

Registry
83-0140/16

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Phase IV Long-Range Plan Action Items

FROM: Edward L. Sherman
Director of Finance
1212 Key Building

EXTENSION

NO. ADPP 125-83-42

DATE 17 June 1983

TO: (Officer designation, room number, and building)

Eo/DOA

17 JUN 1983 DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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17 JUN 1983

ADPP 125-83-42

MEMORANDUM FOR: Harry E. Fitzwater
Deputy Director for Administration

FROM: Edward L. Sherman
Director of Finance

SUBJECT: Phase IV Long-Range Plan Action Items

REFERENCE: DDA Memo #83-0140/9, Same Subject

1. Introduction

This memorandum responds to your request for a long term strategy for automation of the Agency financial functions, and addresses OF capabilities in providing financial support to headquarters and field operations. The memo in total constitutes a plan for the Modernization of Agency Financial Systems (MAFS) and will be referred to as such in future communications.

2. OF Assumptions on Future of Agency Systems Automation

a. This office is convinced that, during the next 10 to 20 years, the Agency, and especially the DDA components, will be required to rapidly expand use of more sophisticated automated systems applications. Regardless of future expansion or contraction of Agency operations, automated systems and office automation aids offer the only viable means to increase real productivity of Agency personnel including all levels of management. The existing major OF automated systems are obsolescent in terms of present day operations, necessitate far too much manual processing, and contain software packages which are inflexible and costly to maintain. On-going initiatives to rectify these problems will carry OF into a new generation of high technology which will be capable of servicing more than one function at a time. These developments will tend to reorganize the present divisions of labor (logistics, finance, personnel, etc.) along somewhat different lines requiring dissimilar levels and combinations of skills from the way we operate today. How quickly we reach this stage depends in part on still further



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technological developments and Agency decisions to make the necessary investments. Our present developments of ACIS, LIMS and a modern field accounting system are all steps in this direction. They have, to varying degrees, certain futuristic elements such as common data bases, inputs by originators of transactions rather than support specialists, automated performance of manual support functions such as translation, recordation and manipulation of data; auditing and other enforcement techniques for controlling and protecting resources and upholding regulatory and legal authorities; and the automated production of data and other services required to meet legal and managerial requirements.

3. Long Term Strategy for Automation of Agency Financial Functions

a. The requirements generated in rendering financial support to intelligence functions makes these systems considerably different from similiar financial systems in the rest of Government or in private industry. The complications we are required to live with, principally to provide security and cover, are literally unique to CIA. Consequently at this time we cannot beg, borrow or buy major new systems which come anywhere near to meeting our needs. (This may change as the software industry expands and software itself becomes more flexible to change and applicability to various data bases expands.) The construction of such systems, whether by Agency or contractor workforces, is a very long and arduous task constantly subject to changing technology and user requirements. The LIMS and ACIS systems presently under development will each take at least seven years from initiation to full implementation. In the meantime we have no choice but to continue to make changes to the presently obsolescent systems that LIMS and ACIS are designed to replace because of mandatory legislative and management requirements which cannot be put off for seven years. This double resource requirement will be a tremendous burden for the Agency to carry but, at this time, there is no real choice for management to make if our systems are to be capable of meeting the requirements of the 80s and 90s. Our bright light is the expanded use of professional computers (desk-top) in office automation. At the 1983 National Computer Conference, the experts predicted that the professional computers would become the "hub" of office automation and could perform as much as ninety (90) per cent of the computing. It is the opinion of OMB that the expanding universe of high technology being rapidly assimilated into the private sector will force the government, regardless of cost, into automation of exotic levels to provide all of management, including the presidential level, with the information necessary to make decisions, again this was substantiated by the industry leaders and financial analysts at the National Computer Conference. Legislation such as the Prompt Payment and Federal Manager's Financial Integrity Acts will become more frequent as Congress attempts to control government expenditures. The

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Department of Treasury continues with large scale initiatives which will dramatically change the manner in which our operations are conducted, not only with Treasury, but internally as well. These are but examples of enormous changes which will continue to evolve and to which the Agency, and OF, have no option but to respond.

b. At the present time there are three major systems under development which relate to financial management. The Automated Compensation and Information System (ACIS) will replace the Agency's decade old payroll system now fraught with software maintenance problems and an alarming amount of manual processing. ACIS looks to solving not only these and other immediate concerns, but also to create a structural design capability of utilizing present and future state-of-the-art technologies. An on going effort scheduled for implementation within the next five years, ACIS will be the forerunner of systems which will directly interface with each other, eliminate batching and key-punch processing, issue reports on a real-time basis, and vastly improve OF's capability for total Agency support. The major goal of ACIS is to provide the Agency with a comprehensive and viable payroll system that includes a rapid, flexible query capability and reduces the manual workload of the present system.

c. The Logistics Integrated Management System (LIMS) will be an integrated management system designed to combine all of the logistics and related financial processes in the area of property management. This will include requisitioning, procurement, distribution, receiving, payment, catalog, and inventory. The system will function in an environment involving interface (interactive) with the Agency financial accounting and budgeting processes. LIMS will combine the functions of existing systems including CONIF, ICS, SECOND, AWCS, PDMIS, and FARS. LIMS is a system that truly integrates logistics and finance functions in that the procurement and receiving information which is so critical to payment and expenditure functions will all be automatically linked and processed.

d. The third system, The Field Accounting System (FAS), may not yet be recognized by anyone outside of OF as a major system because only recently have we come to regard it as such. Our intention is to develop an automated accounting system to record and report financial accounting responsibilities from all Agency installations, outside of headquarters, on a worldwide basis. Once recorded, the system will verify and sort the data into any desired format. Accumulated data will be electronically transmitted to headquarters where the data will be passed directly into the Agency's General Accounting System (GAS). The immediate pay-off will be greatly improved security through the complete elimination of manual bookkeeping to further reduce documents and forms held in the field, fast and simple record destruction capability, user input which does not require technical training, automatic accounting, and, to some degree

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auditing, an improvement in accounting accuracy, timing and detail, and real time accounting support to management in headquarters and the field. This project is presently in its initial phase. Some experiments have been made at field stations to demonstrate the validity of doing the field accounting on word processors instead of by written records. We have also experimented with sending field accountings to headquarters electronically and using GAS to produce reports for field management. Much more needs to be done but this project is currently moving at an extremely slow pace because we do not have the work force to assign to it. We were denied resources in both our FY84 and FY85 requests to assist in this effort. OF Long-range plans include the use of Tempest approved secure line facsimile equipment that will provide the capability of transmitting authentic reproductions of receipts concurrent with the submission of the accounting. This field accounting system, coupled with facsimile transmissions, would truly speed up OF support capability and solve the long standing problem of having unprocessed Class B accountings resulting in incomplete and non-current financial records.

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g. In the bill paying area there are four initiatives working. The most ambitious is the development of an automated

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travel procedure. Agency travel accountings are processed on an entirely manual basis. The system is cumbersome, filled with approval and certification difficulties, and subject to backlogs during peak travel periods. In recent years, this traditional method of accounting has become much more difficult and involved with the establishment of high rate geographic area and lodgings - plus rates for subsistence expenses. Currently, GSA is considering a flat-rate locality based per diem. Depending upon the type and complexity of the travel involved, processing of a travel voucher can take from hours to days, with a large part of the transactions repetitive in nature. The travel function lends itself directly to an automated process and a great deal of experimentation on this subject has been expended by GAO, Agriculture, and other sectors of the government. Automated systems software for travel processing already exists commercially. With the proper study given to the specific requirements of Agency travel, such software could be adapted for OF use. Manual audit effort would focus only on those claims outside the edits and parameters of the system and significantly reduce processing time. Developed as an on-line function, OF envisages travel automation as eventually encompassing, electronically, the total travel process, i.e., transmission and approvals of travel authorizations, advances, submission of accountings, teleticketing, advance of funds, certification, etc. In addition to being cost efficient and obviously effective, an automated travel system would, by its very design, create, for the first time in the Agency, a central data base for travel costs which could be accessed for all types of travel information desired and in any format. Detailed information on overall travel costs is not now available and can be obtained only through exhaustive and costly manual research. Funds requested by OF for this planning are in the FY84 budget. Follow on costs have not been included in the 85 budget and could run [redacted] or more. In addition to travel, ODP is presently developing a series of changes to GAS, FRS and CONIF to permit user entry of commitments for procurement orders placed with the Office of Logistics and the automated obligation of funds once procurement contracts are let. This process, which should be ready in FY83, will relieve some of the present manual effort going into processing of invoices under the Prompt Payment Act. Although OF succeeded in meeting the provisions of the Prompt Payment Act, this success has been accomplished by adding additional manual complications to an already overburdened payment system. Once the commitments project is completed we hope to develop a Fedstrip-Milstrip interface with the O/L inventory control system. This billing and payment system is currently a labor-intensive process consuming many hours of effort. Payment vouchers are manually prepared and sometimes reach 125 posting voucher pages in one accounting submission. OF plans to automate this process to directly interface with receiving data on the ICS system and eliminate almost entirely the cumbersome manual effort now required. The final initiative in this group is to establish an automated system for tracking GSA work orders for which we have advanced funds to GSA. Under

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present procedures we have only a tedious manual procedure for determining which work orders are completed and can be expensed and which are still pending completion or have been withdrawn. A systems assist would save labor and increase efficiency in this area. Present planning is at a halt due to lack of programming resources in OF.

h. With respect to disbursement functions, there are five initiatives that would materially improve the effectiveness of disbursing and banking operations. The first is the automation of cash accounting for disbursing centers. At present, the vouchers authorizing disbursement of official funds are forwarded to a data base center, key punched, and processed into GAS the following day. Reports on cash general ledger accounts are not available to Monetary Division until three days following any given cash transaction. The daily reconciliation of cash accounts is an involved, labor-intensive effort requiring many hours of time. OF plans to implement an on-line capability at the 6E29 disbursing office which would permit those cash transactions to be immediately recorded into GAS and charged against the proper cash accounts. Following implementation and refinement of this process using 6E29 as a testbed, the on-line cash recordation capability will be expanded to include thirteen other disbursing functions within the headquarters area of operations. Long range planning ultimately envisages world-wide control of Agency cash assets through use of the forthcoming Field Accounting System. Resources for this project will not be available until FY84 at the earliest. Other initiatives are the automation of the foreign currency inventory, automated reconciliation of Agency checking accounts, automating the inventory of banking asset security clearances, and automating the inventory of cashier checks and commodity assets (gold).

i. In the accounting field, we have a large number of work orders which are necessary to maintain the system and provide small enhancements to GAS, and we face the fact that GAS is a major system which does not meet foreseeable future requirements and is already showing signs of age. There is nothing in the OF budgets for FY83, 84 and 85 to even begin analyzing this problem. This matter will become increasingly important as time passes.

j. With respect to the Financial Resources System (FRS), we believe there is a need for a strong central authority to be established over the formatting and printing of administrative reports, especially financial reports. FRS is currently being co-managed by this office and the Comptroller. Aside from those reports required or requested to be produced by the Comptroller no one point in the Agency exists for determining whether or not a report is needed, should be retained or ought to be eliminated. FRS now generates 2690 reports in 180 formats. The new commitments change to GAS will increase these formats to 194. Centralized management of FRS is the only viable means of controlling that system's production requirements.

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4. Hardware Plans for the Future

In the formulation of long-range planning, OF is aware not only of where this office is going, but also what has to be done to get there. Primarily, this involves sustained development, over a period of time and within the constraints of budgetary resources, of a truly responsive, flexible, and futuristic OF financial system built around professional computers (that also do word processing) and main frame computers with communication capability between the two types of hardware. A need is also seen for portable professional computers to be used in the contract audit area.

5. OF Capabilities for Providing Financial Support to Headquarters and Field Components

a. The previous section of this paper identifies many of the problems and "systems" solutions we hope to apply to those problems of providing financial support to the Agency. This section will address problems for which we do not presently foresee a "data processing" solution.

b. Distributed Financial Systems

For many years the financial systems of the Agency have been organized on a distributed basis. Every system is essentially a centralized system in that accounting data eventually feeds into a central accounting system, payroll data feeds into a central payroll system, bill paying data feeds into a central bill paying system and the disbursement of funds is essentially the centralized responsibility of OF. The distributed process is reflected in the fact that all systems are dependent upon the inputs of data and the partial or total processing of data by components spread throughout the Agency at headquarters and overseas. Despite regulations and procedures established by OF, much leeway in determining levels of detail, interpretation of regulations and application of procedures is left to the more than 200 budget and finance officers who serve in positions not under the direct control of the Director of Finance. This system has been a mixed blessing in the past. While it has placed great power over finance systems in the hands of general support and operations officers, thereby assuring maximum flexibility and responsiveness to operational needs, it has at the same time, weakened effective central management, financial discipline, and caused a whole host of career management problems in the development of a strong cadre of budget and finance officers.

c. Impact of Systems Automation

The development of automated financial systems, described in the third section of this paper will in all probability lead to major changes in the organization and staffing requirements for these Agency wide systems in the next 10 to 20 years. We do not

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believe the Agency will have the ability to respond quickly and effectively to these changes unless all budget and finance personnel are put under the operational command of the Director of Finance. We also believe there are distinct advantages to putting all finance careerists under Finance command even under present financial operations. We believe we can do more with the same numbers of people by providing quicker response to changing priorities. We believe we can improve career management leading to a stronger finance product through better training, and assignments. And we believe we can improve financial discipline and at the same time provide better, more flexible support by giving the Office of Finance a stronger command role over financial systems.

d. Centralization of Finance Activity

The forthcoming technological changes facing the Agency will impact heavily on OF. OF sees the infrastructure of the MF Career Service changing over the next decade with a heavy emphasis on centralization of financial activity and fewer detailed assignments outside of OF. This will become more and more a reality as the state-of-the-art moves finance into a "paperless mode". It is certainly not too soon to address the most difficult problem of preparing MF Careerists for the new environment in which they will function.

e. Personnel Expertise

This office desperately needs to strengthen the level of personnel expertise in the several functional work areas involved, i.e., general finance, budget, monetary, commercial audit, systems and procedures, career management and general support. During the past several years, the necessity of staffing unforeseen position requirements outside control of OF, has forced this office to move employees between assignments more rapidly than normally desirable which has resulted in a lack of experience, particularly in the multifaceted area of general finance.

f. OF Control of Detailed Positions

Control of detailed positions would permit OF to plan effectively for entirely new disciplines soon to be required and proper career development of MF careerists. Of equal importance, OF could establish a basic, uniform office staffing structure which would permit uniformity of responsibilities associated with like grades and positions throughout the Agency, staff individual offices based on perceived and current requirements, and obtain the flexibility in personnel assignments necessary to slow down the rotational process to a realistic level. What is required is a dedicated "down the road" planning effort by OF management for assimilation and implementation of new technology and, of even greater importance, to accomplish the training required by new disciplines and a phased reorganization of the total finance

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mission. To ignore or delay facing this most serious requirement will result in confusion, unpreparedness, loss of morale, and an inept effort. OF management cannot properly meet this challenge without control of the totality of the MF Career Service.

g. Overall Planning for Systems Development

The Agency approach to automation lacks, and should have, overall direction and planning for systems development. The financial activities of OF affect every component within the Agency, regardless of mission or function. Given the potential of automation to simplify methods of accomplishing almost any desired result, systems planning by individual offices, will result only in noncompatible systems, redundant effort, and excessive costs.

h. Necessity for Interactive Systems

Agency investment in automation will not be served well unless systems are designed to be interactive with each other. OF systems, in particular, must be developed with the capability of access to DO and other systems for selected purposes such as special authorities, approvals, existence of fiscal annexes, administrative plans, and countless other financially related matters. It makes no sense to continue individual efforts in a vacuum and succeed only in accomplishing limited goals when so much more is possible with the technology at hand. OF strongly recommends that senior Agency management address this real need within the near future.

i. Agency Travel Regulations

With respect to travel, the Agency travel regulations are far more detailed than other similar government issuances. This results from the Agency's travel policies being a composite of the Federal Travel Regulations, Standardized Regulations, Foreign Affairs Manual, and the Agency's special authorities. The problem is further exacerbated by the organizational structure of the Agency (Independent Offices and several components within each of four large directorates) with individual travel approving officers for each entity. There are some forty travel approving officers throughout the Agency. Most, if not all, government agencies administer travel policy and approvals through a centralized travel office which not only ensures uniform application of travel entitlements and allowances but also provides the expertise necessary for developing internal travel regulations with enough flexibility to meet specific operational needs. It is apparent to this Office that the Agency's very real desire and need for flexibility in travel authorizations to meet special and unique situations has been inhibited unnecessarily by our detailed regulations. Agency travel policy is being continually revised to address and remedy problems of particular directorates, only to create new problems for other sectors of the Agency.

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j. Standardized Federal Travel Regulations

The Interagency Travel and Allowance Committee, and others, are heading a government wide initiative to publish Standardized Federal Travel Regulations. These regulations are intended to conform all government travel, eliminate the need for writing travel regulations at the agency level and to ensure uniform and equitable treatment to travelers on a worldwide basis. It is a certainty that, at some point in time, standardized regulations for all of government will become a reality. Ideally at that time, our travel and allowance regulations should contain only exceptions to those regulations which are required by security, cover, and operational considerations. This will not happen, particularly in the area of travel, under the present travel approval system.

k. Central Travel Office

OF recommends that all headquarters travel approval and certifications within the Agency be accomplished by one centralized travel office under the control of OF. In terms of current day thinking and organizational structure, this would appear to be both revolutionary in concept and unworkable in reality. Although not in hand or place, the technology now exists to centralize all travel activity, improve support reaction capability to all components, simplify travel policy administration, and ensure fair and equitable treatment to all Agency travelers. Implementation of a truly centralized travel office would restrict all headquarters travel approving authorities below some level, (perhaps the deputy director level) to only that centralized office. For the most part, components would become requestors of travel to be charged against funds budgeted from that component. Such requests would be electronically transmitted to the central office for approval with no hard copy travel order required and effective regardless of the physical location of the requestor. Travel accountings would also be accomplished electronically. Operational considerations affecting approval judgements would be incorporated into the travel request and possibly include indicators such as routine, priority, and immediate approval responses requested. Appropriate turn-around response time would be taken as required. The foregoing recommendation is not only possible but very much to be desired. The following benefits would immediately be obtained from centralization of headquarters travel:

1. Uniform application of travel entitlements to headquarters personnel on a world wide basis.

2. Reductions in number and simplification of Agency travel regulations permitting a central travel approving officer the maximum flexibility to address properly the circumstances of individual travelers.

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3. Drastically reduce the number of approvals for exceptions to travel regulations now required by higher authority.

4. Eliminate the need by Central Travel Branch for constant post approvals of travel expenses by the component approving officer for questionable claims, which seriously delays the accounting process.

5. Greatly increase the efficiency and overall effectiveness of travel accounting procedures.

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