

GAO

Briefing Report to the Chairman,
Subcommittee on Defense, Committee on
Appropriations, House of Representatives

September 1988

ADP BUDGET

Defense Logistics Agency's Automated Information Systems Budget Request



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**Information Management and
Technology Division**

B-231233

September 23, 1988

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to your request that we help your Subcommittee evaluate the Department of Defense's fiscal year 1989 budget requests for general-purpose, automated information systems, we examined selected systems and their related funding requests to assist you in determining whether or not the systems should be funded in the amounts requested (see app. I). This report contains information on the Defense Logistics Agency's automation programs.

On the basis of our analysis of the Defense Logistics Agency's budget, we believe that the ability of the Congress and the Office of the Secretary of Defense to oversee the agency's large automation programs may be hindered, in part, by the agency's failure to disclose required cost details in its Report on Obligations for Information Technology Systems, a document that accompanies the agency's budget submission. Specifically, the report did not contain system cost data for some information systems, and did not contain descriptions of automated information system resources required for all acquisitions that cost over \$2 million for one of its automation programs. This information is required by the Department of Defense Budget Guidance Manual 7110-1M. Therefore, the Subcommittee may wish to require the agency to provide more complete and accurate automated information system cost data in future congressional budget submissions.

In addition, the agency plans to obligate \$24.1 million for more microcomputers and associated software as part of its baseline program, which was developed for the operations and maintenance of its basic automated data processing (ADP) capability. In our opinion, these purchases enhance rather than maintain the agency's basic ADP capability and, thus, do not belong in an operations and maintenance program. Therefore, the Subcommittee may wish to consider requesting that the Defense Logistics Agency postpone obligating the \$24.1 million until it develops and provides the Subcommittee with additional justification for including these purchases in an operations and maintenance program. (See app. II for a detailed discussion of our analysis.)

We discussed the contents of this report with officials from the Defense Logistics Agency's Program Budget Division and have incorporated their comments as appropriate. We conducted our work in accordance with generally accepted government auditing standards. (See app. III for detailed objectives, scope, and methodology.) Unless you publicly announce this report's contents earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies to the Chairmen, House and Senate Committees on Appropriations; Chairmen, House and Senate Committees on Armed Services; the Secretary of Defense; the Director, Defense Logistics Agency; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

Should you need additional information, please contact William Franklin, Associate Director, at (202) 275-3188.

Sincerely yours,

A handwritten signature in black ink that reads "Ralph V. Carlone". The signature is written in a cursive, flowing style.

Ralph V. Carlone
Director

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Abbreviations

ADP	automated data processing
AIS	automated information systems
DLA	Defense Logistics Agency
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
LSMP	Logistics Systems Modernization Program
MAISRC	Major Automated Information System Review Council
OSD	Office of the Secretary of Defense

Request Letter

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October 20, 1987

Honorable Charles A. Bowsher
 Comptroller General of the United States
 General Accounting Office
 Washington, D. C. 20548

Dear Mr. Bowsher:

The Subcommittee on Defense appreciates the outstanding support which the General Accounting Office provided this year on DOD automatic data processing (ADP) systems. As you know, DOD budgets over \$8 billion annually to procure, operate, and maintain them.

Of particular importance to the Subcommittee is your ongoing DOD ADP "budget scrub" job. Your staff provided us very comprehensive documentation which was the basis for our ADP hearing. Many of the issues raised by GAO will be included in the Committee's fiscal year 1988 report as either policy guidance or budget reductions. The Subcommittee found the efforts of Mr. Rich Davis and Ms. Linda Bagby to be particularly helpful. We look forward to your continued support and expanded coverage of DOD ADP resources as GAO moves on to fiscal year 1989 programs.

The Subcommittee also wishes to acknowledge the fine ADP reports and briefings that GAO provided this past year, usually on or ahead of tight deadlines, particularly those dealing with: Army Project 80-X, Reserve Forces Automation, Navy Stock Point ADP Replacement, Central Design Activities, Defense Logistics Agency Modernization, Air Force Logistics Command Modernization, and Navy CAD/CAM. In particular, Mr. William Franklin and his staff have been extremely responsive to the Subcommittee and have repeatedly provided hard-hitting analyses on a timely basis.

Overall, the Subcommittee has been quite pleased with GAO's assistance in reviewing the DOD ADP Budget submissions. However, the Subcommittee is concerned over the need to provide broader coverage to large DOD system developments. As you may know, DOD has between 40-50 known major automated information systems, many of whose life cycle costs are in billions of dollars. These systems are in the early stages of the acquisition cycle. It is at this point in a system's development that GAO analysis and congressional

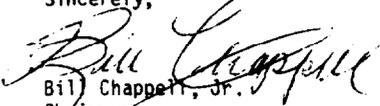
Appendix I
Request Letter

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policy can lead to more effective acquisitions. The Information Management and Technology Division is presently looking at ways to better focus its coverage of DOD ADP systems for the fiscal year 1989 budget review process. The Subcommittee believes this to be a very worthwhile effort and asks that the staff receive a briefing on how GAO will expand its coverage for the review of DOD's funding requests.

The Subcommittee looks forward to your continued support during the next year.

Sincerely,



Bill Chappell, Jr.
Chairman
Defense Subcommittee

Program Description and Budget Analysis Details

Program Description

Service/Project:
Defense Logistics Agency's Automation Efforts

Appropriation:
Operations and Maintenance

Table II.1: Operations and Maintenance Obligations

Millions of dollars		
	Fiscal Year ^a	
1987(actual)	1988(est.)	1989(est.)
\$248.5	\$269.2	\$300.3

^aAmended fiscal year 1988-1989 Report on Obligations for Information Technology Systems, Defense Logistics Agency (exhibit 43A)

Background

The Defense Logistics Agency's (DLA) efforts to modernize its automated logistics support systems have been underway for nearly a decade and involve every major mission component of the agency. The Logistics Systems Modernization Program (LSMP), initiated in the mid-1980s, consists of hardware acquisition and automated information systems (AIS) software modernization that will allow the agency to develop new systems and associated functional capabilities sought by the supported services and agencies, the Office of the Secretary of Defense (OSD), and the Congress. In a system decision memorandum dated November 26, 1986, the Major Automated Information System Review Council (MAISRC) reviewed and approved the mission element needs statement for LSMP (milestone 0). The memorandum also stated that additional actions were needed to refine the planning and focus of the longer term LSMP effort, to validate cost and benefit data, and to ensure that the program management structure would work.

MAISRC withheld approval of LSMP's program concepts and strategies (milestone 1) and directed DLA to delay the full-scale implementation of LSMP. It also instructed the agency to separate from LSMP its near-term baseline enhancements that were aimed at extending or enhancing the existing DLA baseline ADP systems. MAISRC also requested that the Office of the Assistant Secretary of Defense for Acquisition and Logistics (now known as Production and Logistics) work with DLA to ensure that the enhancements chosen were truly critical, in the near-term, to fulfilling the agency's mission. As directed, DLA submitted all such proposals to the Assistant Secretary of Defense, Production and Logistics. All of these proposals, 16 in total, were approved between March 1987 and January 1988. Further, according to a March 29, 1988, memorandum to

DLA from the Director, Production and Logistics Information Systems, DLA may no longer submit critical baseline enhancement proposals for approval. According to the Assistant Director for Review and Analysis, Production and Logistics, DLA must now include all future enhancement proposals in LSMP or establish another program through which enhancement proposals can be submitted for approval. Fiscal year 1989 budget requests related to the approved proposals are in the critical baseline enhancement program.

A third program, baseline, was developed to maintain the basic ADP capability of the agency prior to the implementation of LSMP. It consists of automation projects other than those included in LSMP or the critical baseline enhancement program.

DLA's Disclosure of ADP/ Telecommunications Budget Information Is Incomplete

Areas of Concern

The ability of the Office of the Secretary of Defense and the Congress to oversee DLA's large automation activities may be hindered, in part, by DLA's failure to disclose detailed ADP and telecommunications costs, as required by OSD. DLA's obligations—including operations and maintenance, procurement, and research, development, testing, and evaluation—for information technology systems have exceeded \$295 million for the past 3 years. However, the agency has not fully complied with the OSD Budget Guidance Manual 7110-1M's requirement to include in its Report on Obligations for Information Technology Systems exhibits (1) all relevant system cost data on exhibit 43A-1 and (2) all relevant descriptions of ADP and telecommunications equipment in exhibit 43B.

Observations/ Considerations

A February 1988 memorandum from OSD instructs Defense components to submit an exhibit 43A-1 for those systems whose estimated costs exceed \$25 million in any single year.¹ The original fiscal year 1988-

¹ A single year is defined as any one of the years included on the exhibit 43A-1—prior year, calendar year, and budget year through budget year plus four.

1989 budget submission included exhibits for three major systems. However, exhibits submitted with the amended fiscal year 1988-1989 budget submission contained combined system cost data but did not break out cost data for the three major systems identified in its original submission. Further, other information shows that these three major systems met the \$25 million threshold and should have been included as separate exhibits in the amended fiscal year 1988-1989 budget submission. The MAISRC action officer for DLA systems stated that in the future, incomplete budget submissions will not be acceptable.

The same OSD memorandum states that any anticipated ADP/ telecommunications acquisitions whose cumulative cost (for commercial services, capital investments, and lease of information technology equipment) is greater than \$2 million in any one year must be identified and described in an exhibit 43B. DLA did not submit an exhibit 43B for its baseline program even though the combined costs for the above-mentioned categories were over \$115 million. DLA officials have agreed that the exhibit 43B was not submitted for the baseline program and have moved responsibility for preparing the exhibits from a technical office to the Program Budget Division.

The Subcommittee may wish to direct DLA to document detailed system cost information and display all relevant costs in required exhibits 43A-1 and 43B in future congressional budget submissions.

DLA's Planned \$24.1 Million Microcomputer Procurement May Need Additional Justification

Areas of Concern

As part of its baseline program, a program developed to maintain the agency's basic ADP capability, DLA has requested \$24.1 million for microcomputer purchases, which it states are critical and needed to support its mission. According to a Program Budget Division official, most of the microcomputers will be used to interface with the agency's ADP systems. However, according to a MAISRC system decision memorandum, projects

aimed at enhancing existing baseline ADP systems and designated as critical should have been identified in a separate program (later called the critical baseline enhancement program.) Alternatively, if the microcomputer purchase is not critical, it may more appropriately belong under the LSMP.

Observations/
Considerations

Of the requested \$300 million in fiscal year 1989 operations and maintenance funds, DLA plans to obligate \$24.1 million to purchase approximately 8,600 microcomputers (personal and laptop computers) and associated software as part of its baseline program. These purchases are not replacements, but are an addition to DLA's existing inventory. According to DLA, these microcomputers are critical and needed to support its mission to improve performance and reduce costs. A Program Budget Division official stated that most microcomputers will interface with the agency's ADP systems, while the remaining equipment will be used for office automation.

However, in a November 1986 system decision memorandum, MAISRC required DLA to identify all mission improvements that are truly critical to fulfilling the agency's mission, and to specifically include efforts "aimed at extending or enhancing the existing DLA baseline ADP systems." DLA identified 16 improvements that are now grouped into the critical baseline enhancement program. However, this program does not include the \$24.1 million microcomputer procurement. The portion of the microcomputer procurement that would interface with ADP systems appears to be the type of improvement that is covered by the memorandum and, thus, may more appropriately belong in the critical baseline enhancement program. Alternatively, if the microcomputer purchase is not critical, it may more appropriately belong under the LSMP.

Although DLA has stated in previous budget submissions that the baseline program was developed to maintain the basic ADP capability of the agency, Program Budget Division officials stated that they are now including enhancements in the baseline program. They also feel that the procurement is justified because the cost of the additional microcomputers would be offset by a voluntary reduction of about \$29.7 million in the operations and maintenance budget request. DLA attributes this reduction to productivity improvements that will result from the equipment purchased and from using more part-time and temporary employees whose benefit payments are lower than those of full-time,

**Appendix II
Program Description and Budget
Analysis Details**

permanent employees. We did not perform any work to verify this information except to examine the budget request justification. The justification does not indicate the portion of the \$29.7 million reduction that is attributable solely to equipment purchases. Therefore, the Subcommittee may wish to consider requesting that DLA postpone obligating the \$24.1 million until the agency develops and provides the Subcommittee with additional justification for including these purchases in an operations and maintenance program.

Objectives, Scope, and Methodology

Our objectives were to review the Defense Logistics Agency's (DLA) fiscal year 1989 budget requests for selected general-purpose, automated information systems (AIS) and to provide information on these systems to the Subcommittee to help it determine whether or not the systems should be funded in the amounts requested. We performed our work at the Defense Logistics Agency, Cameron Station, Virginia, and the Pentagon in Washington, D.C., from February through June 1988.

To obtain information on AIS obligations, we examined DLA's Report on Obligations for Information Technology Systems, as presented in its exhibits 43A-E. Further, we examined DLA's official response to questions that were submitted to the Department of Defense by the House Appropriations Committee to obtain updated report figures. According to DLA, while the updated figures corrected clerical errors in the original submission, the agency does not plan to submit a corrected report for the record. Instead, the corrected figures will be included in the fiscal year 1990 budget submission, which is expected to be submitted to the Office of the Secretary of Defense in the fall of 1988.

We met with officials from DLA's Program Budget Division and Automated Information System Development and Control Division to clarify information in exhibits 43A-E and to obtain further budget information. We also met with officials from the Office of the Assistant Secretary of Defense, Production and Logistics, to review detailed cost data submitted to them by DLA concerning the critical baseline enhancement program and to discuss the baseline program. The Major Automated Information System Review Council's action officer for DLA's automated information systems provided background documentation on the critical baseline enhancement and logistics systems modernization programs.

We discussed issues addressed in this report with officials from DLA's Program Budget Division and have incorporated their comments as appropriate. We conducted our work in accordance with generally accepted government auditing standards.

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