



COMPTROLLER

UNDER SECRETARY OF DEFENSE
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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNCIL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTOR, FORCE TRANSFORMATION
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Business Management Modernization Program – System Investment
Certification/Approval

Business transformation is one of the Secretary of Defense's top ten priorities. The Business Management Modernization Program (BMMP) was established to effect significant improvements in the Department's business operations and systems. One key element to successful transformation is effective and timely management of business system investments.

Congress has mandated stricter oversight of the Department of Defense's (DoD) system improvements and acquisitions. By law (Section 8084 of the Department of Defense Appropriations Act, 2004 and Section 1004 of the Bob Stump National Defense Authorization Act, 2003) Under Secretary of Defense (Comptroller) (USD(C)) approval is required before an obligation of funds in excess of \$1 million in a fiscal year (all appropriations) can be incurred for system improvements or any milestone approval of financial management automated information systems or mixed information systems supporting financial and nonfinancial functions. System improvements do not include the routine maintenance and operation of a system.

Since the scope of the BMMP includes many nonfinancial business systems, all nonfinancial business systems shall satisfy the same requirements as those imposed by law on financial and mixed systems. Nonfinancial business systems include only those systems supporting the Business Domains operations (Accounting and Finance, Acquisition, Human Resources Management, Installations and Environment, Logistics, Strategic Planning and Budgeting, and Communication and Computing Infrastructure), not warfighter or intelligence related systems. Each Business Domain Owner will determine the scope of its nonfinancial business systems as part of its domain portfolio management responsibility.



System improvements of \$1 million or less being made to financial management information systems, mixed information systems supporting both financial and non-financial functions or nonfinancial business systems will be evaluated to determine if they are prudent investments. For currently operational systems a DoD Component Head may only approve and fund improvements that address priorities 1 and 2 (as defined by the Institute of Electrical and Electronics Engineers (IEEE) 12207.2, "Standard for Information Technology-Software Life Cycle Processes.") core mission issues, for which there is no workaround. All other improvements of \$1 million or less must be certified by the Business Domain Owner having cognizance for the system being improved. This certification authority cannot be delegated outside of the Domain.

All DoD Components (Military Departments, Defense Agencies, and DoD Field Activities) are directed to integrate these requirements into their existing system review processes. Full support and participation of the Components is critical to ensure these system investment approval requirements are satisfied.

The USD(C) and the Business Domain Owners are responsible for ensuring compliance with this mandate. To that end, each Business Domain Owner -- working with the Components -- will develop a business systems compliance plan to: (1) identify business systems requiring USD(C) certification/approval in accordance with the above requirements and mark those systems that are associated with at least 80 percent of Domain's system resources for which certifications will be completed by August 23, 2004; (2) develop a schedule to review business systems in need of USD(C) approval that also specifically identifies those systems which are associated with at least 80 percent of system resources that will be reviewed by August 23, 2004; and (3) obtain cross-Business Domain coordination. The Business Domain Owners must provide their business systems compliance plans to the Business Management and System Integration (BMSI) office within 30 days of the approval date of this memorandum.

The requirements addressed above are in addition to, and not in lieu of, any other Defense acquisition policy and Clinger-Cohen Act certification requirements. Failure to satisfy these requirements may result in a system's funding authority being withdrawn.

The direction contained in this memorandum is effective immediately and further amplifies the requirements of USD(C) memorandum of March 7, 2003, subject: Financial Management Modernization Program (FMMP) – System Reviews.

My point of contact is Dr. Paul Tibbits, Director, BMSI. He may be reached by e-mail at paul.tibbits@dfas.mil or by telephone at (703) 607-3370. The Business Domains' points of contact and compliance certification procedures are available on the BMMP web site at: www.dod.mil/comptroller/bmmp


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