



# **DoN CPI Workshop**

# **FINANCIAL BENEFITS VALIDATION**

***San Diego, CA  
February 2-3, 2010***



# Objectives



- Understand the current Financial Benefits Validation Process
  - Calculation of benefits
  - Identification of benefit types
  - Financial review process
- Preview upcoming changes



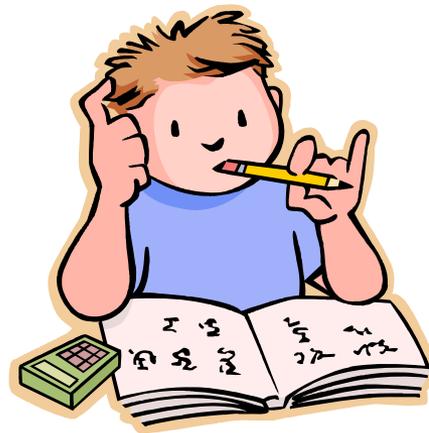
# CPI Financial Process Timeline



- DON Transformation Team Leaders (TTL) established the Financial Working Group (FWG) in 2006
- SECNAVINST 5220.13 dated 30 NOV 2007 requires standardization and reporting of CPI Financial Benefits
- SECNAVINST 5220.14 dated 13 MAY 2009, mandates recording of CPI financial benefits in Continuous Process Improvement Management System (CPIMS)



# Calculating Project Benefits





# Calculation of Financial Benefits

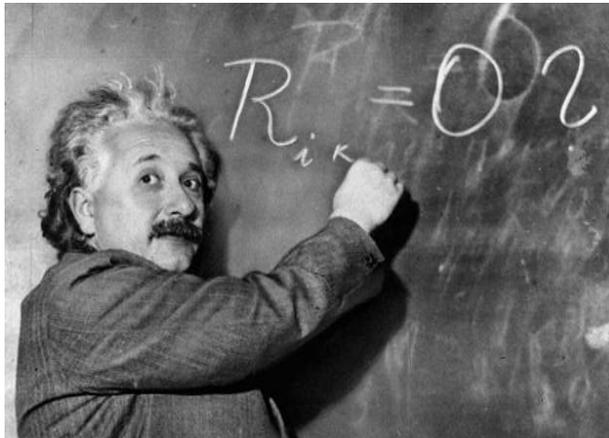
Baseline (As-Is)  
Cost



End State (To-Be)  
Cost



Non-Recurring  
Cost (Investment)



Benefits

***THIS IS BASIC MATH, NOT ROCKET SCIENCE!***



# Baseline (As-Is) Cost

## Cost of process for the previous 12 months

- If the natural business cycle of the project does not include the previous 12 months, then the last significant activity period should be used
- Include all **labor** and **non-labor costs**
  - **Labor costs** include government employees and contractors
    - **Civilian labor costs** are based on average rates (as used in pay bands), and are accelerated for fringe costs only (no applied overhead)
    - **Military labor costs** are based on enlisted and officer rates in effect for the fiscal year in which the project is conducted (OSD composite rate).  
<http://www.defenselink.mil/comptroller/rates>



# Baseline (As-Is) Cost

- **Contractor Support Services** are included as labor costs when they are performing work that might otherwise be performed by Government personnel.
  - Examples include: Contractor Advisory and Assistance Services and Contract Engineering and Technical Support. Rates used are those in the existing contract.
- **Non-labor costs** include those costs specifically associated with the process, such as: travel, material, NMCI seats, and other contractual expenses.

*Labor rates and work-year standards (hours) are provided by the Comptroller and are located in CPIMS*



# End State (To-Be) Cost

- Estimated cost for 12 months after implementation of process improvements
  - Or, the next natural business cycle of the process
  - **All labor** and **non-labor costs** associated with the project will be included in the calculations
    - The **same cost elements and rates information** as identified in the Baseline are applied to the End State costs
    - All End State costs must be calculated in constant dollars (the same fiscal year) as those defined in the Baseline (As-Is) estimate

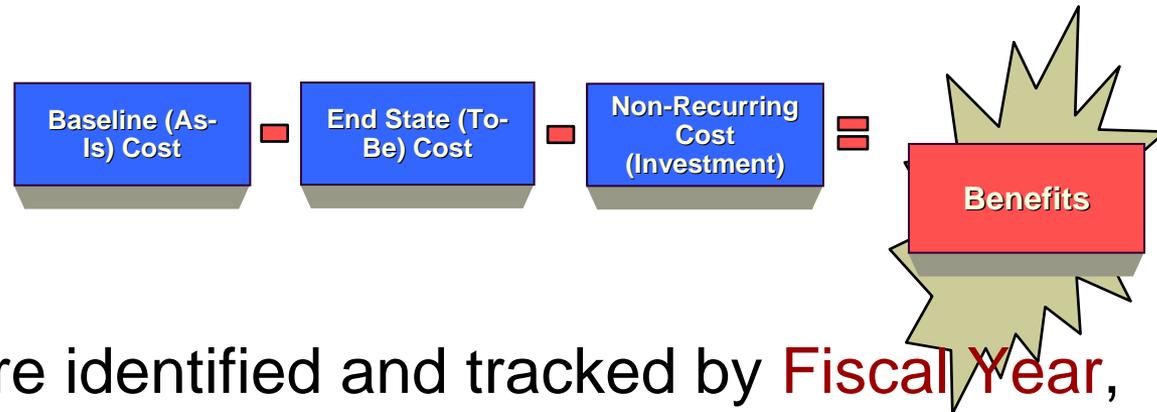


# Non-Recurring Costs (Investment)

- Costs required to implement the process change (e.g., procurement of new software) will be considered non-recurring costs and subtracted from the project's benefits
- Associated sustainment costs (i.e., annual licenses), should be reflected as part of the "to be" cost of the process



# Project Benefits Calculation Summary



- Benefits are identified and tracked by **Fiscal Year**, based on new process implementation
- Adjusted for volume/quantity fluctuations
  - If the customer base of the process fluctuates from year to year, the benefits will fluctuate as well
- **NOT** adjusted for inflation
  - Inflation will be applied by the Comptroller community as dollars are realigned

Click here  
for example





1

# Benefit Types...

2

3



# Financial Benefit Types

- While there may be many benefits associated with CPI projects, there are only two that are ***financial*** in nature:
  - **Type 1** is considered permanent cost reduction
  - **Type 2** is considered productivity improvement
- **Type 3** benefits are considered mission related benefits and are non-financial in nature
- Projects usually have a combination of both financial and mission-related benefits



# Financial Benefits – Type 1

## *Permanent Cost Reduction*

Type 1: Permanent, real, quantifiable cost reductions tied to specific Budget Line Items (BLI)

- ***Elimination or reduction*** in:
  - Non-labor cost, i.e., equipment, travel, etc.
  - Contract Support Services (CSS)
  - Overtime
- ***Elimination*** of whole WY(s) and associated civilian positions or military billets

Type 1 Benefits must be tracked to the BLI that funds the process



# Type 1 Subcategories

Type 1 benefits are further subdivided into:

- **Type 1A - Cost Savings**

Defined as actual reductions in the number of dollars needed to meet a customer-established requirement by improving a process or a function. These dollars can be removed from the budget.

- Example: Reductions to the amount or cost of materials used in support of a process. The materials costs were included in the budget, and are available for removal or realignment.



# Type 1 Subcategories (Cont'd)



## ■ Type 1B - Cost Avoidance

Defined as a permanent cost reduction that **cannot** be removed from an existing Budget

- Budgets have already been reduced to meet efficiency challenges
  - A mark was made to the budget that reduced funding without reducing associated workload or product
- Budget does not contain funding for the item in question, for example:
  - Reductions to **unbudgeted** overtime
  - Improvements to equipment maintenance processes which reduce the occurrence of catastrophic failures that are **not budgeted for**



# Financial Benefits – Type 2

## *Productivity Improvement*

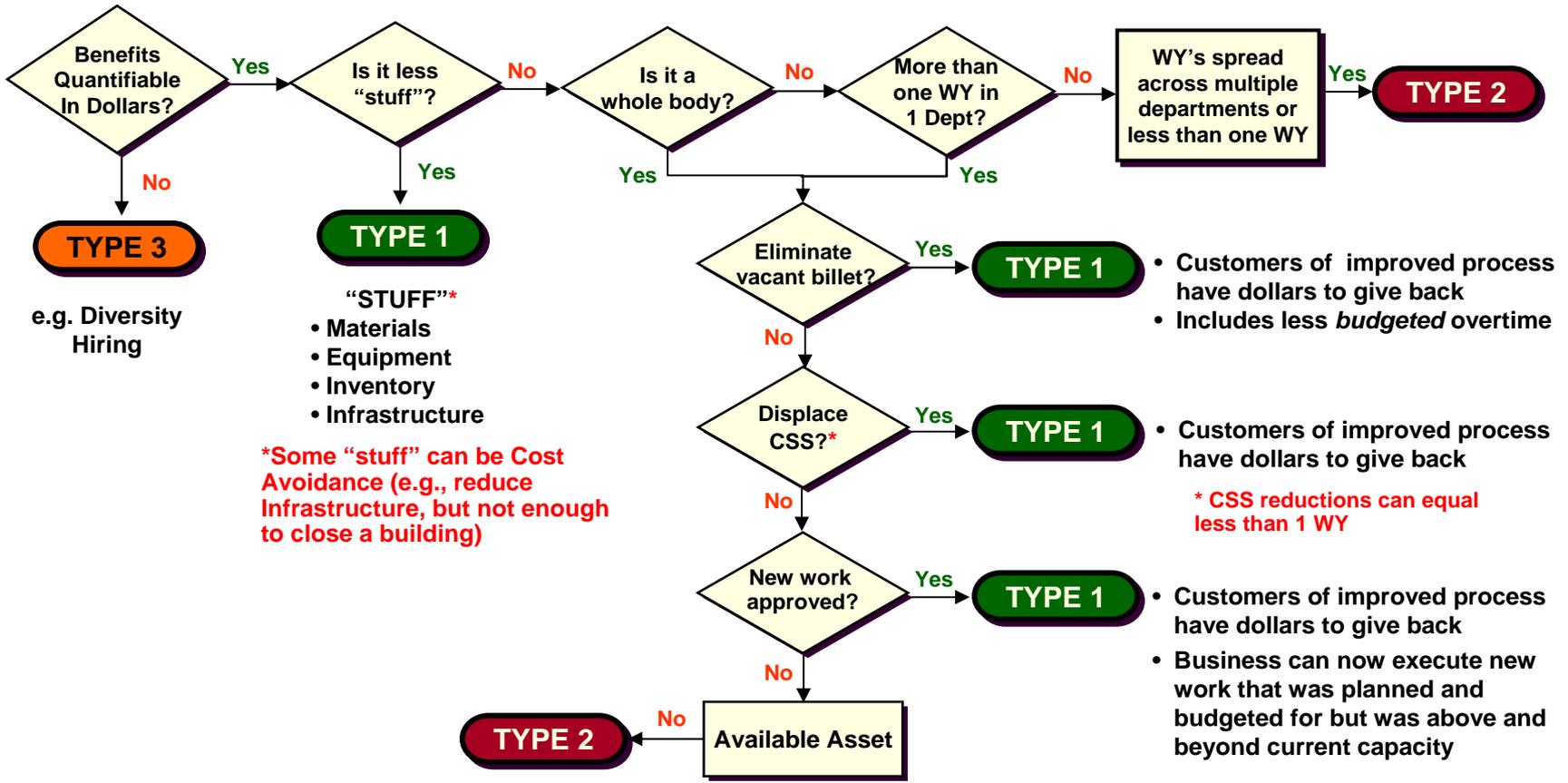
Type 2: Process efficiencies which improve productivity and result in potential cost reductions that cannot be removed from a budget.

- The result of reducing the amount of time people spend in a process, but not enough to eliminate a billet or position
- Best captured in measures of time (hours or WY(s)), but can also be captured in dollars
  - Labor expenses cannot be reduced



# Benefit Categories Flow Chart

**At the Project – Were assets freed up?**      **At the Business – What did we do with the assets?**



**Decision Tree Recommendation**

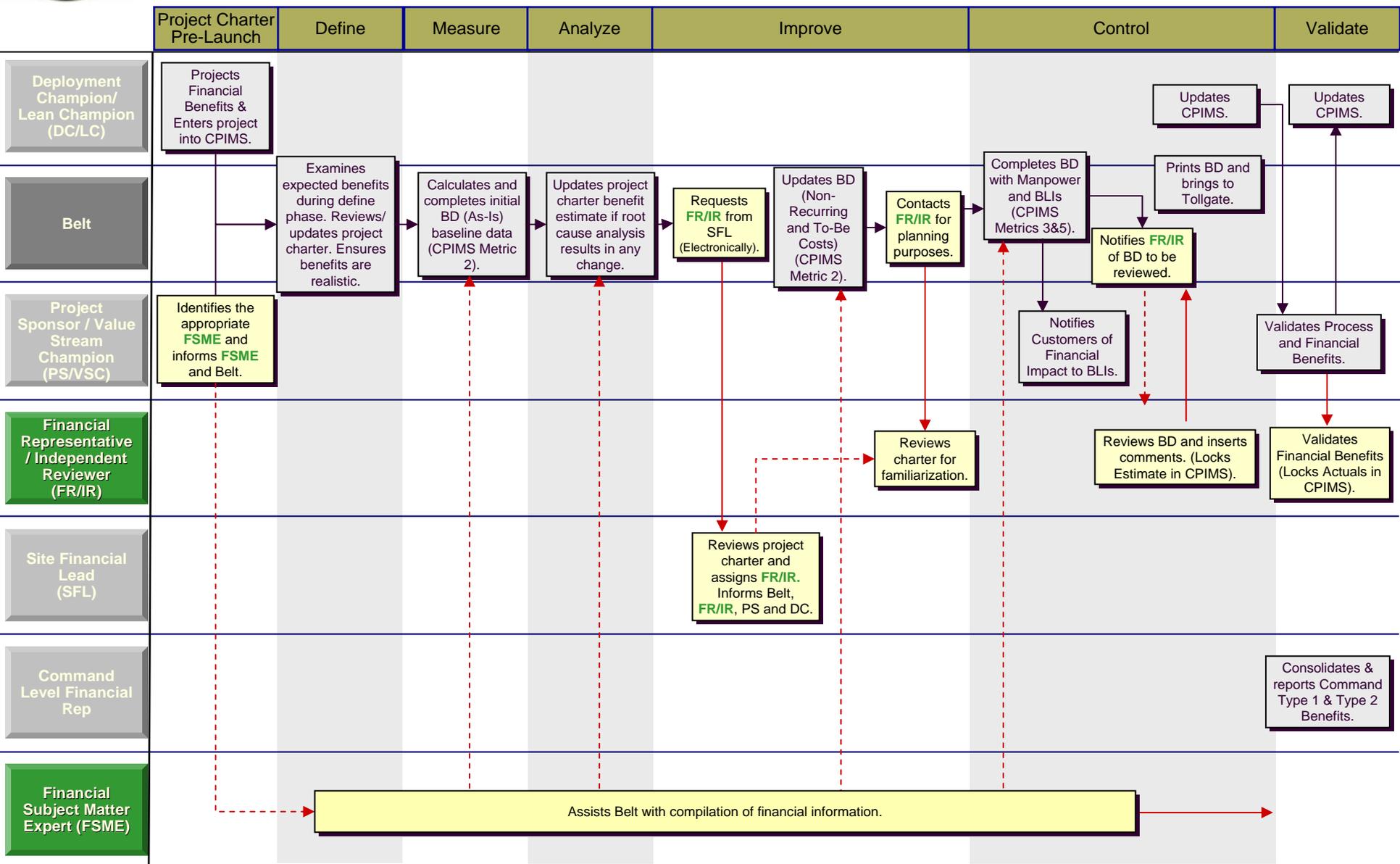


# Financial Benefits Validation Process





# Financial Benefits Validation Process





# Project Lead/Belt

Main Responsibility: Calculating, categorizing and reporting the financial benefits of the CPI project.

- Establish the project's as-is, to-be and non-recurring costs.
- Calculate the project benefits and determine the type of benefit.
- Document the project's purpose, assumptions and rationale in the benefits documentation template.
- Complete CPIMS metrics 2-5 and forecast the benefits across the Future Year Defense Plan (FYDP).
- Request assignment of a FR/IR to review the benefit documentation and lock the financials.



# Financial Subject Matter Expert (FSME)



Main Responsibility: Assists project team with calculation and categorization of financial information. Also provides Budget Line Item (BLI) information to the project team for funding lines impacted by the project

- Is a part-time member of team
- Understands the process under review, its associated funding and costs, and is familiar with appropriation law
- Assists the Belt/Project Lead with obtaining financial data such as cost information and metrics, as well as identifying BLI(s) associated with Type 1 Benefits



# Financial Representative / Independent Reviewer (FR/IR)

Main Responsibility: Ensures the validity of the estimated financial results of the project, and performs the financial validation of actual benefits resulting from the project at project close-out.

- Provides independent assessment of project's estimated and actual benefits to Project Sponsor/Value Stream Champion, Project Lead/Belt, Site Financial Lead, and Deployment Champion/Lean Champion
- Reviews all financial documentation and approves estimate (Metrics 1-5) prior to Control Tollgate
- Reviews and approves actual benefits (Metrics 2-5) prior to Project Close-out



# Documenting the Benefits





# Benefits Documentation Overview



## Benefits Documentation Needs to Include:

- All cost and benefits information
- Assumptions, estimates, and calculations
- Manpower WY reductions by Organization (i.e., Competency, Department, Division, etc.), and type of support (Civilian, Military, and Contractor Support Service (CSS))



Note: Belts are responsible for completing the Benefits Documentation



# Benefits Documentation Process

## Steps for Belts

- Step 1: Review the Charter.
- Step 2: Determine the project's costs.
- Step 3: Calculate the project benefits.
- Step 4: Once the benefits are calculated, determine the type of benefit.
- Step 5: Document the project's purpose, assumptions and rationale in the benefits documentation template.
- Step 6: Complete CPIMS metrics 2-5 and forecast the benefits across the FYDP.
- Step 7: Request assignment of a FR/IR to review the benefits documentation and lock the financials.





# Step 1: Actual Example: Hostile Area Deployment Project

Lean Six Sigma Project Charter Template	
<b>Team Name</b> Hostile Area Deployment Process - SSC Atlantic	
<b>Serial Number</b>	
<b>Date</b> 12.1.08	
<b>Mission</b> Develop, Define and Implement the Traveler preparedness Processes, Traveler Support Processes and the Administrative Processes necessary to support the SPAWAR Atlantic Employee traveling into Hostile Threat Areas	
<b>Problem / Opportunity</b> Travelers to Hostile Threat Areas supporting the warfighter encounter great difficulty in preparedness, support and administrative processes.	
<b>Benefit to Customer/Business</b> There is potential for increasing accuracy and reducing process time resulting in cost savings and increased readiness. 	
<b>Objectives</b> 1. Command Admin process to be clear with examples, easy to follow, 2. Lessons Learned collected and disseminated, 3 Provide Orientation training, 4 In-country advocate assigned, 5 Danger Pay delays, waive on pay Cap 6. Day to day interaction with new people in country	
<b>Scope/Constraint</b> This event will cover the Hostile Threat Area Traveler from being informed they are to travel to a Hostile Threat Area to the point of return to stateside.	
<b>Proposed Schedule</b>	<b>Deliverables</b>
DEC 01 Define Measure	
DEC 02 Analyze Improve	
DEC 03 Implementation Plan/ Control	
DEC 04 - 05 Additional Project support time	
<b>Value Stream Champion Signature:</b>	
<b>Date:</b>	
<b>Value Stream</b>	Hostile Area Process
<b>Value Stream Champ</b>	Ken Slaughter/ Mike Thomas
<b>Process Owner</b>	CAPT Urbon
<b>Team Leader</b>	LCDR Hadley (GB) CODE 5.5
<b>Project Mentor / Black Belt</b>	Krista Walker (BB)
<b>Team Members</b>	
<b>Green Belt</b>	
<b>Other POCs</b>	Sherri Chamberlain (SME)
Stacy McCLain (BB)	Aileen Pacer (5.5 Team Lead)
CMDR Heller	Toni Montgomery (SME)
Mike Juno (Security)	Andy Rosenbaum (Legal)
Lynn Barlotta	Stella Tuten (SME) European Office
<b>Return on Invest</b>	
<b>Cost to Implement: \$</b>	Apprx. \$7800
<b>Potential Savings: \$</b>	.....
<b>Type I Benefit:</b>	
<b>Type II Benefit:</b>	2000/traveler 
<b>Type III Benefit:</b>	



# Step 2: Determine As-Is Cost

Using the As-Is process data and working with the FSME, the belt enters the baseline costs in the benefits documentation. Costs are annualized.

Item	AS IS State					
	Qty	Hours	Rate	Total \$	Total Hours	Total WYs
<b>Non Labor:</b>						
<b>Total</b>				<b>\$0.00</b>		
<b>Labor: CHOP CHAIN</b>						
Military Lead (O-6)	540	0.5	\$75.30	\$20,331.00	270	0.13
SSC-CH CIV SCS Lead	540	0.5	\$86.66	\$23,398.20	270	0.15
SSC-CH CIV YC3 (Legal)	540	0.5	\$86.66	\$23,398.20	270	0.15
SSC-CH CIV YF3 (Dept. Head)	540	0.5	\$86.66	\$23,398.20	270	0.15
SSC-CH CIV YC2 (Branch Head)	540	0.5	\$86.66	\$23,398.20	270	0.15
SSC-CH YF3 (Div Head)	540	0.5	\$86.66	\$23,398.20	270	0.15
SSC-CH YA2 (A/O)	540	0.5	\$86.66	\$23,398.20	270	0.15
CSS YA2 (Admin.)	1080	0.5	\$49.26	\$26,600.40	540	0.28
<b>Labor: Package Contents</b>						
CSS YA2 (Admin.) Point Paper	540	1	\$49.26	\$26,600.40	540	0.28
CSS YA2 (Admin.) Cover Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) PPP/PPP Sign.	540	1	\$49.26	\$26,600.40	540	0.28
CSS YA2 (Admin.) UCC	540	0.8	\$49.26	\$21,280.32	432	0.23
CSS YA2 (Admin.) DD93	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) Resume	540	0.15	\$49.26	\$3,990.06	81	0.04
CSS YA2 (Admin.) Death Benefit	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) Security Email	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) Copy of SOW	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) LOA Data Sheet	540	0.05	\$49.26	\$1,330.02	27	0.01
CSS YA2 (Admin.) Tracking Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03
CSS YA2 (Admin.) Quad Chart	540	0.85	\$49.26	\$22,610.34	459	0.24
<b>Total</b>				<b>\$305,692.38</b>	<b>4,833.00</b>	<b>2.59</b>



# Step 2: Determine To-Be and Non-Recurring Costs

The belt completes the To-Be and Non-Recurring costs (if applicable) in the benefits documentation. Costs are annualized.

Item	* TO BE State						Non-Recurring Costs
	Qty	Hours	Rate	Total \$	Total Hours	Total WYs	Total \$
<b>Non Labor:</b>							
<b>Total</b>				<b>\$0.00</b>			<b>\$0.00</b>
<b>Labor: CHOP CHAIN</b>							
Military Lead (O-6)	540	0.4	\$75.30	\$16,264.80	216	0.10	
SSC-CH CIV SCS Lead	540	0.4	\$86.66	\$18,718.56	216	0.12	
SSC-CH CIV YC3 (Legal)	540	0.4	\$86.66	\$18,718.56	216	0.12	
SSC-CH CIV YF3 (Dept. Head)	540	0.4	\$86.66	\$18,718.56	216	0.12	
SSC-CH CIV YC2 (Branch Head)	540	0.4	\$86.66	\$18,718.56	216	0.12	
SSC-CH YF3 (Div Head)	540	0	\$86.66	\$0.00	0	0.00	
SSC-CH YA2 (A/O)	540	0.4	\$86.66	\$18,718.56	216	0.12	
CSS YA2 (Admin.)	1080	0.4	\$49.26	\$21,280.32	432	0.23	
<b>Labor: Package Contents</b>							
CSS YA2 (Admin.) Point Paper	540	0.5	\$49.26	\$13,300.20	270	0.14	
CSS YA2 (Admin.) Cover Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03	
CSS YA2 (Admin.) PPP/PPP Sign.	540	0.5	\$49.26	\$13,300.20	270	0.14	
CSS YA2 (Admin.) UCC	540	0.8	\$49.26	\$21,280.32	432	0.23	
CSS YA2 (Admin.) DD93	540	0.1	\$49.26	\$2,660.04	54	0.03	
CSS YA2 (Admin.) Resume	540	0	\$49.26	\$0.00	0	0.00	
CSS YA2 (Admin.) Death Benefit	540	0.1	\$49.26	\$2,660.04	54	0.03	
CSS YA2 (Admin.) Security Email	540	0.1	\$49.26	\$2,660.04	54	0.03	
CSS YA2 (Admin.) Copy of SOW	540	0	\$49.26	\$0.00	0	0.00	
CSS YA2 (Admin.) LOA Data Sheet	540	0	\$49.26	\$0.00	0	0.00	
CSS YA2 (Admin.) Tracking Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03	
CSS YA2 (Admin.) Quad Chart	540	0	\$49.26	\$0.00	0	0.00	
<b>Total</b>				<b>\$192,318.84</b>	<b>2,970.00</b>	<b>1.59</b>	<b>\$0.00</b>



# Step 3: Calculate the Benefits

## HAD Project Example

The belt calculates the benefits (see below) in the benefits documentation. Benefits shown are annualized.

Type II Savings							Project Estimates: Hostile Area Deployment Package										
Item	AS IS State						* TO BE State						Non-Recurring Costs		* Savings		
	Qty	Hours	Rate	Total \$	Total Hours	Total WYs	Qty	Hours	Rate	Total \$	Total Hours	Total WYs	Total \$	Total \$	Total Hours	Total WYs	
Non Labor:																	
<b>Total</b>				<b>\$0.00</b>						<b>\$0.00</b>			<b>\$0.00</b>	<b>\$0.00</b>			
<b>Labor: CHOP CHAIN</b>																	
Military Lead (O-6)	540	0.5	\$75.30	\$20,331.00	270	0.13	540	0.4	\$75.30	\$16,264.80	216	0.10		\$4,066.20	54	0.03	
SSC-CH CIV SCS Lead	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0.4	\$86.66	\$18,718.56	216	0.12		\$4,679.64	54	0.03	
SSC-CH CIV YC3 (Legal)	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0.4	\$86.66	\$18,718.56	216	0.12		\$4,679.64	54	0.03	
SSC-CH CIV YF3 (Dept. Head)	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0.4	\$86.66	\$18,718.56	216	0.12		\$4,679.64	54	0.03	
SSC-CH CIV YC2 (Branch Head)	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0.4	\$86.66	\$18,718.56	216	0.12		\$4,679.64	54	0.03	
SSC-CH YF3 (Div Head)	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0	\$86.66	\$0.00	0	0.00		\$23,398.20	270	0.15	
SSC-CH YA2 (A/O)	540	0.5	\$86.66	\$23,398.20	270	0.15	540	0.4	\$86.66	\$18,718.56	216	0.12		\$4,679.64	54	0.03	
CSS YA2 (Admin.)	1080	0.5	\$49.26	\$26,600.40	540	0.28	1080	0.4	\$49.26	\$21,280.32	432	0.23		\$5,320.08	108	0.05	
<b>Labor: Package Contents</b>																	
CSS YA2 (Admin.) Point Paper	540	1	\$49.26	\$26,600.40	540	0.28	540	0.5	\$49.26	\$13,300.20	270	0.14		\$13,300.20	270	0.14	
CSS YA2 (Admin.) Cover Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0.1	\$49.26	\$2,660.04	54	0.03		\$0.00	0	0.00	
CSS YA2 (Admin.) PPP/PPP Sign.	540	1	\$49.26	\$26,600.40	540	0.28	540	0.5	\$49.26	\$13,300.20	270	0.14		\$13,300.20	270	0.14	
CSS YA2 (Admin.) UCC	540	0.8	\$49.26	\$21,280.32	432	0.23	540	0.8	\$49.26	\$21,280.32	432	0.23		\$0.00	0	0.00	
CSS YA2 (Admin.) DD93	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0.1	\$49.26	\$2,660.04	54	0.03		\$0.00	0	0.00	
CSS YA2 (Admin.) Resume	540	0.15	\$49.26	\$3,990.06	81	0.04	540	0	\$49.26	\$0.00	0	0.00		\$3,990.06	81	0.04	
CSS YA2 (Admin.) Death Benefit	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0.1	\$49.26	\$2,660.04	54	0.03		\$0.00	0	0.00	
CSS YA2 (Admin.) Security Email	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0.1	\$49.26	\$2,660.04	54	0.03		\$0.00	0	0.00	
CSS YA2 (Admin.) Copy of SOW	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0	\$49.26	\$0.00	0	0.00		\$2,660.04	54	0.03	
CSS YA2 (Admin.) LOA Data Sheet	540	0.05	\$49.26	\$1,330.02	27	0.01	540	0	\$49.26	\$0.00	0	0.00		\$1,330.02	27	0.01	
CSS YA2 (Admin.) Tracking Sheet	540	0.1	\$49.26	\$2,660.04	54	0.03	540	0.1	\$49.26	\$2,660.04	54	0.03		\$0.00	0	0.00	
CSS YA2 (Admin.) Quad Chart	540	0.85	\$49.26	\$22,610.34	459	0.24	540	0	\$49.26	\$0.00	0	0.00		\$22,610.34	459	0.24	
<b>Total</b>				<b>\$305,692.38</b>	<b>4,833.00</b>	<b>2.59</b>				<b>\$192,318.84</b>	<b>2,970.00</b>	<b>1.59</b>	<b>\$0.00</b>	<b>\$113,373.54</b>	<b>1,863.00</b>	<b>0.99</b>	



# Step 4: Determine the Benefit Types

Review the calculated benefits and determine:

- ❓ Is it a permanent cost reduction that can be eliminated from a budget? (Type 1)
- ❓ If a full WY is saved, can it be cut? (Type 1)
- ❓ Is it a productivity improvement that results in partial WY savings? (Type 2)
- ❓ Is it a reduction in non-labor cost? (Type 1)
- ❓ Is it an elimination of a lease cost? (Type 1)
- ❓ Is it a reduction to infrastructure footprint, but you cannot reduce the space cost? (Type 2)

Refer to the Decision Tree on Slide 17 for assistance



# Step 5: Document the Project's Purpose, Assumptions, & Rationale

- Record the project's purpose, assumptions and rationale in the benefit documentation.
- Include all calculations.
- Add all pertinent information, such as when the new process was implemented, source of contractor labor rates and WY hours, cycle time statistics, amount of rework, etc.
- Document benefit types and amounts for each.



# Step 5: Benefits Documentation Template

A Belt completes the Benefits Documentation template by providing Project's rationale and calculation behind the benefits



BENEFITS DOCUMENTATION															
<b>Completed By The Belt</b>															
Project Title:	_____														
Project Sponsor:	_____														
Belt Name:	_____	BB or GB: _____													
Tollgate:	_____	Date: _____													
			<table border="1"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Type 1</td> <td></td> <td></td> </tr> <tr> <td>Type 2</td> <td></td> <td></td> </tr> <tr> <td>Type 3</td> <td></td> <td></td> </tr> </tbody> </table>		Yes	No	Type 1			Type 2			Type 3		
	Yes	No													
Type 1															
Type 2															
Type 3															
<p><b>JUSTIFICATION OF BENEFITS: (Required) Document project benefits and rationale - additional tabs may be used and/or worksheets added to provide details</b></p> <p><b>TYPE 1: Permanent cost reduction ("hard savings") identified to program BLI - elimination of non-labor cost; reduced CSS Support; elimination of whole work-years(s) and associated billets; reduction to budgeted overtime</b></p> <p><b>TYPE 2: Potential cost reduction ("soft savings") from decreased cycle times or improved equipment/space utilization - Improved resource utilization to produce a product (work-year reduction but does not eliminate a billet, improved capital equipment utilization, partial footprint reduction)</b></p> <p><b>TYPE 3: Other benefits ("Cost Avoidance") - Improves safety; current readiness; future capability; people; business processes; customer satisfaction; quality; work-life *Include what metrics were used to determine the benefit achieved. Example: Aircraft Ready-For-Tasking (RFT), provide the before measure, the goal for improvement and the state of that Metric after improvement.*</b></p>															
<b>Completed by the Independent Reviewer (IR):</b>															
<p>As the Independent Reviewer assigned to this project, I have reviewed the information in the documents provided to me by the person(s) responsible for collecting, posting, tracking and analyzing the data.</p> <p>The review consisted of the following procedures: Review of the Project Charter; Determination that the Charter defines a reasonable, appropriate and measurable approach for benefit realization; examination of the cost savings rationale; Review of the Benefits Documentation provided; Assessment of the source and reasonableness of the savings/process identified.</p> <p>Based upon this review, it appears that if the documented process and procedures are fully implemented, managed and monitored, then there is a reasonable expectation that the benefits highlighted in the documentation will be realized in the future.</p>															
<p>Document information that is relevant to the review</p> <div style="border: 1px solid black; height: 100px; width: 100%;"></div>															
Independent Reviewer Name:	_____	Review Date:	_____												
Independent Reviewer (Optional) Signature:	_____	Time (hrs) Dedicated to Review:	_____												



# Step 5: Example - HAD Project

Date:	5/1/2008																			
Project Title:	Hostile Area Deployment SSC Atlantic																			
Project Sponsor:	Ken Slaughter/ Michael Thomas																			
BB/GB Name:	Krista Walker BB/ LCDR James Hadley GB	BB or GB Project:	BB																	

**Rationale of Estimates for Type I and/or Type II Benefits:**

Document project's description, rationale and calculations. Within this section the following must be identified (or noted where the calculations are), if applicable: Labor rates, AS-IS, TO-BE and Non-Recurring calculations in dollars and work-years, benefit category (Type I / II), and note if the benefits fluctuate across the FYDP (FY09-FY15). If a project has only Type III benefits, use the below space for the benefit justification.

The is a 3 part data capture.

1. Reducing the overall CHOP CHAIN which actually reduced the time time it took for all the signatures. It went from 9 signatures to 7 signatures. The time changed from .5 hrs to .4 hrs is a result of standarizing the package. The team averaged a 10% time reduction of reviewing the package because every package was the same, no additional questions, no searching for information and less information to review.
2. The second savings resulted in reducing the package size and contents. This reduced the preparation time spent on developing a package (not the same as the CHOP CHAIN). The team reduced the package content by over 50%. Thus, eliminating additional materials in printing, eliminated documents all together, and standardized the documents. Standardizing the documents alone in some cases reduced a single document from 2 pages down to 1 page of information the preparer was originally including.
3. The 3rd savings was the biggest which included NOT preparing modification packages for hostile area travelers already deployed but are being requested to stay for an additional time period. This alone reduced the total number of packages across LANT by 50%. The data captures the remaining 50% of packages that are still developed across all the departments. These numbers represent the reduced CHOP CHAIN time and the standardized/reduced package contents.

Recommended change to capturing ROI for this RIE. One of the biggest improvement changes reduced the number of packages by approximately half since the changes in Jan 09. Redeployment packages are no longer required if all the specifications are the same. They are, however, still tracked on a weekly spreadsheet, but packages are not required. The metrics to the left use the # of packages across all the departments reduced by 50%

Below numbers were prior to building the V&V package and prior to working the the FR/IR. Team decided to continue working straight from the FBW and not the initial excel spreadsheet. However, the below chart assisted with the data collection method.

Total Savings 5 YEAR	1216555.1																			
	Yes	No																		
Type I		X																		
Type II	X																			
Type III*	X																			



# Step 6: Complete CPIMS Metrics (Metric 2 – Costs & Benefits)

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Yearly	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	PROJECT TOTAL
One Time Non-Recurring - Material								\$0
One Time Non-Recurring - Contract								\$0
One Time Non-Recurring - Travel								\$0
One Time Non-Recurring - Training								\$0
One Time Non-Recurring - Other								\$0
One Time Non-Recurring - NMCI								\$0
<b>Net Process Benefits</b>	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$792.4
<b>Labor - Civilian Benefits</b>	\$46.7	\$46.7	\$46.7	\$46.7	\$46.7	\$46.7	\$46.7	\$326.9
<b>Labor - CSS Benefits</b>	\$62.5	\$62.5	\$62.5	\$62.5	\$62.5	\$62.5	\$62.5	\$437.5
<b>Labor - Military Benefits</b>	\$4	\$4	\$4	\$4	\$4	\$4	\$4	\$28
<b>Material Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Contract Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Travel Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Training Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other Cost Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>NMCI Benefits</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Type I Benefits								\$0
<b>Type II Benefits</b>	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$113.2	\$792.4

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CPIMS Metric 2, Total of Benefits



# Step 6: Complete CPIMS Metrics (Metric 3)

**For Type 1 Benefits Only**

- Metric 3: Benefits with BLI's (\$000)
  - Type 1 Benefits

**BLI 006700 = \$112.0K**

Metric 2 and Metric 3 are not hard-linked. You must ensure the totals in both metrics equal each other.

**Assumptions**

PA's Yearly Labor Rate = \$50K

NMCI Seat Cost = \$3K/seat

Type 1 Benefits = BLI 006700

Metric: 3. Estimated Benefits with BLI's (in \$000's) [info](#)

Project Sponsors: [Janet Perryman](#), [Karia Blaise](#)

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From: 10/01/2008 To: 09/30/2015 [Go](#)

Properties  
Ready for Rollup: No  
Locked: No

Yearly		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2014	PROJECT TOTAL
Type 1 Benefits		\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$784
	00670	\$112	\$112	\$112	\$112	\$112	\$112	\$112	\$784

Comments



# Step 6: Complete CPIMS Metrics (Metric 4 – Work Years)

Metric: **4. Manpower Benefits (Workyears)** [info](#)

Project Sponsor/Value Stream Champions: [Ken Slaughter](#), [Michael Thomas](#)

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**Properties** [Edit](#)

Ready for Rollup: Yes  
Locked: Yes

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Yearly								
Name	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	PROJECT TOTAL
<b>TOTAL (AS-IS)</b>	2.59	2.59	2.59	2.59	2.59	2.59	2.59	18.13
Civilian - (AS-IS)	0.93	0.93	0.93	0.93	0.93	0.93	0.93	6.51
CSS - (AS-IS)	1.53	1.53	1.53	1.53	1.53	1.53	1.53	10.71
Military- (AS-IS)	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.91
<b>TOTAL (TO-BE)</b>	1.59	1.59	1.59	1.59	1.59	1.59	1.59	11.13
Civilian - (TO-BE)	0.62	0.62	0.62	0.62	0.62	0.62	0.62	4.34
CSS - (TO-BE)	0.87	0.87	0.87	0.87	0.87	0.87	0.87	6.09
Military - (TO-BE)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
<b>Total Benefits</b>	1	1	1	1	1	1	1	7
<b>BENEFITS TOTAL Type I</b>	0	0	0	0	0	0	0	0
Civilian - Total Type I								0
CSS Benefits - Total Type I								0
Military Benefits - Total Type I								0
<b>BENEFITS TOTAL Type II</b>	1	1	1	1	1	1	1	7
<b>Civilian Benefits - Type II</b>	0.31	0.31	0.31	0.31	0.31	0.31	0.31	2.17
<b>CSS Benefits - Type II</b>	0.66	0.66	0.66	0.66	0.66	0.66	0.66	4.62
<b>Military Benefits - Type II</b>	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21

CPIMS Metric 4



# Step 6: Complete CPIMS Metrics (Metric 5 – Work Years by Owner)

Hostile Area Deployment SSC-Atlantic [Where Am I?](#)

Metric: **5. Organization /Command Benefits (Workyears)** [info](#) [Properties](#) [Edit](#)

Project Sponsor/Value Stream Champions: [Ken Slaughter](#), [Michael Thomas](#)  
 Updated: 06/15/2009 12:01 PM – [Show Versions](#)

Ready for Rollup: Yes  
Locked: Yes

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Yearly	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	PROJECT T
<b>⊕ Type I Total</b>	0	0	0	0	0	0	0	
⊕ Civilian Type I								
⊕ CSS Type I								
⊕ Military Type I								
<b>⊕ Type II Total</b>	1	1	1	1	1	1	1	
⊖ Civilian Type II	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
8.0 Corporate Operations	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
⊖ CSS Type II	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
8.0 Corporate Operations	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
⊖ Military Type II	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
8.0 Corporate Operations	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03

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CPIMS Metric 5



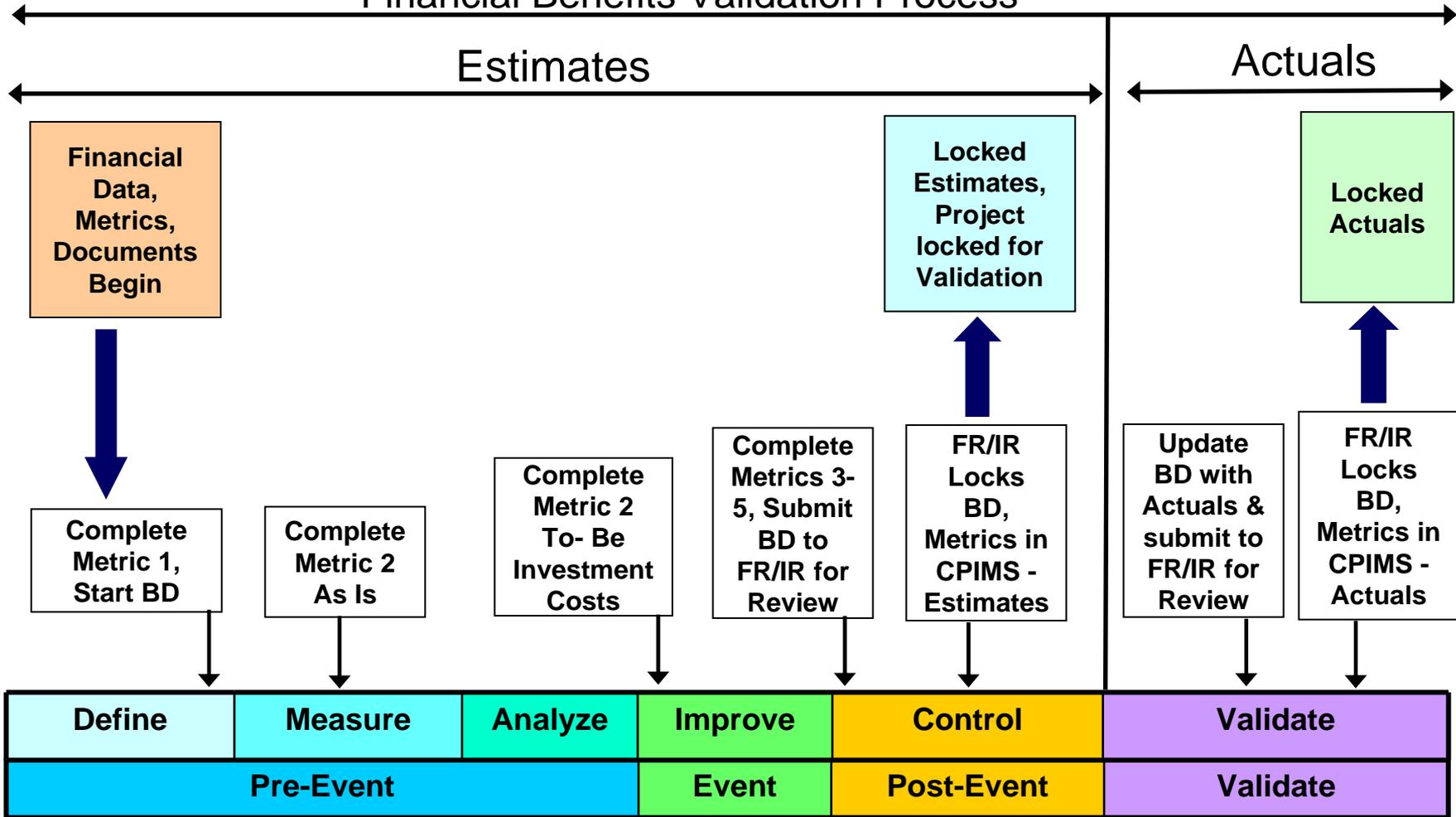
# Step 7: Submit Benefit Documentation to FR/IR for Review

- After completing the benefit documentation, submit it to the FR/IR for review.
- All projects will be reviewed; however, Type I/II projects have two reviews – one in Control and one in Validate – and Type III projects have one review.
- The FR/IR will ask clarification questions or request additional information before finalizing the estimates/actuals.
- The FR/IR will load and lock the benefits documentation and metrics in CPIMS.



# Financial Requirements Over the Project Lifecycle

## Financial Benefits Validation Process



BD=Benefits Documentation



# Upcoming Changes





# Review of Proposed Process and Benefit Updates

- During the November 2009 Transformation Team Leaders Meeting, changes in the Financial Benefits Verification process were approved.
- Two major categories of benefits were established
  - Financial
  - Mission
- Projects can have both kinds of benefits



# Benefits Subcategories

- Financial
  - Cost Savings
  - Cost Avoidance
  - Revenue Generation (*Navy Medicine Only*)



- Mission
  - Productivity Improvement
  - Operational Benefits
  - Energy and Environmental Improvement
  - People



# Financial Benefits

- **Categorization of Benefits - Financial**
  - **Cost Savings (Formerly Type 1A)**
    - An actual reduction in the number of dollars needed to meet a customer-established requirement by improving a process or function. Dollars can be removed from Budget Line Items. (Reported in PBIS by BSO upon project close-out)
  - **Cost Avoidance (Formerly Type 1B)**
    - A cost reduction that does not enable managers to move funds elsewhere. Includes Benefits which offset targeted marks that have already been reduced from the budget and are therefore not available to be removed from the BLI (Marks are reported in PBIS, actual execution is not)
  - **Revenue Generation (NEW - Navy Medicine Only)**
    - Ability to bring additional revenue into the Department through process improvements which allow for billing of external parties (outside of DoD)



# Mission Benefits

- **Productivity Improvement (Formerly Type 2)**
  - Decreased Cycle Times expressed in time (hours, days, WY(s)), percentage improvement (PCT or PCE), increased throughput expressed in units, or reduced square footage.
- **Operational Benefits**
  - Improvements to readiness, reliability, safety, security, quality of work life, customer satisfaction expressed in terms appropriate to the effort (e.g., aircraft ready for tasking, increased mean-time between failure, reduced mishaps, increased security posture, etc.)





# Mission Benefits (Cont)

- **Energy and Environmental Improvements**

- Reductions to energy usage (e.g., fuel, kilowatt hours, etc) (these efficiencies will likely also have financial benefit); improvements to the environment (e.g. hazmat reductions)



- **People**

- Improvements to processes that result in increases in recruitment and retention rates, employee development levels, and quality of worklife





# Benefits Categorization Crosswalk



Current Categories	Future Categories
Type 1 - Permanent Cost Reductions	Financial
	<ul style="list-style-type: none"><li>- Cost Savings</li><li>- Cost Reduction</li><li>- Revenue Generation</li></ul>
Type 2 - Potential Cost Reductions	Mission
	<ul style="list-style-type: none"><li>- Productivity Improvement</li></ul>
Type 3 - Other	<ul style="list-style-type: none"><li>- Operational Benefits</li><li>- Energy and Environmental Improvements</li><li>- People</li></ul>





# Benefits Example

- Benefits are identified and tracked by **Fiscal Year**, based on new process implementation. Benefits are adjusted for volume/quantify fluctuations. Example:
  - The number of contracts being managed annually is 50. The goal of the project is to consolidate the contracts being managed to 6; however, the contracts can only be consolidated as they expire.
  - FY09 – 40 contracts, Benefits: \$379.5K
  - FY10 – 35 contracts, Benefits: \$569.3K
  - FY11 – 30 contracts, Benefits: \$759.0K
  - FY12 – 20 contracts, Benefits: \$1138.5K
  - FY13 – 15 contracts, Benefits: \$1328.3K
  - FY14 – 10 contracts, Benefits: \$1518.0K
  - FY15 - 6 contracts, Benefits: \$1669.8K

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