

BUSINESS VALUE GUIDE
VERSION 2
NOVEMBER 2006

COGNOS PERFORMANCE BLUEPRINTS
PROGRAM OBJECTIVE MEMORANDUM (POM)



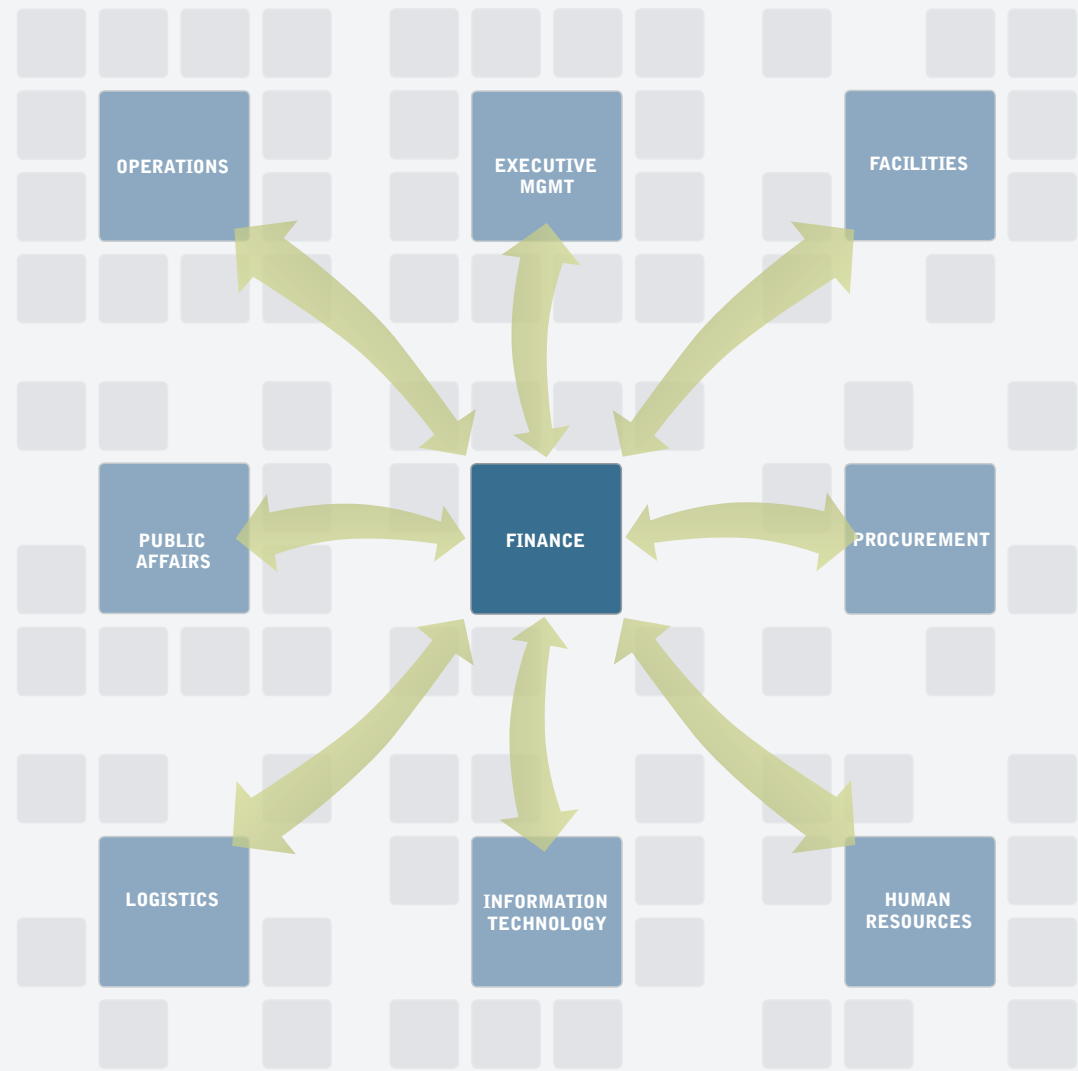
PLANNING FOR U.S. DEFENSE AGENCIES

Department of Defense Budget Process: Planning, Programming, Budgeting, and Execution (PPBE)

Planning, Programming, Budgeting, and Execution (PPBE) is the primary vehicle for identifying mission requirements and translating them into the budget and personnel resources required to accomplish a mission. Through the evaluation of alternatives, PPBE ensures that the highest priority requirements are funded.

PPBE enables decision makers to examine and analyze decisions by considering environmental factors such as threats, political and economic climates, technological developments, and resource availability. The processes within PPBE are based on, and are consistent with, the objectives, policies, priorities, and strategies derived from National Security Decision directives, and shift DoD's focus from straight financial discipline to increased attention and emphasis on program performance and results.

PPBE's ultimate objective is to provide Operational Commanders with the best mix of forces, equipment, and support attainable within fiscal constraints. Based on the anticipated threat, a strategy is developed. Requirements of the strategy are estimated and programs are developed to execute it. Finally, a budget is developed to fund the programs, and metrics are used to track program performance against stated objectives or outcomes.

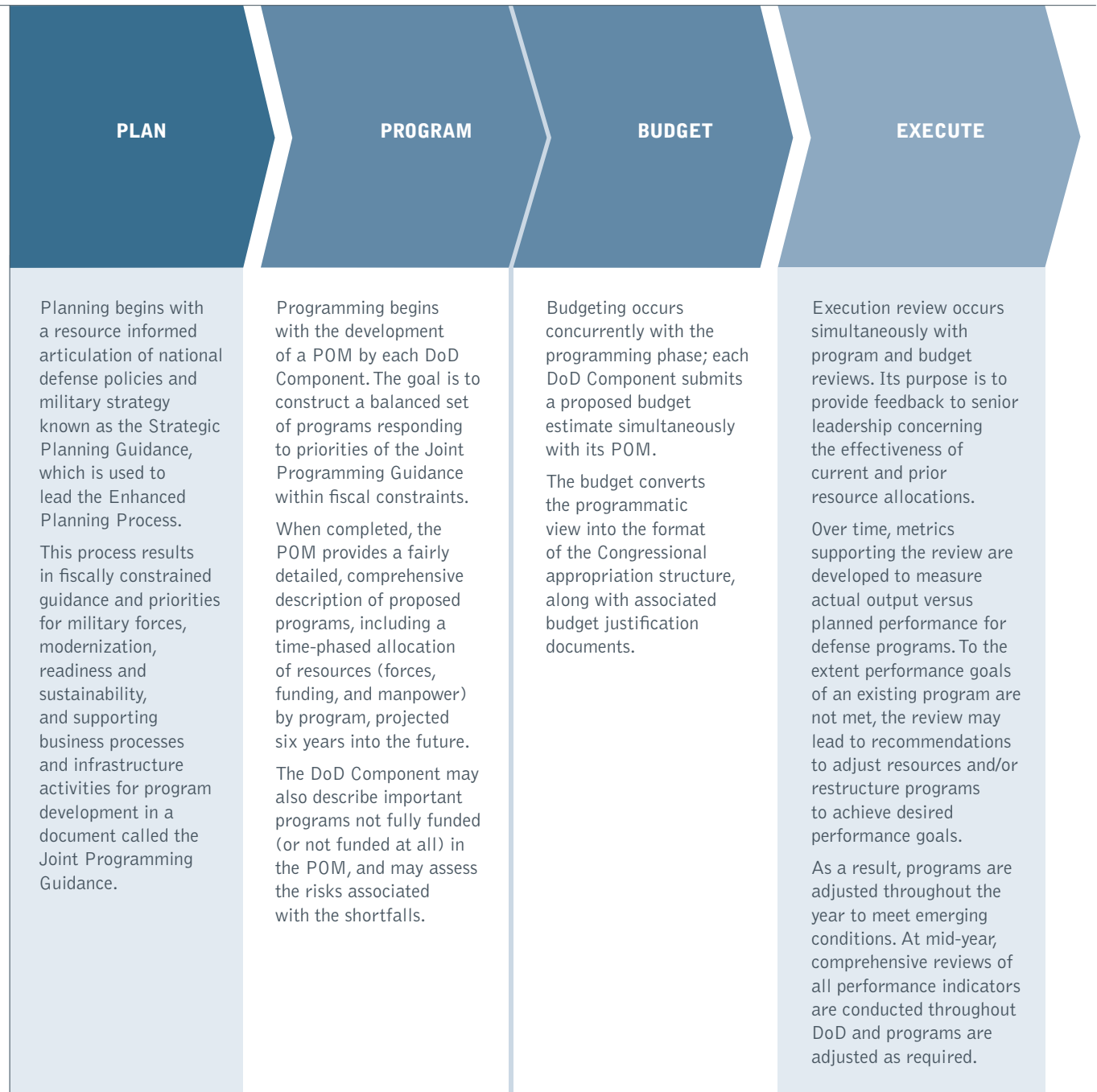


The Secretary of Defense establishes the departmental policies, strategies, and prioritized goals used to guide resource allocation decisions that balance the guidance with fiscal constraints. The PPBE process consists of four distinct, but overlapping phases.

Thorough phase-by-phase process reviews ensure that major issues (mission-readiness, quality-of-life for military personnel, modernization, administration priorities, and legislative initiatives) have been addressed within the constraints of total DoD resources.

PPBE is a continuous process that results in an annual submission of the President's Budget to Congress. It addresses the Future Years Defense Program (FYDP)—which looks ahead six years—as well as the current and upcoming budget execution years. While PPBE phases are considered sequential, because of the time required to develop estimates and review resource requirements, there are generally at least two phases of PPBE running at any given time.

This document looks at the DoD budgeting process—specifically the Program Objective Memorandum (POM) submission and attendant the issues.

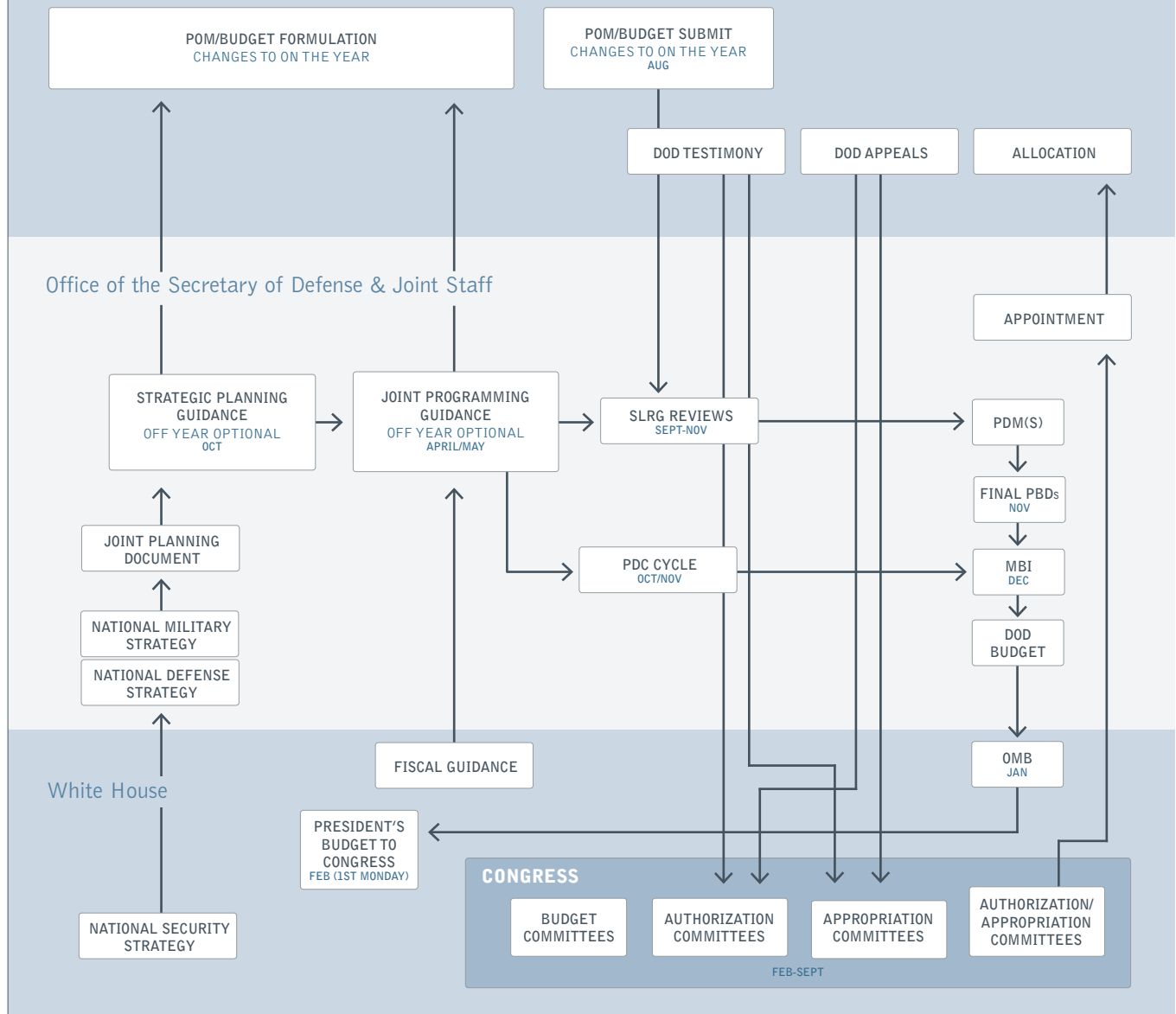


Defense Budget Planning Cycle

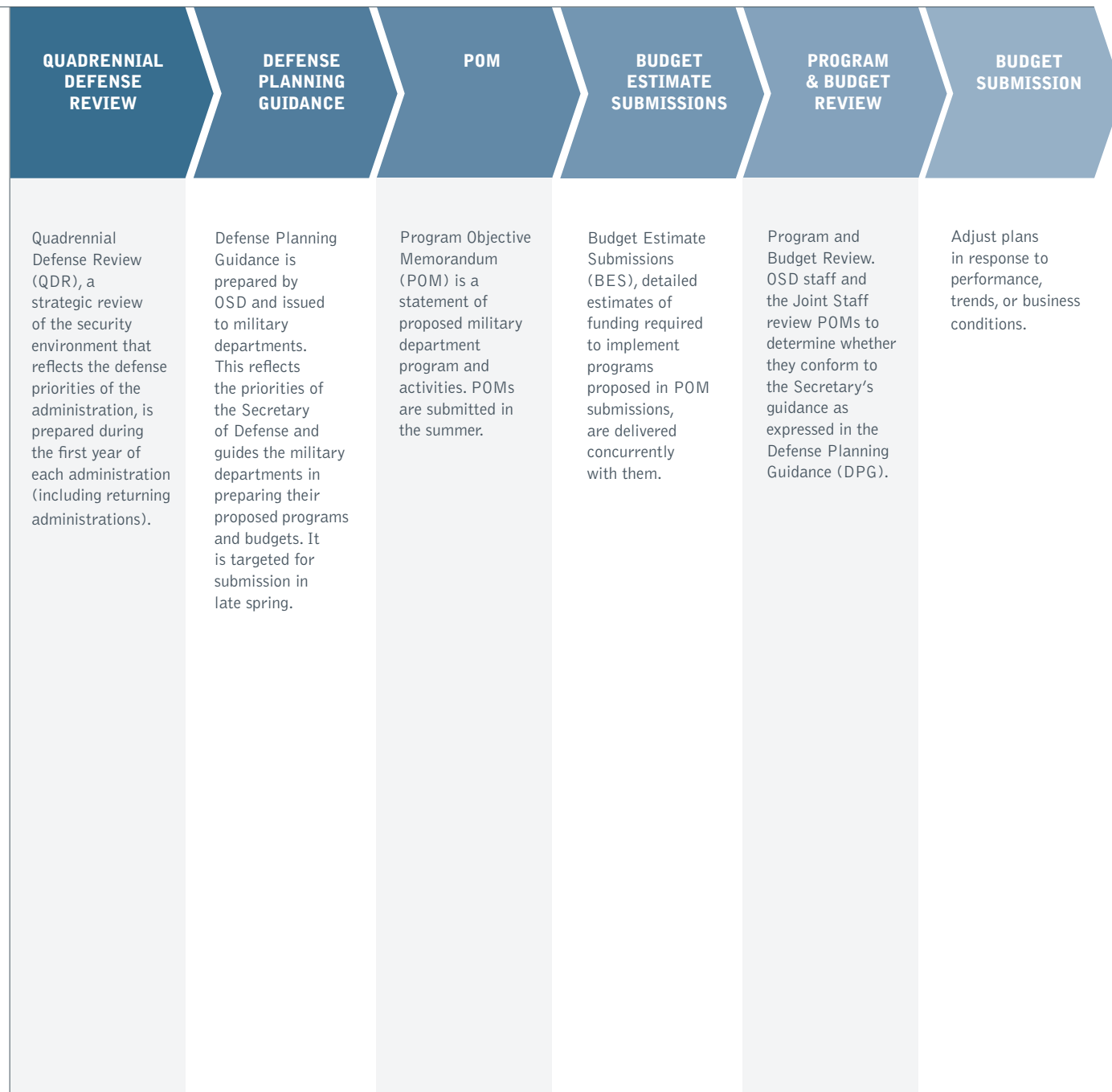
JOINT CAPABILITIES INTEGRATION AND DEVELOPMENT SYSTEM ACRONYMS	
CDD	CAPABILITY DEVELOPMENT DOCUMENT
CPD	CAPABILITY PRODUCTION DOCUMENT
DCR	DOTMLPF CHANGE RECOMMENDATION
DOTMLPF	DOCTRINE, ORGANIZATION, TRAINING, MATERIAL, LEADERSHIP, PERSONNEL, AND FACILITIES
FOC	FULL OPERATIONAL CAPABILITY
ICD	INITIAL CAPABILITIES DOCUMENT
IOC	INITIAL OPERATIONAL CAPABILITY
JCD	JOINT CAPABILITIES DOCUMENT
JROC	JOINT REQUIREMENTS OVERSIGHT COUNCIL
MUA	MILITARY UTILITY ASSESSMENT
NCOW-RM	NET CENTRIC OPERATIONS WARFARE-REFERENCE MODEL
KIP	KEY INTERFACE PROFILES
KPP	KEY PERFORMANCE PARAMETER

PLANNING, PROGRAMMING, BUDGETING, & EXECUTION PROCESS

Military Department & Defense Agencies



Defense Budget Planning Cycle: Major Submissions



Program Objective Memorandum (POM) Background

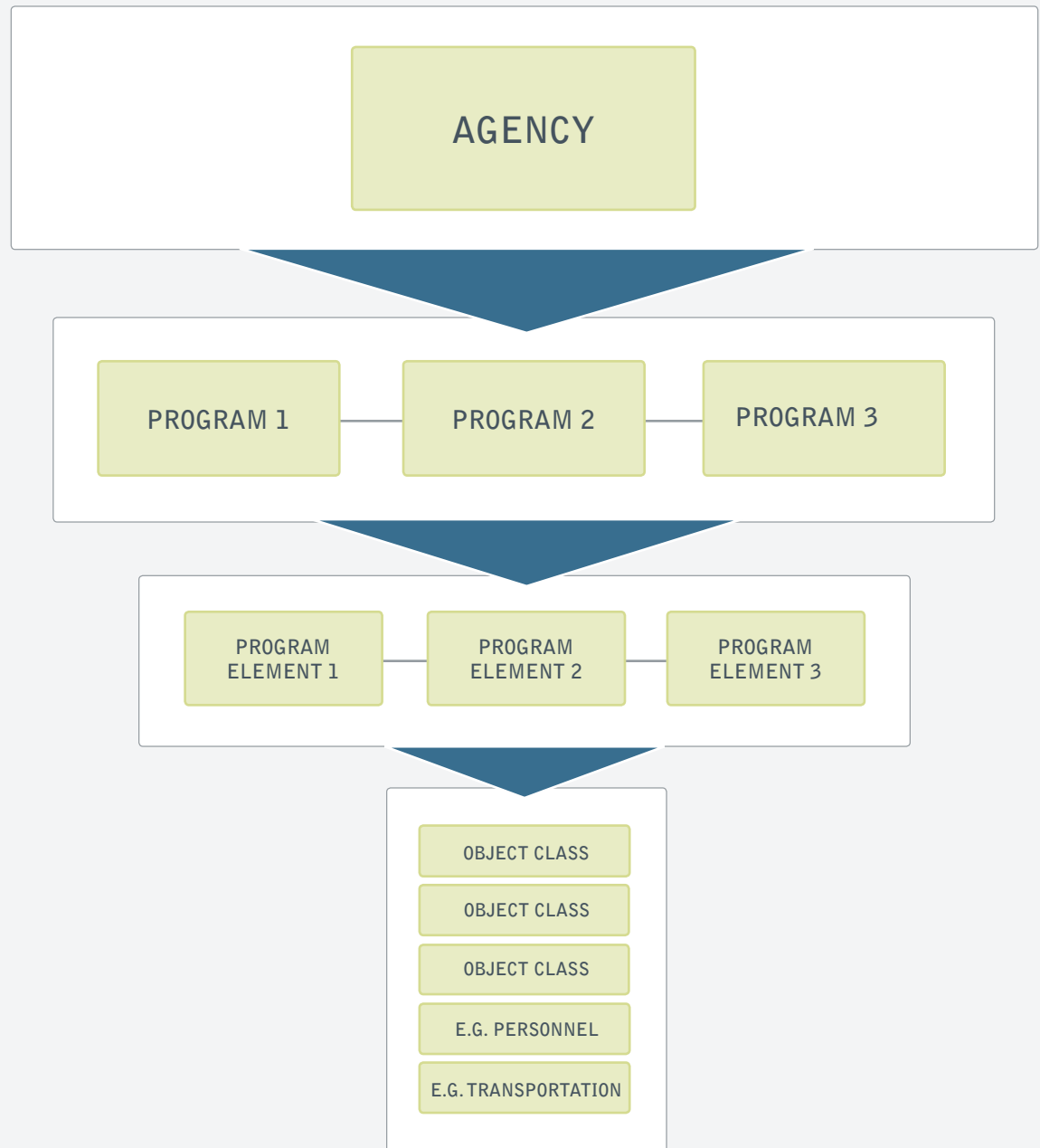
- The POM submission is a 5-year outlook on budget requirements. It starts with the year following the President's Budget, which is always one year ahead of the current year. The format may vary somewhat from year to year based on the POM guidance.
- The POM is the primary document used by the services to submit programming proposals. The POM includes an analysis of missions, objectives, alternative methods to accomplish objectives, and allocation of resources.
- With the implementation of a two-year budget cycle, a new document—the Program Change Proposal (PCP)—was introduced into the budgeting process to address urgent matters that need action during the Off-Budget year.
- The services and defense agencies use POM in the even-numbered On-Budget years to develop proposed programs consistent with the Joint Programming Guidance (JPG) and to submit proposed programming.
- In addition to the current budget year, the POM is a seven-year plan that is organized within program categories, such as conventional forces or special operations; and by type of resource, such as funding or manpower.
- The program provides for four years beyond the budget year for cost and manpower, and seven years beyond the budget year for forces.
- The PCP is used in odd-numbered Off-Budget years, instead of POM, to request changes to the baseline budget set forth in the Future Years Defense Program (FYDP) from the previous Administration. The expectation is that there will be few changes to that baseline and that only urgent issues will be addressed. All other items are deferred to the following year for consideration during the full-scale planning and programming process. In addition, each PCP must net to zero, meaning that proposed increases to programs must be offset by proposed program decreases.
- POM is reviewed by program review teams comprising members of the military departments, Joint Chiefs of Staff (JCS), defense agencies, and OSD staff. The results of this review are presented to the Senior Level Review Group (SLRG) for discussion. In addition, the Joint Chiefs conduct a concurrent checks-and-balances review of POM, focusing on the balance and capabilities of the proposed forces levels. Both reviews are presented to the Secretary of Defense prior to his/her decisions in the Program Decision Memoranda (PDM).

Budgeting in the Department of Defense

To understand the budgeting process within the DoD, one needs to understand the structure of a typical budget sheet. Note that budget guidelines are the same for both defense and civilian organizations in the U.S. Federal government.

The key points to note in the diagram on the left are that:

- Budgets are typically prepared at the program level.
- Agencies run and/or fund many programs.
- Each program has a budget.
- The budget sheet on the next page shows line items. The major line items (e.g. Personal Services and Benefits) are program elements.
- Under program elements are the most granular budget items object classes (e.g. Travel and Transportation of Persons).
- The POM is the primary document used by the services to submit programming proposals.



POM Budgeting Summary Expense Worksheet

For POM budget submission, many object class entries are static values, based on cost models predetermined and standardized across the government.

Program Element appropriation structures tie explicitly to Treasury codes; Object Classes are legislated by the accounting reporting process.

Most agencies have a dedicated budgeting application into which budget owners plug their numbers. Its primary function is to manage the budget submission. Budget owners typically use a spreadsheet for budget planning and preparation then move numbers over to the budget application.

The Office of Management and Budget (OMB) and Congress are largely satisfied with government agency financial models. However, current cost models are used mostly for financial compliance reporting, and financial models are static, not dynamic (e.g. gas consumption is a variable).

	Program Element Total	Business Sustaining	22 General Admin.	23 HQ Fur
FTE's	56	56	0	
Personal Services Cost per FTE				
Personal Services Benefits %				
Personal Services Retirement %	8.68%	8.68%	54.05%	
Travel Costs per FTE				
Average W/Y Cost	43,817	43,817	0	
1111 Full-Time Permanent Employees Basic Salaries	1,933,767	1,933,767	0	
1131 Oth Than FT Permanent Employee Basic Salaries	150,000	150,000	150,000	
1157 Premium Pay	120,000	120,000	120,000	
1181 Reimbursable-Employees of Other Agencies	100,000	100,000	100,000	
PERSONAL SERVICES	2,303,767	2,303,767	370,000	
1211 Civil Service Retirement Fund Contributions	250,000	250,000	0	
BENEFITS	250,000	250,000	0	
1302 Retirement Benefits	200,000	200,000	200,000	
PERSONAL SERVICES AND BENEFITS	2,753,767	2,753,767	570,000	
2321 Rental Of Space	10,000	10,000	10,000	
2236 PCS - Housing Goods	2,000	2,000	2,000	
2335 Communications Network	6,000	6,000	0	
2455 Printing & Reproduction - GPO	1,000	1,000	1,000	
2561 Physical Examinations	500	500	500	
2611 ADP Supplies	10,000	10,000	10,000	
2101 Travel & Transportation of Persons	25,000	25,000	25,000	
2311 Rental Payments To GSA	120,000	120,000	120,000	
2511 Advisory and Assistance Services	12,000	12,000	12,000	
2521 Other Services	4,000	4,000	4,000	
2531 Oth Purch of Goods & Services fr Govt. Accts	2,000	2,000	2,000	
2541 Operation and Maintenance of Facilities	10,000	10,000	10,000	
2571 Operation and Maintenance of Equipment	72,000	72,000	72,000	
2581 Subsistence and Support of Persons	4,000	4,000	4,000	
CONTRACTUAL SERVICES AND SUPPLIES	278,500	278,500	272,500	
3122 ADP Equipment (Greater Than \$50,000)	100,000	100,000	100,000	
Required Adjustment	0	0	0	
Object Class Total	3,132,267	3,132,267	942,500	

POM Budgeting Challenges

There are a some obvious problems with static cost models:

- Costs prescribed by the model may not be reflective of the actual costs the budget owner sees in their own organization.
- The budget application does not provide a capability for the budget owner to analyze their budgets or do scenario planning.
- It is not integrated with performance management tools, so despite the intent on managing to desired outcomes (objectives), there is no ability to do so.
- Finding and validating the data tends to be among the most challenging aspects of preparing the budget.
- Error checking goes much deeper than analysis, and is a big issue. Information reliability = trust, and there is a profound lack of trust in the data. There are typically many data errors, not necessarily errors in calculations, but definitional problems or poor data. An inordinate amount of time is spent collecting and validating data rather than doing analysis.

	Program Element Total	Business Sustaining	22 General Admin.	23 HQ Fur
FTE's	56	56	0	
Personal Services Cost per FTE				
Personal Services Benefits %				
Personal Services Retirement %	8.68%		54.05%	
Travel Costs per FTE				
Average W/Y Cost	43,817	43,817	0	
1111 Full-Time Permanent Employees Basic Salaries	1,933,767	1,933,767	0	
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1157 Premium Pay	120,000	120,000	120,000	
1181 Reimbursable-Employees of Other Agencies	100,000	100,000	100,000	
PERSONAL SERVICES	2,303,767	2,303,767	370,000	
1211 Civil Service Retirement Fund Contributions	250,000	250,000	0	
BENEFITS	250,000	250,000	0	
1302 Retirement Benefits	200,000	200,000	200,000	
PERSONAL SERVICES AND BENEFITS	2,753,767	2,753,767	570,000	
2321 Rental Of Space	10,000	10,000	10,000	
2236 PCS - Housing Goods	2,000	2,000	2,000	
2335 Communications Network	6,000	6,000	0	
2455 Printing & Reproduction - GPO	1,000	1,000	1,000	
2561 Physical Examinations	500	500	500	
2611 ADP Supplies	10,000	10,000	10,000	
2101 Travel & Transportation of Persons	25,000	25,000	25,000	
2311 Rental Payments To GSA	120,000	120,000	120,000	
2511 Advisory and Assistance Services	12,000	12,000	12,000	
2521 Other Services	4,000	4,000	4,000	
2531 Oth Purch of Goods & Services fr Govt. Accts	2,000	2,000	2,000	
2541 Operation and Maintenance of	10,000	10,000	10,000	
2571 Operation and Maintenance of	72,000	72,000	72,000	
2581 Subsistence and Support of P	4,000	4,000	4,000	
CONTRACTUAL SERVICES A	278,500	278,500	272,500	
3122 ADP Equipment (Greater Than \$50,000)	100,000	100,000	100,000	
Required Adjustment	0	0	0	
Object Class Total	3,132,267	3,132,267	942,500	

Modeled costs may not reflect actual costs.

Data validation is tedious and time-consuming.

Error-checking must address definitions and calculations as well as data.

Managing to outcomes is extremely difficult.

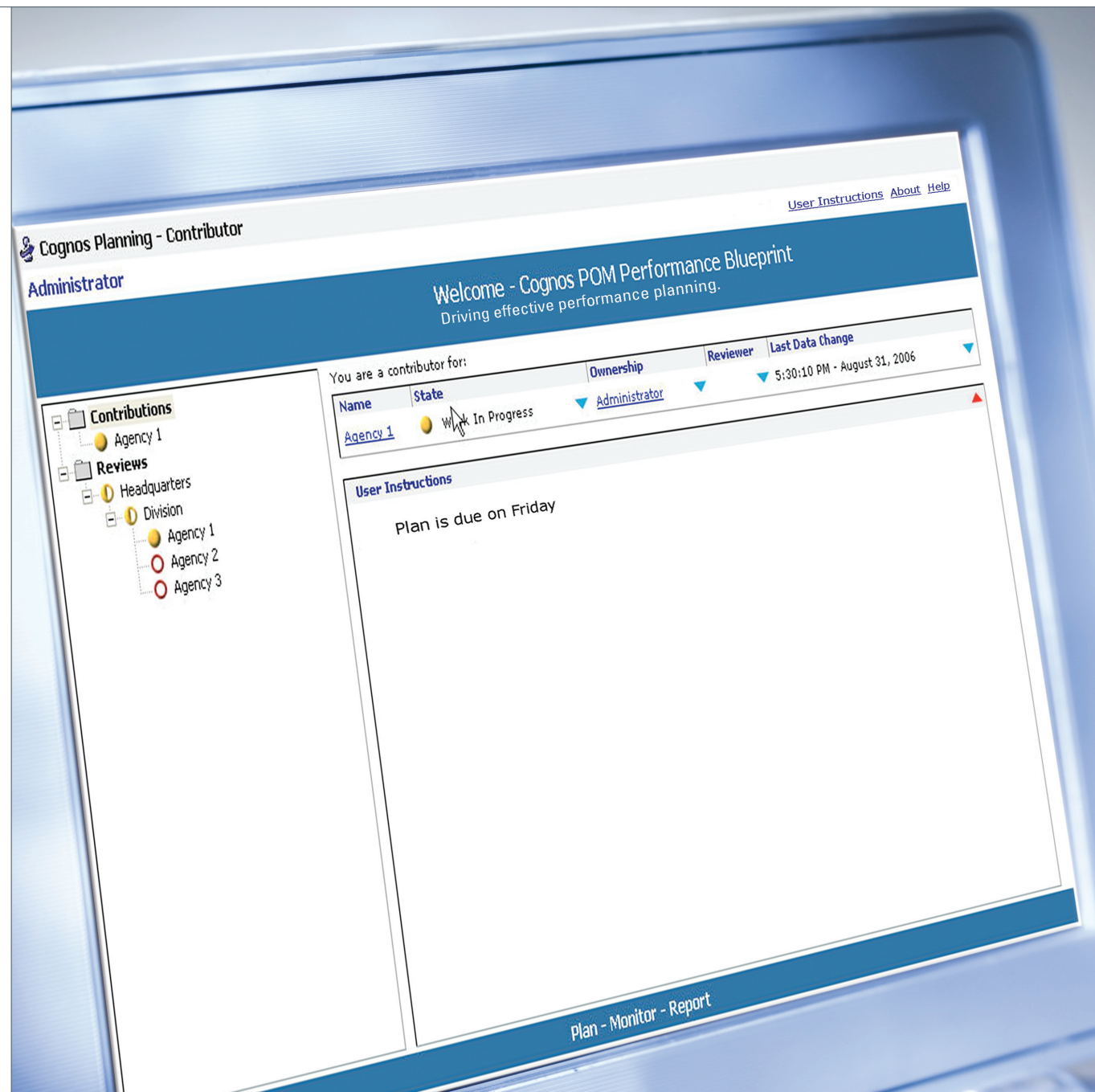
The POM Performance Blueprint Solution

Budget formulation and planning should not be driven by financial compliance. It should provide a facility for sensitivity analysis and scenario planning. Business managers need analytic capability to more effectively understand what the implications of various scenarios might be.

Cognos Performance Blueprints are pre-defined data, process, and policy models based on proven best practices in enterprise planning, along with financial management and control.

The POM Performance Blueprint helps support the budget formulation and planning process by providing a flexible environment that enables budget owners to consider the implications of various budget decisions. It also allows the budget owner the ability to establish cost models that are reflective of the actual costs their organization experiences, resulting in more accurate budget estimates and better management.

The POM Blueprint has been designed for organizations to more realistically model and do scenario planning in the support of specific mission objectives. It consists of two major components — the POM Master Template and the Cost Models. The POM Master Template is the primary tool for input of POM data, either manually through planner input or automatically through pre-configured Cost Models.



POM Master Component

The POM Master Template can accommodate automated linking of data from the first component, the Cost Model, or manual input of POM data where Cost Models are not being used. It represents the summary expense for the POM budgeting process. It includes the relevant Object Classes and Program element expenses as well as metrics related to headcount.

Here, the tab is used to input the Current year Base Cost for each Object class and also to select the appropriate "Program Element" from the drop-down. Future year's expenses are calculated using the Inflation Assumptions. The data here will link to the POM Master.

POM Blueprint Contributions Agency 1 - Cognos Planning - Contributor						
File Edit View Tools Actions Help						
Equipment Assumptions Equipment Employee Requirements Employees Equipment Equipment Productivity Base Cost Throughput Input Goal Result						
Scenario 1 Agency 1						
	Cur Yr	Select Program Element	Cur Yr+1	Cur Yr+2	Cur Yr+3	Cur Yr+4
FTE's	75		75	75	75	75
Personal Services Cost per FTE	32,991		42,893	55,772	69,722	83,675
Personal Services Benefits %	5.05%		4.00%	3.17%	2.61%	2.24%
Personal Services Retirement %	6.06%		4.80%	3.80%	3.13%	2.69%
Travel Costs per FTE	4,000		4,120	4,244	4,371	4,502
1111 Full-Time Permanent Employees Basic Salaries	2,474,345	32 IMET	3,216,969	4,182,894	5,229,139	6,275,593
1131 Oth Than FT Permanent Employee Basic Salaries	0	26.05 IT-STARR-PC2	0	0	0	0
1157 Premium Pay	0	26.06 IT-STARS	0	0	0	0
1181 Reimbursable-Employees of Other Agencies	0	26.07 IT-OSGMS	0	0	0	0
PERSONAL SERVICES	2,474,345			4	5,229,139	6,275,593
1211 Civil Service Retirement Fund Contributions	125,000	26.09 IT-PORTAL	0	0	136,591	140,689
BENEFITS	125,000	26.11 IT-General	0	0	3	136,591
1302 Retirement Benefits	150,000	Other Security Cooperation	85	163,909	168,826	
PERSONAL SERVICES AND BENEFITS	2,749,345	27 EUM	0	0	2	5,529,639
2321 Rental Of Space	0	28 EDA	0	0	0	0
2326 PCS - Housing Goods	0	30 Drawdowns	0	0	0	0
2335 Communications Network	0	31 FMF Admin.	0	0	0	0
2455 Printing & Reproduction - GPO	0	32 IMET	0	0	0	0
2561 Physical Examinations	0	33 HA/MA, EIPC, Warsaw, PKO and Other Funded In	0	0	0	0
2611 ADP Supplies	0	32 IMET	0	0	0	0
2101 Travel & Transportation of Persons	300,000	32 IMET	309,000	318,270	327,818	337,653
2311 Rental Payments To GSA	0	32 IMET	0	0	0	0
2511 Advisory and Assistance Services	0	32 IMET	0	0	0	0
2521 Other Services	0	32 IMET	0	0	0	0
2531 Oth Purch of Goods & Services fr Govt. Accts	0	32 IMET	0	0	0	0
2541 Operation and Maintenance of Facilities	0	32 IMET	0	0	0	0
2571 Operation and Maintenance of Equipment	72,000	32 IMET	74,160	76,385	78,676	81,037
2581 Subsistence and Support of Persons	0	32 IMET	0	0	0	0
CONTRACTUAL SERVICES AND SUPPLIES	372,000		383,160	394,655	406,494	418,689
3122 ADP Equipment (Greater Than \$50,000)	0	32 IMET	0	0	0	0
Total Budget Authority	3,121,345		3,883,379	4,869,297	5,936,134	7,003,797
Current Positions	75	32 IMET	75	75	75	75
No employees required	9		0	0	0	0

Current owner: Administrator

POM Blueprint Drivers

The POM Blueprint has been designed for organizations to more realistically model and do scenario planning in the support of specific mission objectives. The Blueprint is designed for planners to embed cost model estimations in the POM Master Template as an alternative to manual input. The Blueprint includes several models, though the Cognos 8 Planning suite allows development of any number Cost Models an agency might require.

The initial implementation of the POM Blueprint enables budget owners to model people and equipment productivity. In this example, more senior people are presumed to be more productive, and more productive still with advanced equipment, though they will need more training.

In a typical defense planning scenario, a planner could consider the total cost of deploying a fighting or support unit—including people, equipment, infrastructure—and determine whether the unit is fully capable and the mission objective can be fully met within the guidelines established for the mission.

The Blueprint has broader application, beyond defense agencies, in terms of analysis and goal achievement as a driver for the budgeting process. It could be extended to include civilian agencies (notably Department of Homeland Security) or any civilian agencies that need to model the productivity of people and/or equipment against specific goals or objectives.

	Prior Yr	Curr Yr	Curr Yr+1	Curr Yr+2	Curr Yr+3	Curr Yr+4
GS05	240	240	240	240	240	240
GS06	250	250	250	250	250	250
GS07	260	260	260	260	260	260
GS08	270	270	270	270	270	270
GS09	280	280	280	280	280	280
GS10	300	300	300	300	300	300
Total	1,600	1,600	1,600	1,600	1,600	1,600

	Machine 1	Machine 2	Machine 3	Machine 4	Machine 5
Planned Equipment	3	1	1	0	0
Headcount shortage (Y/N)?					
Total Employees Required	9	0	0	0	0
Grade Level Headcount	15	0	0	0	0
Current Monthly Productivity	3,680	0	0	0	0
Monthly Productivity Uplift	4,320	0	0	0	0
Current Annual Productivity	43,200	0	0	0	0
Annual Productivity Uplift	69,120	0	0	0	0

	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
Goal %	20.00%	22.00%	24.00%	25.00%	28.00%
Threshold %	10.00%	10.00%	10.00%	10.00%	10.00%
Current Monthly Productivity	8,860	8,860	8,860	8,860	8,860
Monthly Productivity Uplift	7,570	7,570	7,570	7,570	7,570
Annual Productivity Uplift	161,640	161,640	161,640	161,640	161,640
Throughput Per Year	750,000	750,000	750,000	750,000	750,000
Goal % Achieved	21.55%	21.55%	21.55%	21.55%	21.55%
Goal w/in Threshold	Green	Yellow	Red	Red	Red
Variance Goal %	1.55%	(0.45%)	(2.45%)	(3.45%)	(6.45%)
Grade Headcount	57	57	57	57	57
No Required to Meet Goal	52	57	62	65	72
Variance Headcount	5	0	(5)	(8)	(15)
Current No. of GS5	15	15	15	15	15
Current No. of GS6	16	16	16	16	16
Current No. of GS7	11	11	11	11	11
Current No. of GS8	6	6	6	6	6
Current No. of GS9	4	4	4	4	4
Current No. of GS10	5	5	5	5	5
Current Headcount	57	57	57	57	57

Why Cognos?

Most agencies use an Excel-based approach which is inflexible, time-consuming, cumbersome, and error-prone.

Further, with spreadsheet systems:

- Workflow management is non-existent.
- Version control is extremely difficult.
- Frequent formula changes threaten accuracy.
- Advanced functionality requires arcane coding languages.
- Sophisticated, dynamic modeling is impossible.

The Cognos POM Performance Blueprint can help organizations improve performance by connecting strategy to plans, targets, and operational objectives, and delivering up-to-date insight into agency performance.

The Cognos POM Blueprint enables organizations to:

- Finalize the budget planning process in August...rather than November.
- Accurately plan for the entire year, yet modify plans at any time.
- Create efficient and rapid changes at all levels.
- Improve flexibility and accuracy.
 - Easily modify driver variables.
 - Readily perform “What-if” modeling and analysis.
 - Compare and analyze alternative scenarios.
- Ensure consistency through integrated planning.
- Increase accountability through high participation and visibility.
- Improve accountability by tying performance to budget.
- Improve budget planning process through workflow-enabled collaboration, approval, and monitoring.
- Improve governance by establishing a secure environment with audit trail controls.

COGNOS | INNOVATION
CENTER
for Performance Management™

The Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation planning and performance management practices. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.