National Defence | Défense nationale

Chief Review Services | Chef - Service d'examen

CRS CS Ex

Review of Materiel Acquisition and Support Optimization Project

June 2006

7053-59 (CRS)



Canada

CAVEAT

The review conclusions do not have the weight of an audit and must not be regarded as such. While adequate for developing recommendations for consideration by management, the assessments provided and conclusions rendered are not based on the rigorous inquiry or evidence required of an audit.

TABLE OF CONTENTS

LIST OF ACRONYMS

ADM(Mat)	Assistant Deputy Minister (Materiel)
CFSS	Canadian Forces Supply System
CoCo	Canadian Institute of Chartered Accountants Criteria of Control
CRS	Chief Review Services
DFPPC	Director Force Planning and Program Coordination
DLBM	Director Logistics Business Management
DLBM/TM	Director Logistics Business Management/ Transportation Manager
DMMD	Directorate of Materiel Management and Distribution
DND	Department of National Defence
DSFC	Director Strategic Finance and Costing
ECS	Environmental Chief of Staff
EPA	Effective project approval
EPM	Equipment Program Management
F&L	Fuels and lubricants
H&S	Hub and spoke
J4 Mat /DG Log	J4 Materiel/Director General Logistics
L1s	Level One's
MA&S	Materiel Acquisition and Support
MASOP	Materiel Acquisition and Support Optimization Project
MIP	Master Implementation Plan
MRADP	Master Realty Asset Development Plan
PAG	Project Approval Guide
PMB	Project Management Board
PY	Person years
R&O	Repair and Overhaul
ROM	Rough order of magnitude
SKU	Stock Keeping Units
SWE	Salary wage envelope
TE&Cal	Test Equipment and Calibration
VCDS	Vice Chief of the Defence Staff
W&D	Warehouse and distribution
WBS	Work Breakdown Structure

SYNOPSIS

The 2003/2004 Chief Review Services (CRS) Work Plan included a review of the Materiel Acquisition and Support Optimization Project (MASOP). MASOP received departmental approval from Project Management Board on March 18, 2003, on condition that a review be conducted by CRS. CRS engaged the firm of Deloitte & Touche to conduct the planning phase of the review in September 2004. MASOP was completed on March 31, 2006.

The objective of MASOP was to maximize the efficiency of Materiel Acquisition and Support processes and incur significant savings within three years. This review found reasons to be concerned that such targets would not be met. Based on a review of the MASOP business case process, CRS found that standard departmental processes for validation and approval of the business cases were not ideally followed, and some key components, such as verifiable data, baseline costs or substantive implementation plans, were missing.

CRS found that documentation to support the investment decision was insufficient, that business cases did not substantiate savings targets and that costs such as system modifications and management fees of sustaining MASOP solutions had not been disclosed. There is also a lack of clear plans for gaining key stakeholder commitment to implementation of the changes and lack of processes to report actual savings and investment costs. These factors increased the risk of not achieving the target savings by a substantial amount.

Formal recommendations are not included in this report because MASOP was concluded effective March 31, 2006—before this report could be published. CRS is therefore treating the observations of this review as lessons learned for future optimization projects.

RESULTS IN BRIEF

The Materiel Acquisition and Support Optimization Project (MASOP) was approved by the Project Management Board (PMB) on March 18, 2003, on condition that it be reviewed by Chief Review Services (CRS).

MASOP reached its completion date of March 31, 2006, before CRS issued its report. However, several observations, especially those related to the MASOP business case, should be considered as lessons learned for future optimization projects.

Some of the high-risk factors found during the review are as follows:

- Standard departmental administrative processes such as the validation and approval of the MASOP business case before effective project approval (EPA) were not ideally structured to support the project;
- Projected savings and investment estimates were only validated at a high level;
- The process for gaining key stakeholder commitment to change remains ambiguous for select initiatives; and
- Some initiatives had aggressive schedules, numerous external dependencies, and limited contingency for project slippage.

Overall Assessment

The review team could not validate the investment and projected savings for MASOP nor determine whether the original investment decision was sound because of the following:

- The business cases lacked verifiable data;
- Baseline costs were not always available; and
- Substantive implementation plans were not consistently produced.

Observations

MASOP Business Case. The MASOP EPA did not include enough planning, data gathering and analysis activities to produce substantive investment and savings estimates for each initiative and be ready to quickly transition into the implementation phase.

Project Management. Although MASOP actively managed many of its risks, the following key risks for meeting planned savings targets within the original time schedule were not addressed:

- There is no approved process for the definition and reporting of key savings and investment costs; and
- The process for gaining key stakeholder commitment to change remains ambiguous for select initiatives.

INTRODUCTION

Background

MASOP was a three-year project to define, plan and implement an integrated Materiel Acquisition and Support (MA&S) process. The concept behind MASOP was that it would be funded by one-time and recurring savings accrued through its key initiatives (see Table 1).

The objectives of MASOP were to:

- Optimize process integration across many of the MA&S initiatives;
- Generate annual recurring savings of $47.2 million within three years (fiscal year 2003/04 to 2005/06);
- Support force generation, employment and sustainment; and
- Foster an environment of continuous process improvement at all levels.

Initiative	Total Planned Investments from FY 03/04 to FY 05/06 ($000s)	Total Planned One-Time Savings from FY 03/04 to FY 05/06 ($000s)	Total Planned Annual Recurring Project Savings Beginning in FY 05/06 ($000s)
Warehouse and Distribution (W&D)	7,817	28,000	27,512
Clothing	2,078	0	7,784
Fuels and Lubricants (F&L)	1,635	0	3,000
Ammunition	8,732	22,000	4,893
Test Equipment and Calibration (TE&Cal)	1,108	2,786	1,326
Quality Assurance	450	0	2,771
Total	**21,820**	**52,786**	**47,286**

Table 1. Savings in MA&S. *MASOP was expected to generate annual recurring savings of $47.2 million within three years and achieve an integrated, cost-effective and efficient MA&S process to support force generation and sustainment.*

From the date of Ministerial approval, the detailed MASOP business case was prepared in five months, leaving those involved with little time to research, prepare and validate detailed business plans. The timeline from MASOP inception to EPA was aggressive:

- On August 20, 2002, the Assistant Deputy Minister (Materiel) (ADM(Mat)) challenged internal stakeholders with determining whether optimization of the MA&S process could be achieved in-house.
- On November 7, 2002, the Minister announced the decision not to proceed with Phase II of the Supply Chain Project contract and that the Department would pursue a broad-based MA&S initiative.
- On March 18, 2003, MASOP received EPA at the PMB and set a scheduled completion date of March 31, 2006.

Objectives

This review assessed the appropriateness of the original investment decision and identified key risks facing the project in achieving its savings targets. The objectives were assessed in relation to the industry standard Criteria of Control (CoCo)[1] detailed in Annex A.

Scope

The scope of the review included the MASOP project office and the six project initiatives:

- Warehousing and distribution (W&D) which includes two sub-initiatives of hub & spoke (H&S) and inbound transportation;
- Clothing;
- Fuels and lubricants (F&L);
- Ammunition;
- Test equipment and calibration (TE&Cal); and
- Quality assurance.

See Annex A for additional Review Program details.

[1] The CoCo Model was developed by the Canadian Institute of Chartered Accounts to evaluate internal controls. It sets out criteria for effective control in an organization and provides a framework that can be used throughout an organization to develop, assess and modify controls.

OBSERVATIONS

MASOP Business Case

The precision and detail supporting the original project estimates and plans varied across initiatives.

Key business case assumptions lacked substantiation and were not documented.

Quality of Business Case

- The MASOP business case information available at the time of EPA was reviewed to determine if it collectively supported the presentation of substantive investment and savings estimates for each initiative (similar to capital projects at EPA). The development of substantive estimates, at EPA, would have been a key success factor for allowing MASOP to transition effectively and efficiently into the Implementation Phase following EPA.
- The validity of the key assumptions for many of the project initiatives, as defined at the time of EPA, was questionable. Specifically, a review of the MASOP business case at EPA revealed that many of the assumptions lacked detailed substantiation.
  - Approximately 40 percent of MASOP's recurring savings ($18.2 million) are based on person year (PY) reductions. The estimated savings from PY reductions in the business case for clothing and W&D (approximately $12 million) were based on high-level estimates; however, further substantiation (e.g., workflow analysis, new footprint analysis) was not conducted prior to EPA. Additionally, PY reduction estimates were founded on baselines developed in coordination with the Environmental Chiefs of Staff (ECS). Subsequent to EPA, the MASOP project office questioned the reliability of PY baseline data as the original data included reservist, supernumerary, casual and term positions that would not generate recurring savings.
  - For many initiatives, the phasing of savings indicated in the business case represented targets rather than estimates derived from substantive implementation plans. For example, the ammunition initiative's business case provided for $2.7 million in PY savings to be phased in equal portions over a two-year period.

- The assumptions regarding infrastructure savings (part of W&D initiative) were weak and the process for identifying infrastructure savings was not documented. Seventeen buildings were identified for demolition in the business case without any documentation on the criteria used to evaluate and select the list. Subsequently, it was determined that a large percentage of the 17 buildings identified had been reallocated within the base/wing Master Realty Asset Development Plans (MRADP). At the time of the review only one building, the Ration Depot at Canadian Forces Base Halifax, had been demolished, and that building was already on the MRADP plan for the navy.
- The inbound transportation sub-initiative had a high relative importance of savings with $15 million or 32 percent of the recurring savings target. The MASOP inbound transportation savings methodology as presented at EPA was different from the Director Logistics Business Management/Transportation Manager (DLBM/TM) business case, and the sub-initiative savings could not be substantiated. It is also unclear whether the inbound transportation sub-initiative was in alignment with the broader W&D initiative. For example, DLBM/TM created two cross-docking facilities located in Dorval, Quebec, and Burnside, Nova Scotia, without the agreement of J4 Materiel/Director General Logistics (J4 Mat/DG Log) or the team lead of the W&D initiative. It should be noted that these facilities, which have since been closed, were located in the same geographic location as existing supply depots and facilities.

Business Case Validation

DSFC validated the projected savings and investment estimates at a high level.

- A review of the departmental processes used to validate the MASOP business case assumptions and figures indicated the following:
  - In October 2002, the Director Strategic Finance and Costing (DSFC) unit was engaged by MASOP to provide an independent assessment of the costing for the business case as part of the comptrollership challenge function. DSFC also provided advice on the use of the Cost Factors Manual, the Defence Economic Model, and the need to be conservative in building the cost estimates for the project.

The validation process did not test for key DND business case best practices.

- DSFC's methodology for validating the estimates was to take information presented by MASOP and assign risk factors to assumptions based on the level of confidence in the data and the potential impact on the overall estimate. The result (February 2003) was a "gap analysis" that supported a recurring savings estimate of $40.9 million or 87 percent of the estimate at EPA.

- This review found that DSFC assessed assumptions that contained a high degree of uncertainty for impacts and risks and verified that well-defined costing factors were used where possible. However, DSFC's validation process did not test compliance for the following key departmental best practices[2] for business cases:
    - Assumptions and constraints are clearly stated and are fully supportable.
    - Benefits and costs are defined in terms of all affected stakeholders and not just that of the sponsor.
    - Conclusions are confirmed through modeling, further benchmarking, phased implementation or a pilot project.
    - Recommendations are fully supported by the evidence.
    - Implementation plans are comprehensive and realistic.

- Numerous factors contributed to the high-level validation of MASOP's business case assumptions and figures, including:
    - MASOP was the one of the first projects DSFC reviewed, and the DSFC project review process was still in development.
    - MASOP was one of the Department's first optimization projects to be processed through PMB.
    - DSFC did not provide a formal endorsement of the MASOP business case prior to EPA, and was not required by policy to do so. The process of review and endorsement was ad-hoc.

[2] Cited from the DND Resource Managers Guide, located at http://admfincs.mil.ca/organiz/dmac/guide/resman_e.pdf

OBSERVATIONS

- The savings methodology and assumptions were not documented in enough detail to support the conduct of a detailed validation process. For example:
  - The MASOP formulae used to calculate savings were not clearly documented in the business case documents for all initiatives.
  - The supporting documentation for numerous assumptions was not available at the time of EPA.

- Business case assumptions and estimates lacked substantiation, were not documented and did not receive a detailed level of independent validation.

Project Management

Key project processes and definitions were not defined in the business case.

The definition of what constitutes a MASOP savings was not explicitly defined at EPA.

Project Plans, Processes and Definitions

- A review of project plans and processes showed that some high-level project plans and processes existed for MASOP at the time of EPA as part of the business case, namely:
  - The criteria for allocating one-time disposal revenues between MASOP and the ECSs was clarified by ADM(Mat) in a memo dated July 2003.
  - The process for harvesting one-time and recurring savings by transferring allocations from the affected budget to the Vice Chief of the Defence Staff (VCDS) budget was defined.
- Other key project processes and definitions were not specifically defined. For example:
  - The process for gaining agreement and timing for reporting ECS' military and civilian PY savings was not agreed upon.
  - A MASOP "savings" was not defined. Specifically, the term "MASOP savings" is currently assumed by project management to include cost avoidance to the MA&S process, a reduction in the annual budget and budget transfers, and military PY reductions. The review found that this assumption is not shared across all departmental stakeholders.
  - The initiative action plans were not ready for implementation and have only been defined at a high level.

OBSERVATIONS

Lack of clear process contributes to the risk of inaccurate reporting.

- In some cases, the processes for accruing and reporting MASOP savings were being established, either formally or informally, as the project progressed. This lack of a clear process contributed to the risk of inaccurate reporting. An example of this possibility has already been observed as follows:
  - MASOP's Semi-Annual Report to the Deputy Minister/Chief of the Defence Staff for April-September 2004 included approximately $1.2 million in military PY savings from the ammunition and quality assurance initiatives. While the positions had been identified, the Director Force Planning and Program Coordination (DFPPC) had not yet approved them.
  - Since the report, MASOP received approval for these positions; however, the in-year savings should not have been accrued prior to obtaining approval, resulting in premature and exaggerated savings being reported.

Key stakeholders have not agreed to the definition or the reporting process for investment costs and key savings.

- Also of importance is the clarity of reported savings. Stakeholders must have a common understanding of the definition of a "savings," including an agreed-upon timeframe for when funds are deemed as saved and can therefore be reported. There is no commonly accepted definition for the various types of savings between MASOP and stakeholders external to the project organization. Specifically:
  - DSFC and other key departmental stakeholders adopted a specific definition for the term "savings." A savings has occurred if a budget transfer was made in salary wage envelope (SWE), operations & maintenance, or capital expenditures (i.e., Materiel Requirements Plan costs have been avoided), or where military PYs have been transferred to the VCDS through an agreed upon process.
  - MASOP was operating under a broader definition that defined savings as both actual budget transfers and cost avoidance to the MA&S process. The reporting of cost avoidance savings was subject to misinterpretation by external stakeholders.

- MASOP was deciding if it would declare the originally approved savings of military PYs regardless of whether the positions were transferred to the VCDS for reallocation. Specifically, the possibility existed that military PYs could have been identified as surplus to the MA&S process yet retained by the respective ECSs due to force generation requirements. The review team did not observe a plan to include this possibility in the reporting regime. As well, while the personnel requirements would have been reduced, this would not have resulted in a reduction to overall departmental spending since the military personnel were to be reassigned. This issue was acknowledged in the Project Charter: military PYs are being reported with civilian PYs (with SWE attached) as part of recurring savings and thereby not reporting true savings.
- Also in question was a reported $1.2 million in one-time savings captured by the MASOP ammunition initiative prior to the implementation of its inventory rationalization activity. Specifically, MASOP reported these one-time savings in year one before any inventory rationalization work had commenced on the ground.
- MASOP reported $1.6 million in savings for 2003/04 due to cost avoidance within the inbound transportation sub-initiative associated with business process changes made over the preceding five years. However, the savings were not identified in the original business case, and internal DLBM documentation suggested that this cost avoidance was not attributable to MASOP.

Some action plans only defined at a high level.

- The status of action plans hindered the chances of achieving targets on schedule. Plans were defined at a detailed level (i.e., ready for implementation) for some initiatives. For example:
  - Although the W&D initiative developed a detailed work breakdown structure (WBS) for the implementation of the H&S sub-initiative, its 2-tier warehouse model was defined at a high level (i.e., incomplete service levels, incomplete process maps, no footprint, no stocking quantities and location guidance).
  - The F&L initiative's optimization ideas, for the most part, remain defined at a high level.
  - Schedules and savings targets remained rough order of magnitude (ROM) for these initiatives.

Investment and Sustainment Costs

Investment costs were based on ROM estimates.

- MASOP investment costs were based on ROM. For example, the clothing initiative estimated $1.3-million investment for consultant costs and the TE&Cal initiative estimated $375,000 in travel requirements over the three-year period. However, further analysis showed that these estimates were ROM calculations, over-inflated and not always substantiated. The ROM estimates for investments impacted MASOP because the project was self-funded and the budget was difficult to manage under these conditions.

Identification of sustainment costs not reported.

- MASOP took steps to increase the clarity of its reporting of sustainment costs. Specifically, MASOP:
  - Restated its 2003/04 one-time savings to more accurately reflect the difference between one-time and recurring savings; and
  - Planned to report cost avoidance savings separately from savings associated with a budget transfer and go-forward A-base reductions.
- As with savings, the process for identifying investments costs, including those related to the sustainment of the solution beyond MASOP's scheduled end date, is important. This impacts the completeness of reporting. For example:
  - At the time of the review, the review team found that the comprehensive cost of sustaining MASOP solutions had not yet been identified or reported.

Potential additional and associated MASOP investment costs.

  - Through the ADM(Mat) organizational realignment activities, MASOP management was identifying a portion of the steady-state costs that would have been required to support the MASOP solutions once they were fully implemented. However, it was observed that:
    - These costs were ROM and were not identified in the MASOP semi-annual reporting documents.
    - Additional costs may have been incurred that fell outside the planning and reporting activities.

- Additional and potential MASOP investment costs were noted by the review team that were not reported at the time of this review and would be difficult to fund by the project if recurring savings were not achieved:
  - An estimated 92 percent service level for the W&D solution would have required an additional $150 million in national procurement expenditures to raise inventory levels of active Stock Keeping Units (SKUs) to the required minimum levels.
  - The 22.5 percent management fee associated with the $2-million Clothing On-line contract was not reported by MASOP, but was a cost of operating the solution.
  - The inbound transportation initiative identified at least $300,000 in additional annual costs associated with its MASOP initiative.
  - The Canadian Forces Supply System (CFSS) may have required modifications to support a 2-tier W&D, H&S model. At the time of this report, the Directorate of Materiel Management and Distribution (DMMD) was not aware of additional requirements to modify the CFSS in order to support the 2-tier W&D, H&S solutions.

Stakeholder Commitment to Change

- Many of the solutions under development by MASOP affected ECS organizations that fall outside the authority and control of ADM(Mat). As such, a mutually agreed upon and defined process would have been required to ensure the affected ECS organizations and Level One's (L1s) implement the proposed solutions. Non-acceptance by the ECS may have delayed or prevented the implementation of a solution. This requirement was particularly important for the W&D initiative.
- For original project initiatives, MASOP was following a process whereby a solution was conceptualized and was then mapped back to user requirements in order to determine fit and appropriateness of the solution. Traditionally, projects of this nature would involve gathering and analyzing user requirements first in order to design, test and implement the best solution for the users.

OBSERVATIONS

The process for gaining key stakeholder commitment to change was ambiguous for select initiatives.

- Ad hoc processes were being followed to gain stakeholder commitment to changes. For example:
  - Inconsistent processes were used for the solutions proposed for the clothing and TE&Cal initiatives. The proposed PY savings for the clothing initiative were reduced from 51 to 40. MASOP was of the understanding that stakeholder commitment had been obtained for 40 PYs; however, stakeholders had further reduced the number to 25 PY savings, which represents approximately $0.8 million in recurring savings.
  - The W&D initiative would have directly impacted ECS head count and key business processes in support of force generation and sustainment. As such, it was anticipated that the ECSs would require detailed documentation, including criteria to determine impacts to force generation, and a thorough review process prior to approving the proposed W&D solution. A clear understanding of the L1s' requirements to commit to the proposed W&D solution was not documented nor agreed upon by the affected stakeholders. As a result, at the time of this review, the successful implementation of the proposed W&D initiative was at significant risk of delay or non-acceptance by the ECSs.
- While a mutually agreed upon and documented process did not exist, it is important to note that the MASOP project team:
  - Suggested that an implicit commitment to change be gained from the ECSs at the time of MASOP EPA and through the signatures of each L1 on the PMB approval documents.
  - Intended to use the Defence Logistics Board of Directors as the primary W&D consultation mechanism.
- The review team was not convinced that this would succeed given that the MASOP EPA did not include completed implementation plans for all initiatives and that L1s' approval was for MASOP initiatives in principle and not all solutions. Stakeholder commitment should have been achieved at EPA with a complete business case including implementation plans for each initiative.

There was significant risk of not meeting the project schedule.

Project Schedule and Implementation Plan

- A review of the project schedule showed that the W&D, ammunition and TE&Cal initiatives had aggressive schedules, numerous external dependencies, and limited contingencies for project slippage; consequently, they had a higher possibility of not meeting the scheduled savings targets.
- The W&D initiative experienced significant schedule slippage, it had a number of high-risk activities on its critical path, and there was a significant risk that MASOP would not meet the project schedule.
  - Data quality issues resulted in a delay of 9.5 months due to the validation of dormant and obsolete SKUs. Additional delays in the delivery of data for active SKUs, scheduled for April 2005, had a significant impact on the project's ability to implement the 2-tier warehousing solution by the project end date.
  - It took three months for the EPMs to validate 4,200 SKUs of obsolete stock. Four and a half months were scheduled to complete the validation of 436,000 SKUs of dormant stock,[3] and four months were scheduled to complete the validation of 230,000 SKUs of active stock. The validation of dormant and active stock was intended to be done in parallel using the same EPM and MASOP resources—potentially requiring a 150-fold increase in productivity to complete both activities.
  - Inbound transportation sub-initiative estimated that $2.8 million in recurring savings due from network optimization would not be realized before project closure due to delays in re-positioning dormant stock and plans to not re-position active stock to third-line or "hub" facilities.

[3] Figure takes into account the 1.5-month delay in the delivery of data for the validation of dormant stock.

- The ammunition initiative had slowing sales of surplus stock. Specifically:
  - 15,000 m^3 of potential surplus stock was identified. Approximately 1,500 m^3 or 10 percent of the target amount had been approved for disposal/sale by ECS staff. With this, $7.6 million of the $22 million sales targets was identified as achieved; however, the market remained highly unpredictable and the timing of future sales was uncertain.
  - A reduction of approximately 35 PYs or $1.9 million depended on reducing stock levels. The disposal of surplus stock was no longer a viable option in the short term due to cost, time and environmental considerations.
- The TE&Cal initiative experienced poor returns from sales of surplus equipment. For example, surplus stock of $1.2 million was transferred to the Crown Assets Distribution Centre with an expected market value of $117,000 or $0.10 per $1 in book value. MASOP received $14,000 or $0.01 per $1 in book value—88 percent less than expected. While this may have been an isolated discrepancy, there were indications that market factors had changed since the development of the business case (e.g., wide-spread closure of private sector high-tech facilities and sales of equipment).

Substantive implementation plans were not produced across all initiatives.

- A detailed Master Implementation Plan (MIP) for each initiative had not been finalized at the time of EPA. Additionally, a detailed MASOP WBS had not been finalized at the time of EPA.
- Detailed initiative-level MIPs and WBSs were completed during year one of MASOP. For example, the first draft of the W&D MIP was completed and circulated to stakeholders in summer 2003.
- While it is understood that MASOP was not a capital project, it is reasonable to expect that the planning principles embedded in the Department's Project Approval Guide (PAG), including the requirement to conduct sufficient planning to support the production of substantive cost estimates, could also apply to large scale optimization projects.

OBSERVATIONS

- In contrast to the requirements noted in the PAG, the MASOP documentation produced prior to EPA lacked sufficient planning to support project estimates and did not provide detailed project implementation plans, putting at risk any anticipated projected savings or project schedule.

ANNEX A—REVIEW PROGRAM

Objective 1: To assess the appropriateness of the original investment decision

Activities Supporting Objective	Lines of Enquiry
The assumptions behind an organization's objectives should be periodically challenged.	• Are assumptions discussed in the project business case still relevant? • What is the quality of the baseline information? How were baselines determined? • Does MASOP challenge the assumptions behind its business case?

Objective 2: To assess the key risks facing the project in achieving its savings targets

Activities Supporting Objective	Lines of Enquiry
The significant internal and external risks faced by an organization in the achievement of its objectives should be identified and assessed.	• Are all significant project risks being captured and assessed? • Are follow-up procedures in place and being actioned?
Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated and practised so that people understand what is expected of them and the scope of their freedom to act.	• Is there an approved policy/guidance for determining how and when savings are achieved? • Is there an approved policy/guidance to declare surplus military and civilian positions and harvesting of subsequent savings? • Is there an approved policy/guidance for providing retraining and/or reassignment of civilian personnel whose jobs have been eliminated?
Objectives and related plans should include measurable performance targets and indicators.	• Does MASOP have measurable performance targets for each of its key objectives? - Has the scope and definition of "savings" been agreed to by key stakeholders?
Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that the appropriate people make decisions and take action.	• Are responsibilities, accountabilities and authorities clearly and appropriately defined at all levels within the project? - Does the organizational structure support the objectives of the project?

ANNEX A

Objective 2: To assess the key risks facing the project in achieving its savings targets (cont'd)

Activities Supporting Objective	Lines of Enquiry
People should have the necessary knowledge, skills and tools to support the achievement of the organization's objectives.	• Does MASOP have the necessary people, skills, tools and resources to achieve its objectives? - Is MASOP fully staffed? - Do MASOP staff have a full understanding of best practices? - What IT tools does MASOP require to meet its targets?
Sufficient and relevant information should be identified and communicated in a timely manner to enable people to perform their assigned responsibilities.	• Is there adequate information to allow MASOP staff to perform their tasks?
The decisions and actions of different parts of the organization should be coordinated.	• Who are the key stakeholders and are they being adequately consulted? • What departmental initiatives need to be coordinated with MASOP? How are these initiatives currently coordinated with MASOP?
Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.	• Are real savings being achieved? Are they part of normal business or are they ongoing efficiencies? - Is the methodology used for calculating projected and actual savings valid? - How are costs vetted, tracked and reported? How is this information used? • Are project objectives (milestones, accomplishments) on track for project completion?
All opportunities for efficiencies should be identified and communicated to senior management.	• Are there opportunities for savings that are not currently within scope? - Are best practices and relevant benchmarks being appropriately leveraged?