



Chief Review Services

REVIEW OF THE
MANAGEMENT OF OPERATING BUDGETS
THE IMPACT OF DEVOLUTION

February 2001

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SYNOPSIS

This report presents the results of a national internal review of the management of operating budgets in the DND/CF. The objectives of the review were to determine whether Responsibility Centre (RC) managers have the tools, information, knowledge and personnel to effectively manage their operating budgets; and, to identify the impact on RC managers of downsizing, re-engineering, devolution of funds and the introduction of new information systems.

This report represents a progression from a CRS audit of local procurement and supply, which indicated some difficulty in local finance practices. With the encouragement of the Director General Finance, we have further examined local financial practices, and our results reinforce the original concerns. This review of operating budgets contributed to the recognition that the issues raised initially by the local procurement and supply audit relate to several support functions. It also identified general weaknesses associated with local resource management. Recommendations were developed with the benefit of considerable study of base support structures as well as best practices in other jurisdictions, including industry.

Our overall assessment is that while RC managers have emerged as key players in resource management, and have become the basic building block of the departmental control framework, they have neither the personnel (in terms of numbers and skill sets), knowledge, tools (especially effective, easy-to-use and integrated information systems), nor the incentive to meet the wide range of expectations devolved to them. Change has eliminated many of the controls (command inspections, staff assistance visits, compliance audit, stocktaking etc) formerly in place to ensure that basic policies, procedures, guidelines and legislation are followed. The supervisory roles of local managers, and in particular the Base Comptroller and the Base Supply Officer, have been altered to the point that many have become advisers with little control responsibility. There are few consequences now for those who may break the rules and guidelines. Meanwhile, it is clear that there can be no going back as far as a control framework is concerned, at least not all the way. The question now must be how to work smarter and make what we have better. We have included a detailed compilation of best observed practices (Annex C).

RC managers are now relied upon to contribute to modern comptrollership in a practical way and to ensure that support functions are carried out effectively at the local level. Given that RC managers come from many backgrounds, enjoy varying degrees of experience, and have other important duties, great efforts must now be made to reduce the complexity of their work environment and their tasks. One example is to move ultimately to a single enterprise system. One of our major concerns is that, despite some excellent cross-functional initiatives made by the Materiel Management Steering Committee and the Defence Comptrollership Council, it may be necessary to overcome some remaining “stovepipe” barriers before fundamental improvements and reduced complexity can occur.

Overall, our conclusions emphasize the premise that devolution should be made only to the level where appropriate resources, knowledge and tools can be concentrated to ensure a balance of risk and effectiveness. The review work was essentially completed in 1999/2000 and the reported observations pertain to that period. Recognizing that considerable devolution has already been made to the local level, and to the RC manager in particular, we believe that immediate attention to the roles and responsibilities of the local managers is needed, as is an examination of the training and tools they need to do their jobs. If a commitment is made to reduce complexity at the local level, considerable co-operation will be required at all levels, leading to fundamental organizational and technological change throughout the DND/CF.

We also believe that many of the challenges identified in this report are long-term and cross-functional in nature, rather than transitional and limited to one function. This stems from the degree of devolution that has taken place, which in effect has replaced support specialists with individuals with other specialties, often on a secondary duty basis, and often to carry out several support functions on a unit basis. Accordingly, a long-term, cross-functional action plan is required to address these challenges.

The Finance Group has taken the lead in coordinating the development of action plans relative to the concerns raised in this report. This has been facilitated by the deliberations of the Defence Comptrollership Council as well as the Material Management Steering Committee. As is apparent in the detailed Management Responses, included in the text of the report, key initiatives have taken place to clarify roles, to provide simplified policy and guidance, and, particularly, to revitalize the Comptrollership Network. This latter initiative involved a briefing to the Defence Management Committee and a corresponding letter, signed by the Deputy Minister and the Chief of the Defence Staff. Also worthy of specific mention is the promulgation of a Resource Manager's Guide and the initiation of attendant training.

Internal audit work will continue to give attention to devolved resource management and the sufficiency of guidance, enablers and monitoring respecting the performance of defence business at the local level. Consistent with approved review plans, renewed focus will be given to what some jurisdictions have referred to as middle-ground controls.

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PART 1 – RESULTS IN BRIEF

1. This part of the report presents the summary results of a Chief Review Services (CRS) review of the management of operating budgets in the DND/CF. This report is titled “Management of Operating Budgets — *The Impact of Devolution*” to echo the pivotal issue raised by senior managers during our summary briefings.
2. Our four major findings were:
 - **Roles and Responsibilities.** Devolution of operating budgets and many aspects of procurement, human resources and other functions, has led to considerable confusion regarding the roles and responsibilities of local managers. Supervision and monitoring of resource management is now practiced inconsistently, and risks have increased sharply without compensatory risk-management strategies. As a result, government policies and legislation may be contravened, standards of probity and stewardship may be compromised, and value-for-money significantly affected.
 - **Training.** Many RC managers, resource and business managers do not have the knowledge and experience they need to do their work. Without a co-ordinated training strategy, benefits from business planning may not be realised. The accuracy of the departmental financial information system and decisions dependent upon this information may be at risk, and there may be an increased risk of inappropriate or illegal activity. This will remain unchanged until an appropriate training strategy is developed and implemented.
 - **Communication.** Functional OPIs have found that, despite innovative technology, they cannot effectively communicate policy and procedures to RC managers and resource managers in a timely way. Established networks such as the comptrollers’ network no longer function effectively because reengineering, devolution and downsizing have fundamentally changed relationships, roles and responsibilities. An appropriate communication strategy must be adopted throughout the chain of command to ensure receipt of and response to critical information.
 - **Complexity.** RC managers, resource and business managers face a dynamic, complex and multi-function environment. Increasingly, their secondary duties encroach on their primary duties. In the short term, multiple information systems have not simplified but rather complicated their work. The challenge is to reduce this complexity so that these managers can complete their tasks effectively. Otherwise, the value of the resource-management control framework is questionable.

3. It is perhaps not surprising that the results of this review were similar to those of the Local Procurement and Supply audit previously submitted to the Defence Management Committee (DMC). That report prompted the kind of direction we consider to be equally appropriate for the finance and other functions. The DMC established a senior cross-functional steering committee (Materiel Management Steering Committee) with a mandate to:

- clarify, formalize and communicate the roles and responsibilities of individuals performing the materiel management function at all levels;
- initiate the development of a supply and procurement policy guidance;
- develop a profile of the procurement knowledge required commensurate with complexity and risk;
- ensure that a communication strategy is developed; and
- develop or identify information tools to enable local management to exercise their responsibilities effectively. (See Annex E for more detail).

4. Initiatives of the Materiel Management Steering Committee (MMSC), such as the establishment of the Financial Management Working Group, and the current dialogue within the Defence Comptrollership Council (DCC)¹, are promising. We look forward to effective cross-functional initiatives that will result in fundamental improvements at the local level.

An appropriate fundamental focus for local comptrollers (and supply officers) is to become proactive “coaches, trainers, mentors and monitors”, rather than “advisers” (i.e., reactive).

5. Regarding roles and responsibilities, we believe that an appropriate fundamental focus for local comptrollers (and supply officers) is to become proactive “coaches, trainers, mentors and monitors”, rather than “advisers” (i.e., reactive).

6. Now that units have their own operating budgets and the ability to carry out much of their own finance, supply and other support activities, they have the flexibility to better meet their operational priorities. The fundamental perspective of those now involved in carrying out these unit support functions relates to operational primacy and expediency to support operations, and to do what is best for their organization. In our focus groups and interviews, however, we also learned about the downside of this perspective — that for the disciplines of finance, procurement and other support activities it is not always considered important to follow “rules and regulations”. (Even when people know about these rules and regulations, there seems to be a pervasive cultural tendency not to follow them.) Of note, there is little incentive to follow these

¹ Not to be confused with Defence Construction Canada

rules, little monitoring of those required to follow them, and little consequence for breaking them. One of the root causes of confusion and lethargy is the sheer number of rules in existence. For example, RC managers are expected by some senior officials to follow the multiple volumes of the Canadian Forces Publications (CFP) 181 (supply manual) and all of the Financial Administration Manual (FAMs). This is clearly impractical. We think that the plethora of minor rules and regulations should be simplified. The few important rules and procedures that then remain should be closely monitored and strictly enforced.

The few important rules and procedures remaining should be closely monitored and strictly enforced.

7. Overall, we believe that the issues identified in our review of the management of operating budgets go beyond the Financial Management Accounting System (FMAS), finance and materiel functions. The conclusions of various CRS projects, and the feedback received in our focus groups, interviews and briefings indicate that these issues are likely relevant to several other functions as well, including infrastructure and personnel. The biggest challenge will be to coordinate and link the many initiatives already underway or soon to be undertaken to address this reality coherently.

PART 2 – INTRODUCTION

OBJECTIVES

8. In accordance with the Chief Review Services (CRS) 1998/1999 Review Plan, CRS has completed a review of the management of operating budgets. The objectives of the review were to:

- Review the management of operating budgets with emphasis on whether Responsibility Centre (RC) managers have the tools, information, knowledge and personnel to effectively manage their operating budget.
- Assess the impact of downsizing, re-engineering, devolution of funds and the implementation of multiple new information systems on the ability of RC managers to administer their operating budgets.

BACKGROUND

9. In recent years, DND/CF has undertaken a number of renewal initiatives. Some of these were:

- Re-engineering and downsizing to reduce administrative inefficiencies and to cut costs.
- Devolution of operating budgets to RC managers to provide the flexibility and increased accountability necessary to reduce costs and manage resources more effectively. This was accompanied by increased local procurement authority and additional flexibility in methods of procurement (e.g., acquisition cards).
- Amalgamation of the finance, administration and construction engineering clerk trades into the Resource Management Support (RMS) trade to support the one-point central service concept. Coincident with this initiative, and encouraged by Force Reduction Program incentives, many finance clerks elected to take their release. Consequently, there is a shortage of RMS clerks with finance experience, especially for functions such as cashier, accounts receivable, and Financial Management Accounting System (FMAS) training and implementation. This situation is expected to improve over the next five years as more RMS clerks become cross-trained and multi-skilled.
- Devolution of invoice functions to units and sections to save resources and to support the concept of operating budgets. As a result, at many bases central invoice sections ceased to exist.

- Implementation of several complex information systems such as the FMAS, PeopleSoft, and Materiel Information Management System (MIMS) to provide greater visibility of costs and to facilitate effective management of resources. Fine-tuning of these information systems is ongoing.
- FMAS access given to RC managers to provide real-time information to help in the management of resources. This is not the case for all information systems that are used by the RC manager. For example, RC managers use hard copy reports from the PeopleSoft system.
- Establishment of Regional Departmental Accounting Officers (RDAOs) to permit bulk approval of data entries and to carry out statistical samples of financial transactions (in conjunction with S.33 responsibilities).

METHODOLOGY & SCOPE

10. In conjunction with this review, we visited three bases and one NDHQ Group. At each site we conducted a focus group session and held interviews with selected personnel. We also investigated about 80 error transactions provided to us by local personnel. A more detailed description of our methodology is included in Annex B.

11. This report also uses information gathered in conjunction with three other current CRS reviews: Local Procurement and Supply, Base Support Structures and Chart of Accounts (Phase 1). This has allowed us to incorporate information gathered at seven bases into this report.

12. This review focused on the management of operating budgets and at the outset on the financial aspects of the RC manager's function.

As the review progressed the focus and interest of people shifted from FMAS to more general finance topics, and then into all the functional areas where RC managers have assumed responsibility.

Initially, most people we spoke to wanted to concentrate on the new FMAS. However, as the project progressed, we found that the focus and interest shifted from FMAS to more general finance topics, and then past finance into all the functional areas where RC managers have assumed responsibility (i.e., materiel and human resources).

We did not consider the components of operating budgets — what should and should not be delegated to local managers — which we realize remains a matter of considerable debate.

BRIEFINGS

13. We have presented the results of our review to:

- ADM(Fin CS), DG Fin and PD FMAP;
- ECS comptrollers and staff;
- DCC – 24 April 1999 and 22 June 1999;
- Base Commanders and Comptrollers concerned;
- ADM(IE) and staff; and
- Participants at the Super Users (FMAS) conference.

14. We have been invited to brief the annual comptrollers conference in Cornwall in September 1999.

15. Subsequent to our April 1999 briefing to DCC, and in response to other developments, the DCC identified “devolution” as a focal point, and is considering a range of issues² such as: primacy of operations, comptroller responsibilities; managing financing competencies and skills; resource manager responsibilities; streamlining and updating of financial policy and procedures; resource manager training; and delivery of regenerative FMAS training. The DCC has already established a Training Working Group and we understand that additional working groups are likely, including one to look at the roles and responsibilities of comptrollers.

CONCURRENT DEVELOPMENTS

16. As part of a wider government program of comptrollership modernization in which DND is a lead department, ADM(Fin CS) has launched a department-wide self-assessment of comptrollership capacity. The aim of this capacity check is to identify comptrollership gaps and to develop an action plan to close those gaps.

² LCol R. Charlebois, *Comptrollership Issues, Draft paper, DCC meeting, Ottawa, 22 Jun 99*

17. We also note that the DCC was briefed on 13 January 1999 on the CRS audit of Local Procurement and Supply. This team had previously briefed the Defence Management Committee which had directed that a cross-functional steering committee (MMSC) be established and sponsored by J4 Mat/DG Log with senior level membership from DCDS, CMS, CLS, CAS, ADM(Fin CS), ADM(IE), DND CIO and other stakeholders as required. A sub-group called the Financial Management Working Group has also been established, chaired by an ADM(Fin CS) representative. A copy of the management action plan called for by DMC is attached at Annex F.

18. There is a close relationship between the findings of the local procurement and supply audit and this review of the management of operating budgets. Although the former focused on materiel, and this review on finance, many of the same issues were identified in the context of the RC manager, the position that has emerged as the critical building block for several control frameworks in the DND/CF.

PART 3 – CLARIFYING LOCAL ROLES AND RESPONSIBILITIES

Devolution of operating budgets and many aspects of procurement, human resources and other functions has led to considerable confusion regarding the roles and responsibilities of local managers. Supervision and monitoring of resource management is now practiced inconsistently, and risks have increased sharply without compensatory risk-management strategies. As a result, government policies and legislation may be contravened, standards of probity and stewardship may be compromised, and value-for-money significantly affected.

Case for Change

19. Local resources at CF bases include money, physical assets, infrastructure and people, represented by the finance, supply, construction engineering and administration functions respectively³. Management of these functions was traditionally conducted by the Comptroller, the Base Supply Officer, the Base Construction Engineering Officer and the Base Administration Officer, who could be viewed as collectively comprising a large part of the local resource-management framework. However, a new reality has emerged with many more participants, and a new set of relationships, in a far more complex situation. We will limit our discussion to finance, supply and administration because that is where our work has been concentrated to this point. A CRS review of infrastructure management is planned for this fiscal year to include devolved infrastructure budgets.

20. **Finance.** The impact of devolving operating budgets to RC managers — as well as the responsibility to process financial transactions through the FMAS — has made RC managers key players in the financial-management framework, and affirmed the concept that “comptrollership is a management responsibility⁴”. Invoice sections at most bases and wings were disbanded as part of re-engineering, and considerable experience and expertise was lost.

³ We recognize that other functions are also involved such as transportation, telecommunications, medical etc.

⁴ Independent Review Panel, *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada*, Ottawa, 1997, p.2

21. **Supply.** Personnel cuts to supply sections on many bases were severe, often about two thirds. Many RC managers or their direct staff were issued credit cards. RC managers have become OPI's for procurement, S.34 certification of the receipt of goods, the processing of financial transactions, and for bringing materiel on charge. As a result, segregation of duties, and the advantages and safeguards of such segregation, are significantly reduced.

22. **Administration.** Most bases, consistent with the MCCRT C-12⁵ Comptrollership and Financial Processes team recommendations, transferred the cashier, claims and military pay sections to the local administration branch (from the comptroller branch). This has resulted in some confusion and, combined with the difficulties associated with the new RMS trade, complicates delivery of some of these services at the local level, especially cashier services.

23. **Business Planning.** A concurrent development was the creation of “resource managers” (full time or part time) at some bases. These positions were usually defined in accordance with business planning, but at some bases their scope has been expanded to include some traditional comptroller roles such as accounting and control. This development reflects the situation in NDHQ where comptrollership is shared principally between ADM(Fin CS) — financial reporting and the VCDS/DGSP⁶ — resource management, business planning and performance measurement.

24. **Impact.** These developments occurred over a period of a few years without the guidance of a comprehensive central direction or policy. It is not surprising that the local managers principally affected — *RC managers, resource managers, comptrollers, supply officers, administration officers* and their staffs — are often confused about their roles. For example, in our focus groups, more than 60 per cent of respondents⁷ indicated that “local finance roles and responsibilities have not been amended to reflect the numerous changes that took place in the last few years”. Bases have responded by developing local roles for RC managers, resources managers and comptrollers. Similar changes have occurred with regard to the other functions mentioned above. These roles vary considerably between bases, even within the same Command, and sometimes lack essential elements of comptrollership such as monitoring and control measures.

⁵ Cmdre G.E. Jarvis. “Comptrollership and Financial Processes (MCCRT C-12).” Presentation, Defence Management Committee meeting, Ottawa, 27 Sep 1995

⁶ DGSP – Director General Strategic Planning

⁷ Annex D, # 3A - 3C

Local Managers

RC Managers

25. Devolution of financial functions required RC managers and their staffs to learn about complex financial processes and FMAS. This has proven to be a major undertaking for many RC managers, particularly when their specialties — navigation, operations, infantry etc. — have little to do with finance. Non-finance specialists now process much of the input to the departmental financial information system, but these individuals are often inadequately trained to do this work.

Non-finance specialists now process much of the input to FMAS, but these individuals are often inadequately trained to do this work.

26. While the workload of RC managers has increased, their resources have decreased. Some 45 per cent of the respondents to our focus groups⁸ indicated that they do not have enough personnel to accomplish the financial tasks devolved to them. Most of those that indicated they *do* have enough personnel were from bases and units that have introduced what we consider to be best practices⁹ such as:

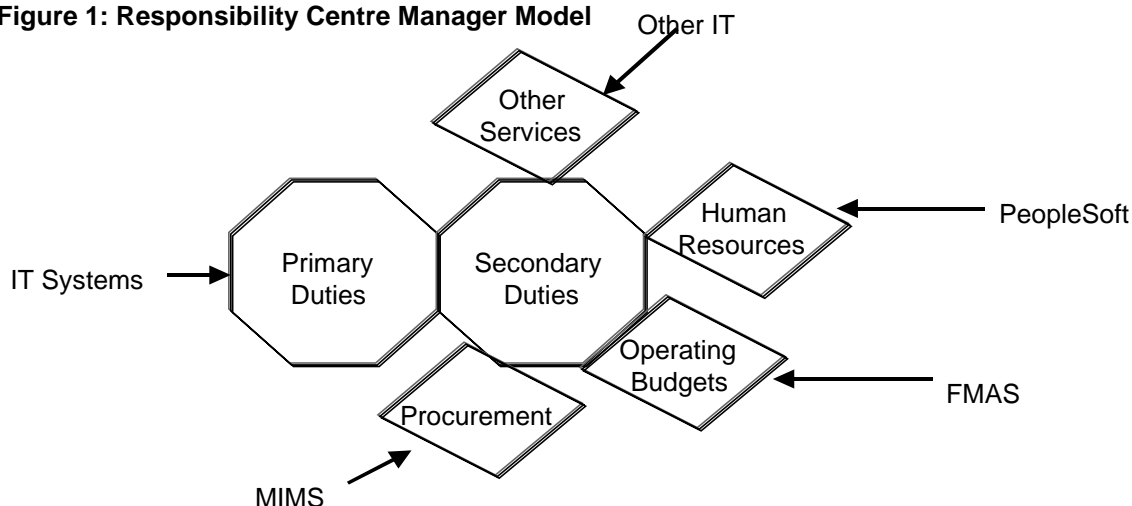
- fully dedicated, knowledgeable, proactive super users;
- effective internal financial and system help desk;
- financial personnel in a centralized data input cell or re-deployed to high-volume sections and units; and
- complex and high-risk financial transactions processed by financial experts.

⁸ Annex D, # 4B

⁹ See Annex C – Best Practices

27. Figure 1 illustrates the environment in which many RC managers and their staffs operate.

Figure 1: Responsibility Centre Manager Model



As indicated, RC managers frequently manage operating budgets and related financial responsibilities as one of several secondary duties, many of which already require procurement and human-resources management.

28. Discussions in the focus groups and interviews clearly indicated that when most individuals have to choose between primary and secondary duties, they usually elect the former, reflecting the operational primacy of their functions. Furthermore, they would likely carry out their secondary duties in a way that would best contribute to the successful completion of their primary duties, even if this means contravening policy and procedures on occasion. This fundamental value has an impact on the financial reporting system, causing accuracy and completeness of information to be viewed as desirable but not mandatory.

29. Of particular note, there tends to be a high turnover of RC managers, a situation that presents training and continuity challenges. High turnover also suggests that individuals serving as RC managers do not spend enough time in their posts to become proficient in their roles.

30. Notwithstanding the fact that 45 per cent of the respondents in our focus groups¹⁰ indicated that they were confident they could effectively manage their operating budgets with the financial information provided by the current systems, some 30 per cent disagreed. We also observed that most RC managers maintain their own off-line systems of financial information to overcome the limitations of the “official” systems.

Most managers maintain their own off-line systems of financial information to overcome the limitations of the “official” systems.

¹⁰ Annex D, # 5F. 23% indicated the question was non-applicable.

Resource or Business Managers

31. While it is recognized that all managers have general resource-management responsibilities, at some locations specific individuals have been designated as Resource Managers (or Business Managers or Business Planners), sometimes as a primary duty. We observed that the role of these managers varies considerably among bases. At one base, the comptroller works for the Resource Manager, and business managers who also work for the Resource Manager are available to assist customers to prepare business plans. At another base, the formation resource manager is quite separate from the base and formation comptroller. We understand that this individual is active in business planning, resource allocation, resource (budget) management and performance measurement at both the base and formation level, and has been the area lead for FMAS implementation.

32. At another base, the designated resource manager has handed back responsibility for the coordination of business planning to the comptroller. At some bases, there is no designated resource manager, and comptrollers carry out this function in conjunction with other branch heads. Overall, this presents a confusing situation as to where the boundaries fall, and complicates communication and training. It was also evident that there is considerable variation in the effectiveness of resource management among bases.

33. We observed that at most bases someone other than the comptroller has been assigned the responsibility to coordinate and prepare the business plan and to prepare and monitor performance measures. This role is often fulfilled by an operations officer and frequently involves coordinating and preparing for meetings of a Resource Management Committee (RMC) or equivalent. The RMC usually establishes priorities for the base, decides on budget allocations, strives to establish performance measures, and reviews performance compared to the standards set. Representation on this committee usually mirrors the normal representation at the Base Commander's meetings (Branch Heads and Commanding Officers).

34. While some bases have created specific resource-manager positions, the term is also being used in the broadest sense to mean anyone at any rank level who has control over resources, either budgetary or physical in nature. In some circumstances, it is given a fairly precise definition. For example, the fourth draft of the "Resource Manager's Guide" dated October 1999, defines a resource

The term resource manager is also being used in the broadest sense to mean anyone at any rank level who has control over resources.

manager as a "*a military or civilian official within the Department of National Defence assigned the responsibilities and functions of a Fund Centre Manager (FCM) or as a Cost Centre Manager (CCM) as defined in the Financial Management and Administration System (FMAS).*" The guide also notes that it is issued "*to replace the Responsibility Centre's Manager's Guide to Financial Administration, 1993.*" Similarly, the "Materiel Management Guide for Resource Managers" dated November 1999 states that "*it is meant to assist middle or lower level Responsibility Centre (RC) Managers within DND....*" Therefore, the term resource manager can mean a number of things depending on the context. Some clarification and standardization

would be helpful. To maintain clarity, we have chosen in this report to continue to use the term Responsibility Centre (RC) Manager and refer to those who carry out business planning and performance measurement as resource/business managers.

35. To further illustrate just how confusing and overwhelming this all can be, at the unit and branch level it is quite common for the same individual or small group of individuals to handle business planning, performance measurement, procurement, S.34, FMAS processing and other responsibility-centre duties. It is often impossible for the individual to isolate discrete elements within these functions, thinking rather of the overall mix of responsibilities as “business stuff”. Probably the term unit or branch business manager best describes this person’s everyday role.

36. We were advised on several occasions that staff who are designated as resource/business managers, or who are carrying out business-planning activities, often have neither the specific training nor the appropriate tools to help them do this job, which is often a secondary duty. It also appears that there is neither adequate general direction nor specific policies to guide them in these duties, and that some of the information they need is not available on a timely basis. For example, guidelines on producing business plans have changed considerably from year to year, and budget allocations are often not available until well into the fiscal year.

37. Regarding performance measurement, many resource/business managers are struggling with the concept of performance management itself. There was a consensus during our visits that progress in this field is slow as managers are encountering difficulty in developing practical measures and are hindered by the absence of adequate costing information.

38. Overall, there does not appear to be any helpful dialogue or network in the CF community regarding resource management (business planning and performance measurement) and most bases we visited carry out this function in relative isolation.

Local Comptrollers

39. The devolution of invoice processing to RC managers, the creation of resource managers at some bases, and the assignment of pay, claim and cashier functions to local administration has left many comptrollers uncertain and anxious about their role. There is a wide range and variety of activities currently being carried out by comptrollers as indicated in table 1¹¹.

¹¹ Obtained from seven bases visits in conjunction with the Base Support Structure Review, Spring 1999

Table 1: COMPTROLLER ROLES (AT SEVEN BASES)

Role	Number of Bases Active in this Role
Regional Departmental Accounting Officer	7
Provision of Finance Personnel for Deployment	7
Adviser to Base Commander and senior Base Managers	6
FMAS Coordination/Assistance	6
Resource/Budget Coordination or Monitoring	6
FMAS Monitoring (statistical sampling)	4
Training/education (including FMAS)	4
Audit	4
Costing	4
Organization and Establishment	3
Ownership of Local Financial Management Framework	1
Oversight of Service Level Agreements (SLAs)	1
Business Planning	1
Managing Post Office	1

40. It is important to note that at the time of our review not all comptrollers were involved in FMAS monitoring or training. As discussed more fully in Part 5, this made it more difficult for FMAP to communicate to FMAS users because they could not use the traditional comptrollers' network to do so.

41. We noted that there is a considerable range in the number of personnel working in local comptroller organizations. At four base/wings we visited, there were between 5 and 14 personnel on comptroller staff. At three regional-base comptroller organizations, there were between 7 and 19. This spread in the number of comptroller personnel supports our observation that there is a wide range and considerable diversity in the activities being carried out by local comptrollers.

42. Our perception is that responsibility for the local financial-management framework, on behalf of the Base Commander, is a pivotal issue facing comptrollers. We observed that at the bases or wings where comptrollers accepted this responsibility — either intuitively or overtly — they were proactive and certain about what needed to be done. This focus led them to establish a positive working relationship with RC managers, to be active in FMAS implementation and training, to actively monitor financial transactions, and to educate the broader community in the benefits and requirements of modern comptrollership. We believe that this approach can be considered an integration role as called for by the Independent Review Panel on Modernization of Comptrollership¹².

¹² Review Panel on Modernization of Comptrollership, page 41

43. This is a fundamental point because without such an orientation the comptroller is left with a reactive, advisory role. We observed that when this occurs, there tends to be a marginalization of the wealth of experience and potential contributions of comptrollers and their staffs. Another fundamental point is that many managers and some comptrollers we spoke to do not fully understand what modern comptrollership entails and how it should affect their individual roles.

44. We believe that the most appropriate role for local comptrollers (and supply officers) is to become proactive coaches, trainers, mentors and monitors, rather than advisors (i.e., reactive).

Base Supply Officer

45. Similar to base comptrollers, many base supply officers have become advisers rather than doers, and many are not certain as to what their roles really are. Purchasing authority has been devolved to a large number of individuals principally through the introduction of acquisition cards, enabling customers to purchase the majority of their requirements themselves. Base supply sections now concentrate on large value, specialized purchasing.

Similar to comptrollers, base supply officers have become advisers, and are not certain what their role is.

46. While there are dollar limits set on the use of each credit card, and there remain procurement policies and procedures, the results of the Local Procurement and Supply audit indicate that there is an increased opportunity for theft and misuse of public materiel, and there is widespread contravention of contracting policies. Non-competitive purchasing and contract splitting are common. In part, this is because many of the regulations and procedures have not been updated and personnel are unsure which of these are current. Also, these rules and regulations were written for supply specialists, while non-specialists largely are now carrying out the procurement activity.

47. Although some base supply sections do have special controls and training for users relating to acquisition cards, we do not believe that this is a common practice. The Base Supply Officer is often not in a position to monitor or challenge procurement activity carried out by lodger and integral units on base, nor do all supply officers accept that it is their role to do so. There has also been a relaxation of formal control mechanisms including a gradual reduction in the number of checks and independent verifications. Most command and staff-assistance visits for base supply were discontinued some time ago, but we did observe that one formation headquarters had re-instituted supply staff-assistance visits to monitor and improve progress.

48. Heavy reliance is now placed on common sense and good judgement, with a “*what a reasonable man would do in these circumstances*” approach being widely used. There is a consensus at bases that funds themselves have been devolved; it is the CO’s money and he or she can decide where it should be spent, even when an expenditure is not necessarily in the best interests of the Department. The building of handcrafted wooden cabinets when off-the-shelf cabinets would meet the need and cost much less is an example, as is the purchase of unduly expensive office furniture and accessories such as expensive day planners. The supply officer would not likely be consulted before such decisions, and to challenge them after the fact is difficult.

Base Administration Officer

49. The base administration function is the focal point for human-resource management on the base. Activities that have been reassigned from the comptroller branch to the administration branch (cashier, pay and claims), as well as the RMS clerk amalgamation, will take several years to benefit from the shift. In particular, it will take at least five years to cross-train enough administrative clerks to regain the financial expertise that was lost when a large number of finance clerks elected to take their release in conjunction with the Forces Reduction Program (FRP). During this transition period, there will be ongoing confusion and many difficulties to overcome.

50. For example, working capital funds (WCFs) have not been reconciled at several bases for several months. At most bases, the cashier activity falls within the administration branch, and the local comptroller does not carry out WCF verifications. While typically one finance-officer position was transferred to the administration branch to carry out such verifications and other functions, the incumbents are not necessarily finance trained and, as a result, were of little help to cashiers. When reconciliation problems began to occur and were not resolved locally, some higher headquarters required comptrollers to get involved, a directive inconsistent with existing FAMs. The relevant FAM¹³ states that the Commanding Officer “shall ensure that the appraisal activities (verification) ... are undertaken as prescribed”. It is our understanding that this has not occurred at many bases. It is likely that most COs are not aware of the implications of this FAM.

51. It is evident that the roles and responsibilities for this activity need to be clarified at the local level, and that a rewording of this FAM is needed to help non-experts understand its requirements. There are also training implications for administration officers responsible for such activities.

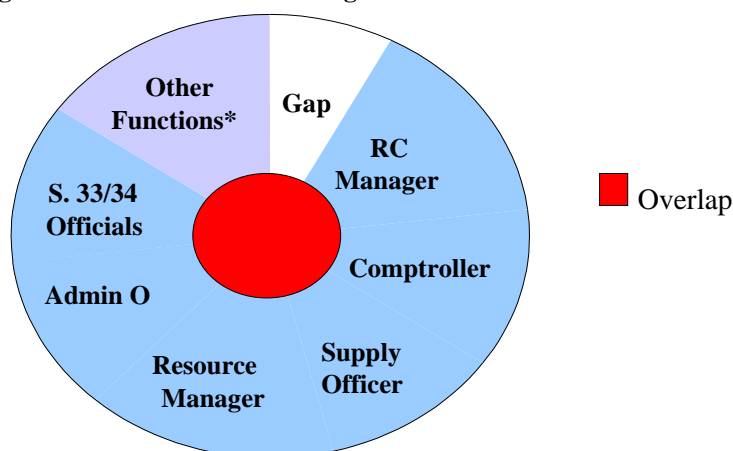
¹³ *Department of National Defence. Financial Administration Manual. Chapter 76, para. 10.*

Local Resource-Management Framework

52. This is where it comes together. The local managers discussed above — RC managers, Resource Manager, Comptroller, Supply Officer, Administration officer — as well as the S.33 (the RDAO), S.34 officials and others make up the local resource-management framework. Conceptually, the roles of each should be well defined with little overlap, and high-risk areas addressed appropriately. Also, there should be synergy between the local managers such that the overall framework is more cohesive and dynamic than the sum of its individual parts.

53. Our work has demonstrated that the reality is more like that illustrated in Figure 2. There are overlaps between the roles of these managers, and there are large gaps of activity not covered by supervision and monitoring. While the extent of these overlaps and gaps varies considerably from base to base, we consider that given the problems we have identified, there is a potential for serious problems to occur at most bases. Some additional information to support this perception is provided at Annex E, which discusses S.33/S.34 and the results of our transaction sampling.

Figure 2 : Local Resource-Management Framework



*Other Functions in this framework include base construction, engineering, transportation, medical, etc.

54. We recognize that there is a close relationship between the resource-management framework described here and the model of modern comptrollership described in the blue ribbon panel report.¹⁴ The resource-management framework encompasses the financial framework, the materiel (or supply) framework, the human-resources framework, the business-planning framework and others. The four key elements of modern comptrollership are performance information, risk management, control systems, and ethical practices. These elements must be applied to the resource-management framework to make it work, to pull it together. While every manager has comptrollership and resource-management responsibilities there are obvious roles and responsibilities for the local specialists (comptroller, supply officer, and administration

¹⁴ Review Panel on Modernization of Comptrollership

officer) in making the local resource-management control framework effective. These specialists are the ones who need to be both formal and informal leaders, injecting energy, and inspiring commitment and cooperation within the community. A close working relationship is required, as is cooperation between the specialists to minimize duplication and maximize effectiveness.

Fundamental Issues

55. **Contravention of the Financial Administration Act (FAA).** The weak S.33 and S.34 processes at many bases may be in technical contravention of the FAA. The widespread disregard by S.33 authorities, the RDAOs, of the requirement to carry out statistical sampling is a telling example. Also, the segregation of procurement from S.34 certification is questionable; at some locations it may be the same individual doing both.

56. **Inaccurate Financial Reporting.** The extensive problems being encountered with accurate financial reporting challenges DND's ability to meet its legal external reporting requirements. They may also hinder internal decision making, and most certainly waste considerable time of RC managers and others as they correct errors, monitor budgets to ensure inappropriate expenditures do not occur, and track down the offending organizations and individuals when errors are identified. This is one reason that most RC managers continue to maintain their own sets of books off-line.

57. **Inappropriate Procurement Practices.** These are described in the Local Procurement and Supply audit report, and are manifest in the increased opportunity for theft and the misuse of public materiel, reduced compliance with government departmental regulations, less than optimal value for money in procurement practices, reduced awareness and accuracy of materiel-in-use inventories, and reduced standardization of equipment supporting operations. These issues are being addressed by the MMSC, created by DMC direction.

58. **Risk Management.** There has been no overarching risk-management strategy developed to offset the increased risks inherent in localized operating budgets and other devolution initiatives. Indeed, nowhere yet is there a complete understanding of the range of risks associated with devolution. A self-assessment approach such as the comptrollership capacity check initiated by ADM(Fin CS) should help to remedy this from a finance perspective. CRS is currently carrying out a survey of others (departments/governments/DoDs etc) to determine what concepts/processes are being utilized for strategic risk management¹⁵. It is anticipated that a working group (WG), chaired by DGSP, will subsequently be formed to review the findings of the survey and to recommend a way ahead for the development of a DND/CF risk-management framework. A comprehensive risk-management strategy to respond to the issues we have identified would logically be developed in conjunction with this WG.

¹⁵ Cdr D.G. Cameron, "Risk Management", memo, Ottawa, 21 June 99, p.7

59. **Resources.** Despite the reality that there are no more resources available and that bases will have to make do with what they have, many of the issues and risks we have identified relate directly to inadequate or inappropriate resources. This does not suggest that resource levels must be returned to those of earlier days, but rather that some additional resources must be injected into key areas; enabling technology has to be made to work, personnel have to be adequately trained (see Part 4), and processes need to be further reengineered to balance control with effectiveness.

60. **Transitional or Long-term Challenges.** Although a five-year plan is in place to remedy the problems associated with the new RMS trade, and work is underway to improve FMAS reports for local managers, many of the issues raised in this part of the paper are long-term rather than transitional in nature, related to the underlying new reality that non-support specialists are carrying out many finance, supply, personnel and other support functions. We believe that these long-term challenges can be mitigated by the recommendations made in this paper, which move toward cross-functional solutions.

MANAGEMENT RESPONSE

R1 As a result of significant attention by the Defence Comptrollership Council (DCC) and activities undertaken by the MMSC, many of the roles identified in the report have been, or are, in the process of clarification. DCC has agreed on a clarification of the role of comptrollers which served as the basis for a brief to DMC on the issue of revitalizing the Comptrollership Network. The proposed roles for comptrollers and functional authority mode for Comptrollership was agreed to at the June 2000 DMC in Halifax, was briefed at the Sept 2000 National Comptrollers' Conference, and was the subject of a letter released under the signature of the DM/CDS in October 2000.

R1.1 The Resource Manager's (RM) Guide stating the broad range of RC managers' roles, responsibilities and accountabilities has been developed and reviewed by key stakeholders, including the DCC. An RM course is in the process of development and prototype testing. Further consideration will be given to making this course a Computer Based Training (CBT) package, using e-learning applications to simplify its delivery in a devolved rapidly evolving target population.

R1.2 DAODs and FAM Chapters are being written to clearly identify and describe responsibilities of RC managers, financial staff at Regional Departmental Accounting Offices (RDAOs) and at the Central Departmental Accounting Office (CDAO). New policies are much shorter, clear, explain policy requirements, and authorities. These policies focus more on providing guidance rather than detailed procedures which can vary locally to suit operational requirements and organization. DAODs and new FAM Chapters are electronically linked to other related Treasury Board and Departmental policies to ensure readers can easily find such documents. New revenue management policies have been published, and new expenditure policies have been developed and will soon be published. The MMSC has also developed the Materiel Management Guide for

RC managers to explain the entire local procurement management cycle starting from the intent to purchase through to disposal of assets. The Guide addresses the materiel management, contracting and financial management aspects of the process. A one-day generic Local Procurement Course was also developed to train RC managers and their staff on the materiel, contracting and financial Management aspects of the local procurement process. This course is to be delivered to staff by local supply and finance experts, and will be incorporated into military logistics training. A condensed version of this course is also being incorporated in the Director Managerial Accounting and Comptrollership (DMAC) "Resource Manager" Guide training package.

R1.3 The Level 1 comptrollers are now developing the direction/guidance outlined in the roles and responsibilities document attached with the DM/CDS letter mentioned previously, into their operational and tactical action plans.

R1.4 The roles and responsibilities of resource/business managers are included in revised policies as well as the RM Guide and Course. Work is continuing on the development and communication of these roles and responsibilities.

R1.5 The role of the Base Supply Officer is described in the RM Guide and course and the Materiel Management (MM) Guide for RC Managers. It is further laid out in the Local procurement Guide and training offered by HR Service Centres.

R1.6 The role of the base administration officer will be addressed by DCC/MMSC in consultation with ADM(HR-Mil) and ADM(HR-Civ).

R2 As part of the ECS follow-on activity to the functional direction on the roles of comptrollers, a review of current organizational structures and resourcing is to take place prior to the implementation of the proposed model by APS 2001.

R2.1 Proposed roles and responsibilities of Level 1 and local comptrollers include compliance monitoring under the FAA - verification and financial assurance roles. These roles and responsibilities are being further reinforced in many new policy statements.

R3 To assist in determining where local resource management risks are highest, a simple Risk Management approach has been outlined in the RM Guide and related training course.

PART 4 –TRAINING FOR RC MANAGERS AND RESOURCE/BUSINESS MANAGERS

Many RC managers, resource and business managers do not have the knowledge and experience they need to do their work. Without a co-ordinated training strategy, the benefits from business planning may not be realized. The accuracy of the departmental financial information system and decisions dependent upon this information may be at risk, and there may be an increased risk of inappropriate or illegal activity. This will remain unchanged until an appropriate training strategy is developed and implemented.

Case for Change

61. The case for improving training of RC managers was made in Part 3 of this report where the high level of errors in FMAS transactions was discussed. Fully 40 per cent of the errors in our directed sample were people errors linked to shortfalls in training. The several thousand errors in FMAS that had to be corrected by a special team to enable year-end departmental reporting for FY 98/99 confirm the training shortfalls we have identified.

62. A CRS audit titled “Local Procurement and Supply¹⁶” observed that “RC managers are increasingly becoming resource managers in the broadest sense. They have received little training in this area and are getting little direction from superior headquarters on these additional responsibilities. ...Currently in DND, people in traditional clerical and technical roles are being assigned the roles of procurement specialists, contract officers and budget managers. The infrastructure does not exist to ensure that all individuals involved in these activities are adequately trained.” The report also states that “At each of the bases visited, it was observed that people performing materiel management and procurement functions tended to be unaware of their responsibilities under the contracting manual, FAA, or other policy publications. Many individuals were unaware of the requirement to bring high dollar value materiel on charge, some were not aware of their procurement authority limits, others did not understand the requirements of Section 34 of the FAA. In addition, with the exception of personnel that had been assigned to a customer unit from Base Supply, none had received any training on practices and techniques that would develop expertise in procurement”. These excerpts clearly emphasize that training for RC managers is an important issue and needs to include procurement and supply, as well as finance and other functions such as human resources.

¹⁶ Department of National Defence. Chief Review Services. Audit of Local Procurement and Supply. March 1999. 7053-48 (CRS), page 9 para 16 and page 8 para 15

63. The dramatic increase in the numbers of FMAS users must also be considered in a training strategy for RC managers. There are now about 8,500 FMAS user accounts (5,300 used regularly), up from 3,000 user accounts (1,700 used regularly) in the FIS Mk III. Most of this increase was related to the devolution of activities to RC managers. To train this many people on a new financial system remains a major challenge, particularly when many have little finance background. Further, as users can change at any time during the year due to deployment and other commitments, training must be continually available.

64. Regarding resource- and business-management training, there is a significant demand at the base level. In addition to those working to coordinate business plans, to help the RMC (or equivalent) to make allocation decisions, and to coordinate the base performance-measurement program, there is at least one individual at each integral and lodger unit who must prepare unit input for the business plan which includes performance measures. At a large base such as Trenton or Greenwood, these might total 30 or more personnel.

User Perception

65. Participants in our focus groups, which included a wide range of RC managers, their staffs and finance personnel, were critical about both departmental financial training and the FMAS training programs¹⁷. Users perceived that FMAS training would include finance training when it did not. About half indicated that their FMAS training did not adequately prepare them for their roles, and approximately the same percentage declared a lack of sufficient training in the financial aspects of their jobs. About 60 per cent thought that they did not have sufficient training to understand how FMAS affected their job, and 70 per cent did not think that the computer-based training (CBT) was useful for their organization's needs. Most (60 per cent) felt that local FMAS training was not adequate to meet the needs of new arrivals.

66. An earlier FMAP survey matched our focus-group results closely. Almost 40 per cent of the 263 respondents in the survey indicated that they had not received training sufficient to carry out their FMAS responsibilities. The survey also shows that 33 per cent of respondents had no financial or accounting background whatsoever, including any experience with the FIS Mk III; 28 per cent did not complete the CBT because either they did not have the time to do it or because they had not been told to; and 42 per cent did not know how to use the intranet on-line help system.

67. Participants were especially critical of the “train the trainer” (TTT) approach. They stated that bases have insufficient personnel to devote to this activity, that often the best personnel cannot be freed up for this task, and finally that a trainer's initial knowledge base is usually too limited to provide any but the most basic training.

¹⁷ Annex D # 7A – 7E, # 4E

68. FMAS training implementation was complex, demanding significant expense of time and effort. Given the constraints, the review team felt that it was effective in meeting its objective. However, in our focus groups and interviews, participants consistently commented that this training was clearly developed in isolation, without considering user training needs or the complete structure, process and financial environment of a department which itself was changing rapidly even as FMAS was being implemented.

69. We were approached by several people during our visits regarding the total lack of a training program or materials by which base and unit business managers could learn about coordinating and developing local business plans and performance-measurement regimes. Typical of those we received was this comment: *“There is no business planning training for Commanding Officers just posted into the squadron. We are just expected to do it.”*

“There is no business planning training for Commanding Officers just posted into the squadron. We are just expected to do it.”

70. This is a widespread concern presenting an opportunity for dramatic change and improvement if the right resources and techniques were brought to bear. One base used a formation-level facilitator to conduct a two-day focus group with the base management team (Base Commander, branch heads and COs). This was the first time this had been done, and resulted in the identification of important new priorities. During the workshop, the group prepared an action plan that formed the basis of the business plan, and became the focus for the base for two years.

A formation-level facilitator was used to conduct a focus group with the base management team ...prepared an action plan that formed the basis of the business plan, and became the focus for the base for two years.

Fundamental Issues

71. **Role of RC Managers.** The role of the RC manager must be resolved before an appropriate training strategy can be developed. As discussed at Part 3, the role has changed rapidly and will likely continue to do so. Regarding finance, the devolution of invoice processing has required RC managers to learn how to use FMAS, and to understand financial concepts and policies. Procurement and human-resources responsibilities have also been assigned to RC managers, and there are large training implications for these roles as well. Also, the premise that devolution should be made only to the level where appropriate resources, knowledge and tools can be concentrated to ensure a balance of risk and effectiveness should be considered.

72. Considering the multi-functional role of the RC manager, and the fact that the changes affecting RC managers are still underway, it is not surprising that an all-encompassing training strategy has not yet been developed to serve the RC-manager community. For the same reasons, it must be recognized that the FMAS training program could not be expected to meet all the finance needs of RC managers.

73. **Role of Resource/Business Manager.** The role of the resource/business manager is equally fluid, and varies considerably from base to base. The three elements of land, sea and air appear to have very different approaches to business planning. This will complicate any attempt at a centralized training approach, or the development of a single training program.

74. **Development and Conduct of Training.** To our knowledge, other than the CF Management School at St. Jean, there is no agency interested in taking on the job of developing and conducting appropriate RC-manager and resource/business manager training. Such training is clearly beyond the FMAP mandate, and the Canadian Forces School of Administration and Logistics' (CFSAL) mandate is limited to the provision of logistics (finance, supply, transportation and administration) training to specific military trades and officer classification. CFSAL does not generally train civilians or military personnel in non-logistics classifications and trades.

75. It has been suggested¹⁸ that the ideal mechanism to deliver RC-manager training (and perhaps resource/business management training as well) would be courses delivered by the CF Management School on a cost recovery basis. We have found during our visits that one course will not likely satisfy the variety of individual needs in the RC-manager community, and we expect the same applies for the resource/business managers. For example, many of the personnel involved carry out only specific tasks such as invoice processing. These individuals generally want only to know how to do their jobs. RC managers and others would likely require a much more comprehensive level of knowledge regarding FMAS, finance concepts and policies, procurement concepts and policies etc. Similarly, staff members and other personnel specialize in performance measurement or business planning.

We found that one course will not satisfy the variety of individual needs in the RC manager community.

76. It is clear that local trainers would be much better suited to providing some of this training. As an example, one base has a practice (we consider it to be a best practice) of providing tailored, one-on-one training on the turnover of a FMAS user-ID. Most often, this training is for individuals with very specific tasks, and the training is accomplished in a few hours. This turnover also serves to set up a relationship with one of the super-users at the base. However, it would be logical that to achieve consistency across the DND/CF, the functional NDHQ OPI would develop course content. Other best practices regarding training may be found at Annex C.

77. Regarding business planning, the only agency able in practice to offer any local training has been the comptroller at some bases. We believe this is a function of the education, training and experience of particular comptrollers, and this initiative would be difficult to project as a best practice for every base.

¹⁸ LCol R. Charlebois, *Comptrollership Issues, draft paper*

78. **Funding.** Funding to carry out local training for RC managers, resource/business managers, and some FMAS users would not be easy to find. DG Fin has indicated that he cannot provide local regenerative training; we interpret this to mean he would also not be able to fund such training. CFSAL/CFRETS also have indicated that it is not their responsibility. It is unlikely that the ECSs will willingly undertake this training or provide funding to the bases to do so. This leaves it up to each base to fund such training or to provide resources to carry it out. The result would almost certainly be a fragmented and inconsistent approach to training, and that the problems we have identified with both RC-manager training, and resource/business manager training, would not be addressed in a comprehensive way. We consider that this issue may have to be raised at a senior level to be resolved.

79. **Overall OPI.** The training for RC managers and resource managers is cross-functional, so it would be difficult to find a single OPI to oversee an overall training function. Ideally, one office or senior body should coordinate training for the needs we have raised. We note that the DMC's response to the Local Procurement and Supply audit was to establish a cross-functional steering committee with senior membership from DCDS, CMS, CLS, CAS, ADM(Fin CS), ADM(IE), DND CIO and other stakeholders as required. The committee was established by J4 Mat/DG Log. We also note that the Financial Management Working Group of the MMSC is considering in a materiel context some but not all of the issues raised in this report.

80. Overall, it will be a complex matter to set up an appropriate training strategy to meet the requirements of the RC manager and resource/business manager community, and determining who the OPI will be is a critical issue.

81. **Role of Senior Management.** We believe that senior management has a role to ensure that the degree of devolution/delegation to RC managers and resource/business managers is commensurate with the training, expertise and availability of the individuals who will do that job. Accordingly, we believe it is timely for senior management periodically to sponsor a study to determine that training for RC managers and resource/business managers is addressing the needs of these personnel as those needs emerge and change.

Other Training Risks

In at least two bases the super users were civilians. We consider this a best practice.

82. For a variety of reasons, experienced and talented FMAS super users, FMAS users and finance personnel are scarce commodities. If they are posted and replaced by individuals without the appropriate skill sets, the impact on the local financial-management framework will be serious. Recognizing military requirements and other unavoidable circumstances, it is logical that career managers should attempt to minimize disruptive postings in this regard, and that many of these positions might best be civilianized. We observed that in at least two bases the super users were civilians, which has helped avoid this problem. We consider this a best practice where appropriate.

83. One of the actions taken by FMAP to address limitations with the current training program was to develop Web-Based Training, converted from the TTT program. The WBT allows for distance learning that is self-directed and self-paced. Plans are to include modules in the areas of basic governmental accounting and technical-systems training. Because of the limited experience of many DND personnel with Web technology, it will be critical to monitor the effectiveness of the WBT and to adjust the training strategy as required.

MANAGEMENT RESPONSE

R4 To address training requirements for RC Managers and resource/business managers, the initial rollout of RM course has been scheduled for Nov 00 to Jun 01, then ongoing.

R4.1 Work was carried out to assess the profile of knowledge requirements for RC managers and resource/business managers prior to the development of both the RM and MM guides. Formal risk assessment and risk profiles are completed for the development of delegations of authority and are/were used to varying extents in the development of these guides and related training packages.

R4.2 The RM course is modular and adaptable for various audiences. A move to an E-learning environment would facilitate a tailored and distributed approach.

R4.3 HR Service Centres have been identified as a delivery mechanism for training on an on-going basis. No group/organization has yet been identified/established to oversee cross-functional training in this regard.

R4.4 The RM Course includes HR management training for RC managers.

R4.5 The FIS Implementation Program (FISIP) is funding start-up for RM training but further consideration will be required to identify a funding source for on-going and regenerative delivery of training.

R5 The RM and MM guides and training have been developed to ensure that the training is provided commensurate with the degree of devolution and delegation that is intended.

R6 J1 Admin, in consultation with D Fin Ops, are reviewing the selection process to ensure suitably trained candidates are selected for posting to deployed locations.

R7 FISIP is instituting a CBT FMAS certification program for FY 01-02. Training commenced in Jan 01. This “performance support” program is based on the highly successful certification program that has been used by Canada Customs and Revenue Agency (CCRA) for the past two years.

R8/R8.1 Local comptrollers and supply officers are collaborating in the provision of local training in finance and procurement/supply through the Local Procurement Course. The

rollout of the Resource Managers' course and FIS courses is being coordinated with the local comptrollers.

PART 5 – IMPROVING COMMUNICATION

Functional OPIs have found that, despite innovative technology, they cannot effectively communicate policy and procedures to RC managers and resource managers in a timely way. Established networks such as the comptrollers' network no longer function effectively because reengineering, devolution and downsizing have fundamentally changed relationships, roles and responsibilities. An appropriate communication strategy must be adopted throughout the chain of command to ensure receipt of and response to critical information.

Case for Change

84. Our review focused on the financial aspects of the RC manager's responsibilities, and our examples will be primarily related to finance. However, we believe that these results are indicative of other functions (procurement/supply and human resources) for which the RC manager has been assigned responsibility. The CRS review of local procurement and supply demonstrated that this is the case for the materiel function and, from our focus groups and interviews, we know that many RC managers are frustrated with the PeopleSoft system.

85. Generally, the communication approach taken by the FMAP project and the central finance function was to rely on the Intranet web-site to communicate policy, procedures and other information to RC managers and others. This approach constituted a major cultural change — pull versus push communication. A FMAS help desk was established and over time, most bases have created a local super-user network and local help desks. The super-user network has become a main link with the FMAS help desk. The chain of command was largely circumvented in this communication strategy, but kept informed by their super users.

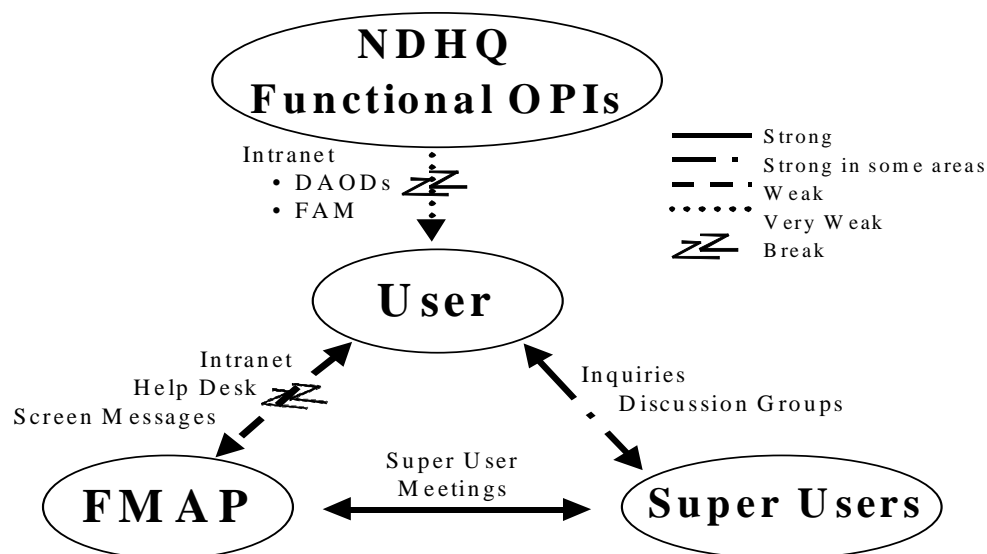
86. Some of the results of this strategy were:

- For a time, official government/DND/CF financial policies and procedures were communicated through the DG Fin Intranet site but this information was not reaching everyone concerned.
- Commands are now insisting that the formal chain of command be used to communicate with their organizations.
- Initially, many FMAS users perceived the FMAP help desk as the main interactive line of communication for their questions regarding financial accounting or financial systems. As a result, the FMAP help desk was overwhelmed and could not provide adequate support. FMAP established priorities for calls, voice mail, and added resources to the help line.

- Many local personnel still do not know where or how to address their questions and search for information regarding FMAS and other matters related to financial management.
- Some RDAOs were not aware that they were responsible to carry out statistical sampling as part of their S.33 responsibilities. This was in a policy sent out through the functional distribution list (comptrollers) but was either not received or not understood by many comptrollers.
- DFPP encountered difficulty in sending policy direction to RC managers through base and wing comptrollers. Not all RC managers received these policies.
- The FMAS project team encountered difficulty distributing policy and procedures through the comptroller network. They eventually established a super-user network but this was not totally successful either.
- At some bases, technical problems prevented local base officials from accessing the relevant central web-sites, and prevented local distribution of policies and procedures to RC managers.

87. Figure 3 illustrates the status of the communication relationships for the finance function.

Figure 3: Lines of Communication as at December 1998



The diagram indicates that good communication does exist between FMAP and super users. However, communication difficulties were experienced by users with both FMAP and DG Fin agencies, and vice-versa.

88. At the local level, we observed that high turnover of personnel is a complicating factor for an effective email network. In addition, the level of effectiveness of the local communication network depends largely on whether the responsible individual is proactive in approach, and whether that responsibility is shared. There is clearly a local role for someone to pull this together, to keep the communication network working. We suggest that the comptroller (for finance), the supply officer (for materiel), the administration officer (for human resources) and the resource/business manager (for business planning and performance measurement) should have important responsibilities in this regard. It is also critical to have a viable email-tracking mechanism so that individuals can be held accountable for policies and procedures which they have received and acknowledged.

User Perception

89. Some 54 per cent¹⁹ of the respondents in our focus groups indicated they did not find FMAP communication tools effective for keeping them informed. Over 60 per cent²⁰ indicated that they did not make regular use of the FMAP web-site to keep up-to-date on FMAS information.

90. Some 58 per cent²¹ of the individuals in the focus groups did not believe that they had two-way, open, timely and relevant communications with the FMAS help desk.

91. Our focus groups and interviews confirmed that dependence on an Intranet site for all finance policy, procedures and FMAS documentation is a major cultural change for many RC managers and their staffs. They indicated that the information provided is often difficult to find and to understand, and that looking for it is time consuming.

92. Overall, our results confirm the picture presented in Figure 3 with two qualifications. First, the chain of command was not part of the communication strategy, except to be provided information as were other users. Second, although comptrollers were sometimes involved as links in the communication chain, this was not generally successful.

93. We understand that similar opinions were conveyed to the Local Procurement and Supply audit team with respect to materiel. We know from our focus groups and interviews that there is also dissatisfaction with the communication strategy and the approach of the PeopleSoft project. Communication of relevant and timely information was also identified as a problem by resource and business managers.

¹⁹ Annex D, # 8E

²⁰ Annex D, # 8F

²¹ Annex D, # 8C

Fundamental Issues

94. **Pull versus Push.** RC managers, resource and business managers and their staffs represent a wide spectrum of personnel with varying IT skills and differing levels of motivation regarding the use of new technology. While it may be a valid long-term goal to use web-sites as the primary clearinghouse for the exchange of functional information, it is clear that this approach must be supplemented by other methods until the people involved make the transition. It is clear that specific strategies will need to be developed in this regard, and that it will take years rather than months to get all those involved to use web-sites and other new technologies as a matter of course. Also, much can be done to improve the user friendliness, relevance and currency of many of the web-sites that RC managers, resource and business managers need to use. Until this happens, some degree of “push” information will be a necessary feature of any successful communication strategy.

95. **8500 User Accounts.** The finance function (as well as materiel, human resources and business planning) must communicate with more than 8500 user accounts. This cannot be done directly because of the sheer administrative burden on a mobile organization like the CF. Similarly, as new technology cannot be the only answer, local intermediaries are needed to gather together the pertinent information and ensure it gets to those who need it. Again, we believe that the local comptrollers, supply officers, administration officers, resource and business managers have an important role to play in this regard. This role may well diminish over time, but for the moment it is critical.

96. **Command Involvement.** As mentioned, the Commands have made it clear that they have been circumvented in much of the communication from functional OPIs to RC managers and resource/business managers, and that they do not want this practice to continue. While recognizing that there is a considerable volume of technical detail that needs to be passed, there are also some critical policies and procedures which would benefit from the endorsement and involvement of the Commands. Organizations such as the DCC and the MMSC are well placed to achieve an appropriate balance.

97. **Communication Overload.** We observed that partly because of technology, RC managers and resource/business managers are simply overwhelmed with information, and in many cases are unable to filter out what is important. Most web-sites can be improved in this regard. Other forms of communication can be better tailored to the target audience. For example, both the finance function²² and the materiel²³ function have produced guides for resource managers. These are unlikely to be of significant value unless they are easy to use.

²² Department of National Defence, ADM(Fin CS), *Resource Manager's Guide; Fourth Working Draft*, Ottawa, October 1999

²³ Department of National Defence, D Supply, *Materiel Management Guide for Resource Managers*, Draft 7, 8 November 1999

Ideally, they would be combined into one document, made available on the web with a good search engine, and supplemented with an interim 3-5-page hard-copy booklet that identifies the important “dos” and “don’ts”, and refers to sections of other relevant documents on the web. Ideally, the booklet would cover all three RC-manager functions (finance, supply and human resources) with a separate booklet for resource and business managers.

98. **Outdated Policy and Procedures.** It is recognized that a great deal of current financial policies and procedures have become outdated because of the multitude of changes that have occurred. The same is true for the materiel function, business planning, and resource measurement. It is clear that communication of fundamental policies and procedures becomes particularly challenging when you are dealing with RC managers and resource/business managers, and their staffs who often have little training or experience in the functional area concerned. Some key policies and procedures need to be rewritten for non-experts.

MANAGEMENT RESPONSE

- R9 In June 00, DFPP, through ADM(Fin CS), communicated to Level One Advisors an enhanced financial management policy communication strategy to ensure proper awareness, distribution and training to support the implementation of new or revised financial policies within their organizations.
- R10 Development of viable communication networks is ongoing through the ECS organizations to ensure that information specific to their function is effectively communicated to RC managers, unit resource/business managers and others.
- R11 The move to the FMAS certification program includes a major modernization of the FMAS website. There will be links to other relevant websites such as the Resource Managers’ Guide and Course material, as well as to other basic accounting training material. Plans are underway to link FMAS training certification under FIS will be linked to key DFPP financial management DAODs and FAM Chapters, to ensure that FMAS users read policies applicable to their accounting responsibilities before system certification is given. Users will be tested with a few key questions to ensure they actually read the policies. Every effort will be made when writing new policies to link to FMAS related procedures appropriately. The DFPP website is being expanded to provide a variety of other financial policy guidance documents.
- R12 CD-ROM has been used as the basis for CBT training for FMAS and will continue to be examined as a viable option as a remote learning and reference source. This will also be used in support of any CBT training for the RM Guide.
- R13/R13.1 The Resource Managers’ Guide and the Local Procurement Guide provide advice and guidance on finance and procurement practices in a simple, user-friendly fashion.

PART 6 – REDUCING THE COMPLEXITY FOR RC MANAGERS AND RESOURCE/BUSINESS MANAGERS

RC managers, resource and business managers face a dynamic, complex and multi-function environment. Increasingly, their secondary duties encroach on their primary duties. In the short term, multiple information systems have not simplified but rather complicated their work. The challenge is to reduce this complexity so that these managers can complete their tasks effectively. Otherwise, the value of the resource-management control framework is questionable.

Case for Change

99. Our discussion of Figure 1 in Part 3 demonstrated the multi-function aspect of RC managers' responsibilities. We discussed the complexity of the roles of the base and unit resource/business managers and how the latter often serve as RC managers as well. The primary/secondary duty reality complicates the situation considerably. Overall, the RC manager and the resource/business managers have difficult and complex jobs. Some other complicating factors are:

- RC managers and their staffs need to master the use of three enterprise systems (FMAS, PeopleSoft, and MIMS) and collateral systems. These three systems cannot easily communicate nor can they be reconciled with one another.
- Resource and business managers have little in the way of specialized software applications.
- RC managers have difficulty managing and monitoring their operational budgets with the financial reports available from FMAS, and resource/business managers have difficulty obtaining adequate financial and costing reports to prepare performance measurement reports. This stems from incomplete and inaccurate data, as well as difficulty with the SAP report capability. To compensate, managers have used other tools to break down expenditures by cost centre and fund centres, as well as to extract and group corporate costs. To calculate their free balances, many FMAS users have built spreadsheets using alternative software. However, FMAP has recently introduced a free balance report.
- Information systems have not proven to be as user friendly as anticipated. There is a sharp difference between the user profile called for by SAP based and other enterprise systems, and the skill-sets of many RC managers and resource/business managers and their staffs.

- Virtually all bases have encountered difficulty coping with inaccurate uploads from collateral systems such as Milton and ACS. This, in part, explains the problems experienced reconciling the WCF as discussed in Part 3.
- Many RC managers and resource/business managers do not have sufficient personnel resources or the personnel with adequate skills to do their job. The shortage of experienced finance personnel was raised as an issue nearly everywhere we visited.
- Limited resources in the help-desk functions provided by the comptroller organizations and by FMAP restricts the level and the timeliness of the assistance that is available to RC managers and resource/business managers.
- Inadequate training programs — both local and central (see Part 4) — limit the effectiveness of RC managers and resource/business managers.
- Inadequate central communication strategies (see Part 5) also impact on the effectiveness of RC managers and resource/business managers.
- In comparison to the previous departmental financial system, FMAS has limited front-end edit checks. This complicates the RC manager's job by forcing correction of errors after the initial entry, or much worse, making them invisible. This topic is discussed further in this part.
- In response to the Local Procurement and Supply audit²⁴, DMC directed that the cross-functional steering committee to — *“develop a profile of the procurement knowledge required, commensurate with the complexity and risk associated with various types of procurement to serve as the basis for determining the context and restrictions on delegating/designating contracting authority to individuals capable of performing the procurement contracting function. Various training packages will be developed for the different levels of knowledge and skill required.”* In other words, delegation must be accompanied by appropriate resources (personnel), tools and training. This would help to reduce the complexity for RC managers and resource/business managers.

²⁴ *Audit of Local Procurement and Supply, page 11 para 20.c*

User Perception

100. About 50 per cent²⁵ of our respondents²⁶ did not feel that FMAS provides reliable, accurate and complete information and reporting. This was confirmed by the Chart of Accounts review, which concluded — “*The new system (FMAS) is simply not yet supplying management with the required information for decision making purposes*”²⁷.

101. Similarly, about half²⁸ of our respondents indicated that the FMAS system was not user-friendly. Moreover, 79 per cent²⁹ of our focus group participants indicated that the FMAS interfaces (Milton and ACS) have not worked smoothly, and about 48 per cent³⁰ felt that the FMAS does not provide effective controls at the transaction entry level.

Fundamental Issues

102. Further to the issues raised previously regarding roles and responsibilities, training, and communication, this section will identify fundamental issues related to complexity. As implementation of our previous recommendations would help to reduce the complexity faced by RC managers and resource/business managers, this section will concentrate on IT issues which have not been discussed previously. The reader is asked to keep the previous issues in mind.

103. **Three Enterprise Systems.** The presence of three enterprise systems, and their feeder systems, all impacting on the RC manager and resource/business managers, underscores the need for these systems to be able to talk to each other, or at least to exchange information. Ultimately there should be only one enterprise system for an entity such as the DND/CF. This alone would reduce a great deal of the complexity and frustration being encountered by RC managers and resource/business managers.

104. **Reporting.** The widespread maintenance of duplicate accounting records by RC managers and resource/business managers demonstrates just how big a problem reporting is. Until the FMAS and other enterprise systems are capable of easily providing the information and reports that the RC manager and resource/business managers need to do their jobs, their work

²⁵ Annex D, # 2B

²⁶ Focus groups conducted during the Dec 98 to Feb 99 period.

²⁷ Department of National Defence, Chief Review Services, *Benchmarking Review of DND Chart of Accounts*, Ottawa, November 1999, 7050-8-22 (CRS), page i

²⁸ Annex D, # 6D

²⁹ Annex D, # 3F

³⁰ Annex D, # 6B

will be much more complicated than necessary. This should be a transitional issue as FMAP delivers on its commitment to prepare a free-balance report and other reports required by local managers.

105. **FMAS Edit Checks.** There are two issues relating to edit checks in FMAS that require attention — entry-level edits and timing of edit checks. Entry level checks relate mostly to General Ledger (GL) vote, duplicate payments, vendor codes and commitment errors. The FMAP project team has already corrected the GL vote situation. The other error types could be reduced dramatically by introducing the same types of checks that were in place on the previous departmental financial information system (FIS MKIII). However, the benefit of such checks would need to be weighed against costs and system efficiencies.

106. The timing of edit checks in FMAS causes delays in the entry process because most edits are being done at S.33 by the system instead of at the entry level in the Workflow option of FMAS. This causes time delays because errors have to be rerouted back to the person who entered the transaction. This individual has to process these transactions twice. This is different from most other government departments not using the Workflow option of SAP. FMAP and DFPP have agreed to analyze the feasibility of a change in the timing of edit checks when FMAS is updated to a new version of SAP, which would include a more efficient Workflow option.

107. **FMAS Identification of Data Input Person.** In FMAS, it is a difficult and time-consuming task to determine who inputs a specific transaction. Moreover, the complex 13 step procedure does not always work. It would likely be cost effective for DND to simplify this FMAS procedure.

108. **FMAS Revenue Module.** The implementation of the revenue module in FMAS was particularly challenging. Although FMAP and DAPPP have made progress in correcting both code and data errors in the revenue module, thereby eliminating the backlog in revenue transactions, the entry of revenues is still complex. Some bases and units are creating a central data input cell to process these transactions. DMAC is also proposing to limit access to the revenue module to knowledgeable personnel by means of FMAS profiles.

MANAGEMENT RESPONSE

- R14 The feasibility and benefits of the three departmental enterprise systems exchanging information and reconciling them with one another is being addressed by the Defence Information Service Broker (DISB) project under ADM(IM).
- R15 Significant work to address accuracy, user friendliness and overall usefulness of Fund and Cost Centre reports have been completed. The resulting report, the Planned Variance Report (PVR), was put into use in 1999-00 after a super-user conference on this topic in March 99. Reports from the user community have shown marked improvement in overall satisfaction levels with the report now available to monitor budgets and free balances.

- R16 Assessment of FMAS Application Security and Business Process Controls is ongoing.
- R17 It has been determined that the identification of transaction originators is not problematic in FMAS at this time.
- R18 Consideration of a central input cell service to process complex and high-risk transactions is being investigated as part of the implementation of the revised roles for local level comptrollers.

ABBREVIATIONS USED IN THIS REPORT

ACS	Automated Cashier System
ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
ADM(HR-Civ)	Assistant Deputy Minister (Human Resources – Civilian)
ADM(HR-Mil)	Assistant Deputy Minister (Human Resources – Military)
ADM(IE)	Assistant Deputy Minister (Infrastructure and Environment)
BComd	Base Commander
CAS	Chief Air Staff
CBT	Computer Based Training
CCM	Cost Centre Manager
CDAO	Central Departmental Accounting Office
CFP	Canadian Forces Publications
CFRET	Canadian Forces Recruit Education and Training
CFSAL	Canadian Forces School of Administration and Logistic
Claims-X	Application to facilitate the input of travel claims throughout DND
CLS	Chief Land Staff
CMS	Chief Maritime Staff
DAOD	Defence Administrative Orders and Directives
DAPPP	Director Accounts Processing, Pay and Pensions
DCC	Defence Comptrollership Council
DCDS	Deputy Chief of the Defence Staff
DFPP	Director Financial Policy and Procedures

DG Fin	Director General Finance
DGSP	Director General Strategic Planning
DMC	Defence Management Committee
DMAC	Director Managerial Accounting and Comptrollership
DND CIO	Defence Chief Information Officer
DoD	Department of Defense
ECS	Environmental Chief of Staff
FAA	Financial Administration Act
FAM	Financial Administration Manual
FIS MkIII	Financial Information System (predecessor of FMAS)
FMAP	Financial and Managerial Accounting Project
FMAS	Financial and Managerial Accounting System
GL	General Ledger
IT	Information Technology
J4 Mat/DG Log	J4 Material/Director General Logistics
LAN	Local Area Network
MCCRT	Management Command and Control Renewal Team
Milton	DND electronic credit card transactions system.
MIMS	Materiel Information Management System
MM	Materiel Management
MMSC	Materiel Management Steering Committee
RC	Responsibility Centre
RDAO	Regional Departmental Accounting Office

RMC	Resource Management Committee
RMS	Resource Management Support trade
SAP	Vendor of enterprise application software – FMAS
TTT	Train the Trainer
WBT	Web Based Training
WCF	Working Capital Fund

REVIEW METHODOLOGY

Approach

Selected four sites to visit

Conducted focus sessions of about 20 people at each site.

Conducted follow-up interviews

Reviewed an FMAS error transaction sample at each site

Analyzed the information

Developed recommendations

This annex outlines the methodology and steps taken to carry out this review.

Site Selection

A number of criteria were developed to select the sites. The first criterion ensured adequate representation from Environments and Groups. The second identified high-volume financial transaction organizations. Consequently, CFB Esquimalt, CFB Edmonton, WATC Wainwright, 8 Wing Trenton and ADM (IE) were the sites selected. Relevant base-level information was obtained from other reviews that visited CFB Halifax, CFB/ASU Valcartier, 17 Wing Winnipeg, and 14 Wing Greenwood.

Focus Sessions

The focus sessions were designed to obtain participants' opinions on a number of finance-related topics grouped into eight modules. Focus session participants included a cross-section of DND line and staff personnel involved in the management of operating budgets and the use of the FMAS system. More than 70 personnel participated. Excerpts of the results of the voting are included at Annex D.

Our approach was to solicit anonymous responses for each module using keypad-voting technology. We then conducted a discussion of the results of the voting for that module. Discussions identified strength, weaknesses, and areas warranting further analysis by the review team. Transcripts were made of the discussions.

Follow-up Interviews

The team pursued areas of interest in more detail by conducting interviews with key personnel at the local and NDHQ levels. We interviewed both finance (comptroller) staff and RC managers and their staff.

FMAS Error Transaction Sample

We examined about 80 error transactions provided to us by local personnel. We were not able to apply normal CAATS (computer-assisted audit techniques) to this review because we could not access the FMAS database. Instead, we asked the bases to provide examples of systemic and operator errors. We are confident that we received a representative — if not statistically sound — sample as the personnel we worked with were obviously conscientious and interested in making the system work better. We requested and were provided with examples of both systemic and human errors.

For each transaction, the team determined the:

- Document type;
- Error type;
- Cause of the error;
- Impact on the management of operating budgets;
- Profile of the input individual;
- Manner in which the error was discovered;
- Corrective action taken (when, how, who);
- Controls in place to prevent error; and
- Impact of re-engineering and devolution of FMAS access on data entry and verification.

Analysis of Information

Once information had been gathered from the site visits and NDHQ organizations, the team analyzed it to identify trends, best practices and macro-level issues.

Recommendations

The main outputs of this review are the macro-level issues — describing the impact of DND's present environment on the management of local operating budgets — and recommendations to reduce the complexity for RC managers.

BEST PRACTICES – OPERATING BUDGETS

During the course of our local site visits, we became aware of a number of successfully implemented “best practices” that we believe can be applied to the issues raised in this report. We also researched best practices used by other DND/CF, public and private-sector organizations. We have included some of these best practices in our recommendations. We hope that over time all of our recommendations would prove to be best practices.

We are not recommending that all, or any, of the best practices contained in this annex be applied exactly “as is” to any particular base. Rather, we hope that those with an interest and need in this area would apply the concepts included in these best practices to their own particular circumstances.

We also suggest that it is useful to look at best practices in areas outside any immediate area being considered. We have included some best practices in this regard, but in a broader sense this kind of activity will require more formal benchmarking. We will be releasing a review on this topic called Local Change Initiatives.

We recognize that some of these best practices could have resource implications for some bases or units. We suggest reprioritizing resources where necessary to balance risk and effectiveness.

We have divided the best practices into the following categories:

- Roles and Responsibilities;
- Training;
- Communication; and
- Complexity.

Roles and Responsibilities

1. As an interim measure, and until the FMAS system stabilizes, dedicate full time personnel as FMAS super users. This would result in a local network of knowledgeable and effective local super users who have the following characteristics:
 - effective communicator;
 - proactive, effective and rapid approach to finding solutions;
 - very comfortable using information technology systems and tools; and
 - good understanding of accounting and finance.
2. Create local comptrollership councils with membership to include RC managers, comptroller, and resource managers from lodger and integral units.

3. Establish a common financial data-input cell in the comptroller branch for high risk and complex transactions, as well as small-volume users.
4. Retain an invoice section in the Comptroller branch to process all invoices for the base. Some bases decided to do this and contend that they have been able to ensure more accurate financial reporting and greater probity.
5. Re-assign experienced finance and supply personnel to newly formed end-user sections, particularly for large-volume sections.
6. Establish an audit or verification section to confirm the accuracy of financial input to the FMAS system and to check on basic compliance across the spectrum of base support activities.
7. Establish a local resource-management committee to set local priorities for infrastructure, IT, and miscellaneous requirements, ensuring that resources are used to the greatest benefit. This should include regular budget-review meetings.
8. Use business planning to document and prioritize resource requirements and associated deliverables to create a performance contract.
9. Involve the local comptroller in the business planning process to give consistency and provide credibility to costing deliverables and determining resource requirements.
10. Assign comptroller staff as “business coaches” to help with the preparation of business plans and to provide advice to RC managers on modern comptrollership.
11. Develop Service Level Agreements (SLAs) specifying what services will be delivered and what support will be provided to RC managers.
12. Segregate procurement and payment roles when possible.
13. Assign some civilians as FMAS super users. This can help to avoid continuity problems arising from the mobility and additional duties of military personnel, and lower overall personnel costs. We recognize that this must be consistent with military requirements, and that there must be an appropriate military/civilian balance, but this approach has proven successful at some bases.
14. Assign at least one individual to monitor acquisition card transactions – either in the supply section or in the comptroller branch.
15. Ensure accountable items procured by units are entered on Distribution Accounts, and that periodic inventory checks are conducted.

Training

16. Require RC managers and their staffs to attend a mandatory, local course with a reasonable standard to be achieved before they are issued a user ID and can access FMAS. This concept is derived from the successful practice of one base that does not issue an acquisition card until the potential recipients attend a one-day course and obtain more than 75 per cent on a written exam.
17. Conduct coordinated finance and supply training to RC managers and other end users to ensure an understanding of transactions from start to finish.
18. Provide a screen-by-screen “how to” manual for common system functions on the FMAS Intranet site. Typical topics could include transactions input, report generation, and system adjustments. A hard-copy manual guiding users on Intranet usage and financial search capabilities would also be beneficial.
19. Introduce the concept of virtual classrooms with audio capability as adopted by Agriculture Canada. This method has allowed training to be decentralized to geographically dispersed target audiences while keeping the training team centralized. Agriculture Canada has reported that this has helped ensure consistency and quality of training.
20. Build a self-directed learning/transition centre to provide accessible, quality service to employees pursuing continuous learning. We saw this concept in practice at two bases and believe that it could be applied to the learning requirements of RC managers.
21. Supplement FMAS web-based training and finance training with readily accessible financial expert advice and assistance from local subject-matter experts.
22. Provide tailored, one-on-one training upon the turnover of a FMAS user-ID. For some users, such training can be accomplished in a few hours. This also serves to set up a relationship between the trainee and one of the super users at the base.

Communication

23. BComd chair regular meetings with all lodger and integral units to exchange information and to discuss a range of support issues such as accuracy of financial reporting.
24. Introduce a base-wide electronic bulletin board.
25. Hold regular local meetings of super users and unit users to share concerns and solutions.

26. BComd host town-hall meetings to discuss a variety of issues. Although these have usually been used in conjunction with change management, they would also likely be successful for some of the issues we have raised in this report.
27. Introduce an integrated, automated call centre. This was successfully developed and introduced by a construction engineering section at one large base. The concepts may be useful to provide help-desk services to RC managers for several functions (e.g., finance, materiel and human resources).

Complexity

28. Create a cross-functional help desk to respond to the wide spectrum of support requirements. This permits one-stop shopping for the customer, and provides a cross-branch perspective. This is applied from the “A Staff” concept in place at most wings and some bases.
29. Carry out process reengineering to decrease redundancy among functions.
30. Make available to all users, as an interim measure, a hard-copy, small and handy reference booklet along the lines of “FMAS for Dummies” which was developed by at least two bases.
31. Introduce “swipe” card technology for RC managers where practical. This has been successfully introduced to improve personnel-support services.
32. Utilize best practices regarding call and help desks available from organizations such as the non-profit American Productivity and Quality Center.
33. Prepare a combined finance and procurement booklet, which includes only the most important points and cross-references where more detail can be obtained.
34. Ensure that there is a good search engine available on all web-site locations.

EXCERPTS FROM THE FOCUS GROUPS RESULTS

	Total		
	Agree	Disagree	N/A
Number in focus groups	71		
(1) Situational Information (SI)			
I am a fund centre, cost centre or budget manager	52%		
I am finance and administration support individual	48%		
(2) Financial Information (FI)			
B) FMAS provides reliable, accurate and complete financial information for me to do my tasks.	39%	49%	12%
(3) Local Financial Processes (LP)			
A) At the time of the devolution of operating budgets, local financial processes were appropriately changed.	27%	37%	37%
B) At the time of the re-engineering and downsizing, local financial processes were appropriately changed.	21%	44%	35%
C) At the time of the implementation of FMAS, local financial processes were appropriately changed.	25%	62%	13%
F) The FMAS interfaces (e.g., Milton and ACS systems) have worked smoothly.	1%	79%	20%
(4) Skills & Knowledge			
B) In my organization, there are enough personnel to code, input and review FMAS information.	46%	45%	9%
E) I believe I have had sufficient training in the financial aspects of my job.	52%	44%	4%
(5) Responsibility and Accountability			
B) I believe that it is the responsibility of the Fund/Cost Centre Managers to ensure that the financial information being recorded in their organization is reliable and accurate.	87%	10%	3%

	Total		
	Agree	Disagree	N/A
Number in focus groups	71		
F) I am confident I can effectively manage my operating budget.	45%	32%	23%
(6) Tools			
A) FMAS financial reports are effective in identifying potential problem areas.	41%	39%	20%
B) FMAS provides effective controls at the transaction entry level.	28%	48%	24%
D) Apart from the report capability in FMAS, it is a user-friendly tool.	45%	44%	11%
(7) Training/Learning			
A) The FMAS train-the-trainer (TTT) mechanism was adequate for my organization's needs.	35%	44%	21%
B) The FMAS computer-based-training (CBT) was useful for my organization's needs.	10%	69%	21%
C) I have had the FMAS training (CBT or TTT).	41%	41%	18%
D) The training content adequately prepared me for the FMAS implementation.	41%	52%	7%
E) There is training available locally, with the help of TTT and CBT, to train adequately new arrivals in my organization.	34%	59%	7%
(8) Communication			
C) We have two-way, open, timely and relevant communication with the FMAS help desk.	11%	58%	31%
E) I find the FMAP communication tools effective at keeping me informed of changes.	17%	54%	29%
F) I regularly use the FMAP Web-site to keep up-to-date.	17%	63%	20%

DETAILED INFORMATION — CONTROLS OF THE LOCAL RESOURCE-MANAGEMENT FRAMEWORK

Although our focus group results indicate that 83 per cent of RC managers³¹ accept that “they are responsible for the accuracy and reliability of their financial information”, we found that many RC managers tend to monitor their financial transactions superficially. We observed that few RC managers regularly attempt to identify and investigate unusual variances, or take timely and appropriate corrective action when such variances are detected. We believe that the main reason for this is the lack of knowledgeable personnel to do this type of work. This is both a numbers and a training problem. The one common and understandable exception is where RC managers use a great deal of their resources (one person half-time or full time) to trace unauthorized expenditures coded incorrectly against their budgets. These are usually cases of miscoding or incorrect use of default settings. In other words, they are quite concerned about their personal budgets, but not about the accuracy of the financial reporting that they carry out.

One of the key monitoring areas that has been disrupted by the changes that have taken place with respect to the financial management control framework is the Section 33 and 34 verification process. Previously, there was a S.34 receipt of goods verification plus up to three levels of review by finance specialists — invoice clerk, invoice supervisor, and S.33. Now, there are usually only two levels — input (normally not finance trained) who also often does the S.34 receipt verification, and S.33 statistical verification. The S.33 verification is therefore critical. However, we found that RDAOs do not consistently carry out statistical sampling as required by FAM³². This is caused by both a resourcing problem and uncertainty as to the role of the comptroller.

S.33 verification is critical, however it is not consistently carried out.

The parallel with the local materiel-control framework is noteworthy. There is now much less monitoring, with more reliance placed on personal judgement and ethics to ensure that purchases are reasonable. Often a single individual, or few individuals, are responsible for deciding what to purchase, for making the purchase, for receiving the item, for processing the financial transactions and for taking action to put the item on charge. Segregation of duties is no longer a common practice.

³¹ See Annex D, #5B

³² FAM chap 46 para 12.14 – 12.18

The results of our transaction sampling³³ show that monitoring is a critical activity. We looked at about 80 error transactions and make the following comments:

- Forty per cent of the errors could be attributed to human errors, and a little over half of these were due to individuals having difficulty coping with the complexity of FMAS. We also found that lack of knowledge of government accounting was a major factor in these errors. This underscores the gap that exists between the user profile required by the FMAS system and the average DND user. These results also point to training and personnel-selection issues.
- Twenty per cent of the errors resulted in DND having to pay interest to a supplier, sending duplicate payments, or sending a payment to the wrong supplier. Although duplicate payments and incorrect payments were corrected, the level of this type of error was higher than in the FIS MKIII and we plan to carry out follow-up work once we have arranged suitable access to the FMAS database.
- There were several types of system errors in our sample. We understand that they have been prioritized by the FMAS project team and will be addressed in order of importance.
- The types of additional edit checks that were included in old FIS MkIII would have prevented most of the errors in our sample. The most important is the check that ensures that the same invoice number and vendor code are not paid twice.

³³ For further detail on the methodology of FMAS transaction error sample, see Annex B.

AUDIT OF LOCAL PROCUREMENT AND SUPPLY MANAGEMENT ACTION PLAN³⁴ DIRECTED BY DMC

This action plan is included because it provides a comprehensive blueprint addressing many of the issues that developed following the devolution of operating budgets, and many other aspects of support activity. We believe that all functions can benefit from the experiences of one function's having raised the problems associated with its devolution initiatives to DMC. Hopefully, in addition to the benefits this information provides, this information should help limit the number of other functions and organizations that find it necessary to raise similar issues to the DMC.

The Functional OPI will lead the design and development of a comprehensive, integrated materiel management framework to take maximum advantage of the flexibilities of DND's devolved environment while providing an appropriate balance of risk management. The elements of this framework will be developed within each functional group and at each level of the chain of command, as appropriate. The organizational and individual roles and responsibilities will be clarified first at the Departmental level and then cascaded down throughout the chain of command to the local level. To achieve these objectives, a cross-functional steering committee will be established, sponsored by J4 Mat/DG Log, with senior level membership from DCDS, CMS, CLS, CAS, ADM(Fin CS), ADM(IE), DND CIO and other stakeholders as required, with the mandate to:

- Clarify, formalize and communicate the roles and responsibilities of organizations and individuals performing the materiel management function at the NDHQ, ECS and unit levels.
- Initiate the development of a supply and procurement policy guidance which is relevant in an empowered materiel management environment, consistent with the devolution of responsibility and authority for accomplishing objectives at the lowest possible level while ensuring that an acceptable level of control and accountability is maintained.
- Develop a profile of the procurement knowledge required, commensurate with the complexity and risk associated with various types of procurement, to serve as the basis for determining the context and restrictions on delegating/designating contracting authority to individuals capable of performing the procurement contracting function. Various training packages will be developed for the different levels of knowledge and skill required.

³⁴ *Audit of Local Procurement and Supply, page 10*

- Ensure that a communication strategy is developed that will enhance the awareness of individuals performing procurement and materiel management functions of current policies and changes to policies.
- Develop or identify information tools to enable local management to exercise their responsibilities effectively including providing the ability to identify and monitor high-risk, procurement activities, supply transactions and materiel types and highlight potential problem areas.

DND CIO, in consultation other stakeholders, will develop an IM/IT infrastructure replacement and procurement strategy that will address the practice of non-competitive IT procurement practices. The strategy will encompass total cost of ownership (TCO) analysis, central vs. local IT/IM management and acquisition responsibilities, funding requirements and timing, and initiatives to adjust the government policy framework as required to support the IM/IT management process. This strategy is to be developed as an integral component of the IM Governance Structure, proposed by the DND CIO and endorsed by the Information Management Advisory Committee (IMAC) 24 February 1999.

ADM(Fin CS), in addition to actively participating in the aforementioned steering committee, will clarify and communicate minimum monitoring guidelines to ensure that FAA responsibilities are performed to an acceptable standard. Utilization of IT enabling tools such as FMAS and MILTON and sampling techniques will continue to be enhanced to take maximum advantage of limited personnel resources.

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