surcharge was 3% of the dollar value of most FMS cases. A new rate of 2.5% became effective on June 1, 1999. For nonstandard articles and services, a 5% administrative charge is applied. Requirements for the recovery of FMS costs are outlined in the Arms Export and Control Act.



Several stakeholders have also voiced a need to develop more accountability and cost visibility in the FMS program. Most notably, the General Accounting Office (GAO) released a report in November 1999 entitled *Foreign Military Sales: Efforts to Improve Administration Hampered by Insufficient Information*, which concluded “the DOD does not have sufficient information to determine the administrative costs associated with the FMS program.” Additionally, many IAs have begun various costing initiatives that seek to improve cost information and FMS management and operational data, many of which utilize Activity Based Costing (ABC) models.

DSCA leadership recognizes that implementation of a process that enables Performance Based Budgeting (PBB) is crucial to the health and survival of the FMS program. Ceiling adjustments must be backed by solid budget and costing information. DSCA envisions an integrated planning and budgeting framework that utilizes cost and performance data across the IAs; with this new structure, DSCA can aggregate IA-level information on a DSCA corporate level. Additionally, DSCA and the IAs have noticed an increasing demand on their resources by non-FMS activities over the past few years. In order to better understand and manage such trends, disciplined budgeting, performance measures, and fact-based cost information is a necessity.

The culmination of these issues and events prompted DSCA to retain KPMG Consulting, LLC (KPMG Consulting) to assist them in designing and implementing a new PBB Cycle and framework. A second phase of this project includes a costing system to support the PBB Cycle. This assessment, to be released in December of 2000, will assess the current capability of the MILDEPs to produce standard and consistent cost and performance data.

Project Objectives and Scope

The PBB project establishes a process and framework for DSCA FMS budgeting to include implementation planning. The objectives of the PBB project are to:

- Develop a multi-year process to link budgets to corporate strategy, planning, performance measures, and execution
- Provide a basis for determining and allocating the annual FMS Administrative Trust Fund ceiling
- Design a mechanism for developing DSCA-level corporate performance plans and IA-level operational performance plans
- Respond to inquiries and concerns from Congress, the Office of Management and Budget (OMB), and GAO

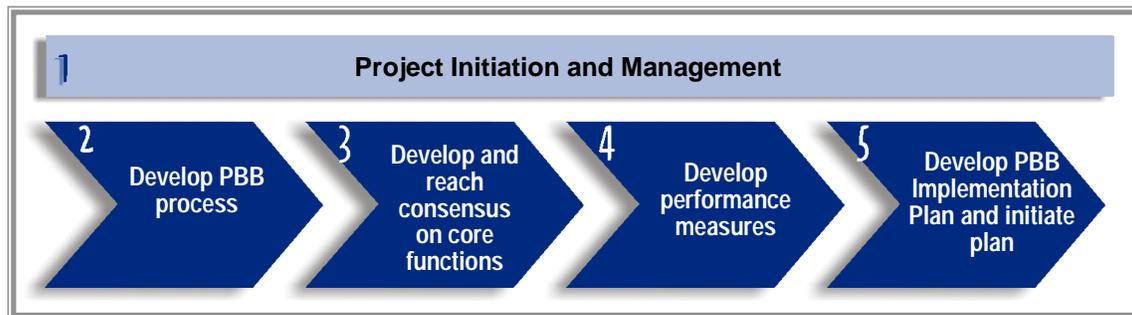
The initial implementation of the PBB Cycle will include the FMS Administrative Budget funding source. DSCA will include the remaining funding sources in the new planning and budgeting process over the next fiscal year. Additionally, the PBB Cycle will only address the Air Force, Army, and Navy, which are collectively referred to as Military Departments (MILDEPs) during the initial implementation. Other IAs will be integrated into the PBB Cycle as feasible. DSCA will, however, participate in the new PBB Cycle along with the MILDEPs during FY 2002. DSCA is aware that the first year

(FY 2002) will be a significant transition year. Thus, within the implementation plan, various points exist that allow for assessment, feedback, and adjustment to the PBB Cycle.

Project Approach and Methodology

In order to meet the project objectives, the DSCA team followed a five-step process as shown in Figure 6.

Figure 6
Study Approach Overview



Note: In regards to step #4, develop performance measures, the performance measures in this report are preliminary and are subject to revision.

To further assure project success, additional procedures included:

- Review of PPBS and incorporation of appropriate components
- Utilization of a corporate-based process (including top down for strategic guidance and bottom up for operational action plans)
- Consideration of IAs current operating environments
- Employment of an iterative development process and continuous improvement to assure success of the new PBB Cycle, through a series of facilitated discussions with both IAs, DSCA leadership, and other stakeholders

The development and consensus of Core Functions occurred on July 25, 2000 in a session that included DSCA and the primary IAs. The six FMS Core Functions are illustrated in Figure 7.

**Figure 7
Performance Based Budgeting Core Functions**

Core Function	Definition
Pre-Letter Of Request (LOR)	Efforts expended prior to receipt of an LOR include responding to inquiries, pre-requirements determination, developing a Total Package Approach (TPA) if required, or specifying the mix of FMS and Direct Commercial Sales (DCS) under a hybrid approach.
Case Development	Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA). These efforts continue from receipt of a customer's LOR through case preparation, staffing and customer acceptance.
Case Execution	The overall coordination to initiate case implementation, efforts required to conduct and execute case management, security assistance team management, technical logistical and financial support, and the contractual efforts under acquisition and contracting.
Case Closure	All actions required to perform logistical reconciliation, financial reconciliation and certify line and case closure.
Other Security Cooperation	All efforts involved in the administration and management of special programs and projects associated with security cooperation requirements, particularly, the non-FMS security cooperation programs authorized under the Foreign Assistance Act, such as International Military Education and Training (IMET), the FMF program, and the grant Excess Defense Articles (EDA) program.
Organizational Support	The overall coordination of efforts for country program direction, supervision and secretarial support, automation and information support, budget, manpower, policy and procedures, miscellaneous organizational support, and non-mission time.

Note: The Core Function definitions were discussed and agreed in a conference between DSCA, Army, Navy, and Air Force on July 25, 2000. Some definitions were altered slightly to better delineate and articulate the core process more accurately.

A detailed discussion of the six FMS Core Functions and related high-level activities are presented in Appendix B: *Foreign Military Sales (FMS) Core Functions*.

In the development of the PBB Cycle, the DSCA team held numerous meetings with MILDEPs to gather their input which culminated in a final PBB presentation conference conducted on August 22, 2000. The resulting PBB Cycle is discussed in Section II: *Performance Based Budgeting (PBB) Cycle*.

Plan Organization

The PBB Implementation Plan report is organized as follows:

Executive Summary – highlights the background of the project, FMS Core Functions, technology, the PBB Cycle, the PBB Cycle Execution and Performance Review, and key events of the implementation schedule.

I. Introduction – provides background to the FMS program, and overview of DSCA’s operations, the reason for the project, and the scope, objectives, and methodologies used in conducting this project. This section concludes with the Implementation Plan organization.

II. Performance Based Budget Cycle – details the new PBB Cycle including the three stages, twelve individual processes’ objectives, input, output, and primary steps. Automation and standardization as critical enablers are also discussed in the section.

III. Performance Based Budget Cycle Execution and Performance Review – commences with a discussion of performance measurement, the Balanced Scorecard approach, a performance measurement system, and individual performance metrics. Then the section details the PBB Cycle Execution and Performance Review.

IV. Performance Based Costing – highlights how PBC compliments the PBB process. The PBC phase of the project will assess the ability of the IAs to provide cost and performance information, which will be presented in a report due in December of 2000.

V. Performance Based Budget Cycle Implementation Strategy – portrays the actual plan that takes into account a number of critical factors that will assure the successful implementation of the new process. This plan includes roles and responsibilities, assumptions, an explanation of the implementation schedule (presented in Appendix A: *Performance Based Budget Cycle Implementation Schedule*), implementation assessment, change management, and education and training.

Appendix A: Performance Based Budget Cycle Implementation Schedule – provides a detailed and chronological Gantt-based project schedule with step by step instructions for implementing the new PBB Cycle, including the transition events, resources, responsibilities, and projected timelines. This appendix is designed as a stand-alone document and may change in response to progress and unforeseen implementation issues.

Appendix B: Foreign Military Sales Core Functions – details definitions, related subprocesses, and high-level activities of the six Core Functions. This appendix is designed as a stand-alone document and may be changed to better capture FMS activities over time.

Appendix C: Glossary and Acronyms – consists of terms with associated definitions and acronym references for common terms used throughout the plan.

Appendix D: Performance Based Budgeting Best Practices – provides an overview of best practices and a high-level benchmark of the planning and budgeting processes and documents utilized by private and public sector entities.

Appendix E: Sample Performance Metrics – consists of sample performance metrics for the six FMS Core Functions. These are presented in a metric development template.

This appendix is designed as a stand-alone document since performance measures may change based on the maturation of DSCA and IAs, as well as competing priorities.

Appendix F: Sample Performance Based Budget Cycle Documents – provides draft outlines and template for the various documents that are utilized in the new PBB Cycle. This appendix is designed as a stand-alone document since the outlines and templates may change as the implementation occurs.

II. PERFORMANCE BASED BUDGET CYCLE

This section focuses on the new PBB Cycle commencing with a discussion of technology. The discussion continues with the Foreign Military Sales PBB Cycle and its three distinct integrated stages: data and information gathering; planning and programming; and budgeting. The processes that comprise the phases of the PBB Cycle are then described in detail.

Technology

Technology is comprised of two different elements: automation and standardization. Levels of automation and standardization are linked because they impact one another. For instance, the level of automation simply refers to the ability of an organization to leverage existing technology and information systems to improve the efficiency and effectiveness of a process, specifically to decrease manual and redundant activities. Standardization is the use of common and accepted data elements, units, templates, and reporting formats. Automation of a process that is built on non-standard data and structure is piecemeal; and, standardization of a highly manual process still allows for inefficiencies.

Levels of Automation

Automation is a key enabler of the PBB Cycle, and will increase efficiency as well as address workload issues regarding the PBB Cycle processes. With regards to automating a budgetary process, the best practice trend is to transition as much of the budgetary processes as possible to a web-based interactive mode. With this in mind, varying degrees of automation can be implemented at Defense Security Cooperation Agency (DSCA). These degrees include:

- **Low** – is characterized by mostly manual data entry and exchange. Limited templates exist that are primarily interfaced with spreadsheets that have routine links. This is indicative of DSCA’s current environment.
- **Medium** – is exemplified by Internet-based web-enabled processes, data entry, interfaces, and exchange, among Implementing Agencies and DSCA. Spreadsheets and databases interface with automated user screens that calculate, store and retrieve data and information.
- **High** – entails Internet-based, web-enabled processes, data entry, exchange, and interfaces. Commercial-Off-the-Shelf (COTS) budgeting, planning, and forecasting applications are used to calculate, store, retrieve, forecast and develop hypothetical scenarios, and resource utilization analyses.

Levels of Standardization

Standardization is the regularity and consistency amongst all parties involved in the PBB Cycle. This includes usage of terms, definitions, processes, and procedures, which are collectively referred to as elements. Three degrees of standardization exist:

- **Independent** – is characterized by the usage of different terms, definitions, processes and procedures. The potential for miscommunication, inconsistent transmission of information, and errors in both collecting, entering, and reporting data are likely.
- **Similar** – entails relative consensus and agreement of policies, procedures, terms and conditions. The benefits of similar standards include a reduced chance of errors in communication and increased chances that the data produced, communicated, and distributed are usable.
- **Standardized** – is distinguished by all elements being identical. Terms, definitions, policies, and procedures are all identical. The benefit of this level of standardization ensures effectiveness of the performance data that is gathered and communicated.

Current Environment Evaluation

DSCA's current environment is characterized by low-level automation and independent standardization. Some of the observations with regards to this evaluation include:

- Vision, mission, and strategy are largely disconnected from budgeting, resource allocation, and performance measurement.
- Financial planning and forecasting is focused on sales estimates and revenue projections. Recently, these exercises have become the responsibility of the Program Support Directorate, which has commenced improvement of the methodology and standardization of the operating procedures. The system used is based on independent spreadsheets.
- Budget Execution Review focuses on the tracking of allocations and fund transfers.
- Reporting is limited and is not scheduled routinely.
- Budget call and submission consist of paper memoranda and spreadsheets, with some IAs opting to use email on occasion to exchange information.
- DSCA's internal budget allotment and sales tracking primarily consists of linked spreadsheets and paper binders (red and blue books).

Future Environment Requirements

The goal of the immediate future is to enable DSCA with a medium level of automation. A description of the capabilities and functionality of a medium level of automation and standardized data interfaces is as follows:

- Internet-based and web-enabled corporate objectives, standards, and goals
- Internet-based and web-enabled budget call, calendar of events, and key dates
- Internet-based and web-enabled data interface and data exchange that enables the IAs to enter data on-line and essentially submit an electronic budget call
- Internet based and web-enabled budget execution and performance review, including submission of actual financial and non-financial performance measures and plans

- Standard and easy to follow capability at DSCA's level to store, retrieve, and track financial and performance data that is widely accessible and understandable
- Internet-based and web-enabled training and education of budget process and selected tutorials to assist IAs with certain areas of the new PBB Cycle
- Internet-based and web-enabled reporting, including publishing of final Corporate Security Cooperation Performance Plan (CSCPP) and performance results

Data similarity and standardization will be addressed in the Performance Based Costing (PBC) phase of the project. This will include an assessment of the primary IAs' current capabilities, an analysis of necessary resources, and timeline necessary to enable a standardize and consistent costing component. A separate report on costing will be issued in December of 2000.

In order to achieve the desired results, further assessment of the current hardware and software inventory will be required. Afterwards, building web-based budgeting and data entry screens and tools will occur in preparation for implementation of the new PBB Cycle.

Foreign Military Sales Performance Based Budget Cycle

The PBB Cycle is designed to enable multi-year budgeting for the FMS program that links corporate strategy and planning to performance measures. The PBB Cycle is modeled after the Planning, Programming, and Budgeting System (PPBS) process, which is conducted by the Office of the Secretary of Defense (OSD) and several IAs. The PBB follows a best practices framework by:

- Establishing a budgeting process that is linked closely to corporate strategy and mission objectives
- Opening up the budgeting processes to be a collaborative venture
- Designing a planning and budgeting cycle that allows for top down corporate-level objectives, and bottom up operational planning
- Developing high-level key performance indicators that are measurable and actionable, serving as the link between planning, budgeting, and strategy development

The success of the PBB Cycle is dependent upon communication and continuous input from IAs and DSCA. The objective of the cycle is to determine the adequate level of resources needed for security cooperation programs and activities. As the process matures, DSCA and IAs can work together to leverage current and historical information, to better allocate resources as well as to seek additional resources, to support security cooperation objectives.

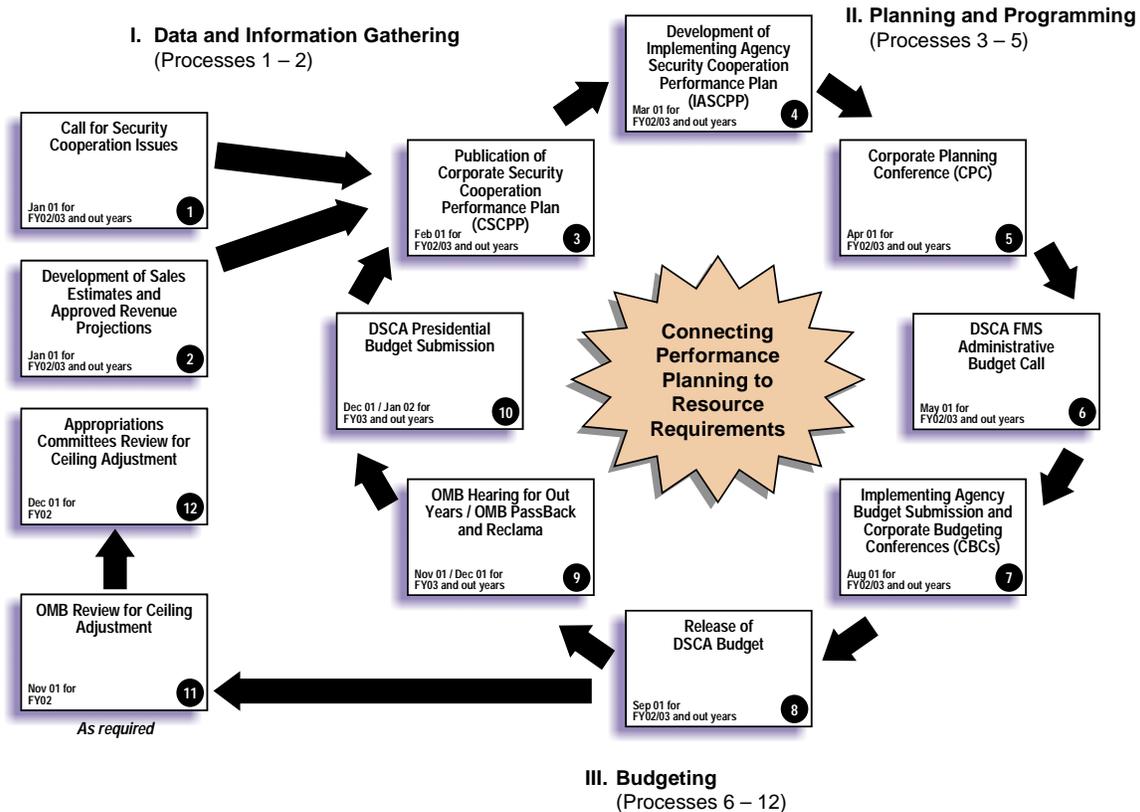
The activities of the new budgeting process are defined in Section II: *Performance Based Budget Cycle*. Implementation strategy steps and instructions are detailed in the corresponding implementation schedule in Appendix A: *Performance Based Budget Cycle Implementation Schedule*. Further, draft sample documents relating to many individual processes are located in Appendix F: *Sample Performance Based Budget Cycle Documents*.

Overview of Full Performance Based Budgeting Cycle

The full PBB Cycle parallels the existing budget process. The PBB Cycle is divided into three stages: data and information gathering, planning and programming, and budgeting. The three stages consist of twelve processes that involve participation and interaction among DSCA and IAs.

Figure 8 portrays the overview of the full PBB Cycle. The interrelations among each process are graphically illustrated as well as provisions for timelines.

Figure 8
Overview of the Full Performance Based Budget Cycle



As illustrated in Figure 8, the first stage of the PBB Cycle involves the exchange of information among departments within DSCA, and more importantly, the exchange of information with IAs that support security cooperation and execute FMS. This is described in greater detail in Stage 1: *Data and Information Gathering*.

Stage I: Data and Information Gathering

The first stage in the PBB Process is *Data and Information Gathering*. The purpose of this stage and the processes within the stage is to provide an opportunity and forum for DSCA and the IAs to communicate issues important to the FMS environment as a whole. In order to plan and develop the budget, the IAs and DSCA must first understand the internal and external issues that affect security cooperation. In the “Call for Security Cooperation Issues,” DSCA initiates dialogue within the agency and with the IAs.

Call for Security Cooperation Issues



Objective:

The purpose of the Security Cooperation Issues Call process is to give DSCA a better understanding of the working environment of the IAs. Content focuses on the internal and external assessment of security cooperation activities (e.g., the top five major issues that impact IAs’ missions and workload).

	Implementation Steps	Description	Timeframe
A	<p>DSCA requests information from IAs, other defense and non-defense organizations in the “Security Cooperation Issues Call”</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>Director- level request for detailed information for the upcoming FY 2002 and general direction for out years</p> <p>DSCA Comptroller’s Office requests input from Directorates within DSCA</p> <p>Information gathered internally will be used as the foundation for the external request for information</p>	<p>Research and preparation begins November-December of 2000</p> <p>“Security Cooperation Issues Call” to be released in January 2001 for FY 2002 and out years</p>
B	<p>IAs provide issues, concerns, and responses to DSCA</p> <p>OPR: IAs and other defense organizations</p>	<p>Based on the information and guidelines from DSCA, the IAs prepare and submit a response</p> <p>IAs can submit responses by email or through the DSCA website</p> <p>Preparation of the response requires dialogue among internal components within the IAs</p>	<p>January 15, 2001 for FYs 2002 and 2003, and out years</p>

Implementation Steps		Description	Timeframe
C	<p>DSCA collects information from participating agencies and departments and consolidates data into one document</p> <p>OPR: DSCA Comptroller</p>	<p>DSCA collects the answers and responses from the IAs and begins analysis of the information</p> <p>DSCA will converse with the IAs regarding any responses that need further explanation</p>	January 15, 2001 for FYs 2002 and 2003, and out years
D	<p>DSCA begins analysis of information for drafting the CSCPP</p> <p>OPR: DSCA Comptroller</p> <p>OCR: Various DSCA Directorates</p>	<p>DSCA integrates the information into one working document which is then used as a data source for the CSCPP</p>	December of 2000-January of 2001 for FY 2002, 2003 and out years

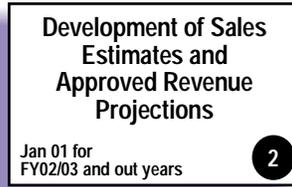
Each department and service area should provide information and guidance pertinent to the security cooperation working environment. The “Call for Security Cooperation Issues” will serve as a type of internal and external assessment and will involve IAs and other organizations potentially including:

- DISAM
- DISA
- DLA
- USD (A&T)
- USD (P)
- DFAS
- DFAS-DLO
- DSCA-Program Support Directorate
- DSCA SP
- DSCA-ERASA
- DSCA-MEAN
- DSCA-IT
- DSCA-Office of the Comptroller
- U.S. State Department
- U.S. Department of Commerce
- SOLIC
- CINCs
- Air Force
- Army
- Navy
- DSCA-LPA
- USD (ISA)
- DSCA-HA/D
- DSCA-RT
- JCS

Output / Content:

The call results in the creation of a single working document that captures major issues, which incorporates general program assessment information and factors that can impact the security cooperation mission.

Development of Sales Estimates and Approved Revenue Projections



Objective:

The Development of Sales Estimates and the Revenue Projections, generated from anticipated sales, is part of the initial planning for the upcoming fiscal years and out years of the budget cycle. The process involves estimating projected sales by country and then aggregating the estimates into regional and worldwide tables.

Implementation Steps	Description	Timeframe
A DSCA prepares the sales estimates formulas and seeks information OPR: DSCA Program Support Directorate OCR: DSCA MEAN and ERASA Directorates	DSCA Program Support Directorate forwards country data requests to Country Program Directorates (CPD) for input	Preparation begins November-December of 2000
B DSCA determines sales estimates based on on-going sales and future activities OPR: DSCA MEAN and ERASA Directorates	DSCA CPDs compile sales information based on on-going and future activities	November-December of 2000 for FY 2002 and 2003, and out years
C DSCA reviews sales estimates for accuracy OPR: DSCA Comptroller and DSCA PSD	DSCA Comptroller and PSD review and analyze the sales estimates Comparison is made with current and previous year sales estimates	November-December of 2000 for FY 2002 and 2003, and out years
D DSCA develops revenue projections and forecasts for the upcoming fiscal year and out years OPR: DSCA Comptroller and DSCA PSD	DSCA Comptroller calculates revenue projections and forecasts Sales estimates, historical data, and inflationary indicators will be used to develop revenue projections	December of 2000-January of 2001 for FY 2002 and 2003, and out years

Implementation Steps		Description	Timeframe
E	Revenue projections and forecasts approved by DSCA OPR: DSCA Director	Revenue projections must be approved at the Director's level	December of 2000-January of 2001 for FY 2002 and 2003, and out years
F	Revenue projections and forecasts are released and used for the CSCPP OPR: DSCA Comptroller OCR: Various DSCA Directorates	Approved revenue projections and sales estimates are released for review by the IAs and are included in the CSCPP	February of 2001 for FY 2002 and 2003, and out years

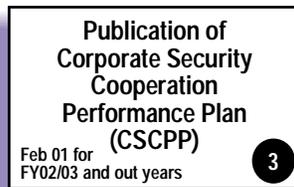
Output / Content:

The results of this process are forecasts that include narrative and quantitative information relating to sales and the anticipated revenue generated from estimated sales in the upcoming fiscal year and the out years.

Stage II: Planning and Programming

The *Planning and Programming* stage is the development of goals and objectives for DSCA and IAs. This stage establishes priorities based on National Security Strategy (NSS), and the security cooperation mission. The *Planning and Programming* stage is an iterative process between DSCA and IAs. The development of goals and strategies results from dialogue that begins with DSCA publishing its CSCPP and ends with the Corporate Planning Conference (CPC). The ultimate outcome of the *Planning and Programming* stage is a comprehensive strategy for how DSCA and IAs will allocate resources. This stage of the PBB Cycle represents the most fundamental change in how DSCA has historically done budgeting. This push for increased planning and collaboration regarding goals and performance standards is the hallmark of the new PBB Cycle.

Publication of Corporate Security Cooperation Performance Plan (CSCPP)



Objective:

The purpose of the CSCPP is to consolidate the information gathered internally from various DSCA Directorates and externally from IAs that conduct activities with FMS funding. Equally important, the CSCPP serves as the corporate document that presents the organization's vision and information regarding budget, planning, and programming. Elements to be included in the CSCPP are outlined in Appendix F: *Sample Performance Based Budget Cycle Documents*.

Implementation Steps		Description	Timeframe
A	<p>Determine content and issues for CSCPP</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates and other defense and non-defense organizations</p>	DSCA begins internal preparation and research to determine content and development of the CSCPP	December of 2000-February of 2001 for FY 2002 and 2003, and out years
B	<p>DSCA merges narrative and quantitative information collected both internally and externally to develop the CSCPP</p> <p>OPR: DSCA Comptroller</p>	DSCA references Security Cooperation Issues Call, sales estimates and revenue projections, the PB Submission, and other background information	December of 2000-February of 2001 for FY 2002 for FY 2002 and 2003, and out years

	Implementation Steps	Description	Timeframe
D	<p>DSCA develops first draft comprehensive CSCPP for internal review</p> <p>OPR: DSCA Comptroller</p>	<p>DSCA Comptroller leads effort and various DSCA Directorates contribute input</p> <p>Content may include: corporate-level strategies for business performance, defined performance goals, key initiatives in national security strategy, and guidelines for operational and budgetary processes</p>	<p>January of 2001 for FY 2002 and 2003, and out years</p>
E	<p>DSCA publishes the CSCPP</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>Internal draft is published after internal review through web site and hard copy</p>	<p>January-February of 2001 for FY 2002 and 2003, and out years</p>
F	<p>DSCA publishes guidance and direction for the IAs through web site to develop internal plans and prepare for CPC</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>DSCA guidance should inform IAs that response and comments will occur during the time between the release of the CSCPP and the CPC</p>	<p>January-February 2001 for FY 2002 and 2003, and out years</p>

Output / Content:

The CSCPP will establish the guidelines and programs by which FMS Administrative Budget funding will be used. The CSCPP is the DSCA's Director-level business plan that serves as the framework of how DSCA and IAs will conduct business for the upcoming fiscal year. All relevant information regarding security cooperation issues, sales estimates, and revenue projections comprise the CSCPP. In addition, IAs' performance levels, resource requirements, and constraints are included. The publication of the CSCPP is analogous to the PPBS Defense Planning Guidance (DPG), which is OSD's broad guidance to the Military Departments (MILDEPs) and Defense Agencies on overall policy, strategy, force planning, and resource planning. The CSCPP reflects the goals and initiatives of the NSS developed by the President and the National Security Council (NSC).

Development of Implementing Agency Security Cooperation Performance Plan (IASCPP)



Objective:

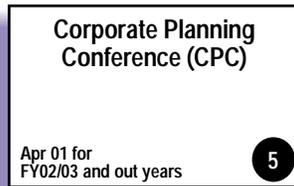
After the CSCPP is published and distributed, the IAs develop the IASCPP, which is their individual response to the CSCPP. The IASCPP gives IAs the opportunity to define goals and to identify in one package the defense articles, services, performance levels, and resources required for that organization to conduct its security cooperation activities. The IASCPP serves as a formal internal plan for linking budgeting, planning, and performance measures. Elements to be included in the IASCPP are outlined in Appendix F: *Sample Performance Based Budgeting Cycle Documents*, however, the specific format of the IASCPP is left to the discretion of each IA.

Implementation Steps		Description	Timeframe
A	<p>IAs analyze the DSCA-issued CSCPP</p> <p>OPR: IAs OCR: Various DSCA Directorates</p>	<p>IAs consider how the goals and information in the CSCPP relate to the goals and performance levels for subordinate commands in the upcoming fiscal year</p>	<p>February-March of 2001 for FY 2002 and 2003</p>
B	<p>IAs develop a response to the CSCPP and IASCPP</p> <p>OPR: IAs OCR: Various DSCA Directorates</p>	<p>Development of the IASCPP will include an accounting of resources needed to accomplish goals outlined in the CSCPP and any shortfalls</p> <p>Lack of adequate resources needed to attain CSCPP goals should also be determined and included in the response</p> <p>As each agency concludes analysis of the CSCPP and research on the agency's capabilities of meeting CSCPP goals and measures, each agency must produce an IASCPP</p> <p>An IASCPP should be a plan that reflects Headquarter and subordinate involvement</p>	<p>March of 2001 for FY 2002 and 2003</p>

Output/ Content:

The result of the IASCPP exercise is a presentation to be given by the IAs at the CPC, which addresses performance in key sales (new and on-going for FY 2002), initiatives (FY 2002), budget approach (FY 2002/2003), industry assessments, and other issues. The development of the IASCPP is similar to the PPBS Program Objective Memorandum (POM) that identifies by MILDEP and defense agency, a strategy guidance that is consistent with the programmatic and fiscal guidance as stated in the DPG. Major issues and supporting information are also provided.

Corporate Planning Conference (CPC)



Objective:

The CPC serves as the forum for DSCA to receive input, and to engage in open dialogue with IAs regarding the CSCPP. The CPC gives the IAs an opportunity to discuss and debate issues and concerns for the upcoming fiscal year. The CPC finalizes the planning phase of the budget process.

Implementation Steps		Description	Timeframe
A	DSCA presents the CSCPP OPR: DSCA Director and Comptroller OCR: Various DSCA Directorates	CSCPP is summarized into presentation format	March of 2001 for FY 2002 and 2003, and out years
B	DSCA issues guidance and agenda for the conference OPR: DSCA Director and Comptroller OCR: Various DSCA Directorates	DSCA announces and explains the objectives of the conference, the guidelines for the open forum, and IAs' presentations	March of 2001 for FY 2002 and 2003, and out years
C	DSCA conducts the conference OPR: DSCA Director and Comptroller OCR: DSCA various Directorates and IAs	DSCA facilitates a one-day conference with IA participation and presentations	April of 2001 for FY 2002 and 2003, and out years

	Implementation Steps	Description	Timeframe
D	<p>DSCA and IAs reconcile disconnects and finalize CSCPP</p> <p>OPR: DSCA Director and Comptroller</p> <p>OCR: Various DSCA Directorates and IAs</p>	<p>At the conclusion of the CPC, DSCA and the IAs reach consensus on a finalized version of the CSCPP</p> <p>Any disconnects that cannot be reconciled with the CSCPP should be noted in the finalized version of the CSCPP as an on-going issue for discussion and analysis</p>	<p>April of 2001 for FY 2002 and 2003, and out years</p>

The participants of the CPC should include IAs and DSCA staff, who have exchanged information regarding the development of the CSCPP. Participants may include:

- DSCA-Director
- DSCA-Deputy Director
- DSCA-Comptroller
- DSCA-Other Directors
- IAs

A variety of formats have been discussed. The planned high-level agenda is as follows:

- Introduction by DSCA Director
- Presentation of CSCPP by DSCA Comptroller staff
- Overview of sales estimates and projections by DSCA
- Individual presentations by IAs
- Joint working sessions and issue resolution, as required
- Closing session and next steps by DSCA

Output / Content:

DSCA will brief IAs on the CSCPP in order to further develop corporate-level decisions and issues that will form the basis of the revised CSCPP. The conference will allow IAs to gain a better understanding of DSCA corporate objectives and guidance, and improve CSCPP with additional information from IASCPP presentations. The convening of the CPC parallels the PPBS POM program review, which involves OSD, JCS and the Commander in Chiefs (CINCs). The goal of the CPC, like that of the POM review, is to discuss current guidelines and policies, and to identify ways to improve performance. The CPC will result in revisions to the CSCPP, which will establish the baseline for performance for the IAs. The process of revision and adjustment of the performance baseline occurs in the PPBS process through modifications of the POMs.

Stage III: Budgeting

The first two phases, *Data and Information Gathering* and *Planning and Programming*, serve as the prerequisites to the *Budgeting* stage, which comprises all the processes involved in developing the FMS Administrative Budget and the allocation of resources. This subsection provides a detailed discussion of the seven processes that comprise the *Budgeting* stage of the PBB Cycle. The *Budgeting* stage follows the steps of the existing process. The first major difference is in the amount of knowledge gathered and exchanged during the fiscal year. The development and execution of the budget continues to be an iterative process. The success of the *Budgeting* stage depends on communication between DSCA and IAs. The *Budgeting* stage is designed to improve the allocation and tracking of funding during the fiscal year. In addition, the processes are designed to provide a source of information, not only to DSCA and IAs, but also OMB, Congress, and other agencies that might inquire about how and where funding is being allocated.

The introduction of FMS Core Functions in the FMS Administrative Budget Call and in the Budget Submissions is the second major change in the Budgeting stage. The move from object class to FMS Core Functions will require an additional level of communication and cooperation as the transition takes place. The primary IAs have developed the FMS Core Functions and the associated activities. As the PBB Cycle occurs, DSCA and IAs will refine and possibly re-define the meanings for the Core Functions and the activities within them.

The six Core Functions include:

- Pre-LOR
- Case Development
- Case Execution
- Case Closure
- Other Security Cooperation
- Organizational Support

Detailed definitions can be found in Appendix B: *Foreign Military Sales Core Functions*.

**Defense Security Cooperation Agency (DSCA) Foreign Military Sales (FMS)
Administrative Budget Call**



Objective:

The issuance of the FMS Administrative Budget Call is the first step in the budget cycle. The call provides the IAs with guidance and funding targets to develop budgets and allocate resources. The call includes FMS administrative funding levels (floor and ceiling) for the upcoming fiscal year (FY 2002) and annual funding floor for out years (FY 2003-2007).

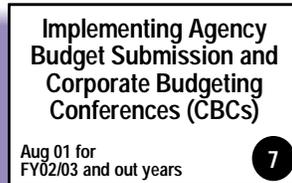
	Implementation Steps	Description	Timeframe
A	<p>DSCA finalizes templates for FMS Administrative Budget Call OPR: DSCA Comptroller</p>	<p>Creation of the budget call includes preparing templates and procedures for submitting a budget</p> <p>Budget templates and guidelines include definitions and activities of the Core Functions</p>	<p>March-April of 2001 for FY 2002 and 2003, and out years</p>
B	<p>DSCA incorporates data collected from the CPC OPR: DSCA Comptroller</p>	<p>Development of the FMS Administrative Budget begins with analysis of information gathered from sessions held during the CPC</p> <p>Outstanding issues should be addressed and noted in the finalized edition of the CSCPP</p>	<p>April of 2001 for FY 2002 and 2003, and out years</p>
C	<p>DSCA determines funding levels for IAs OPR: DSCA Comptroller</p>	<p>Based on information from the sales estimates, revenue projections, last fiscal year's budget submission, and meetings with OMB, DSCA determines the budget targets for the IAs</p>	<p>January-April of 2001 for FY 2002 and 2003, and out years</p>
D	<p>DSCA creates the FMS Administrative Budget Call OPR: DSCA Comptroller</p>	<p>DSCA produces a budget call that incorporates the CSCPP and information gathered from IAs</p>	<p>April of 2001 for FY 2002 and 2003, and out years</p>

	Implementation Steps	Description	Timeframe
E	DSCA publishes FMS Administrative Budget Call OPR: DSCA Comptroller	DSCA publishes the contents of the FMS Administrative Budget Call on its web site, and traditionally as a paper document	April-May of 2001 for FY 2002

Output / Content:

The FMS Administrative Budget Call is a detailed document for developing and submitting budgets. The document content focuses on targets for upcoming fiscal year (FY 2002), guidance for unfunded requirements, and program management lines.

Implementing Agency Budget Submissions and Corporate Budget Conferences (CBCs)



Objective:

The IAs submit a budget based on criteria and guidance from the budget call, which incorporates the CSCPP and the information exchanged during the CPC. The submission of the budget integrates budget targets, unfunded requirements, and program management lines.

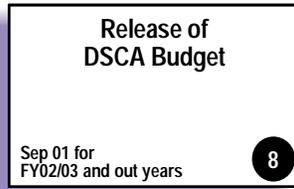
	Implementation Steps	Description	Timeframe
A	IAs submit budgets OPR: IAs and DSCA Comptroller	Each agency that receives funding from the FMS Administrative Budget submits a budget to the DSCA Comptroller IAs submit budgets for the upcoming fiscal year, with general information for the out years Budget submission is structured within the context of the Core Functions	May-August of 2001 for FY 2002 and 2003, and out years

Implementation Steps		Description	Timeframe
B	<p>DSCA reviews and analyzes FMS Administrative Budget Submissions</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>Comptroller reviews and analyzes the submissions and disseminates the information to other Directorates within DSCA, as appropriate</p> <p>Examination of the budget submissions includes a comparison of each cost object by FMS Core Functions to business objectives agreed upon in the CPC and the CSCPP</p>	August of 2001 for FY 2002 and 2003, and out years
C	<p>DSCA identifies and schedules Corporate Budgeting Conferences (CBCs)</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>DSCA determines if disconnects exist between the business objectives and the allocation of funds, and validates the reasonableness of the budget to support initiatives</p> <p>If disconnects and issues remain, then DSCA schedules a CBC with each IA, as needed</p>	August of 2001 for FY 2002, 2003 and out years
D	<p>DSCA convenes corporate budgeting conferences and finalizes budget submissions</p> <p>OPR: DSCA Comptroller OCR: Various DSCA Directorates</p>	<p>DSCA will convene the CBCs when they are needed</p> <p>At the conclusion of the CBCs, or after the initial review of budget submissions, DSCA provides preliminary approval of the IAs' budget submissions</p>	August of 2001 for FY 2002, 2003 and out years

Output / Content:

The budget submission should be a developed schedule of fund allocations that are consistent with the FMS Core Functions, business objectives, and budget targets established by DSCA as explained in the CSCPP. The budget submissions should provide detailed plans for the upcoming fiscal year (FY 2002), general guidance for the next year (FY 2003), and broad plans for FY 2003-2007. CBCs are optional for the IAs, and are intended to be a one-on-one forum for IAs and DSCA to understand and resolve budgeting disconnects found in the FMS Administrative Budget Submission. The budget submissions of the IAs provide DSCA with information similar to Best Estimate Submissions (BES) that are submitted in the PPBS cycle.

Release of DSCA Budget



Objective:

DSCA releases a comprehensive budget packet for use by IAs. The information in the budget is also used for the submission to OMB and the PB. The budget packet includes the finalized CSCPP, which will serve as IAs’ baseline for all subsequent security cooperation execution and reviews for the upcoming fiscal year (FY 2002) and the starting point for creation of the next fiscal years’ plan (FY 2003–2007).

	Implementation Steps	Description	Timeframe
A	<p>DSCA integrates budget submissions into one cohesive document</p> <p>OPR: DSCA Comptroller OCR: IAs</p>	<p>DSCA compiles the submissions from IAs into one document</p> <p>The budget includes references to the CSCPP, the CPC, any CBC that might have occurred, and the methodologies used to calculate estimates and projections</p>	<p>May-August of 2001 for FY 2002 and 2003, and out years</p>
B	<p>DSCA reviews budget submissions for final edits and revisions</p> <p>OPR: DSCA Comptroller OCR: IAs</p>	<p>DSCA Comptroller notifies IAs for any final edits or comments</p>	<p>August of 2001 for FY 2002 and 2003, and out years</p>
C	<p>DSCA issues the finalized budget</p> <p>OPR: DSCA Comptroller</p>	<p>DSCA issues the budget to IAs so that they can begin to use the current fiscal year’s funding</p>	<p>September 30, 2001 for FY 2002 and 2003, and out years</p>
D	<p>DSCA directs DFAS to issue quarterly allotments</p> <p>OPR: DSCA Comptroller</p>	<p>DSCA notifies the Defense Finance and Accounting Service (DFAS) to begin quarterly fund allotments</p>	<p>September 30, 2001 for FY 2002 and 2003, and out years</p>

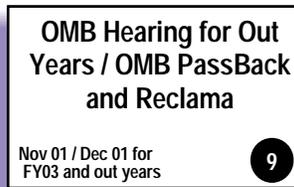


Implementation Steps		Description	Timeframe
E	DSCA begins budget execution OPR: DSCA Comptroller	Fiscal year begins using the ceiling approved by Congress or Continuous Resolution Authority (CRA)	Budget execution begins October 1, 2001 for FY 2002
F	DSCA begins to track budget allocations OPR: DSCA Comptroller	DSCA tracks the allocations over the fiscal year The information gathered will be used for budget execution review	Tracking begins October 1, 2001 to September 30, 2002 for FY 2002

Output / Content:

The primary output for this step is the publication of the budget and quarterly allotments for use by IAs.

Office of Management and Budget (OMB) Hearing for Out Years / OMB PassBack and Reclama



Objective:

The OMB hearing is used to discuss and justify the PB request, as well as other matters pertinent to the PB Submission. Following its review, OMB will provide its estimates of funding totals, passback, which includes the FMS Administrative ceiling for the PB.

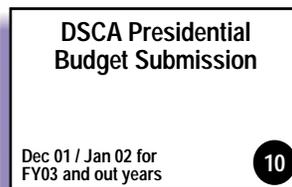
Implementation Steps		Description	Timeframe
A	DSCA prepares for annual meeting with OMB OPR: DSCA Comptroller OCR: Various DSCA Directorates	DSCA sends preliminary estimates through the State Department to OMB and schedules meeting	Preparation begins September-November 2001 for FY 2003 and out years
B	OMB conducts meeting with DSCA OPR: DSCA Comptroller OCR: Various DSCA Directorates, IAs, Defense Organizations	OMB and DSCA conduct formal discussion on PB request and any related issues	November-December of 2001 for FY 2003 and out years

Implementation Steps	Description	Timeframe
C DSCA receives passback from OMB and provides a reclama if required OPR: DSCA Comptroller OCR: Various DSCA Directorates, IAs, Defense Organizations	DSCA drafts reclama to the formal passback, if required	November-January of 2001 for FY 2003

Output / Content:

Presentation to OMB focuses on FMS Administrative Budget Request. DSCA’s meeting with OMB is similar to OMB’s participation with OSD. DSCA prepares information for the OMB meeting before OMB gives PassBack. If an adjustment or change is needed, DSCA prepares information for the reclama.

DSCA Presidential Budget Submission



Objective:

The PB submission is an opportunity for DSCA to justify changes in the funding levels of the FMS Administrative Budget. The objective of this step is to provide evidence of fiscally sound planning, budgeting, and management.

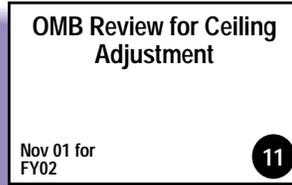
Implementation Steps	Description	Timeframe
A DSCA completes PB Submission OPR: DSCA Comptroller and DSCA Legislative Affairs and Various DSCA Directorates	DSCA completes and returns its component of PB Submission to OMB through the formal PB galleys and the MAX system	January of 2002 for FY 2003 and out years
B DSCA finalizes results of PB Submission OPR: DSCA Comptroller and DSCA Legislative Affairs and Various DSCA Directorates	PB submission includes the ceiling for FY 2003 DSCA communicates any changes in the ceiling adjustments for FY 2003 and out years	January of 2002 for FY 2003 and out years

Output / Content:

The process results in DSCA’s segment of the PB Submission.



OMB Review for Ceiling Adjustment



Objective:

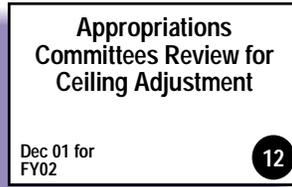
The objective of the step is to provide notification and documentation for a ceiling adjustment to the FMS Administrative Budget. On an as required basis DSCA will meet with OMB to provide notification for the request of an adjustment to the current fiscal year (FY 2002) FMS Administrative Ceiling.

Implementation Steps		Description	Timeframe
A	<p>DSCA finalizes analysis to support ceiling adjustment</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>DSCA collects and analyzes the information needed to support a ceiling adjustment</p> <p>Information comes from existing data, as well as current events that warrant examination</p>	November of 2001 for FY 2002
B	<p>DSCA will create a case to support an adjustment</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>Analysis of existing information, trends, and current events provide DSCA with sufficient information to make a strong argument for a ceiling adjustment</p>	November of 2001 for FY 2002
C	<p>DSCA schedules meeting to present its case, if required</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>DSCA schedules a meeting with OMB, if required</p>	November of 2001 for FY 2002
D	<p>DSCA will adjust case for Appropriations Committees</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>After DSCA presents its case, the next step is to review the findings of the OMB for the presentation to the Appropriations Committees</p>	November of 2001 for FY 2002

Output / Content:

The primary output for this step is the official notification to OMB of ceiling adjustment justification.

Appropriations Review for Ceiling Adjustment



Objective:

If DSCA needs the FMS Administrative Budget ceiling adjusted, it must seek approval from the Appropriations Committee. In its letter of notification to the Appropriations Committees, DSCA must present pertinent information to argue the case for a ceiling adjustment.

Implementation Steps		Description	Timeframe
A	<p>Revise case for ceiling adjustment</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>DSCA prepares a letter of notification to the Appropriations Committees requesting an FMS Administrative ceiling adjustment</p> <p>The notification period is 15 days</p>	<p>November 2001</p> <p>Change in mission or initiative may warrant preparation prior to November of 2001</p>
B	<p>Finalize presentation for ceiling adjustment</p> <p>OPR: DSCA Comptroller and IAs</p>	<p>DSCA briefs congressional staffers during the 15-day period</p>	<p>November-December 2001 for FY 2002</p>

Output/ Content:

The result of this step is a determination from Appropriations Committees to grant ceiling adjustment. If a ceiling adjustment occurs, DSCA makes appropriate changes to the budget and the budgeting process.

III. PERFORMANCE BASED BUDGET CYCLE EXECUTION AND PERFORMANCE REVIEW

This section presents a discussion of performance measurement, the Balanced Scorecard (BSC), performance metrics, and a performance measurement system. Then the section concludes with the Defense Security Cooperation Agency (DSCA) PBB Cycle Execution and Performance Review.

Performance Measurement

Performance measurement is defined as an assessment of an entity's performance utilizing information about the relationship between the use of resources and the resulting outputs and outcomes. Performance measures gauge the organization's progress toward fulfilling the mission and translate the determined strategies into something actionable and measurable. Performance measures address three key organizational and operational questions:

- Does the organization know if it is achieving the selected element or objective of success?
- Does the organization measure what it needs to do in order to achieve that particular element of success?
- Will the performance measure drive the appropriate organizational behavior to achieve the desired objective or result?

A performance measurement system assists organizations in taking the next step towards comprehensive strategic management by integrating outcome-based quantifiable measures into performing activities and tasks that lead them to achieving objectives.

Performance measures are used to objectively review both the quantity and quality of work performed by personnel, individual units, divisions, departments, and the agency as a collective whole. To be meaningful, however, performance measures that are applicable to the organization's operations should be identified in each of the following four categories:

- **Quantity** – concentrates on the direct output or the tangible results of all resources expended. Examples could include the number of products sold, number of reports written, hours of instruction provided, and the number of customers.
- **Timing** – focuses on the amount of time expended to achieve certain results. The standard measurement for this category is the evaluation of the length of time between starting and completing a particular process. An example would be the amount of time elapsed between when an individual receives a case until they submit the completed case.
- **Quality** – measures the quality of the products or services provided by the effort, which acts as a check to ensure that certain standards are maintained. Examples include errors per report, incorrect data entry, and number of reworks.

- **Resources** – measures the amount of resources consumed to accomplish any given activity or task. Examples include amount of hours or Full Time Equivalent (FTE) positions spent on a particular activity or task, overtime worked, and supplies and equipment utilized and expended.

Altogether, these categories of performance measures help to optimally measure performance. This can be enhanced when combined with the Balanced Scorecard approach, which helps to ensure that all elements of an organization are measured.

Balanced Scorecard

BSC is a logical extension of the traditional framework of performance measurement presented previously, imbedding performance measurement within a management system that aligns performance throughout the company to achieve strategic goals. BSC concentrates on four perspectives that are imperative to the performance, survival, and growth of the organization. The four perspectives are defined as follows:

- **Financial** – demonstrates how goals translate into value for stakeholders and the organization, specifically monetarily
- **Organizational Learning** – captures ideas for growth and improvement that will enable the organization to achieve its goals
- **Customer** – identifies customer issues to ensure that they are effectively addressed
- **Business Process** – identifies processes as candidates for improvement according to overall organizational strategy

The four perspectives are linked by cause and effect. For example, organizational learning and growth improves the execution of internal business processes, which leads to higher customer satisfaction, which results in financial gains. The emphasis of the BSC framework is cause and effect, and ultimately, balances the four perspectives.

BSC is a highly advanced measurement and strategic management tool. Although it is the intention of the PBB project to posture DSCA and the FMS community to migrate to a BSC framework, the current state and desired evolution must be considered before utilizing the BSC. Consequently, the selection of key performance measures and a process for using these indicators to drive budgeting and decision making is the primary goal during the first year of conducting the budget execution and PBB Cycle Execution and Performance Reviews.

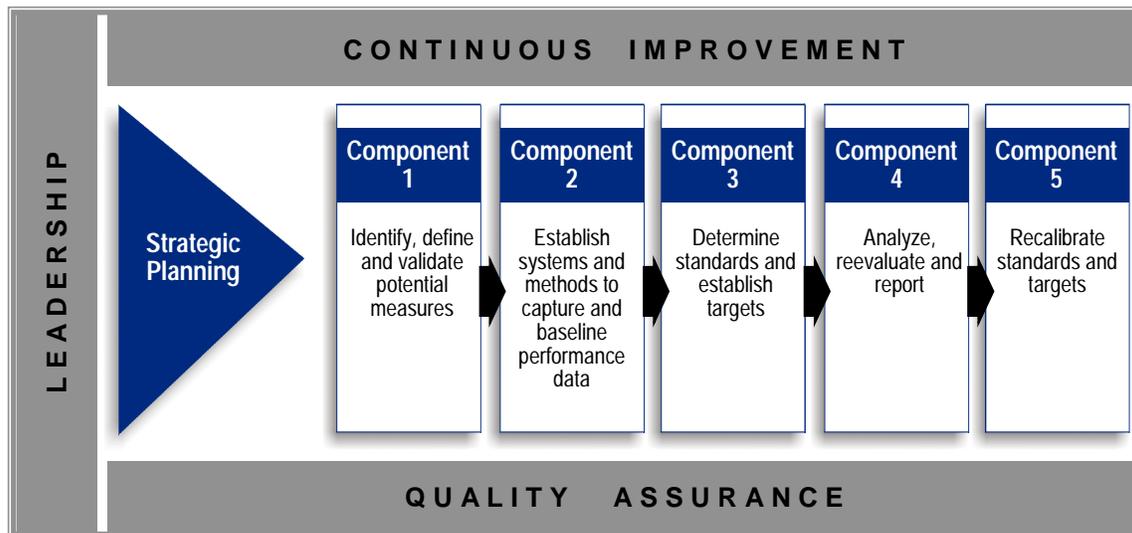
Performance Measurement System

DSCA is embarking on the development of a performance measurement system for budget execution. This represents a significant departure from the past, in which quarterly reviews were more or less internal DSCA exercises (i.e., Quarterly Review and Analysis). Within the new PBB Cycle, performance measurement will largely take place through PBB Cycle Execution and Performance Reviews, with data supplied by (IAs). For the first fiscal year (FY 2002), execution review will take place twice, once in April of 2002 around mid-year, and again in July of 2002.

The performance measures will be based on the six FMS Core Functions that have been agreed to by DSCA and the primary IAs. Proposed performance measures are based on the FMS Core Functions and are contained in Appendix B: *Foreign Military Sales Core Functions*.

Five critical components are necessary to ensure adequate implementation of a performance measurement system. Each component is discussed and explained in the following paragraphs. Figure 9 portrays the components.

Figure 9
Performance Measurement System Implementation



As illustrated in Figure 9, implementation of a performance measurement system requires a cultural mindset of continuous improvement and quality assurance. Although transitioning to this type of culture can be challenging, the rewards for the organization can include measurable outputs, improvements in effectiveness and efficiency, improved products, and enhanced service. The five components needed to accomplish this effectively include:

1. Identify, Define and Validate Potential Measures

This includes determining what information to capture, defining clear objective measures, and standardizing quantifications and performance measures. This also includes validation of each measure through its ability to be reported, compared, and accomplished.

2. Establish Systems and Methods to Capture and Baseline Performance Data

Systems are defined as a set of processes and procedures that support a function, and are either manual, automated, or a combination thereof. In this component, existing and new systems are identified or created to capture performance data. Methods to capture, analyze, summarize, and report the applicable data are created. Once this is accomplished, a baseline of current performance should be determined.

3. Determine Standards and Establish Targets

Standards can be based on industry or DSCA-accepted levels of performance. Establishing standards and targets can be accomplished by applying legally mandated policies, benchmarking information, and linking current performance to identified measures. Benchmarking creates the ability to determine the relative effectiveness and efficiency of the organization.

4. Analyze, Reevaluate, and Report

Analysis and overall evaluation of performance occurs after a predetermined amount of time has passed and the performance-related data has been collected; it includes determinations of achieved performance levels. This component's final step is to report actual performance data in relation to the baseline, predetermined standards, and established targets.

5. Recalibrate Standards and Targets

Standards and the targets should be recalibrated at regular intervals to ensure that the organization's goals are comparable with current developments in the industry. This step evaluates standards and targets rather than the definition of the measures themselves. Once the standards and targets are recalibrated, the process of measurement, analysis and reporting begins anew. Although this process should not necessitate a comprehensive effort to be expended on the first three steps described, it should be reviewed each time objectives, systems, or processes are changed.

Altogether, these five components form the basis of a performance measurement system and the ability to implement and utilize performance metrics.

Performance Metrics

Performance metrics are indicators that evaluate performance measures, often using ratios and percentages. This allows organizational leadership to both quantify and compare performance. For example, if both the number of cases and the total amount of the cases are measured, a ratio can be created. This helps to compare performance at a higher level, and also provides the ability to benchmark both internally and externally.

Once a history of comparable data from performance measures is collected, the metrics are used as ratio's and then compared. Ultimately, the performance metrics provide both DSCA and IA leadership the ability to compare activities and tasks competitively, as well as aggregate overall performance.

In developing the proposed performance metrics, DSCA utilized a metric development template provided by KPMG Consulting. The development and finalization of the performance metrics will follow the iterative process used to develop the FMS Core Functions. IAs and DSCA will jointly create performance measures. Generally, the proposed metrics were derived taking the following guidelines into consideration:

- **Measurement of the right things**
 - Customers
 - Performance of internal work processes
 - Suppliers
 - Financials

- Employees
- Outputs
- Inputs
- Products and services (intermediary and final)
- **Creation of measures that are S.M.A.R.T.**
 - Specific
 - Measurable
 - Actionable
 - Relevant
 - Timely
- **Avoidance of common pitfalls**
 - Developing measures for which accurate and complete data cannot be collected
 - Developing measures that measure the right things, but cause people to act in a way contrary to the best interest of the business in order to simply “make their numbers”
 - Developing so many measures that excessive overhead and red tape is created
 - Developing measures that are complex and difficult to explain to others
- **Follow a proven metric development process**
 - Identify customers and outputs of the process
 - Determine customer needs and requirements
 - Ensure that the strategy and key goals are understood
 - Determine effective measures, including both performance and diagnostic measures
 - Compare, filter, and align the measures for this process with those for the higher level processes of which they are part

Figure 10 illustrates the relationship among the core functions, performance measures, and performance metrics for the PBB process.

Figure 10
Core Functions and Associated Performance Measures and Metrics

Core Function		Measure Category	Performance Measure	Performance Metric
1	Pre - Letter of Request (LOR)	Quantity	<ul style="list-style-type: none"> ▪ Number of inquiries received ▪ Number of inquiries completed 	<ul style="list-style-type: none"> ▪ Number of pre-LOR inquiries received (1-A) ▪ Number of pre-LOR inquiries completed per FTE (1-B)
		Timing	<ul style="list-style-type: none"> ▪ TBD 	
		Quality	<ul style="list-style-type: none"> ▪ TBD 	
		Resources	<ul style="list-style-type: none"> ▪ Number of pre-LOR inquiries completed per FTE 	

Core Function		Measure Category	Performance Measure	Performance Metric
2	Case Development	Quantity	<ul style="list-style-type: none"> ▪ Number of Cases ▪ Case value (\$) 	<ul style="list-style-type: none"> ▪ Number of Letters of Request(s) received (2-A) ▪ Dollar value per LOA (2-B) ▪ Number of Days to Develop an LOA (2-C)
		Timing	<ul style="list-style-type: none"> ▪ Number of days to develop the case 	
		Quality	<ul style="list-style-type: none"> ▪ TBD 	
		Resources	<ul style="list-style-type: none"> ▪ TBD 	
3	Case Execution	Quantity	<ul style="list-style-type: none"> ▪ Number of Cases ▪ Number of Case lines handled ▪ Number of SDRs handled ▪ Number of Program Management Reviews (PMRs) conducted 	<ul style="list-style-type: none"> ▪ Number of case lines handled (3-A) ▪ Number of case lines handled per FTE (3-B) ▪ Number of SDRs handled (3-C) ▪ Number of Program Management Reviews (PMRs) conducted (3-D)
		Timing	<ul style="list-style-type: none"> ▪ TBD 	
		Quality	<ul style="list-style-type: none"> ▪ Number of SDRs handled ▪ Number of Program Management Reviews (PMRs) conducted ▪ TBD 	
		Resources	<ul style="list-style-type: none"> ▪ TBD 	
4	Case Closure	Quantity	<ul style="list-style-type: none"> ▪ Number of cases closed 	<ul style="list-style-type: none"> ▪ Number of case lines certified as financially and logistically complete (4-A)
		Timing	<ul style="list-style-type: none"> ▪ TBD 	
		Quality	<ul style="list-style-type: none"> ▪ Number of SDRs 	
		Resources	<ul style="list-style-type: none"> ▪ TBD 	
5	Other Security Cooperation	Quantity	<ul style="list-style-type: none"> ▪ Number of special programs and projects associated with security assistance requirements ▪ TBD 	<ul style="list-style-type: none"> ▪ Number of other Security Cooperation Programs Managed or Executed (5-A)
		Timing	<ul style="list-style-type: none"> ▪ TBD 	
		Quality	<ul style="list-style-type: none"> ▪ TBD 	
		Resources	<ul style="list-style-type: none"> ▪ Resources expended on other security cooperation programs ▪ TBD 	
6	Organizational Support	Quantity	<ul style="list-style-type: none"> ▪ Number of inquiries 	<ul style="list-style-type: none"> ▪ Resources Expended on Support Functions as a Percent of Total FMS Budget (6-A)
		Timing	<ul style="list-style-type: none"> ▪ TBD 	
		Quality	<ul style="list-style-type: none"> ▪ TBD 	
		Resources	<ul style="list-style-type: none"> ▪ Resources expended on organization support 	

As Figure 10 illustrates, the relationships among the Core Functions, performance measures, and performance metrics are interwoven. Understanding the Core Functions is necessary to develop successful performance measures. Quality performance measures with relevant performance data can then be used as the basis of performance metrics, providing organizational leadership the ability to improve the organization. DSCA accomplishes this through the PBB Cycle Execution and Performance Review.

Proposed performance metrics for the FMS Core Functions are presented in Appendix E: *Sample Performance Metrics*. Although these metrics might change, they serve as the

foundation from which to determine efficiency and effectiveness of DSCA, IAs and overall FMS functions. As discussed, performance metrics evolve with the maturity and state of DSCA and the IAs, consequently, measures that are normally included are noted as TBD.

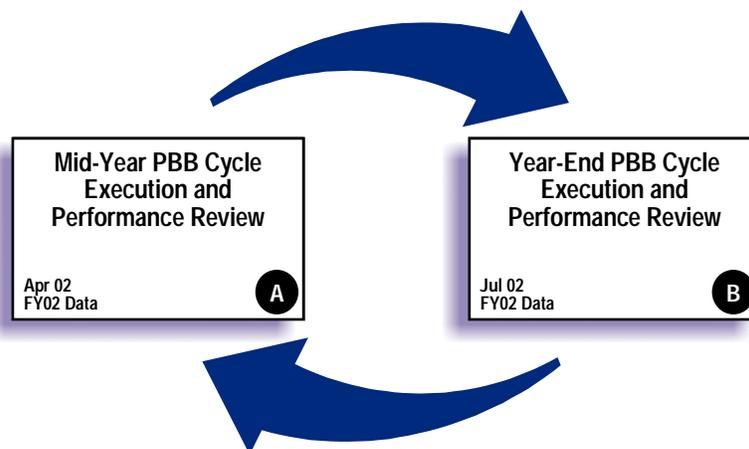
Performance Based Budget Cycle Execution and Performance Review

The PBB Execution and Performance Review provides an opportunity for DSCA to compare it's actual performance with the plan. This review assesses two factors:

- **Financial:**
 - FMS funds allocations to IAs from DSCA
 - FMS funds expenditures at the IAs' level
 - Cost of FMS processes, products, and services
- **Non-financial:**
 - Timing and quality of FMS processes, and products and services
 - Cycle time and quality of pre-LOR inquiries, LOR development, and LOAs
 - Broad internal measures for organizational support functions and services
 - Overall measures for case workload, efficiency, and customer satisfaction
 - Wide-ranging measures for other (non-FMS) security cooperation activities

During the first year, the PBB Cycle Execution and Performance Review consists of two review periods. The first is planned for April, which will be the midpoint in the fiscal year. The second review period is proposed to take place in July, which occurs as the fiscal year draws to a close. These will serve as a platform for the budget execution review and will provide an opportunity to realign and adjust for the balance of the current year, as well as the out target years. Figure 11 illustrates the PBB Cycle Execution and Performance Review during the first year of PBB.

Figure 11
Performance Based Budget Execution
and Performance Review Cycle



Because of the differences in systems and data across the IAs, DSCA will focus on creating the infrastructure to support performance measurement during FY 2001. Performance measures and related performance metrics will be in place and utilized fully during FY 2002.

Process

The process of budget execution and performance review outlines the objective, implementation steps with descriptions, associated timeframes, and outputs.

Objective:

PBB Cycle Execution and Performance Reviews will provide the basis for analyzing the performance of both DSCA and IAs as it relates to the execution of FMS. Energies expended during FY 2001 will focus on preparing the primary IAs to develop standard processes and systems that will track performance accurately. Figure 12 illustrates review steps and associated timeframes.

**Figure 12
Performance Based Budgeting Execution and Process Review Steps with
Associated Descriptions and Timeframes**

Review Steps		Description	Timeframe
1	Determine performance measures/ metrics	DSCA and IAs agree on performance measures and metrics based on FMS Core Functions through an iterative process	Initial performance measures and metrics are developed and agreed on between July 25, 2000 and November 30, 2000
2	Determine financial and non-financial performance targets	DSCA and IAs determine targets through the CSCPP, IASCPP, and the CPC	The CSCPP, IASCPP, and CPC occur from February to April of the 2002
3	Record performance goals and measures Goals and agreed measures are displayed on DSCA web-site	DSCA enters performance measures and targets into tracking system after CPC	CPC occurs in April of calendar year 2002
4	Request PBB Cycle Execution and Performance Review information for the mid-year review	DSCA requests this information from IAs	During the first year (FY 2002), the first execution review period is in April of 2002
5	IAs submit execution review information via web-based system	IAs enter execution review information	During FY 2002, the first execution review period is in April and utilizes available data as of March

Review Steps		Description	Timeframe
6	DSCA reviews information against performance targets and publishes results If significant variations exist, corrective actions and adjustments are made with IAs	DSCA performs review and requests session with IAs if necessary	March of 2002
7	Record results in performance measurement system to be used in future planning and CSCPP	DSCA records results into tracking system	March of 2002
8	Repeat steps 4- 7 for Execution Review for the Year-End PBB Execution and Performance Review	DSCA and IAs	During FY 2002, the second execution review period is in July utilizing available data as of June

Output / Content:

The output from this process is a PBB Execution and Performance Review Report. This report contains the results of financial and operational performance measures and metrics. It also includes a description of the process and a mechanism for assessing overall performance to date, a mechanism for resolving issues, making financial adjustments, and adjusting performance targets. The report concludes with a section prescribing corrective actions and any adjustments to the performance objectives and the PBB Cycle.

IV. PERFORMANCE BASED COSTING

The PBC phase of the Defense Security Cooperation Agency (DSCA) project supports the Performance Based Budgeting (PBB) Cycle by providing DSCA and the Implementing Agencies (IAs) with a detailed costing structure that seamlessly links to the PBB Core Functions. Most governmental budgeting and accounting systems provide information categorized by obligations and expenditures (e.g., salary, travel, information systems). This type of information allows agencies to track expenses and develop departmental budgets, yet often does not detail the cost of particular activities or services. Further, this information identifies neither interrelationships nor cost drivers. As a result, the costing data may be inaccurate.

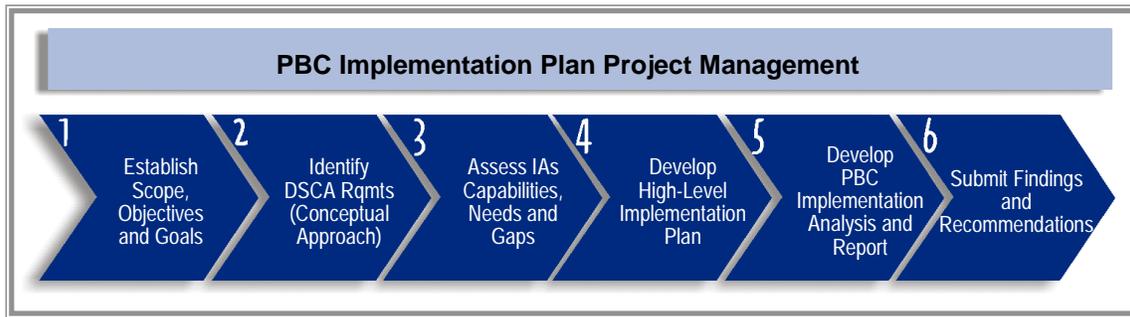
Thus, the primary objective of the PBC phase will be to create a cost infrastructure to support the PBB Cycle with relevant cost data. The secondary objective is to assess the need for a management tool to align costs and performance with corporate strategy.

The approach to begin the PBC phase consists of several key steps. The first will be to design a PBC conceptual framework and structure for a DSCA corporate model. Additionally, since the primary IAs have started separate costing systems, many of which are centered around Activity Based Costing (ABC), an assessment tool will be designed and utilized to allow for accurate identification of each of the primary IAs current capabilities and requirements. The end goal is a document that provides DSCA and IA leadership with a clear understanding of:

- Requirements necessary to enable the new PBB Cycle to operate with accurate and consistent cost data
- Current capabilities of each primary IA to provide accurate and consistent cost and performance data
- Gaps and needs of the primary IAs in order to develop a costing system or component that meets DSCA costing requirements for the new PBB Cycle
- Alternatives and options for creating a costing component and system to support the PBB Cycle across IAs

The PBC Implementation will be conducted in six key phases, as a part of the overall effort. Figure 13 depicts the six key steps, as well as a detailed listing of the sub-components.

Figure 13
Performance Based Costing Implementation Plan Project Management



The six steps, which are identified in Figure 13, include:

- **Establish scope, goals, and objectives**
 Expectations for the report and presentation are outlined and the scope for the PBC task is developed. In this step, the objectives and goals are also outlined and documented. The kick-off and identification of scope, objectives, and goals occurred on August 30, 2000.
- **Identify DSCA requirements**
 The conceptual model and framework for the functionality and components of the costing system is identified in this step. Additionally, the identification and documentation of cost and performance data required from the Military Departments (MILDEPs) to support the new PBB Cycle will be identified. This step will be conducted during the months of September and October of 2000.
- **Assess IAs' capabilities, needs, and gaps.**
 The current IA cost data will be assessed to determine the existing capabilities and any gaps that must be addressed in order to meet the DSCA costing requirements identified in the previous step. The PBC system automation and applications overview also occurs in this step. Finally, an overview of costing component and system options will be discussed. This step will occur between September and early November of 2000.
- **Develop high-level implementation plan**
 Using the information obtained regarding the current and desired costing capabilities of DSCA and primary IAs, a high-level implementation plan will be developed for each MILDEP and DSCA to include resource requirements and a timeline.
- **Develop PBC Implementation Analysis Report**
 An overall assessment and report will be developed based on the gathered data and high-level implementation plans for DSCA and MILDEPs. The key elements of the timeline and resource requirements will be presented in the PBC Implementation report to be delivered in December of 2000.

- **Submit findings and recommendations**

At the conclusion of the effort at the end of 2000 or early January of 2001, the results of the PBC Implementation Analysis will be provided to senior leadership. These presentations will consist of findings and recommendations, as well as critical next steps that need to be taken to ensure that DSCA will have the capability to engage in implementation of the selected costing system.

V. PERFORMANCE BASED BUDGET CYCLE IMPLEMENTATION STRATEGY

This section focuses on the PBB Cycle Implementation Strategy. It commences with the approach and methodology that DSCA will use through the implementation period of the PBB Cycle. Next, it covers the infrastructure elements for implementation to include a discussion regarding the change management approach that DSCA will employ, as well as training and education plans. This section concludes with a detailed implementation Gantt-based work plan. This work plan illustrates step-by-step tasks, interrelationships, resources, and time durations.

Approach and Methodology

The PBB Cycle Implementation Strategy is designed to smoothly integrate the new methodology for budgeting both within the DSCA and the MILDEPs. As identified earlier in this plan, initial implementation (FY 2001) of the PBB Cycle will involve principally DSCA and the MILDEPs. This integration will be structured to methodically transition all parties from the current budgeting process to the PBB Cycle to include the PBB Cycle Execution and Performance Review.

DSCA plans to be a full fledged partner in the PBB Cycle through a phased approach that will commence in January of 2001. To become a full fledged partner, DSCA will conduct a review of its business activities and an implementation analysis. The review will include identification of DSCA's primary functions, processes, and activities. The analysis of the review will ascertain the processes and activities that do not directly link to the FMS Core Functions. Once these are identified, efforts to categorize the appropriate processes and activities into one of the six functions will begin. If no categorization is possible, modifications to the FMS Core Functions will occur. This entire review is scheduled to be complete by March of 2001. At this time, DSCA will participate in the Corporate Planning Conference in an equivalent role as the IAs. DSCA has also met with Defense Finance and Accounting Service (DFAS) to discuss the six Core Functions. In the future, DFAS will map its activities into the Core Functions to the maximum extent possible.

A shared implementation strategy between DSCA and the MILDEPs is critical to the success of the PBB process. To this end, communications, a clear understanding of roles and responsibilities, and a project management methodology must be used throughout to assist in the transition from the current budget process to the PBB Cycle.

Roles and Responsibilities

Clarity of roles and responsibilities is a key in the PBB Cycle Implementation. This area identifies the participants and their respective roles and responsibilities within PBB Cycle Implementation. Throughout this plan, specific responsibilities and tasks have been identified in relationship to the execution of the PBB Cycle. The various participants are identified in Figure 14.

Figure 14
Participant's Roles and Responsibilities for Implementing the
Performance Based Budget Cycle

Participant	Roles and Responsibilities
<p>DSCA Project Team (DSCA Project Sponsor, DSCA team members)</p>	<ul style="list-style-type: none"> ▪ Agrees to, and communicates understanding of project goals and objectives within respective organization and to key individuals ▪ Resolves cross-cutting issues and roadblocks ▪ Provides a forum for representation of different issues regarding the PBB Cycle Implementation and Budget Execution Review ▪ Reviews and guides methods and approaches for the Implementation Plan ▪ Assumes ownership for the PBB Cycle Implementation ▪ Develops and refines the PBB Cycle stages, processes, and steps ▪ Communicates the PBB Cycle and requirements of each MILDEP ▪ Records and reports progress against the plan
<p>MILDEPs (Representatives from MILDEP communities impacted by new process)</p>	<ul style="list-style-type: none"> ▪ Take full responsibility for successful implementation of the PBB Cycle in their respective MILDEP ▪ Provide information regarding current processes, procedures, terms, and definitions regarding the FMS budgeting process ▪ Provide information regarding the current systems and applications infrastructure utilized to capture, analyze, and report budgeting information ▪ Provide feedback regarding the PBB Cycle including data requested, timing, and other related issues
<p>KPMG Consulting for PBB Startup 2000-2001 (Base team and subject matter experts as needed)</p>	<ul style="list-style-type: none"> ▪ Assists DSCA and MILDEPs with PBB Cycle implementation ▪ Provides informal training and technical support to participants throughout the implementation ▪ Assists DSCA to refine, clarify, and automate the PBB Cycle stages, processes, and steps ▪ Prepares strategies and necessary documentation to enable the change management approach ▪ Provides assistance in resolving change and resistance problems in a timely and expedient manner ▪ Acts as a two-way conduit for keeping management, the project team, and the users informed of project progress and issues

As Figure 14 illustrates, all participants play a critical role in the PBB Cycle Implementation.

Assumptions

Assumptions are agreed variables that will be closely monitored through implementation. If assumptions are not accurate, alterations to the implementation strategy may be necessary. These assumptions include:

- **Clearly defined roles and responsibilities:**
DSCA, MILDEPs, and KPMG Consulting have identified participants and the roles and responsibilities for the implementation strategy and the PBB Cycle. Adherence to these roles and responsibilities will ensure all activities and tasks are accomplished in a timely manner.
- **Access to key DSCA and MILDEP persone:**
Timely access to both leadership and points of contact to discuss the PBB Cycle and the implementation plan is needed. These personnel will be knowledgeable about the current operating environment of the budget process, DSCA, and their respective MILDEP.
 - **Active participation of key personnel throughout the effort:**
Personnel need to take an active role in making decisions, providing relevant information and data, and communicating with all participants in this process.
 - **Input and guidance for enhancement of the implementation strategy:**
In order for the strategy to be refined and clarified in a timely manner, a certain level of input is needed.
- **Phased approach:**
Since the changes to the budgeting process are substantial, a phased approach will be necessary to ensure compliance in a timely manner. This includes, but is not limited to, the number of IAs' actively participating in the PBB Cycle, automation upgrades and implementation, and training.
- **Access to data sources and processes:**
Timely access to relevant data sources, cost systems, and current budget processes will be critical to creating an understanding and appreciation of current environments and transactions.

Project Implementation Schedule

As with any major undertaking involving multiple agencies and different command structures, a common view of the planned actions for the project is necessary to successfully achieve the stated objectives. A detailed project schedule has proven to be successful in coordinating all necessary resources and increasing the success of project implementation. For the schedule to be properly executed, all terms need to be defined and understood by all participants. For implementation of the PBB Cycle the project schedule will include:

- **Identification number** – enables ease of location and reference to a specific task.
- **Task name** – describes the activity or the task. This is not only for individual activities and tasks, but also process and stage headings.
- **Duration** – represents the amount of time that it takes an activity, stage, or task to be accomplished.

- **Start date** – signifies the beginning point at which an activity or task can or must commence.
- **Finish date** – is the date that the activity, task, or step must be completed. If the item is not complete, potential to delay the entire process exists.
- **Resources** – are the personnel necessary to complete the project. Non-personnel resources primarily include hardware and software necessary for the automation. These will be addressed separately in the automation assessment and requirements review.

The project schedule tasks are organized into four primary areas:

- **PBB Cycle Initiation:**
The tasks included in this section of the schedule represent all of the PBB Cycle including phases, processes, and steps required to initiate the cycle.
- **Budget Execution and Performance Review:**
Consists of tasks focused on the semiannual review of how the actual budget elements are proceeding.
- **Automation and Technology:**
Automation and technology enables PBB Cycle and the execution and Performance Review process. These tasks are fairly routine technology tasks such as finalizing functional requirements, assessing current hardware and software, and designing the templates and data entry sheets for the web-based interaction.
- **Project Management and Control:**
These tasks focus on the project mechanics required for success. They are broken into three subsections:
 - **Control** – identifies tasks needed to document, analyze, and update the progress of the project.
 - **Implementation Assessment** – the elements used to review progress are identified towards implementation
 - **Change Management** – identifies tasks that will involve communications, education, and training.

The project schedule should be viewed as a dynamic product. DSCA will constantly monitor and adjust the schedule as necessary to ensure implementation success. The most current schedule will be posted to the DSCA web site. The Gantt-based project schedule is included in Appendix A: *Performance Based Budget Cycle Implementation Schedule*.

Implementation Assessment

This subsection illustrates the methodology for assessing the progress of the project. After this discussion, the processes, owners, and respective stakeholders involved in the assessments are identified and their roles clarified. Finally, the procedure for assessing these processes during the PBB Cycle Implementation is described.

Methodology

The Implementation Assessment is the means by which improvement to the PBB Cycle, PBB Cycle Implementation and Performance Based Budget Cycle Execution and Performance Review will occur. Although the processes being reviewed differ, the methodology for assessing the processes remains the same. The process includes five steps:

1. Review the project status

This includes a detailed review and discussion of all tasks within the project to ensure that the project's purpose, objectives, and task completions are on track. All suggested alterations to the project will be identified and analyzed before approval of DSCA.

2. Determine if the PBB Cycle is still valid

The DSCA and the IAs will continuously monitor and determine if the PBB Cycle is valid as initiated or if modifications are required.

3. Identify issues and constraints in executing the process

Issues and constraints could include slips in scheduled timeframes, rapid or unintended resource consumption, process bottlenecks, and automation and technology shortcomings. These can also include potential obstacles and other concerns.

4. Proposals to optimize the process and mitigate future issues and constraints

Each and every issue and constraint raised in step three, whether experienced or anticipated, will be addressed, to include agreeing to alterations to the process that is being reviewed. Agreement regarding the ultimate course of action will be reached by consensus, if possible; however, DSCA, the ultimate process owner, has authority to make final decisions regarding any and all alterations to the processes.

5. Communicate changes in policy, procedures, or processes to relevant stakeholders

Once alterations have been made, they will be communicated through the DSCA web site. If substantial changes have occurred, additional communication channels will be used.

Together, these five steps will help to ensure that improvements are made to the PBB Cycle and its components to optimize its efficiency and effectiveness.

Assessment Procedure

The procedure for assessments during the PBB Cycle Implementation will include:

▪ Monthly meetings with DSCA

DSCA and KPMG Consulting will hold monthly meetings to review the progress made on the PBB Cycle Implementation. During these meetings the methodology outlined previously will be used for bottleneck identification, explanation of scheduling slips, and change management issues.

▪ Quarterly discussions with DSCA, MILDEPs, and other stakeholders

Using the methodology outlined previously, issues and setbacks will be addressed and courses of action will be created to resolve current, and avoid future, issues. Any

changes to processes themselves, with the objective of process improvement, will also be discussed. It was initially agreed that DSCA would provide at least two checkpoints during FY 2001 to assess the new process. This is now being changed to reflect more emphasis on the transition year and the need to keep communications open.

These routine meetings and discussions will help to ensure that all parties are interacting with enough frequency to address issues and plan for all elements promptly.

Change Management Approach

This subsection presents the approach DSCA will use to manage the change from the current budget process to the PBB Cycle. The approach and overview of change management is presented and includes the change management vision, stakeholders, technologies, and change issues. This is followed by the communication and education and training strategies. This strategy includes a discussion regarding leveraging technology to educate all participants in the PBB Cycle rapidly and effectively.

Approach Overview

The purpose of the DSCA change management strategy is to support the successful implementation and acceptance of the PBB Cycle. The focus is on aligning the organizational business processes, culture, and people with the new PBB Cycle. The project plan, through its execution, is intended to assist DSCA to mobilize the organization, align key decision makers in different offices of the organization, and build support for implementation. The change management strategy is a combination of formalized, structured activities and informal communication and change resistance mitigation efforts. It is, therefore, based on a multi-directional informational flow and a highly flexible strategy of intervention activities and techniques.

For the purposes of this project, DSCA devised strategies to build organization-wide commitment and support, while minimizing resistance, and contributing to the efficient use of the new DSCA PBB Cycle. This process is considered to be a major initiative within DSCA, and could possibly face a variety of implementation challenges. The change management strategy provides a framework for anticipating change barriers and for planning interventions to facilitate project progress. As identified previously, a team will be assembled to guide the change management process and strategies.

Stakeholders, Technology, and Change Issues

Organizations have always been in the midst of change. In the past, the rate of change was slower and its impact on employees was less dramatic. Due to technological advances today, and in the case of this new PBB Cycle, affected employees may have to change their skills, behavior, and working relationships more quickly and dramatically than in the past.

As the new PBB Cycle becomes a reality, DSCA will ask the stakeholders to put aside the traditional ways of doing things, and adopt more efficient and effective ways of conducting business. In some cases, this will involve adding new skill sets and altering

job descriptions. Within the change management framework, the early identification and management of this resistance is essential. Figure 15 summarizes the human resource and technical aspects of the implementation of the PBB Cycle.

Figure 15
Human Resource and Technical Factors of Change Management

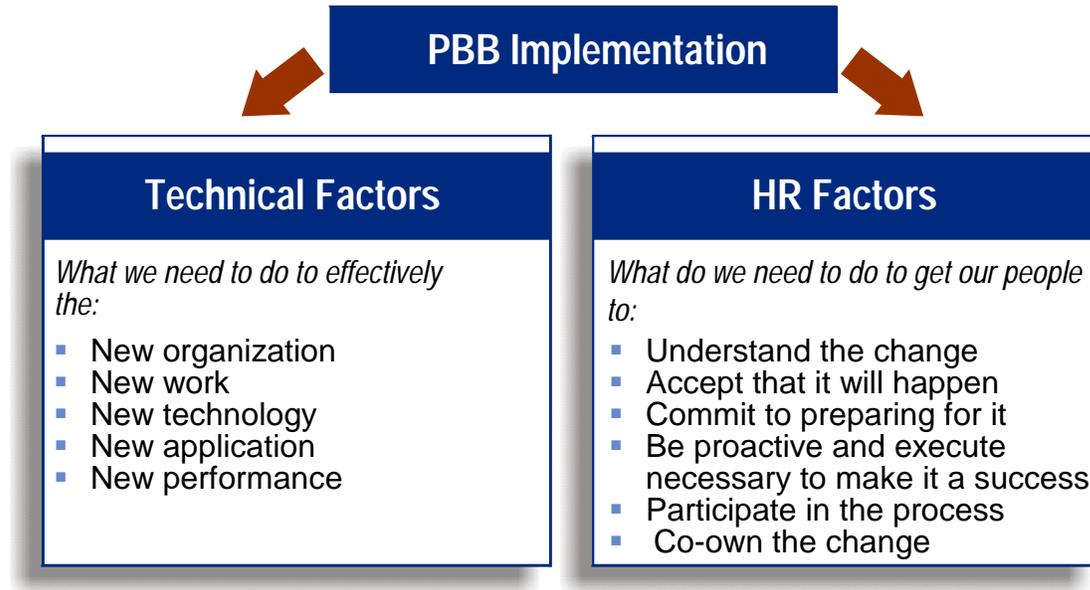


Figure 15 identifies the factors that need to be addressed to effectively implement change. This can only be done through a comprehensive communication strategy.

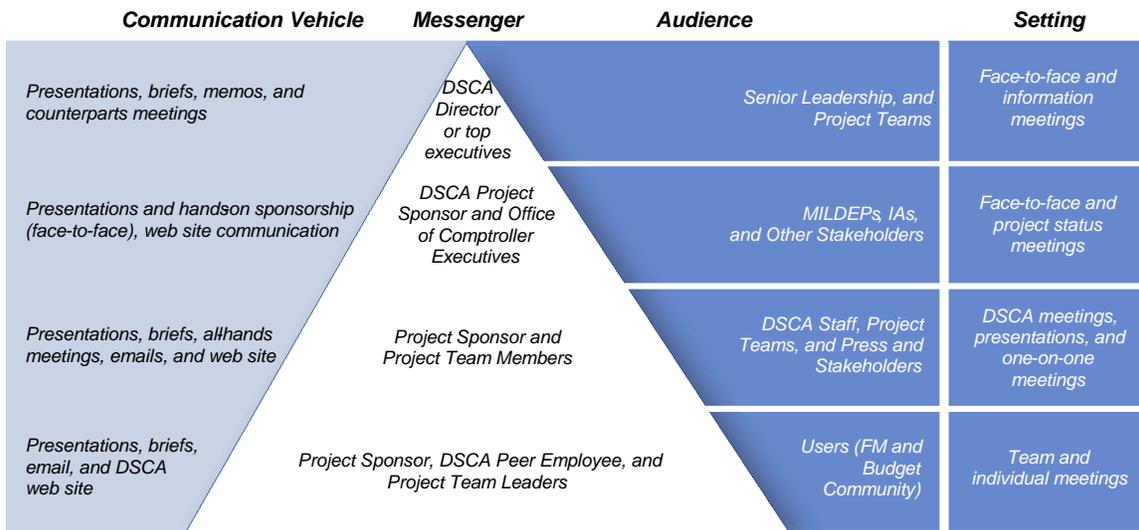
Communication Strategy

Communication is at the heart of any major change initiative and any alteration of management strategy. The communication strategy provides a mechanism to market the new process and its implementation.

The objective of the communication strategy is to logically organize the messages of the project and associated change activities to a wide audience in order to positively impact the project. The communication strategy is intended to encourage two-way exchanges of information to effectively reduce resistance to change by addressing the key messages, vehicles, accountability, and timing of communication to stakeholders involved and affected by the project initiative.

Figure 16 summarizes the communications channels that DSCA plans to use for this project.

**Figure 16
Communication Concept for Change Management**



Communications need to be timed appropriately and are most effective when creating a dialogue between the messenger and the audience.

Through frequent and recurring opportunities for communication, issues that will impact the project are often raised in advance, allowing DSCA to address them in a timely fashion. Many methods to communicate (such as email, briefings, meetings, videos, verbal, newsletters) exist, and those vehicles vary depending on the appropriate audience.

The implementation communication plan is targeted to several identified stakeholders, including DSCA leadership, DSCA operational staff, MILDEP implementation teams, and individual users. The messenger, the delivery mechanisms, and the frequency of messages vary depending on the audience and their role within the PBB Cycle Implementation Plan.

Several of these multi-channel and multi-format meetings have already occurred to date. For instance, several one-on-one sessions with the MILDEPs, as well as internal DSCA Directorates have taken place. DSCA intends to continue this strategy throughout implementation.

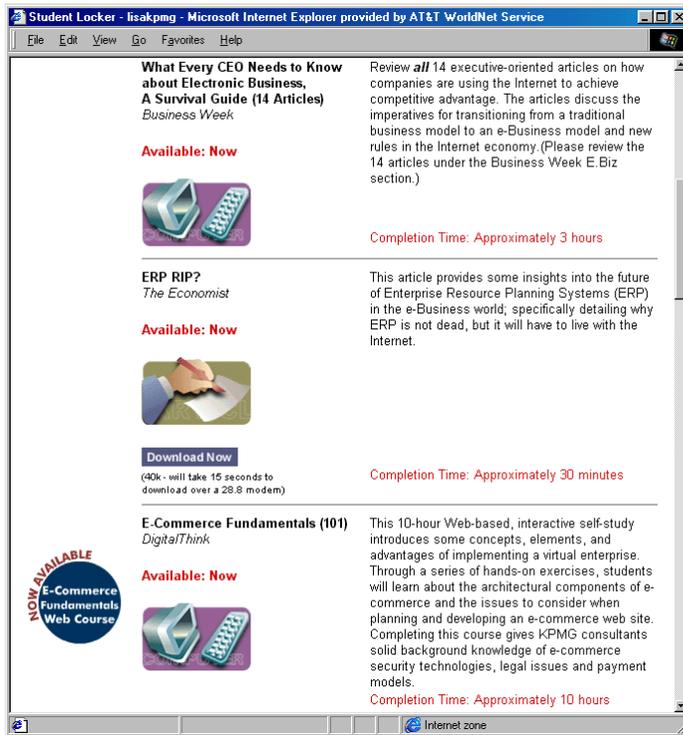
Education and Training

DSCA must ensure that any stakeholder in the PBB Cycle have a thorough comprehension of the new process. To accomplish this requirement, DSCA's education and training strategy will consist of a variety of educational tools, which include:

- Field a web-based, self-paced, e-learning solution that will focus on the new PBB Cycle. To create this tool, KPMG Consulting will conduct a needs analysis, then design and develop the curriculum and deployment tool on the DSCA PBB web site. The training will be offered based on a 100% internet-based solution that combines course content aligned with business objectives, a compelling, results-oriented e-learning experience, reporting tools that allow easy tracking and measurement of progress.
- Conduct personal presentations on demand. DSCA has committed to providing informational presentations concerning the PBB Cycle to any affected agency who makes a request.
- Include the PBB Cycle implementation in as many forums as possible. DSCA will provide informational presentations at a number of conferences in the coming year to "get the word out."
- DSCA will work with Defense Institute Security Assistance Management (DISAM) to include PBB Cycle in its formal curriculum.
- During implementation DSCA will provide (as requested) personal visits to each MILDEP to answer questions and provide technical guidance.

A host of functionality is possible with web-based learning and training. Minimum functionality is the first goal, and then more tailored tasks and portals can be developed. Figure 17 illustrates some of the interaction that web-based learning provides.

Figure 17
Illustration of Web-Based Learning



Source: KPMG Consulting, LLC (September 2000)

In addition to a web-based course, DSCA and KPMG Consulting will assist in developing an instructional course to be integrated and taught by DISAMs personnel, as part of the regularly scheduled security cooperation training.

APPENDIX A: PERFORMANCE BASED BUDGET CYCLE IMPLEMENTATION SCHEDULE

This appendix provides a detailed Gantt chart to guide implementation of the PBB Cycle. This includes the PBB Cycle stages, the PBB Cycle Execution and Performance Review, the automation implementation, and change management components.

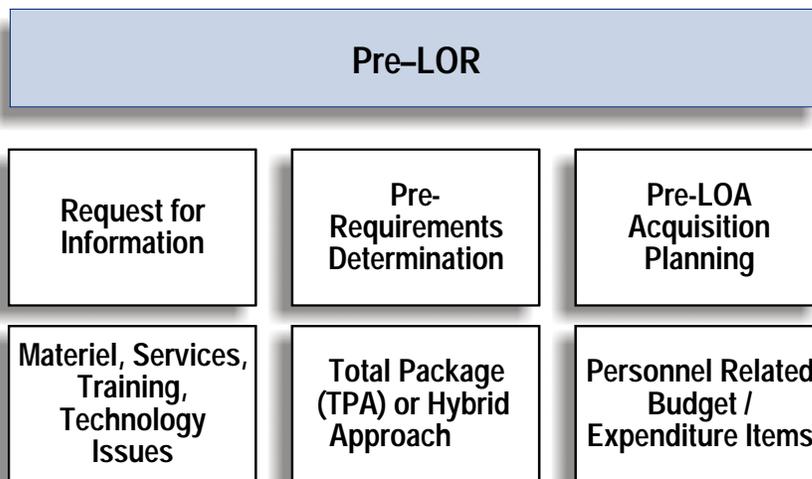
APPENDIX B: FOREIGN MILITARY SALES CORE FUNCTIONS

This section of the plan focuses on the Foreign Military Sales (FMS) Core Functions. The Core Functions were agreed upon by the Military Departments (MILDEPs) through an iterative process that included sessions with the MILDEPs jointly and individually. These six FMS Core Functions include:

- Pre-Letter of Request (LOR)
- Case Development
- Case Execution
- Case Closure
- Other Security Cooperation
- Organizational Support

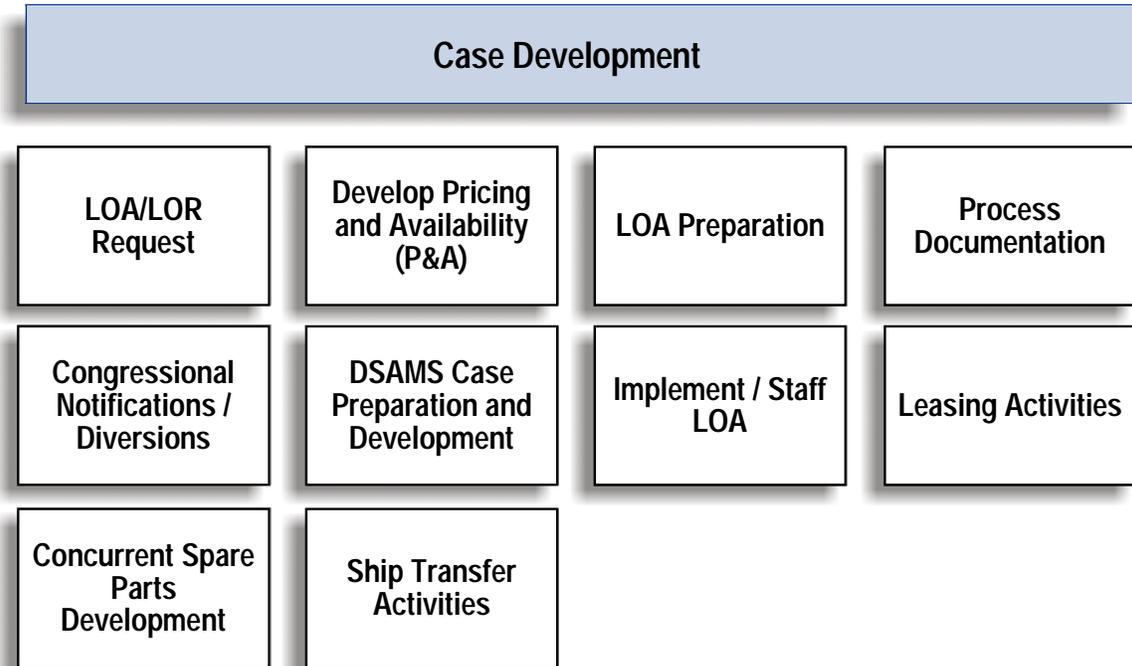
Pre-Letter of Request

Definition: Efforts expended prior to receipt of a LOR including responding to inquiries, pre-requirements determination, developing a Total Package Approach (TPA) if required, or specifying the mix of FMS and Direct Commercial Sales (DCS) under a hybrid approach.



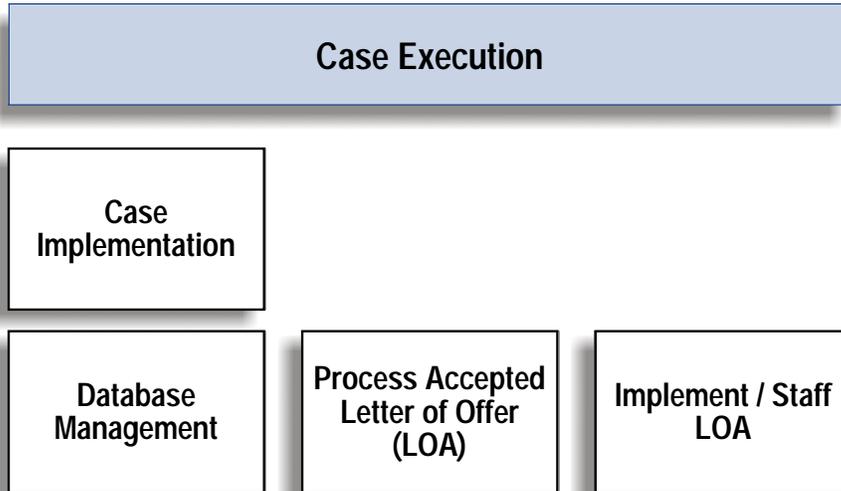
Case Development

Definition: Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA). These efforts continue from receipt of a customer's LOR through case preparation, staffing, and customer acceptance.

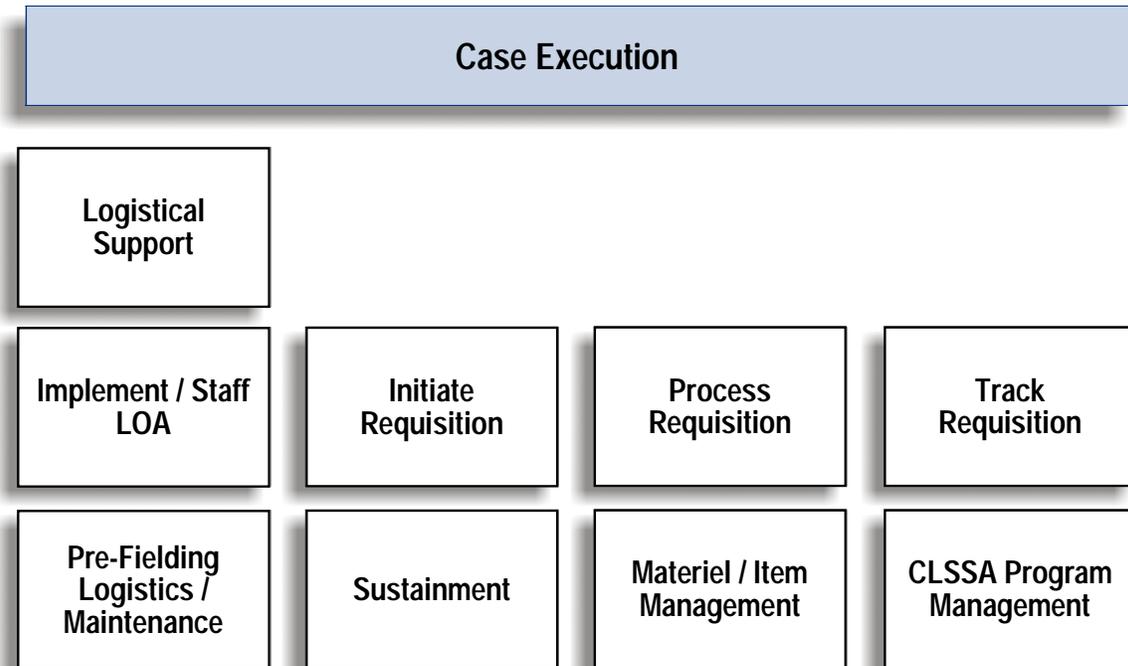


Case Execution

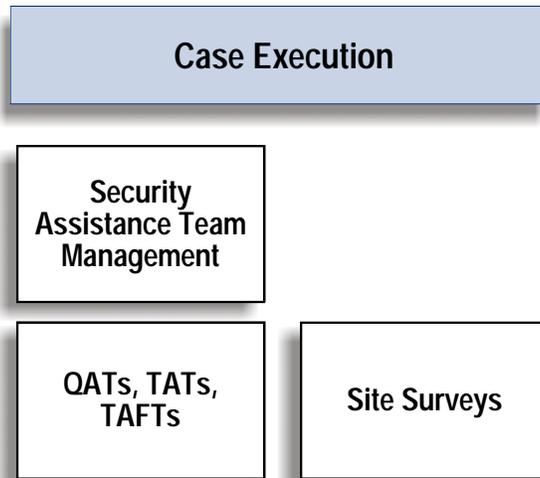
Definition – Case Implementation: Initial financial and logistical actions required to process accepted Letter of Offer; process, implement and staff LOA; and update associated reports. Includes maintaining associated databases and reports.



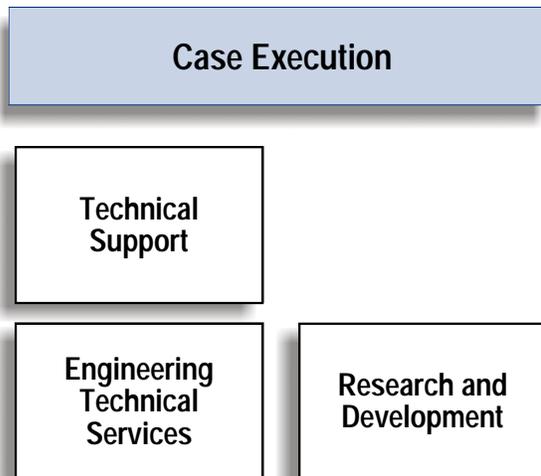
Definition – Logistical Support: Logistics, maintenance, and material management efforts associated with the development and execution of security assistance requirements from program inception through training, fielding, and system maintenance.



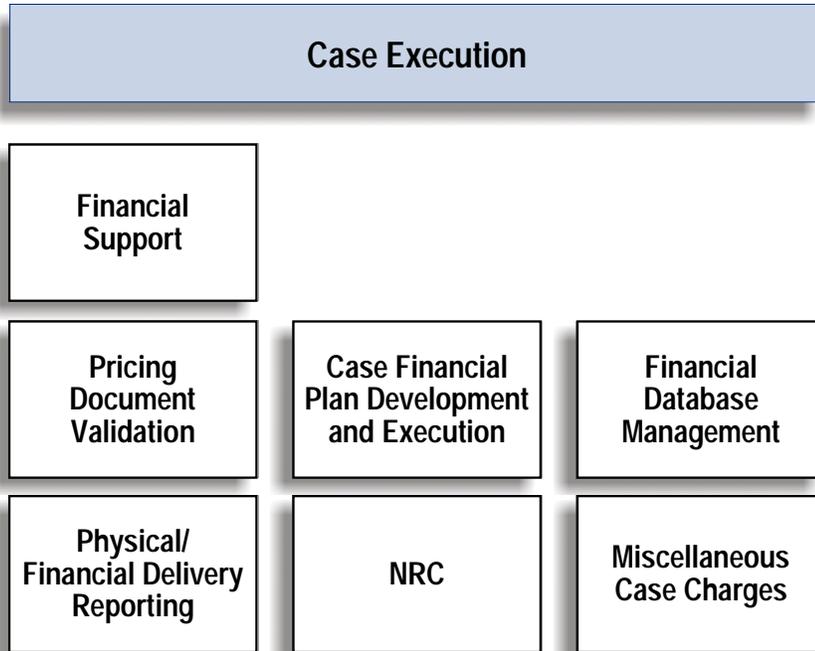
Definition – Security Assistance Team Management: Efforts to prepare and present information and reports to foreign customers in a formal review setting. Also includes efforts associated with the deployment of technical, logistical, and training fielding teams and system demonstrations required to support customer requirements.



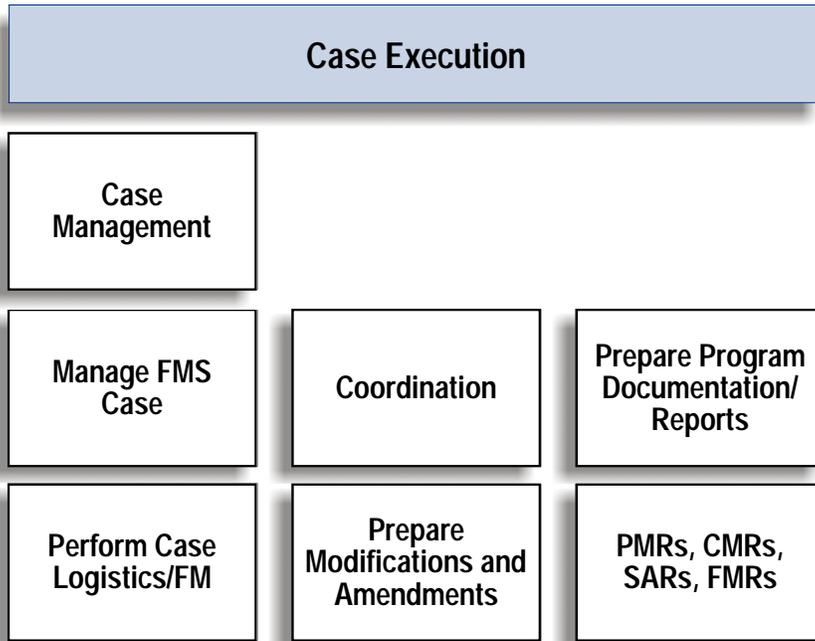
Definition – Technical Support: Engineering and technical efforts associated with the development and execution of security assistance programs.



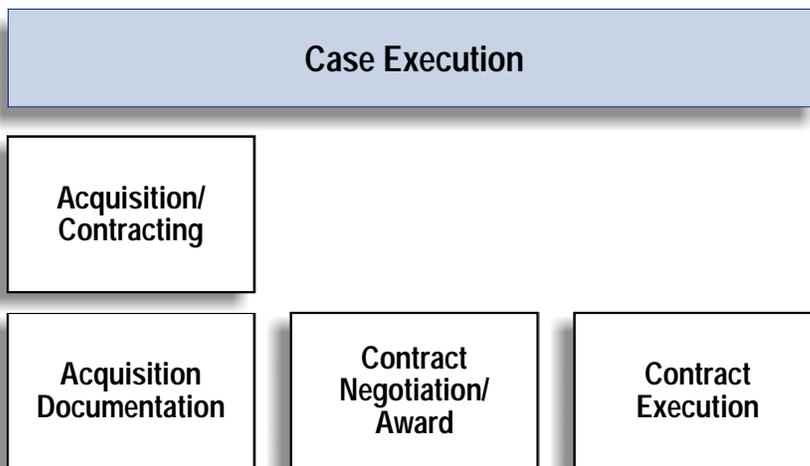
Definition – Financial Support: All financial actions required from the development of P&A through case closure including price development and validation, development and execution of financial plans, database management, financial delivery reporting and surcharge review.



Definition – Case Management: Efforts required to manage, execute, and administer the delivery of hardware and services in support of LOAs. Perform coordination efforts, financial and logistical case management, database management, and program documentation and reporting.

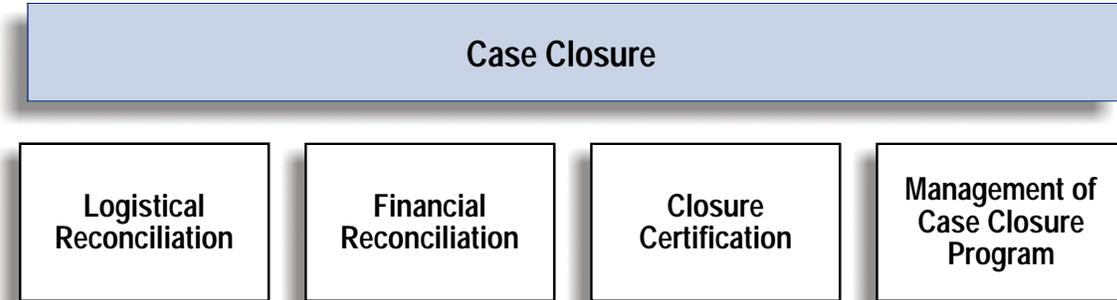


Definition – Acquisition / Contracting: Contractual efforts associated with pre-LOA acquisition planning, acquisition document preparation, solicitation, contract negotiations, and contract administration in support of security assistance requirements.



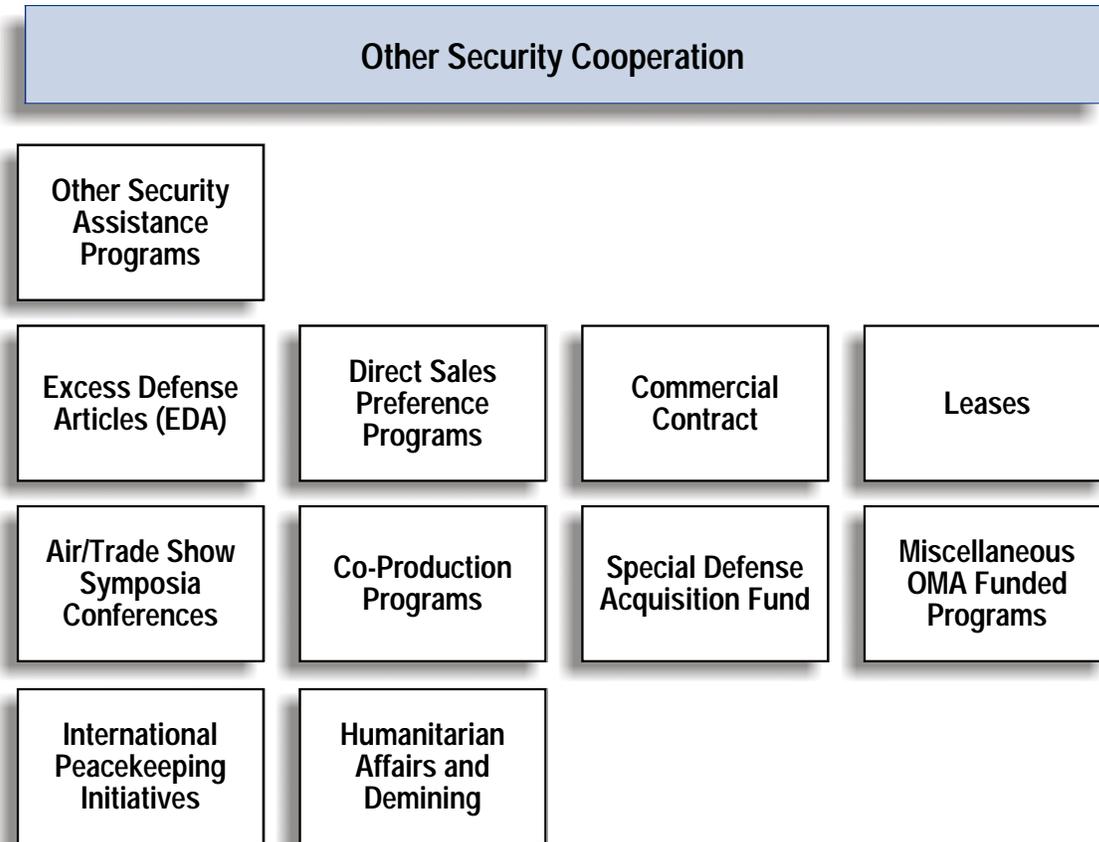
Case Closure

Definition: All actions required to perform logistical reconciliation, financial reconciliation and certify line and/or case closure.



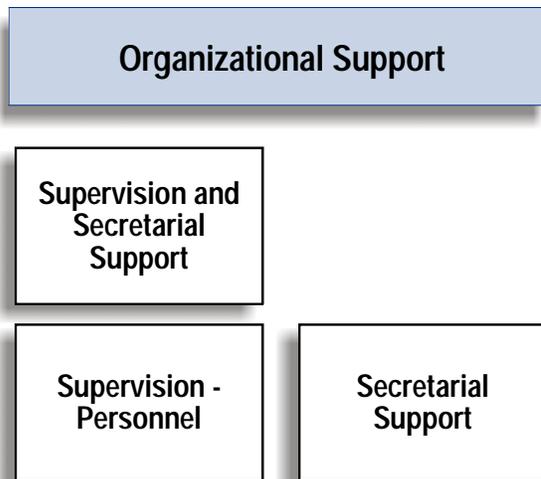
Other Security Cooperation

Definition – Other Security Assistance Programs: All efforts involved in the administration and management of special programs/projects associated with security cooperation requirements, particularly, the non-FMS security cooperation programs authorized under the Foreign Assistance Act, such as International Military Education and Training (IMET), the Foreign Military Financing (FMF) program, the grant Excess Defense Articles (EDA) program, and others.

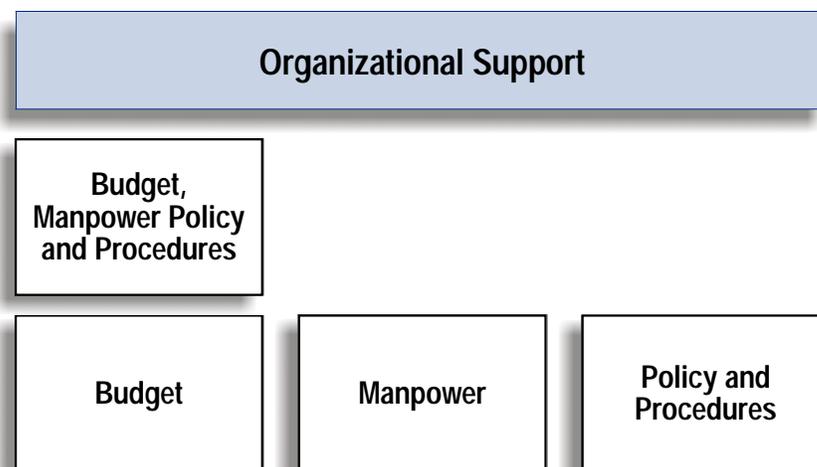


Organizational Support

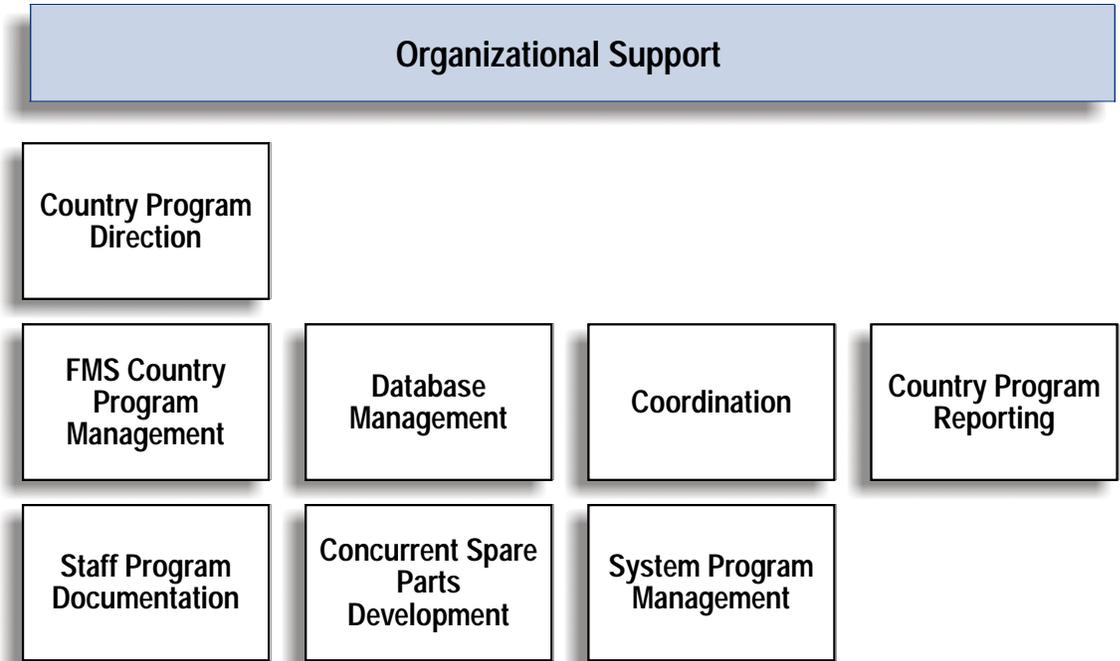
Definition – Supervision and Secretarial Support: Efforts required in providing employee supervision, leadership, and guidance including personnel management, workload management, and secretarial support.



Definition – Budget, Manpower Policy and Procedures: Actions required to provide financial and logistical policy and establish, execute, and monitor budgets and manpower requirements.

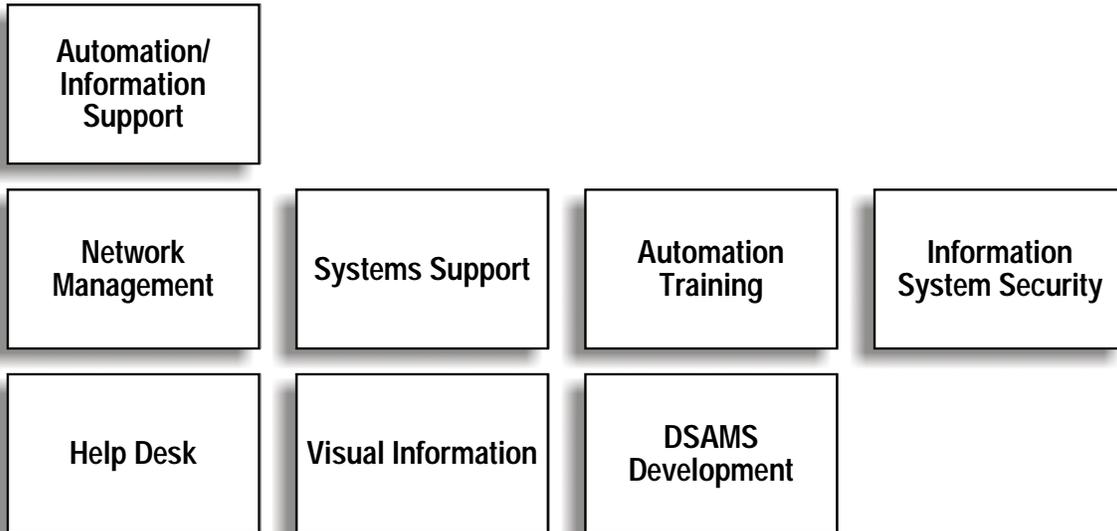


Definition – Country Program Direction: Security Assistance focal point for foreign country/international organization requirements responsible for managing and ensuring overall program success. Major efforts include coordination with counterparts at Major Subordinate Commands, higher Headquarters and Security Assistance Offices, customer program reporting, database management, and staffing program documentation. Also includes efforts required to manage, execute, and administer weapon system programs under the auspices of and MOU/MOA or other international agreements other than an FMS case.



Definition – Automation/ Info Support: Efforts required to manage and support current and future information systems including related training and systems security.

Organizational Support



Definition – Non-Mission Time: Time expended not related to the management or execution of the mission.

Organizational Support

**Non-Mission
Time**

Annual Leave

Sick Leave

Holiday Leave

Training

Union Activities

Fit to Win

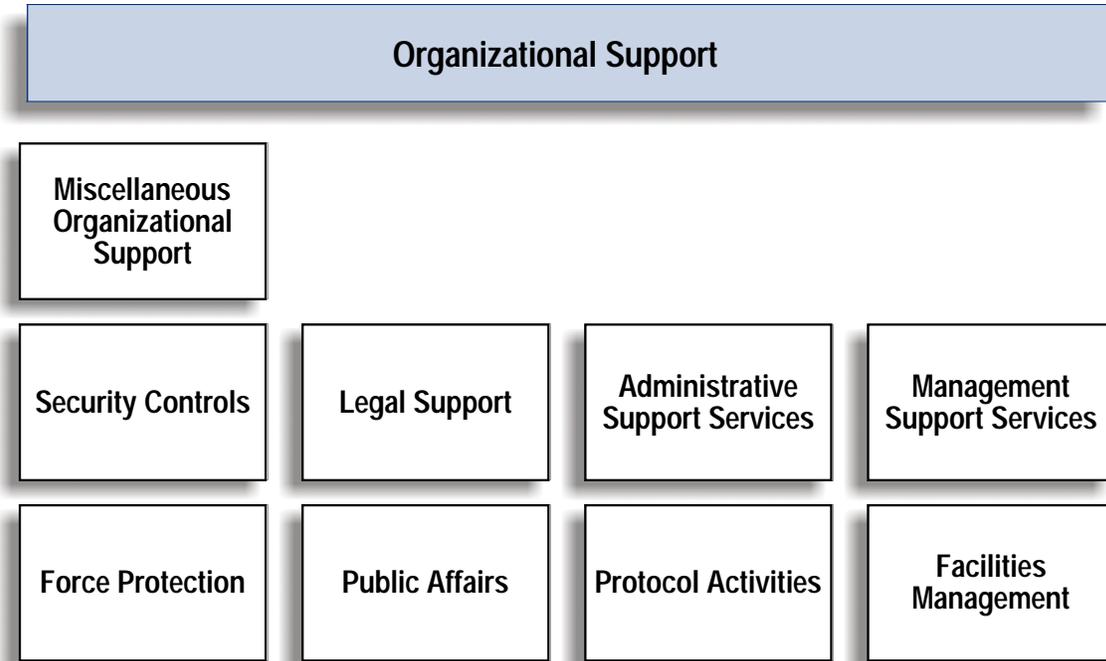
**Administrative
Leave**

**Admin Leave for
Blood Donation**

**Bank (Credit)
Hours Used**

**Compensation
Hours Used**

Definition – Miscellaneous Organizational Support: Efforts expended to provide security controls, organizations administrative support, legal guidance, internal audits, management services, and force protection.



APPENDIX C: GLOSSARY AND ACRONYMS

This appendix contains both the Glossary and a listing of Acronyms in the Implementation Plan.

Glossary

This glossary is to be used only as a reference tool and is not intended to provide complete definitions of the listed terms.

Activity Based Costing (ABC)

A technique for cost reporting that assigns costs to activities based on the use of resources, and assigns costs to cost objects based on the use of activities. ABC recognizes the causal relationship between activities and cost drivers.

Activity Based Management (ABM)

A discipline that focuses on the management of activities as the route to improving the value received by the customer and the return achieved by providing this value. This discipline includes cost driver analysis and activity analysis. ABM draws on ABC as its major source of information.

Core Function

Core Functions reflect an organization's essential duties and purpose and is comprised of corporate-level processes that are fundamental to the existence of the organization.

Process

Defines the services or mission objective, supported by a series of activities that are linked to perform a specific objective. For example, the assembly of a television set or the paying of a bill or claim entails several linked activities.

Performance Based Budgeting (PBB)

The PBB process is designed to enable a multi-year budgeting process for the Foreign Military Sales (FMS) program that links corporate strategy and planning to performance measures. The process is comprised of three distinct phases, data gathering, planning, and budgeting.

Performance Based Costing (PBC)

The primary objective of the PBC is to create a cost infrastructure to support the PBB Process with relevant cost data. The secondary objective is to assess the need for a management tool to align costs and performance measures with corporate strategy.

Performance Measures or Metrics

Indicators of the work performed and the results achieved in an activity, process, or organizational unit. Such indicators may be financial or non-financial.

Acronyms

The following are the references of common acronyms used throughout the Implementation Plan.

ACRONYM	REFERENCE
CBC	Corporate Budget Conference
CINC	Commander in Chief
CPC	Corporate Planning Conference
CPD	Country Program Director
CSCPP	Corporate Security Cooperation Performance Plan
DISAM	Defense Institute of Security Assistance Management
DOD	Department of Defense
DISA	Defense Information Systems Agency
DFAS	Defense Financial and Accounting Service
DSCA	Defense Security and Cooperation Agency
ERASA	Europe, Russia, Americas and sub-Saharan Africa (DSCA Directorate)
FMS	Foreign Military Sales
GAO	General Accounting Office
GSA	General Services Administration
IA	Implementing Agency
IASCPP	Implementing Agency Security Cooperation Performance Plan
IMET	International Military Education and Training
MEAN	Middle East, Asia and North Africa (DSCA Directorate)
MILDEP	Military Departments/Services
MSC	Major Subordinate Command
NPR	National Partnership for Reinventing Government
NRC	Nonrecurring Cost
OPR	Office of Primary Responsibility
OCP	Office of Corresponding Responsibility
PBB	Performance Based Budgeting
PBC	Performance Based Costing
POM	Program Objective Memorandum
PPBS	Planning, Programming and Budgeting System
PSD	Program Support Directorate
SOLIC	Special Operations/Low Intensity Conflicts
USD	Under Secretary of Defense
USD (A&T)	Under Secretary of Defense for Acquisition and Technology
USD (P)	Under Secretary of Defense for Procurement

APPENDIX D: PERFORMANCE BASED BUDGETING BEST PRACTICES

This appendix addresses PBB best practices. The appendix commences by addressing the definitions and history of PBB. It then provides PBB best practices, including an example of a world-class private sector organization that uses PBB.

What is Performance Based Budgeting?

PBB is a broad term that loosely refers to linking or integrating planning, budgeting, and performance measurement to drive resource decisions. The term is also commonly referred to as performance budgeting², performance management³, or some derivative thereof. Regardless of the term that is used, PBB is comprised of distinct elements that should ideally work in conjunction with one another as a holistic framework:

- A planning framework that allows the organization to develop and commit to shared goals, strategic objectives, and to develop actionable and measurable plans.
- A performance measurement system that allows the organization to link and balance strategic and operational measures.
- A budgeting and forecasting capability that enables the organization to develop and monitor multi-year budgets, perform financial modeling and forecasting, and link budgets to strategic objectives and planning.
- A costing system that allows the organization to determine and analyze the costs of processes, activities, products, and services.
- Information delivery and reporting that allows the organization to access and deliver timely and insightful management information.

Although elements of PBB are mainly structural, the approach and tools of PBB continue to evolve. The concept of PBB has a history dating back as early as the 1900s and has been practiced in both private and public sectors. With the growth in the use and functionality of costing and modeling tools, the concept is only recently having success with integrating all of the various elements. The following discussion presents the history of various approaches to link budgeting to the performance of the organization

² Term adopted by the General Accounting Office (GAO) which is defined as the process of linking expected results to budget levels. Performance budgeting and performance plans, particularly in the context of the Government Performance and Results Act (GPRA), have been the subject of many GAO reports and studies.

³ A term adopted by KPMG Consulting defined as a holistic framework and system that focuses on harnessing all elements of performance to include strategic commitment through aligning organizational strategic objectives and metrics; operational commitment that focuses on tools that operationally align the strategy, such as financial modeling, action plans, budgets and costing, and performance reporting; and organizational commitment that is concerned with individual goal setting, performance appraisal, training, and rewards systems, which mobilize and motivate individuals to execute the organizational plan and strategy.

and resource decisions. This is followed by a discussion of performance based budgeting best practices, and how one world-class private organization uses the concept in a practical manner to drive performance and results.

The History and Evolution of Performance Based Budgeting

A number of approaches to PBB have been used. The first government-wide effort to link budgeting and performance was in 1949 when the Hoover Commission attempted to downsize the post-World War II government. “A federal ‘performance budget’ was intended to shift the focus away from the inputs of government to its functions, activities, costs, and accomplishments.”⁴ Although these efforts led to permanent changes in the President’s budget presentations to include more performance information, it did little to drive performance, primarily because it lacked the tools to link programs with their cost.

The next government-wide initiative occurred in 1965 with the advent of Planning-Programming-Budgeting-System (PPBS) by the Johnson Administration. PPBS is a multi-year planning and decision-making framework. It is meant to provide the information to examine the choices and alternatives among long term policy objectives. PPBS also used an agency’s program structure and outputs as a common basis for budgeting, and utilized systems and analytical tools and measurements. Today, the Department of Defense (DOD) and a few civilian agencies continue to use PPBS; however, government-wide efforts were formally discontinued in 1966. “PPBS participants and observers cited many problems developing measures and analysis techniques, as well as incorporating results into decision-making practices.”⁵ PPBS did, however, contribute to the evolution of performance based budgeting by focusing on mission, inputs and outputs, and program evaluation principles.

In 1973 a new management technique, Management by Objectives (MBO), was initiated by the Nixon Administration. MBO sought to link agency’s stated objectives to budget requests and it implemented a process of holding agency heads accountable to agreed outputs and outcomes. MBO, used in the private sector for years, focused on goal setting and decentralizing responsibility to the lowest levels to allow managers and operational personnel to develop joint plans and strategies for achieving corporate-level goals. Due to criticisms over the management of President Johnson’s Great Society programs, the Bureau of Budget (BOB) was changed to the Office of Management and Budget (OMB), and MBO was to be the new office’s tool for performance and accountability. MBO had perhaps the shortest life of any of the performance based budgeting approaches. Although the resignation of Nixon no doubt contributed to this short life, it was also impacted by many of the same issues that haunted its predecessors, such as identifying and measuring intangible objectives, as well as tracing costs to such outputs, both of

⁴ *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, General Accounting Office, March 1997, page 5.

⁵ *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, General Accounting Office, March 1997, page 39.



which make accountability somewhat problematic. However, MBO is largely responsible for devolving many federal programs down to the state and city levels of government, a practice still widely employed today.

In 1977, President Carter introduced Zero-Base Budgeting (ZBB) that focused on identifying and optimizing service-level outputs that were possible at various spending levels. In other words, one mandate was to develop the programmatic outputs possible with a budget that was below current funding. ZBB was meant to provide a clear and precise link between budgetary resources and program results, without the constraints or “entitlements” of a past budgetary base. The sentiment that federal spending was out of control, and the annual deficit of the 1970s largely drove this effort. ZBB was also borrowed from the private sector, as well as some state and local governments, who had success using the concept to link planning and budgeting. The success of ZBB in the federal sector was mixed due to the difficulty of tracing internal costs. “The widespread use of arbitrarily chosen percentages to identify alternative funding levels, rather than analysis based on program knowledge and performance information, precluded genuine zero-basing, as did consolidation and selection of initial decision units at high levels in the organization.”⁶ Thus, true zero basing requires that an organization have a fundamental understanding of its internal costs, its outputs, and the relationship between resources and outputs. Otherwise, the exercise will be highly subjective.

The most recent federal initiative does not condone any one approach so much as general guidelines. The Government Performance and Results Act (GPRA) of 1993 is meant to improve the effectiveness, efficiency, and accountability of federal programs by focusing on program results. Thus, like the many efforts of the past its purpose is to link resources to results. However, unlike past initiatives, it does not advocate any one budgeting and/or planning approach, but sets forth general guidelines, as follows:

- Strategic plans for each agency covering five years
- Annual Performance Plans for each agency including performance indicators to be used for measuring the outputs, service levels, and outcomes of each program activity in an agency’s budget

GPRA also utilized the phasing-in approach and developed a number of pilot projects to be used to drive future improvements in the system. GPRA hopes to avoid the pitfalls of past PBB efforts by learning from their failures and capitalizing on their successes.

Best Practices in Performance Based Budgeting

Public and private sectors who have had success with PBB have similar successful elements in place. The following diagram illustrates KPMG Consulting’s experience with an organization’s evolution in terms of PBB, whereas three levels depict varying

⁶ *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, General Accounting Office, March 1997, page 49.

characteristics (Level 1 illustrates a typical organization, Level 2 is typical of a high performance organization, and Level 3 would be considered best in class or a best practice organization).



Level 1	Level 2	Level 3
<p>People:</p> <ul style="list-style-type: none"> ◆ Compensation tied to performance against budget ◆ Process financially driven & control oriented <p>Process:</p> <ul style="list-style-type: none"> ◆ Inefficient processes, with multiple iterations ◆ Responsibility and accountability not aligned <p>Technology:</p> <ul style="list-style-type: none"> ◆ Spreadsheets, significant manual intervention ◆ Limited and manual reporting 	<p>People:</p> <ul style="list-style-type: none"> ◆ Budgets and forecasts owned by business unit ◆ Rewards based on plan and competitive performance <p>Process:</p> <ul style="list-style-type: none"> ◆ Integrated budget development tied directly to strategy ◆ Target based ◆ Minimal iterations <p>Technology:</p> <ul style="list-style-type: none"> ◆ Automated consolidations, elimination ◆ Tied to transaction systems ◆ Standard, semi-automated reports 	<p>People:</p> <ul style="list-style-type: none"> ◆ Planning owned by everyone ◆ Rewards based on competitive performance <p>Process:</p> <ul style="list-style-type: none"> ◆ Collaborative business plan development tied directly to strategy ◆ Target driven ◆ Creates commitment throughout organization <p>Technology:</p> <ul style="list-style-type: none"> ◆ Automated systems for forecasting & exception reporting ◆ Internet-based capabilities and reporting

PBB best practices include:

▪ **Planning and Performance Measurement through the Balanced Scorecard (BSC) Approach**

A company cannot expect to excel in today's business environment unless it can clearly communicate its strategy to its employees. Traditionally, this process has been too high level, too financial, and too disjointed from the strategy. Best practices in planning are as follows:

- Planning is linked to strategic objectives and the strategic plan
- Fund business plans, not just budgets
- Planning is collaborative and owned by all levels of the organization
- Continuous planning replaces the static annual plan
- BSC framework balances the four important quadrants of an organization (financial, customer, processes, and organizational learning)
- Increase the visibility of plans by enabling web and on-line access

- **Strategic and Standard Budgeting and Financial Forecasting**
 Historically, budgeting and forecasting processes have been more about crunching numbers, as organizations typically spend inordinate amounts of time and resources preparing, compiling and consolidating these figures. Budgeting and forecasting process transformation focuses on the following best practices:

 - Budgeting and forecasting is linked to business strategy
 - Finance and comptroller role transitions from managing numbers to that of business partner
 - Standardize budgeting and forecasting process
 - Enable budget development, budget submission, and budget review on-line to reduce cycle time, paper, and manual intervention

- **Leverage Internet-Based Capabilities**
 PBB can leverage internet capabilities in three ways. The first is through shared access and viewing of relevant information, be it top of house corporate or down into a business unit. The second is that it facilitates the mechanics of the budgeting and forecasting process through improved timeliness of the consolidation processes. The third is that the internet facilitates future focused decisions by enabling flexible reporting formats that incorporate feedback such as highlighting deviations from budget or forecast, as opposed to simply reporting historical results.

- **Product and Process Cost Management through Activity Based Costing (ABC)**
 Current cost management systems are not equipped to provide this level of detailed information – they were designed at a time when external reporting was of primary concern. Today, accurate, detailed internal reporting of solid management data is crucial. Organizations need to migrate their cost management systems to take advantage of leading edge solutions such as process costing, ABC / Activity Based Management (ABM), activity budgeting, capacity analysis, cost-to-serve, target costing and total cost management. Such costing systems allow organizations to capitalize on the following best practices:

 - Determine the cost of internal processes and activities
 - Determine costs to products/services
 - Determine costs of overhead and support activities
 - Determine cost drivers
 - Determine which activities add value from the customer’s point of view
 - Determine a clear relationship between outputs desired and resources necessary

Private Sector Best Practice Leader: World-Class Leading Computer Software and Operating Systems Company Uses PBB for Market Leadership

The world-class software and operating system corporation referenced in this profile is an international corporation that controls over 85 percent of its market share in the Personal Computer (PC) operating systems industry and produces 25% or more of all PC applications products. The world-class software and operating system corporation’s revenues surged from \$16,000 in 1975 when the company had one product and three



people, to \$6 billion in 1995, growing to 17,800 employees with a product line of two hundred. The Chairman and former CEO was listed in 1995, and still holds the title, as the richest man in the world, with a net worth in excess of \$15 billion.

Besides the innovation and vision of its people, the World Class software and operating system corporation also considers smart management as a reason for its success. The following, taken from KPMG Consulting internal knowledge and a book on the corporation that was published by Touchstone in 1998. The following is a description of how the world-class software and operating system corporation uses simple budgeting, costing and performance management to set objectives and drive performance.

“The world-class software and operating system corporation executives have introduced fairly conventional management systems... [The CEO] presides over program reviews and planning sessions in April and October of every year that set the schedule for rolling out new products and establishing budgets. The October reviews center on three-year product plans; each division explains the products it is planning to deliver and any interdependencies with other products. After completing the October review, the world-class software and operating system corporation’s marketing staff (called product managers) create a sales forecast based on the division’s product plans. Detailed budget planning then begins, and managers look at the sales versus budget estimates to determine how these compare with the profit objectives of the company. Based on this analysis, the CEO and other top executives determine the employee head count they want for the fiscal year beginning in July.

The CEO not only takes an active role in all the significant review and planning sessions but gives direct advice to the key product units... In general, the CEO concentrates on defining strategic [vision] and keeping check on development schedules, mainly through product status reports and electronic email from project team members and managers. He receives short status reports from projects every month. He attends quarterly program reviews ... [and] writes occasional strategic memos. Once or twice a week he goes on “think weeks” ... [in which] he isolates himself and thinks about a particular problem (i.e., customer support)... ‘The products that comprise 80 percent of our revenue I choose to understand very, very deeply.’... The World Class software and operating system corporation also uses activity-based planning to understand what customers really want to do with a product and determine whether a particular feature accomplishes the task efficiently.”

Public Sector PBB Best Practice Leader: GSA Plans, Budgets, and Integrates Private Sector Ideas

GSA is one of the three central management agencies in the Federal Government. (The Office of Personnel Management and the Office of Management and Budget are the others). GSA was established on July 1, 1949 by section 101 of the Federal Property and

Administrative Services Act as a result of a recommendation by a Presidential commission chaired by former President Herbert Hoover. The commission recommended the consolidation of four small agencies into one agency to avoid "senseless duplication, excess cost, and confusion in handling supplies . . . and providing space."

Since 1949, GSA has housed federal workers and provided products and services to support the important work of government throughout the country. GSA does it by negotiating contracts that account for \$40 billion of goods and services bought annually from the private sector. GSA employs about 14,000 people and has an annual budget of nearly \$16 billion. GSA has offices in 11 regions throughout the United States.

Over the past few years, GSA has evolved from a mandatory supplier of space and supplies for Federal civilian agencies to a non-mandatory provider of competitively priced, quality office space, commercial products and professional, state-of-the-art services to the civilian and military workforce. Of GSA, Mr. Barram says, "This is not your father's GSA." Under Vice President Gore's National Performance Review (NPR), GSA has been rethinking, reinventing and reorganizing to better serve its customers, to add value in everything it does, and to help its customers meet the challenges and opportunities of the approaching millennium. This transition was not easy. In fact, the agency was under harsh criticism in the mid-80s and was accused of being a huge and inefficient bureaucracy.

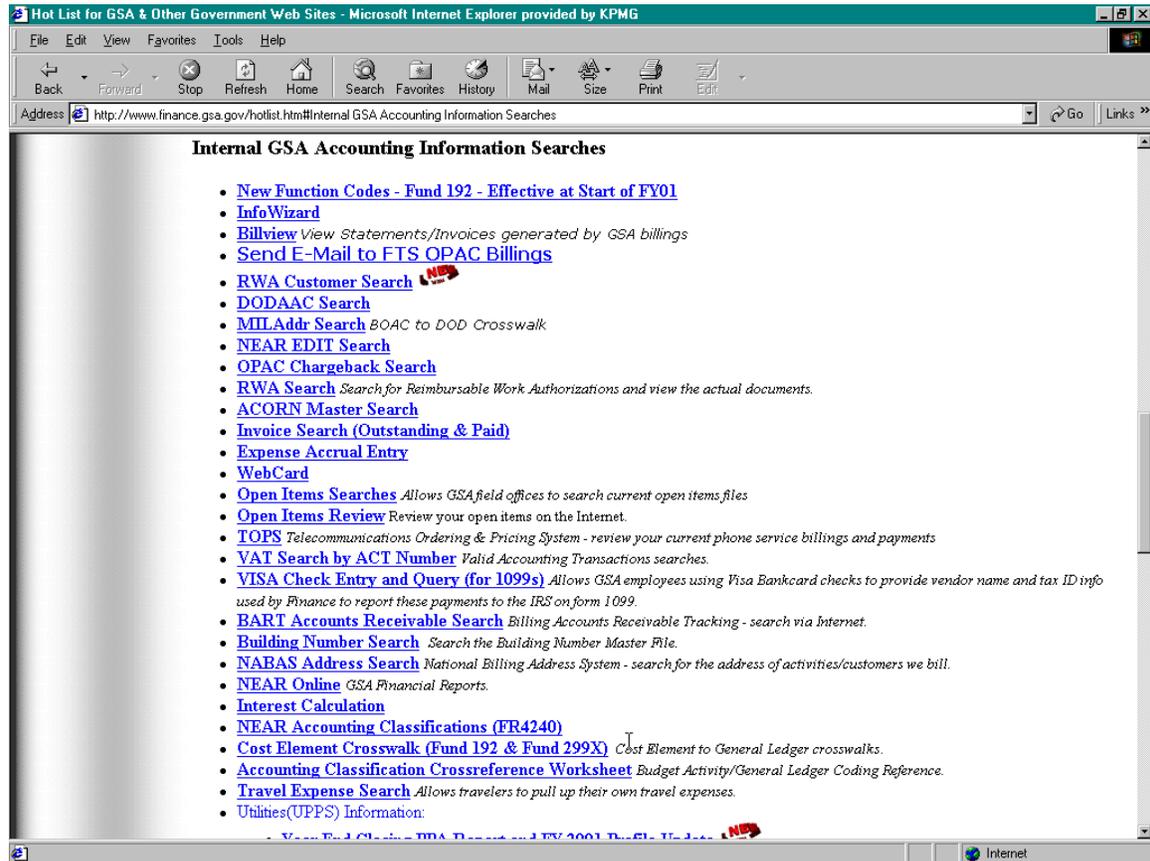
Dave Barram was appointed Administrator of GSA in March of 1996 by President Clinton. A 24-year veteran of Silicon Valley, Mr. Barram played a key role in shaping and implementing the federal government's technology initiatives while in senior positions at Apple Computer, Silicon Graphics, Inc., and Hewlett-Packard (HP). Mr. Barram joined HP in 1970 and spent 13 years in finance and marketing positions. In 1983, he left the then-80,000-employee HP to become the first Chief Financial Officer at 30-person Silicon Graphics. In April 1985, he joined Apple Computer as the Vice President of Finance and CFO and also held the positions of Vice President of Corporate Affairs and Vice President of Corporate Communications.

From his Silicon Valley experiences, Mr. Barram brought to GSA his belief in sensibly, but aggressively using technology to bring change and competition to the agency. In a recent speech to the Western Governors' Association, Mr. Barram said, "Nobody can be successful in an enterprise today if technology isn't at the heart of what they do."

This emphasis on technology has led Mr. Barram to make extensive changes in the agency's organization, management style, work practices and culture. Today, GSA is driven by a focus on change, excellence, thrilling customers, having honest conversations and measuring performance. GSA's business approach is, "if we're good enough, use us, if we're not, don't". The result, according to Fast Company magazine, is "one of Washington's stodgiest agencies is learning to be nimble - and to 'thrill' its customers."

GSA was one of twenty agencies that received praise from the General Accounting Office (GAO) on their performance plan, which is considered a model plan. It tracks fifty-eight measures and utilizes a balanced scorecard system. GSA has aggressively enabled much of its budgeting and planning functions on-line. The following is a

snapshot of GSA's web site that offers a number of financial-related and budgeting tools and reports for their business units and regional offices.



APPENDIX E: SAMPLE PERFORMANCE METRICS

Title:	Number of Pre - LOR Inquiries Received	CPM # 1-A	CF #1
Description: Measures (counts) total number of Pre-LORs inquires that each IA receives.			
What strategic FMS process does this Performance Metric (PM) support? Core function #1: Pre-LOR			
What part(s) of the FMS process does it measure (core function definition)? Efforts expended prior to receipt of a Letter of Request (LOR) including responding to inquiries, pre-requirements determination, developing a Total Package Approach (TPA) if required, or specifying the mix of FMS and Direct Commercial Sales (DCS) under a hybrid approach.			
What FMS process question does this PM allow us to answer? What is the number of pre-LOR inquiries received?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number of workers to be commensurate with the Pre-LOR workload or adjust Pre-LOR processes to better accommodate numbers and types of Pre-LOR inquiries or requests.			
How is it computed? (Formula, if applicable) Track number of incoming Pre-LORs.			
What are the units of measure? Number of Pre-LOR inquiries.			
What time span is reported? (e.g., month, quarter)		Quarterly	
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?		First of each quarter	
Who is responsible for collecting the data?		IAs	
How is the data collected?		Electronic data submission from IAs	
What are the data sources?		IAs	
What is the measurement tool?		Tracking sheet/ system	
Who manages / owns the data system?		IAs own source data systems; DSCA receives submissions	
Who owns the measurement tool?		IAs	
Remarks: Are Pre-LORs tracked currently at MILDEP level? Should DSCA track types and level of complexity of Pre-LORs?			

Title:	Number of Pre - LOR Inquiries Completed Per FTE	CPM # 1-B	CF #1
Description: Measures total number of Pre-LORs inquiries (counts) that each FTE completes.			
What strategic FMS process does this Performance Metric (PM) support? Core function #1: Pre-LOR			
What part(s) of the FMS process does it measure (core function definition)? Efforts expended prior to receipt of a Letter of Request (LOR) including responding to inquiries, pre-requirements determination, developing a Total Package Approach (TPA) if required, or specifying the mix of FMS and Direct Commercial Sales (DCS) under a hybrid approach.			
What FMS process question does this PM allow us to answer? What is the number of pre-LOR inquiries completed per FTE?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number of workers to be commensurate with the Pre-LOR workload or adjust Pre-LOR processes to better accommodate numbers and types of Pre-LOR inquiries/ requests.			
How is it computed? (Formula, if applicable) Track number of Pre-LOR inquiries completed divided by total FTEs working on Pre-LOR inquiries.			
What are the units of measure? Number of Pre-LOR inquiries completed and total FTEs working on Pre-LOR inquiries for an IA.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/ system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IAs		
Remarks: Are the number of Pre-LORs tracked currently at IA level? Should DSCA track types and level of complexity of Pre-LORs?			

Title:	Number of Letter(s) of Request Received	CPM # 2-A	CF # 2
Description: Measures the total number of LORs received.			
What strategic FMS process does this Core Performance Metric (CPM) support? Core Function #2, Case Development			
What part(s) of the FMS process does it measure (core function definition)? Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA), developing a TPA, if required, or specifying the mix of FMS and DCS under a hybrid approach. These efforts continue from receipt of a customer's LOR through case preparation, staffing and customer acceptance.			
What FMS process question does this CPM allow us to answer? What is number of LORs received by IAs quarterly?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number of workers to be commensurate with the case development/ LOR workload or adjust LOR processes and/or bottlenecks to optimize the process the numbers and types of LORs.			
How is it computed? (Formula, if applicable) Track number of total incoming and completed LORs within a specific time period by IA.			
What are the units of measure? Number of total LORs received.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/ system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IAs		
Remarks: Should the measure take into account variations in complexity of individual LORs and/or changes in customer requirements/inquiries (initiated by customer)? If, so, how can we develop a tracking system that categorizes complexity of LORs, as well as requirements/customer changes while a request is in progress?			

Title:	Dollar Value Per LOA	CPM # 2-B	CF # 2
Description: Measures the total dollar value for each LOA.			
What strategic FMS process does this Performance Metric (PM) support? Core Function #2:Case Development.			
What part(s) of the FMS process does it measure (core function definition)? Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA), developing a TPA, if required, or specifying the mix of FMS and DCS under a hybrid approach. These efforts continue from receipt of a customer's LOR through case preparation, staffing and customer acceptance.			
What FMS process question does this CPM allow us to answer? What is the average dollar value of LOAs received by IAs quarterly?			
If the answer was clear and actionable, what would it allow you to change or improve? Assess the difference in the consumption of resources by LOAs of varying dollar amounts, adjust workload accordingly, and/or alter processes to improve LOA workflow.			
How is it computed? (Formula, if applicable) Track dollar value of LOAs.			
What are the units of measure? Dollar value of LOAs.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/ system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IAs		
Remarks: What are there other cost drivers or differentiators that impact LOA development, other than dollar amount (i.e., country region, weapon system)?			

Title:	Number of Days to Develop an LOA	CPM # 2-C	CF # 2
Description: Measures the total number days to develop an LOA.			
What strategic FMS process does this Core Performance Metric (CPM) support? Core Function #2: Case Development.			
What part(s) of the FMS process does it measure (core function definition)? Efforts required to process customer request, gather, develop and integrate price and availability data for preparation of a Letter of Offer and Acceptance (LOA), developing a TPA, if required, or specifying the mix of FMS and DCS under a hybrid approach. These efforts continue from receipt of a customer's LOR through case preparation, staffing and customer acceptance.			
What FMS process question does this CPM allow us to answer? What is the cycle time to complete an LOA, in days, by IA quarterly?			
If the answer was clear and actionable, what would it allow you to change or improve? Determine is the cycle time for LOA development is optimal; address and/or adjust resources or processes to impact cycle time of LOAs.			
How is it computed? (Formula, if applicable) Track number of total incoming and completed LORs within a specific time period by MILDEP.			
What are the units of measure? Number of days to complete a LOA.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/ system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IAs		
Remarks: Should the measure take into account variations in complexity of individual LOAs and/or changes in customer requirements/inquiries (initiated by customer)? If, so, how can we develop a tracking system that categorizes complexity of LOAs, as well as requirements/customer changes while a request is in progress?			

Title:	Number of Case Lines Handled	CPM # 3-A	CF #3
Description: Measures the total number of case lines handled during case execution			
What strategic FMS process does this Performance Metric (PM) support? Core Function #3: Case Execution.			
What part(s) of the FMS process does it measure (core function definition)? The overall coordination to initiate case implementation, efforts required to conduct and execute case management, security assistance team management, technical logistical and financial support, and the contractual efforts under acquisition and contracting.			
What FMS process question does this CPM allow us to answer? What are the number (count) of case lines handled by IAs on a quarterly basis?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number of workers to be commensurate with the workload to process cases, and or staff an LOA and/or identify process issues or bottlenecks to more efficiently and effectively process the numbers and types of accepted cases submitted by customers.			
How is it computed? (Formula, if applicable) Track number of total case lines handled by IA quarterly.			
What are the units of measure? Number of total case lines handled.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/ system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submission		
Who owns the measurement tool?	IAs		
Remarks: DSCA should clearly define “handled”. Also, is it possible for the same cases to be “handled” more than once within the same measurement period? If so, should we track these separately or as re-work or repeats?			

Title:	Number of Case Lines Handled Per FTE	CPM # 3-B	CF # 3
Description: Measures the number of days necessary to effectively initiate and process a requisition as a percent FTEs.			
What strategic FMS process does this Core Performance Metric (CPM) support? Core Function #3.0, Case Execution.			
What part(s) of the FMS process does it measure (core function definition)? The overall coordination to initiate case implementation, efforts required to conduct and execute case management, security assistance team management, technical logistical and financial support, and the contractual efforts under acquisition and contracting.			
What FMS process question does this CPM allow us to answer? What is the average number of case lines that can be completed per FTE by quarter?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number and mix of resources (personnel and equipment) to accommodate the workload associated with handling case lines, and/or identify process or system issues/ bottlenecks to more efficiently and effectively initiate and process case lines.			
How is it computed? (Formula, if applicable) Track total number of cases handled divided by the number of FTEs working on case lines, by IA on a quarterly basis.			
What are the units of measure? Number of total requisitions received, initiated and processed.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submission		
Who owns the measurement tool?	IAs		
Remarks: What systems or databases does this process interface? Are certain case lines more difficult, time consuming, complex? If so, what are the factors driving the complexity?			

Title:	Number of Supply Discrepancy Reports Handled	CPM # 3-C	CF # 3
Description: Measures the total number of Supply Discrepancy Reports (SDRs).			
What strategic FMS process does this Performance Metric (PM) support? Core Function #3.0, Case Execution.			
What part(s) of the FMS process does it measure (core function definition)? The overall coordination to initiate case implementation, efforts required to conduct and execute case management, security assistance team management, technical logistical and financial support, and the contractual efforts under acquisition and contracting.			
What FMS process question does this CPM allow us to answer? What is the total number of SDRs handled by IA on a quarterly basis?			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number and mix of resources (personnel and equipment) to accommodate the workload associated with SDRs, and/or identify process or system issues/ bottlenecks to more efficiently and effectively address and/or prevent SDRs.			
How is it computed? (Formula, if applicable) Track total number of SDRs, by IA on a quarterly basis.			
What are the units of measure? Number of total SDRs initiated and processed.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submission		
Who owns the measurement tool?	IAs		
Remarks: None			

Title:	Number of Program Management Reports Conducted	CPM # 3-D	CF # 3
Description: Measures the number of Program Management Reviews (PMRs) conducted by IAs on a quarterly basis.			
What strategic FMS process does this Performance Metric (PM) support? Core Function #3.0, Case Execution.			
What part(s) of the FMS process does it measure (core function definition)? The overall coordination to initiate case implementation, efforts required to conduct and execute case management, security assistance team management, technical logistical and financial support, and the contractual efforts under acquisition and contracting.			
What FMS process question does this CPM allow us to answer?			
<ul style="list-style-type: none"> ▪ What is an optimal level of PMRs? ▪ Is there a correlation between number of PMRs and success of case and/or satisfaction of customer? 			
If the answer was clear and actionable, what would it allow you to change or improve? Adjust the number of PMRs to an optimal level, or assess the PMR process.			
How is it computed? (Formula, if applicable) Track total number of PMRs conducted by IAs on a quarterly basis.			
What are the units of measure? Number of total PMRs conducted.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IAs		
How is the data collected?	Electronic data submission from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submission		
Who owns the measurement tool?	IAs		
Remarks: None			

Title:	Number of Case Lines Certified as Financially/Logistically Complete	CPM # 4-A	CF # 4
Description: Measures the number of case lines that are certified as either financially or logistically complete by IA on a quarterly basis.			
What strategic FMS process does this Performance Metric (PM) support? Core Function #4, Case Closure.			
What part(s) of the FMS process does it measure (core function definition)? All actions required to perform logistical reconciliation, financial reconciliation and certify line and/or case closure.			
What FMS process question does this PM allow us to answer? What is the number of cases closed?			
If the answer was clear and actionable, what would it allow you to change or improve? Align resources to be commensurate with level of case closures necessary to achieve optimal customer service levels, or improve the processes/systems to better achieve case closures.			
How is it computed? (Formula, if applicable) Track number of case closures.			
What are the units of measure? Total number of cases closed.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IA		
How is the data collected?	Electronic data capture from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/system		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IAs		
Remarks: None			

<i>Title:</i>	Number of Other Security Cooperation Programs Managed/Executed	<i>CPM # 5-A</i>	CF # 5
Description: The measure will identify and track the number and types of other security cooperation/ non-FMS programs managed and operated.			
What strategic FMS process does this Performance Metric (PM) support? Core Function #5.0 other security cooperation.			
What part(s) of the FMS process does it measure (core function definition)? All efforts involved in the administration and management of special programs and projects associated with security cooperation requirements, particularly, the non-FMS security cooperation programs authorized under the Foreign Assistance Act, such as International Military Education and Training (IMET), the Foreign Military Financing (FMF) program, and the grant Excess Defense Articles (EDA) program.			
What FMS process question does this CPM allow us to answer? What are the numbers, and different types of other security cooperation/ non-FMS programs managed and executed?			
If the answer was clear and actionable, what would it allow you to change or improve? Track, assess, and manage the numbers and growth of other security cooperation programs.			
How is it computed? (Formula, if applicable) Number (count) of security cooperation programs.			
What are the units of measure? Number and types of other security cooperation programs managed/executed.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IA		
How is the data collected?	Electronically based data capture from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/System		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IA		
Remarks: Could use current work study survey.			

Title:	Resources Expended on Support Functions as a Percent of Total FMS Budget	CPM # 6-A	CF # 6
Description: The measure will track the amount of resources expended on support functions as a percent of total FMS budget.			
What strategic FMS process does this Performance Metric (PM) support? Core Function # 6.0, Organizational Support			
What part(s) of the FMS process does it measure (core function definition)? The overall coordination of efforts for country program direction, supervision and secretarial support, automation and information support, budget, manpower, policy and procedures, miscellaneous organizational support, and non-mission time.			
What FMS process question does this CPM allow us to answer? What amount of resources are expended on support functions?			
If the answer was clear and actionable, what would it allow you to change or improve? Establish resource-consumption visibility and if needed adjust the workload and number of personnel involved in the support process.			
How is it computed? (Formula, if applicable) Total personnel (time) and non-personnel (i.e., equipment) spent on support functions divided by total FMS budget.			
What are the units of measure? Amount of time, percentage of effort, and expenditures spent on providing support; total expenditures/budget overall.			
What time span is reported? (e.g., month, quarter)	Quarterly		
When (e.g., date or day of month), and how often is it reported? (e.g., monthly, weekly)?	First of each quarter		
Who is responsible for collecting the data?	IA		
How is the data collected?	Electronically based data capture from IAs		
What are the data sources?	IAs		
What is the measurement tool?	Tracking sheet/System		
Who manages / owns the data system?	IAs own source data systems; DSCA receives submissions		
Who owns the measurement tool?	IA		
Remarks: None			

APPENDIX F: SAMPLE PERFORMANCE BASED BUDGET CYCLE DOCUMENTS

This appendix provides a description for content to be included in sample documents. These documents include the Security Cooperation Issues Call, Corporate Security Cooperation Performance Plan (CSCPP), Implementing Agency Security Cooperation Performance Plan (IASCPP), and the Corporate Planning Conference (CPC) Agenda.

Security Cooperation Issues Call

The Security Cooperation Issues Call is the first step in the budget process. Before funding discussions occur, the Defense Security Cooperation Agency (DSCA) will gain a better understanding of the work and mission of the IAs. In addition, the DSCA will provide agencies with the opportunity to influence and shape the corporate level objectives. The Security Cooperation Issues Call begins the dialogue and the cooperative process in the formulation of the Foreign Military Sales (FMS) Administrative budget. The call results in the creation of a single working document that captures major issues, incorporates general program assessment issues and factors that impact the Security Cooperation Mission.

The goal of the Security Cooperation Issues Call is to begin a dialogue with the IAs which will result in a better understanding of the scope of work and activities of the security cooperation community with a concentration on FMS. The Security Cooperation Issues Call examines the internal and external environment in which security cooperation activities are conducted. The level of detail for the call will depend on the how well DSCA engages the each IA. The responses from the IAs can be formal or informal; the main objective of the call is to obtain information.

Contents

The Security Cooperation Issues Call should reference the laws, policies, and references from the Departments of State and Defense that frame the National Security Strategy, specifically security cooperation goals and strategies.

In addition, the document should include:

- **Priorities**
DSCA should list and describe the top priorities of the upcoming fiscal year and have the IAs respond.
- **Goals and Objectives**
The goals and objectives should result from the discussion of core functions, parameters, and priorities. The IAs should list and describe the goals and objectives for the upcoming fiscal year as well as on-going and subsequent years. The information should be specific to FMS, but should also include goals and objectives that impact foreign military sales.

- **Questions and Concerns**

From the information provided in the Security Cooperation Issues Call and from the security cooperation environment, the IAs should list any questions or concerns of the agency regarding security assistance or DSCA. Include any concerns regarding issues of program management, communication, or other areas that impact the activities of your agency in conducting security cooperation and FMS.

Corporate Security Cooperation Performance Plan

The Corporate Security Cooperation Performance Plan (CSCPP) serves in three capacities: a statement of DSCA's vision, DSCA's annual report, and an overview of the DSCA plan for the upcoming fiscal year and out years. The document should encompass the goals and standards established by DSCA for itself and all IAs. The CSCPP should include inputs from DSCA Directorates that could impact the work processes, requirements, and IAs resource needs. Such information would include efforts from DSCA's Reinvention Team, and the Policy Support Directorate, the Comptroller's Office, and country-specific program areas.

The CSCPP should include sales estimates and projections for the upcoming fiscal year. In providing the projections and estimates, reference should be made to the process, or any changes in the process. The CSCPP should include:

- **Introductory Letter from Director (Director's Statement)**

Letter Part of Finalized CSCPP

- **Prior Fiscal Year's Performance Plan (Highlights/Bullets)**

This section includes a summary of the prior year's CSCPP/performance plan; Point of Reference for DSCA, IAs, federal organizations (OMB, Congress), Transition/Continuity for prior and future fiscal years. *In the first CSCPP publication, this section will be brief if not non-existent.*

- **Accomplishments/ Comparison Prior Year Performance Plan**

This section will include a comparison of successes, setbacks and accomplishments. It will also include a description of the current environment. *In the first CSCPP publication, this section will be brief.*

- **Current Issues/Concerns**

This section includes incorporation of responses to DSCA's call for Security Cooperation Issues Sales Estimates and Revenue Projections (General and/or Specific).

- **Priorities**

This section details the determination and categorize priorities with references to the Department of State, Department of Defense, and IAs.

- **Goals and New/ Revised Performance Plan**

This section will define and develop goals for upcoming and subsequent fiscal years and include: last year's performance-Details of completed fiscal year, issues, and priorities. *In the first publication of the CSCPP, DSCA should define goals and expectations for each MILDEP and elaborate on the resources available for each MILDEP. The CSCPP will include goals for IAs as they are include in the PBB process.*

- **Revised performance plan based**

If needed, the performance plan should be revised after the CPC. This revision would occur due to discussions from the CPC and IASCPP Presentations.

Implementing Agency Security Cooperation Performance Plan

The Implementing Agency Security Cooperation Performance Plan (IASCPP) should include:

- Prior Fiscal Year's Performance Plan
- Goals/Accomplishments/Highlights
- Comparison of Accomplishments with Goals
- Upcoming Fiscal Years Performance Plan
- New Initiatives
 - Corrections/Revision to Last FY Goals
 - New Performance Plan
- Narratives/Justifications/Details

The IASCPP should include funding information wherever possible. Although the IASCPP is primarily for the internal use by the IAs, information in the document will be the cornerstone of the presentations and discussions during the Corporate Planning Conference. Information from the IASCPPs will be added to the finalized CSCPP.

Corporate Planning Conference Agenda

08:00-08:30 Director's Address

08:30-10:00 Overview of Security Cooperation Issues and CSCPP Presentation

DSCA moderates an open forum to discuss the responses to the Security Cooperation Issues Call. In this session, DSCA will also outline the guidelines and strategies that are the prevailing force behind security cooperation initiatives and performance for the upcoming fiscal year. DSCA will then present an overview of the CSCPP. DSCA begins with introduction and further explanation of the CSCPP. After the CSCPP is presented, participants will take a short break.

10:00-10:15 Break

10:15-12:00 IA Presentations of Performance Plans

Each IA presents its performance plan based on internal IASCPP development (approximately one hour for each agency)

12:00-13:00 Lunch

13:00-16:00 Continuation of Presentations and Discussion of CSCPP Disconnects

IA presentations are continued and completed. DSCA and IAs discuss disconnects between CSCPP goals and performance expectations and individual IA goals and performance expectations.

16:00-16:15 Break

16:15-17:00 Wrap-Up and Conclusion

The remainder of the time is for resolving any outstanding issues and concluding the conference.