

Valerie Carpenter Talks About the Historic Success of Navy ERP

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Valerie Carpenter serves as the Program Manager for the Navy Enterprise Resource Planning (ERP) Program, an Acquisition Category IAM program that is delivering an integrated business management capability to the Navy. The Navy ERP system is modernizing business systems and processes for all the Navy acquisition commands and over 72,000 users, providing a powerful business system for financial, acquisition, workforce and supply chain management. Results include legacy retirement, enhanced auditability, inventory savings, business process efficiencies, improved fleet readiness, as well as resource and asset visibility.

CHIPS spoke with Carpenter in late June.

Q: The formal name of the program office changed from Navy Enterprise Resource Planning (ERP) to Navy Enterprise Business Solutions (EBS – PMW 220). What were the changes in your portfolio that led to the renaming of the program office?

A: ERP business processes align into the structure of the Program Executive Office for Enterprise Information Systems led by Mr. Victor Gavin. Navy ERP is a very successful program within PMM 220, and we recently added the Electronic Procurement System (EPS) to our portfolio. This led us to begin an internal discussion that ERP was really a Navy business solution not defined by a particular software brand. We talked about how we could leverage the solutions we had engineered to ensure future success and how we could transfer what we had learned to other business processes not just for pay and supply chain management. We wanted to leverage the resources that the Navy had invested in ERP and invest them in core organic business solutions for the Navy — so the name change just made sense.

Q: What is the status of each of the programs/solutions in your portfolio?

A: Navy ERP is fully deployed and in sustainment. We are transitioning from a heavily contractor-reliant model to a more organic sustainment structure using government personnel. We are transitioning data management and code programming to Naval Supply Systems Command (NAVSUP) Mechanicsburg and primary support and the Tier 1 1-800 help desk to Space and Naval Warfare Systems Command (SPAWAR).

Navy ERP is a significant achievement for the Navy. It is deployed to 72,000 users in the four major systems commands and the two smaller systems commands. It has fully blossomed to what it was envisioned to be. Now we are looking into making it better and leveraging what we have learned to reengineer some processes.

EPS is undergoing a review with the Navy Resource Requirements Review Board Assistant Program Manager (APM) staff as required in the DoD and SECNAV 5000 Instructions. We are engineering our products in a very aggressive cost and schedule approach to replace the Standard Procurement System (SPS) by January 2018. This means we must release EPS no later than December 2017.

Q: Have there been cost savings with the shift from contractors to government personnel?

A: We just started transitioning in January and didn't have a new construct in place until June. We are validating our approach with the budget centers and anticipate cost savings moving to an organic model. The commands are still hiring personnel that are able to perform in the transition so we may not have the data to identify the savings for a year or two.

Q: Using Navy ERP has already resulted in real savings for the Navy. Can you talk about where the savings come from?

A: Fifty to 51 percent of the Navy's total obligating authority (TOA) is managed in ERP. Savings to date have come primarily from inventory savings because of better management of the supply chain. The Navy can stop ordering inventory that it doesn't need because there is increased visibility into warehouses worldwide right down to the BIN unit. Parts and inventory can be located properly to serve fleet needs. In FY11, the Navy saved \$280 million with another \$200 million returned to the Navy to date due to better inventory management. The Navy is using the savings return to recapitalize the fleet and for maintenance.

Deployed fleet forces now have repairable stores where they need to be. This has led to labor cost avoidance as well because personnel have an automated tool to track the workflow. So, for example, an order is not sitting in someone's inbox who is on vacation and someone else can handle the workflow [transaction].

The automated tool saves time and it gives financial offices and budgeters data and the time to analyze data that they couldn't do before because they did not have the data or the time for analysis.

Seventy-eight supply chain systems have been shut down so far and other systems are being considered for replacement or modernization.

Q: What role does audit readiness have within your portfolio's solutions?

A: Audit readiness has implications in everything we do. Navy ERP follows the money from Congressional appropriation to the Assistant Secretary of the Navy for Financial Management & Comptroller's budget office (FMB), to the echelon II commands, to the systems commands down to Navy Working Capital Fund sites to contract award.

The Navy can see how money is spent, the receipt of materials, invoices, including who took the receipt of materials, and if vendors were paid promptly or if there was a late payment issued. For the first time in the Navy, there is a full audit trail on the repairables or parts issued to the fleet, including the type of contract used and any modifications. Because of the interface with Navy ERP [people] are empowered to track every dollar and see a transaction from beginning to end.

We work very closely with the ASN for FM&C Susan Rabern and Principal Deputy ASN Charlie Cook. Our programs are integral to audit readiness since they comprise 50 to 53 percent of the Navy's TOA, including the inventory we procure from the DLA (Defense Logistics Agency), to the engines, parts and repairables at the depot level or those sent to industry for repair. They are tracked from when they are sent to industry and industry ships them back and we resume control in the depots.

We are working with Dennis Taitano, the Deputy ASN for FM&C, on transparency for Navy business segments that interface with vendors or other government systems like DTS (Defense Travel System). We

look at issues and business processes internal to organizations to see if we need to tweak ERP for better record keeping or recommend process changes. We have a priority list from FM&C that we are working on to reengineer changes to ensure audit readiness. The Navy is preparing for an audit of the Statement of Budgetary Resources (SBR) by 2014 and must meet legal requirements to achieve full audit readiness for all DoD financial statements by 2017.

We are assisting FM&C and our customers as they prepare to be audited. We have already assisted NAVAIR (Naval Air Systems Command) with an audit of the ED-2 Hawkeye aircraft program and they received a favorable opinion. We see that as a very good sign for ERP and the entire Navy and will continue to improve and enhance audit readiness for our customers.

Q: How has your office approached audit readiness, and what have you learned?

A: Back in 2005 and 2006 when ERP was rolled out, no one really knew what audit readiness would look like so we have been on a journey of discovery to meet the financial standards for financial transparency and accountability, and we have made great progress. We know TOA data must be accessible, transparent, credible and integrated; enabling automated, repeatable, sustainable financial reconciliations.

Q: Since Navy ERP has been fully deployed, what do you see as the future of the program?

A: ERP has a great future. We see audit readiness as a watershed event for us. It has been a real eye-opener in the work we had to do for the Navy to be able to conduct a true audit. We are excited about the future of ERP because other financial systems will likely transition into the PEO EIS, not necessarily under a SAP solution, but other solutions that will benefit from our expertise to streamline and modernize IT systems and processes.

We want to reduce the IT dollars the Navy spends to operate its systems and help the Navy move dollars to its mission. We don't like being part of the tail, and we think with the way ERP has improved supply chain management and depot repairables inventory management, we have moved up to into the kill chain.

PEO EIS business software solutions help get the Navy from point A to point B quickly; it's the speed of delivery we aim for. We do not want to add non-value to the acquisition process. Speed of delivery is what Mr. [Sean] Stackley [Assistant Secretary of the Navy for Research, Development and Acquisition (RDA)] and Mr. [Frank] Kendall [Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L)] have directed in procurement. So we are tailoring our approach intent on the 5000 series, and keeping senior leadership informed of our progress.

Q: Is there anything else you would like to talk about?

A: ERP has been an incredible success for the Navy and the PMM 220 portfolio. It is unique to the Navy. No other service has been as successful with their versions of an ERP as the Navy has. There will never be another IT investment of this size in the Navy because of sequestration so it is somewhat historic.

The teamwork across the government, industry and customer team is something I have never seen before in DoD. It is a one-of-a-kind partnership. The ability to attract and retain such an outstanding talented team speaks to the success of ERP.

I give the team all the credit for ERP's success. There were some who said the Navy would never be able to do it, but from initial IOC (initial operating capability), through each milestone to full deployment, the team, including our customers, proved them wrong.

Speaking of our team, we have just moved from commercially leased spaces in Annapolis to the Washington Navy Yard, which has allowed us to save money by moving to government-owned facilities.

It was a great move. It was flawless, nothing was lost or damaged. Our spaces were completely gutted, we have new furniture, telephones – everything is brand new and clean. It is a pleasure to work in such clean spaces. We were a bit concerned at first because our office had been in Annapolis since 2005. So the move was not something we were looking forward to at first because of the possible disruption.

Naval Facilities Engineering Command (NAVFAC), Commander, Navy Installations Command (CNIC) and SPAWAR did an outstanding job of planning and executing the move.

We are collocated with Naval Enterprise Networks (NEN) Program Office (PMW 205) and it is convenient to be so close to our colleagues. Another benefit is we are only two blocks away from FMO and closer to the Pentagon so there is great synergy in being able to spend more time with our colleagues in the budget office and it has greatly improved communications.