



# FINANCIAL REFORM



*"Stretching every dollar to capture its full value to have increased readiness and lethality across the force is essential to America's ability to safeguard its vital national security interests around the globe today and in the future."*

*– LTG Thomas A. Horlander, Military Deputy to the Assistant Secretary of the Army for Financial Management and Comptroller*

## TOP LINE MESSAGES

PRIORITY: PEOPLE (REFORM)

DATE: 1 APRIL 2019

- The Army has a responsibility to maximize its resources, operate transparently and execute its budget, according to law and policy.
- The Army budgets its resources to support implementation of the National Defense Strategy and the Army's top priorities: readiness, lethality and modernization.
- The law requires the Army to produce auditable financial statements and account for the money it spends, and the property and equipment it manages.
- Army leader priorities include financial reform, fiscal stewardship and stretching every dollar provided by U.S. taxpayers.

## SUMMARY

The Army is focused on reforming the Department's financial practices to improve performance and to optimize its purchasing power. In developing the FY20 budget (\$182.3B) the Army aggressively pursued reforms to time, money, and manpower and to empower commanders to make more cost-effective and timely decisions. Leaders reviewed all programs and projects, aligning them with the National Defense Strategies and Army priorities. Financial reform initiatives have included acquisition reform, consolidating contracts and audibility. The results validated Army programs, synchronized resourcing, reinvested savings in programs which increase readiness, improve lethality and modernize the Army.

## TALKING POINTS

### Changing the culture:

- The Army must strive to be "Peerless Stewards" of taxpayer funds and spend them wisely.
- The true test of Stewardship is aligning spending with the National Defense Strategy and Army priorities.
- Leaders must understand financial responsibility is a command responsibility and commanders at all levels are held responsible for the management and performance of their budgets.
- Army financial and sustainment leaders must revise their policies and procedures and require their field commanders to follow new financial reform guidelines.

### Auditability:

- The Army began its first full financial statement audit in FY18. Building on the momentum generated by audits in FY17 and earlier years, the Army was ready to take the major step toward fiscal responsibility and accountability.
- As expected, the FY18 audit resulted in findings that produced a clear benchmark to begin measuring progress in future audits.
- To continue progress in financial reform, the Army is aggressively developing and maintaining a culture that expects auditable records at every Army level.
- The Army must sustain accountability and provide a clean audit on the Army's financial statements.
- Improving and standardizing processes is a key step for audit success.

### The Army uses CAER to care for its money:

- On 14 Dec 2017, The Secretary of the Army directed establishment of the Army Command Accountability and Execution Review (CAER) program to optimize purchasing power and enhance stewardship of financial resources.
- CAER is designed to "maximize every Army dollar," by requiring commanders and senior leaders to closely manage their Operations and Maintenance Budgets (O&M) (\$53B in FY20).

### CAER is showing results:

- FY18 was a very successful first year of the program, with the lowest de-obligation rate in the last five years, with reductions by 43 percent.
- DoD and other services updated their policies, processes and programs to include CAER's "best practices."

### De-Obligations of O&M funds are the problem:

- De-obligations result from funds that are set aside for purchasing goods or services, but are unused.
- If orders for goods and services are cancelled, or contract prices are less than stated, after one year, the unused funds are de-obligated and returned to the U.S. Treasury.
- Since obligation of funds is based on vendor estimates, more accurate estimates and timely invoicing will allow for quicker payments.
- De-obligations, or appropriated funds returned to the U.S. Treasury, have been as high as five percent of the annual O&M budget.
- Congress also penalizes the Army for losing the buying power by cutting funds from future appropriations, further eroding the Army's buying power.

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## DIGITAL & SOCIAL MEDIA RESOURCES:

- **Webpages:**  
[The Command Accountability and Execution Review Program:](#)  
[National Defense Strategy](#)
- **STAND-TO!:** TBP  
[CAER](#)  
<https://www.army.mil/standto/2018-04-05>

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