

MAKING A GOOD THING BETTER

Advanced Management Program

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Introduction

When purchasing commercially supplied materials and services DOD agencies had vendor complaints of a cash flow problem caused by a complex and untimely method of vendor payment. In response, DOD implemented the Government Purchase Card (GPC) Program to order and pay for commercially supplied materials and services.

Defense Working Capital Funds such as Navy Public Works Centers (PWCs) are faced with a similar problem of managing cash flow due to a manual, tedious system of billing and collecting for materials and services provided. The GPC and certain elements of e-commerce are a recommended solution to this problem as demonstrated by the Defense Automated Printing Service (DAPS), which currently accepts the GPC as payment for materials and services provided.

Situation

The Navy Public Works Centers (PWC) are Navy Working Capital Fund organizations that provide traditional public works services that contribute to our warfighters' readiness and improve quality of life ashore to the Navy as well as other Department of Defense teams and other federal agencies. There are nine separate command Public Works Centers in the Department of the Navy providing facilities maintenance, transportation, engineering, utilities, and environmental support to the largest business in the world.

Acquisitions of services from PWCs are typically categorized as either routine or non-routine and are funded as non-recurring or recurring. Routine and recurring services include preventative maintenance of facilities and equipment as well as service call requests whether identified as routine, urgent or emergent and are full-funded by Navy customers and some non-Navy organizations. A category of service that is non-routine but a recurring service and thus fully funded is minor works. Minor works are requirements above normal service call execution, but do not require detailed planning and scheduling. Some non-recurring services include special one-time requirements and a category of specific projects above minor works that are not funded until approved by the customer.



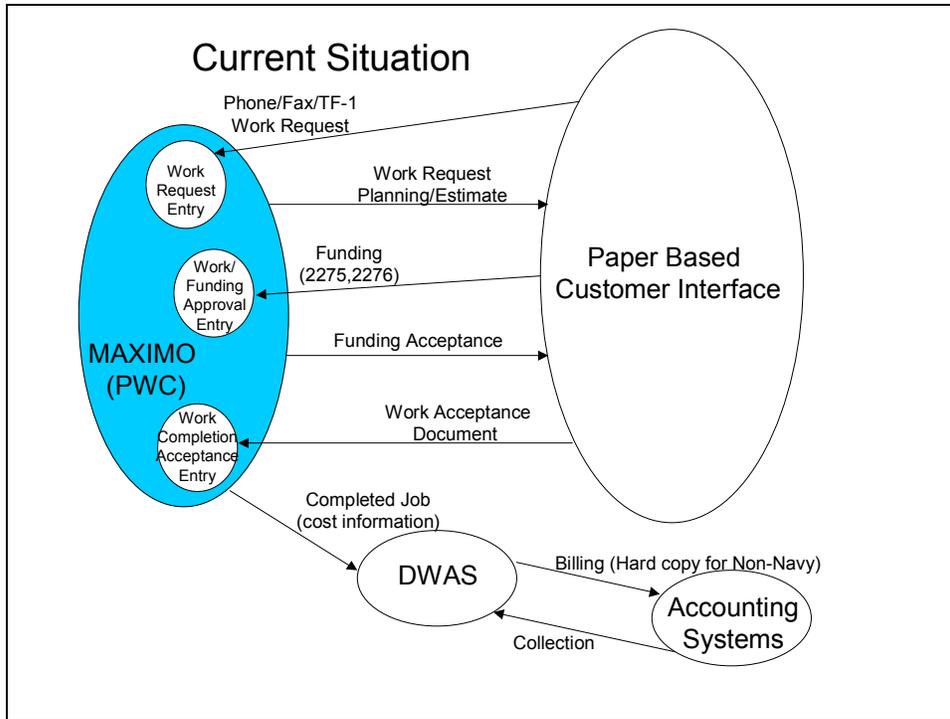


Figure 1 - Current Situation

Routine and non-routine (recurring) services are funded by customers on a quarterly or annual basis. PWCs execute routine requirements based on approved schedules and non-routine on customer phoned in requests (Service Calls). The PWC executes such work without customer approval with certain business rules providing limits. The non-recurring customer requirements are requested through a form TF-1/Customer Request that is transmitted via fax or e-mail to the PWC. The non-recurring services require additional planning, estimating and approval of the customer before the PWC completes the desired requirement. The customer must provide funding before the PWC can begin taking appropriate action to fulfill the customers' requirement. The PWC provides the appropriate planning and estimating to include labor hours, material and contracts to execute the requirement. This requirement package is provided in hard copy or e-mail to the potential customer. Once the customer approves the PWC requirement package, funding authorization is forwarded from the customer by NAVCOMPT Form 2275 or 2276. For non-Navy customers, DD Form 1144 is used. PWC accounting accepts the funding authorization and the appropriate shops are notified to schedule work and complete the requirement. Once the requirement is completed, the customer must accept the work. The cycle time from initiation of work requirement to job closeout, not including the time of performance that will vary with each respective job, averages 11 days.



In the E-commerce community the Corporate PWCs use a work management Commercial Off the Shelf system called MAXIMO. Both recurring and non-recurring customer requirements are recorded and managed with MAXIMO. The nonrecurring customer requirements are manually input into MAXIMO from submitted Customer Request/TF-1 by the PWC. Job order number assignments, work plans, scheduling, and material, as well as estimations are fed into MAXIMO either through another application or as part of the MAXIMO system support. MAXIMO provides production and management reports, customer status and requirement history, but is not used for financial or accounting.

The PWC then closes out the individual job in MAXIMO, transfers the charges to the accounting system, and bills the customer. The Defense Finance and Accounting Service (DFAS) transfers the approved funds from the customer's line of accounting to the PWC line of accounting. The cycle time from completion of the work to collection of payment from the customer averages 60 days.

Historically, Navy Working Capital Funds (NWCF) struggled to maintain a cash balance sufficient to meet both operational requirements and disbursement requirements in support of the capital program. Since they operate on cash received from their customers, similar to a private business, PWCs are dependent on timely cash flow to remain solvent and avoid anti-deficiency act violations. The current tedious billing and collection process impedes cash flow. Intra-agency transfers make up the majority of the incoming cash to PWC. Inter-agency transfers are even slower and are more labor intensive to bill and collect cash due.



Proposal

Improve PWC services by streamlining business processes, utilizing an e-commerce web-based application and introducing the GPC to improve cash management.

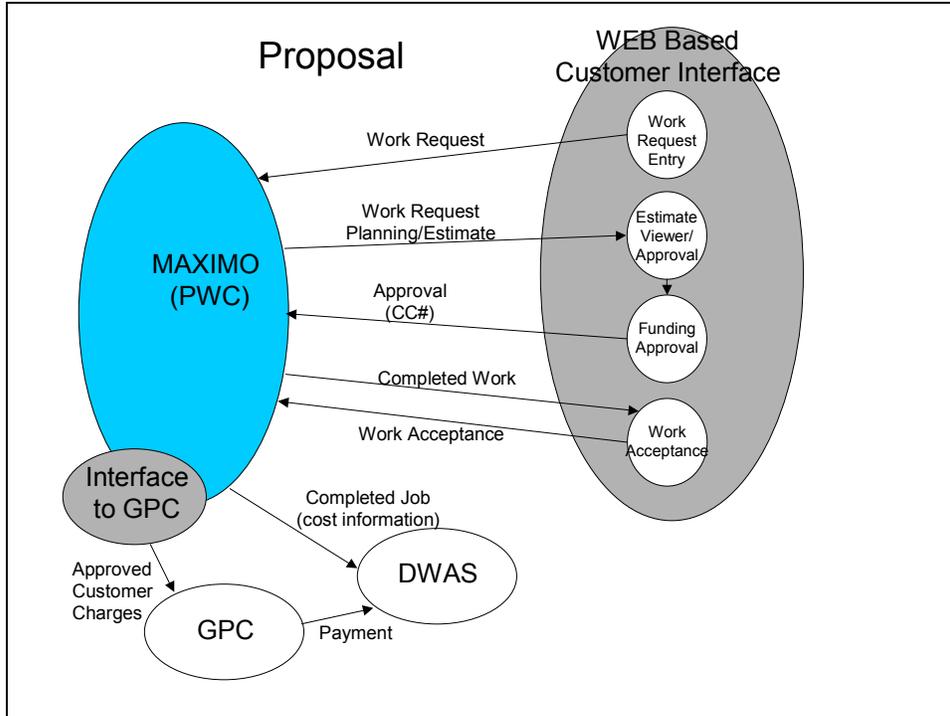


Figure 2 - Proposal

The customer will use a web based front-end interface to MAXIMO to input all of the requirements currently found in the work request (if the customer does not complete all required fields the system will not allow the input to be transmitted). The submission of the work request generates an e-mail notification to the appropriate representative at the PWC of the new requirement and the work request will be simultaneously transmitted to the appropriate planner and estimator to generate a requirements package. Once the requirement package is completed it will be transmitted back to the customer for approval/acceptance. The acceptance for the proposal along with a GPC authorization number will be transmitted via the web front-end interface back to the PWC. The PWC acceptance of the authorization will also generate a notification back to the customer and their approving official. The PWC will perform the required tasks. While the job is in progress the customer has the capability via MAXIMO to check the current status of the job from a human resource, budget, and schedule expenditure perspective. Once the work is completed the customer will be forwarded an electronic request for an official acceptance of the performance of the work. The acceptance closes the job at the PWC, transmits charges to US Bank and requests payment. It also transmits detail cost data by

customer to the Defense Working Capital Accounting System (DWAS). Upon receipt of electronic payment from US Bank, the Defense Financial Accounting Service (DFAS) posts the collections to DWAS as cash received. DFAS also makes payment to US Bank on behalf of the customer based on certified bills.

The GPC is used to expedite cash collections, improve PWC cash flow, and improve customer funds management. Additionally, it eliminates hard copy requests for work or services (NAVCOMPT Form 2275/2276) and/or Military Interdepartmental Purchase Requests (Form DD 1144) to expedite funds authorization and acceptance.

Benefits of employing e-Commerce And GPC

The proposal is expected to yield significant, measurable benefits in efficiency, effectiveness and adaptability, while at the same time improving customer funds management. Efficiency will be realized by using the GPC as well as e-commerce to request services in a manner similar to any consumer in the electronic marketplace. Also, with fewer hands passing pieces of paper back and forth, time will be saved and opportunities for misplacing requests for urgently needed services will be reduced. The system will become more effective by encouraging rapid decision-making and forcing action in an automated environment by requiring the customer to partially complete the final work order when they originate the request. It is envisioned that the total cycle time can be reduced 80%. The Aberdeen research group indicates that as much as 28% reduction in administration cost can be projected for employing e-commerce business practices. Finally, this improvement could be employed to meet the requirements of the Department of Defense and other governmental agencies through an open system architecture that enhances compatibility with existing networks. Eventually anyone with a GPC, appropriate access and available funds will be able to access these benefits.

Change Management Strategy

Effective Change Management involves the following steps: Implementation; Observing Data; Monitoring Behavior; Evaluating Results, and Modifying the Strategy, if necessary. A participative strategy will be employed to ensure all functional areas have an opportunity to review the proposal and identify any conflicts or real problems encountered during and after implementation. A centralized, cross-function, cooperative Implementation Team will be dedicated to this effort and have full access to the PWC and the immediate supporting entities to monitor behavior and evaluated the results, as well as being empowered to quickly resolve issues of technology compatibility, funding, employee training, etc., as well as recommending and drafting changes to existing policy and procedures. The Implementation Team is responsible for the management of all areas impacted by this initiative. Therefore, no independent actions deviating from the plan will be authorized without consulting and obtaining the prior approval of the team.



Supply Chain Management—Resources

The Supply Chain must be managed and prepared to ensure a rapid response to emergent and non-recurring requests for services. The PWC must be ready to deliver these services to the customer upon demand. The raw materials, labor and equipment must be readily available, either organically or through an existing arrangement to provide in a timely manner from the private sector. Contingency plans will be prepared and material requirements identified to have minimal stock on-hand or immediately available for the most common types of short-notice requirements. Alternatively, non-routine work will receive priority consideration from PWC planners and material will be identified and procured to support the requirement.

Implementation – Schedule & Barriers

An aggressive schedule will be attempted consistent with the need to educate the workforce and advertise the new procedure to our customers. The above-sited flow will require 240 hours of information technology integration to implement the introduction of the web based front-end to MAXIMO and to provide proper interfaces between MAXIMO, Microsoft Outlook, US Bank and DWAS. The main barrier will be to design an open system that will allow full functionality to all users while providing secure connections. It is anticipated that no more than six (6) months will be required to implement the new process once the IT solution is available.

Both the PWC and their customers are always looking for improvements to the current process, providing an environment that might welcome change. However, potential barriers to the success of this project include satisfaction with the current process by some unenlightened stakeholders; management arrogance and subsequent resistance to alter existing processes; a strong, monolithic culture/institutional memory resident at the PWC (i.e., an attitude that says “it’s always been done this way.”), and strong, internal political coalitions that might see automation as threatening to the existing workforce, possibly in terms of potential lost jobs and a subsequent decline in real political muscle.

The current GPC program enables each Agency Program Coordinator (APC) to set dollar limits and to restrict the types of purchases that can be made with the card. No changes to the current program are required from the customer perspective. The PWC will require the capability to accept credit card charges and collect funds due. This will be accomplished with minimal impact as each PWC is scheduled to convert accounting to the DWAS.

All of these potential barriers will be addressed through open and proactive communications...keeping employees informed about the impact of this process improvement is the best way to encourage “buy-in” and reduce irrational fear. Any employee actually displaced as a result of the efficiencies gained from this initiative will be offered additional training and placement opportunities.



Recommendation

Recommend this proposal be submitted to the E-business Operations Office as a pilot project that fosters e-business solutions.

