

Navy Enterprise Resource Planning (ERP) Program

Executive Summary

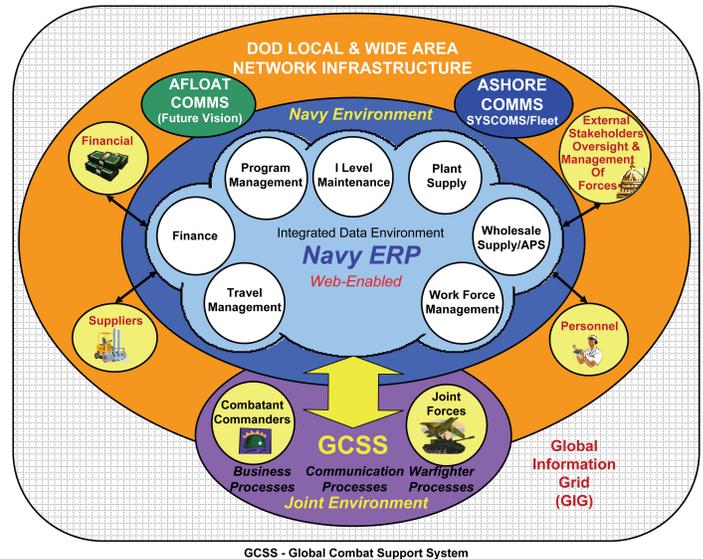
- During FY08, Commander, Operational Test and Evaluation Force (COTF) conducted an extended IOT&E of Navy Enterprise Resource Planning (ERP) Release 1.0 at Naval Air Systems Command (NAVAIR) Headquarters. The system was operationally suitable, but not operationally effective. Change management and financial management were unsatisfactory, which led to a significant expenditure of resources and manpower that had not been anticipated.
- In July 2008, COTF reevaluated the release and found minimal progress in resolving financial management deficiencies since the IOT&E concluded. NAVAIR is still experiencing major difficulties matching disbursements to obligations and has a large backlog of payments to vendors, despite an increase in its workforce.
- Naval Supply Systems Command (NAVSUP), the next receiving command, and the Navy ERP program manager have taken vigorous and comprehensive change management steps to ensure that the new software can be successfully deployed to NAVSUP. The complexity, cost, and risk of deploying to NAVSUP appear to be significantly less than they were for NAVAIR.
- The program manager will deploy Release 1.0 to NAVSUP in 1QFY09, and COTF will conduct FOT&E at NAVSUP during 2QFY09 to determine whether the new change management processes are operationally effective. COTF will then conduct FOT&E at NAVAIR to establish whether long-term financial management solutions are effective. The FOT&E results will be used by the Deputy Under Secretary of Defense for Business Transformation to determine whether Release 1.0 should be fielded to additional Navy commands.

System

- A major component of the Navy's Global Combat Support System, Navy ERP uses commercial ERP software to manage financial and logistical activities. Some additional software development is necessary to perform unique military requirements.
- Navy ERP provides ERP web services to users worldwide through a Navy Enterprise Portal.
- The program manager is implementing the system in three stages, or releases: financial and acquisition management;

Activity

- Following a successful operational assessment at the conclusion of developmental testing, the system achieved Milestone C in late 4QFY07 and the program manager began a limited fielding to NAVAIR in 1QFY08.



wholesale and retail supply; and intermediate level maintenance.

- Navy ERP replaces four Navy ERP pilot systems (Supply Maintenance Aviator Reengineering Team (SMART), SIGMA (Financial System), Navy Enterprise Maintenance Automated Information System (NEMAIS) and CABRILLO (Warfare Center Management), converging them into a single, integrated system.

Mission

- The Navy utilizes the Navy ERP program to provide end-to-end management of the Navy's major resources (forces, support material, and funds) from forward-deployed forces back to supporting entities.
- The Navy intends to use the ERP program to transform key acquisition, logistics, and financial business activities into an integrated network of decision-making processes and business activities.

Prime Contractor

- BearingPoint

- COTF began the first phase of IOT&E in November 2007, focusing on the technical aspects of system operation, supportability metrics, network and help desk performance, and other non-user related activities.

NAVY PROGRAMS

- COTF began the second phase of IOT&E at NAVAIR in January 2008, focusing on end-user capabilities and actual operational use. During this phase, the testers observed live business operations in the production environment and conducted interviews with end users. The IOT&E concluded on May 14, 2008.
- During July 2008, COTF assessed the adequacy of financial management corrective actions at NAVAIR and reviewed the change management preparation for fielding Release 1.0 to NAVSUP.

Assessment

- DOT&E assessed the IOT&E to be adequate to determine operational effectiveness and suitability. DOT&E concurred with COTF's assessment that Navy ERP Release 1.0 is operationally suitable, but is not operationally effective. The technical infrastructure is sound and the information assurance posture is exemplary. However, poor change management and other deficiencies resulted in unsatisfactory financial management operations and a significant unanticipated expenditure of resources and manpower.
- The primary financial management deficiency concerned the vendor pay process, which experienced a breakdown of automated invoice processing and a greatly increased manual accounting workload. Navy ERP rejected a significant number of records because they didn't contain the required financial matching information and validation data imposed by the new financial compliance requirements. The situation improved considerably during the IOT&E, but was still unsatisfactory when testing concluded.
- The COTF assessment of financial management corrective actions at NAVAIR found that the command was still experiencing major difficulties matching disbursements to obligations and still has a large backlog of payments to vendors. NAVAIR and the program manager have implemented short and long-term solutions; however, it appears that complete resolution will be a lengthy process that requires financial requirement actions and further automation in both Navy ERP and legacy systems.

- Following IOT&E, the program manager and the NAVSUP Commander made extensive preparations for the follow-on fielding of Release 1.0. Based on lessons learned, the program manager issued a Command Implementation Guide that provided detailed guidance on planning and execution of the deployment and cutover process. NAVSUP completed an impact assessment of changes to the command's business processes and developed mitigation strategies. A change readiness assessment was conducted to help smooth the upcoming organizational changes. DOT&E endorses this activity, as it will enable NAVSUP to effectively transition from their legacy system to Navy ERP.
- The complexity, cost, and risk of deploying Release 1.0 to NAVSUP appears to be significantly less than it was for NAVAIR. The release affects only a small percentage of NAVSUP's business, and there will be no migration of legacy data. NAVSUP and Navy ERP are concentrating intensely on effective change management and applying the lessons learned at NAVAIR, which will make NAVSUP better prepared to implement Navy ERP Release 1.0.

Recommendations

- Status of Previous Recommendations. The program manager made progress on the two FY07 recommendations; however, both require additional work.
- FY08 Recommendations.
 1. The Deputy Under Secretary of Defense for Business Transformation should limit additional fielding of Release 1.0 to NAVSUP.
 2. COTF should conduct FOT&E at both NAVSUP and NAVAIR in order to determine the system's current operational effectiveness and suitability before further deployment. The NAVSUP evaluation should determine whether the new change management processes are effective while the NAVAIR reevaluation should determine whether long-term financial management solutions are effective.