

GAO

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

August 1988

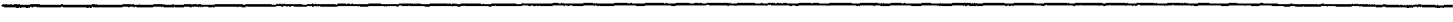
# ARMY BUDGET

## Potential Reductions to Budget Requests for Selected ADP Systems



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United States  
General Accounting Office  
Washington, D.C. 20548

Information Management and  
Technology Division

B-231233

August 1, 1988

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

Dear Mr. Chairman:

In response to your request for us to assist your Subcommittee in evaluating 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. This report contains information on the Department of the Army's Commodity Command Standard System and Integrated Procurement System.

In our analysis of the Army's budget request for these systems we identified potential reductions of up to \$18.8 million. These amounts are primarily the result of differences between estimated equipment costs and equipment costs specified in a contract, and changes in the ways funds might be used. In addition, we identified \$10.4 million that your Subcommittee may want to recommend appropriating conditionally. (Detailed information related to our analysis is contained in appendix III.)

We discussed the contents of this report with Office of the Secretary of Defense and Army officials and have incorporated their comments. As requested, we did not obtain official agency comments. Unless you publicly announce this report's contents earlier, we plan no further distribution until 30 days from its issue date. 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 Secretaries of Defense and the Army; and the Director, Office of Management and Budget. We also will make copies available to others upon request.

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

Sincerely yours,

*Dan White*  
for Ralph V. Carlone  
Director

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## Abbreviations

AMC	Army Materiel Command
CCSS	Commodity Command Standard System
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
IPS	Integrated Procurement System
MAISRC	Major Automated Information System Review Council
OPA	Other Procurement, Army



# Request Letter

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October 20, 1987

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**(202) 225-2771**

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



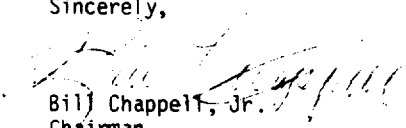
**Appendix I  
Request Letter**

Honorable Charles A. Bowsher  
October 20, 1987  
Page 2

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

# Objectives, Scope, and Methodology

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Our objectives were to review the Department of the Army's fiscal year 1989 budget requests for selected general-purpose, automated information systems and to provide information on these systems to the Subcommittee to assist it in determining whether or not the systems should be funded in the amounts requested. We performed our work in the Washington, D.C., area between February and April 1988.

Our scope of work and analyses were limited because detailed procurement budget requests were not available until March 17, 1988, and detailed operations and maintenance budget requests were not available when this report was submitted for publication. In addition, the Army's Information Technology Systems Budget, which lists funding requests for each system by appropriation, was not available until April 6, 1988. Consequently, this report only contains information on the procurement budget request for systems contained in the Army Materiel Command (AMC) Information Processing Equipment line item.

To obtain budget request information, we examined the Procurement Programs (P-1) Department of Defense Budget For Fiscal Years 1988 and 1989, as well as the Department of the Army Procurement Programs Committee Staff Procurement Backup Book, which contains information on equipment, contracts, and schedules (this information is shown on forms P-40 and P-22). We also examined the Department of the Army's Information Technology Systems Budget (this document contains exhibits 43A-E).

We met with officials from the Office of the Assistant Secretary of the Army (Financial Management) and the Office of the Director of Information Systems for Command, Control, Communications and Computers to clarify information in the budget requests. In addition, we obtained documentation of the Army's reprogramming request, the status of the request, and explanations of processes related to reprogramming actions.

To determine the status of Major Automated Information System Review Council (MAISRC) actions, we met with officials in the Office of the Assistant Secretary of Defense (Comptroller). Also, we obtained and reviewed documents from MAISRC meetings to substantiate information that was provided verbally.

In addition, we met with Office of the Assistant Secretary of the Army (Financial Management) and AMC officials to clarify and update information concerning equipment costs, procurement schedules, and alternative funding plans. We obtained and analyzed a copy of a contract administered by the U.S. Army Missile Command in Huntsville, Alabama. To verify information in the contract, we held a video-teleconference with contracting officials from that command.

We discussed issues covered in this report with officials from the Office of the Assistant Secretary of Defense (Comptroller); Office of the Assistant Secretary of the Army (Financial Management); Office of the Director of Information Systems for Command, Control, Communications and Computers; AMC; and Army Missile Command. Their comments are incorporated. As requested, we did not obtain official agency comments on a draft of this report. We conducted our work in accordance with generally accepted government auditing standards.

# Program Description and Budget Analysis Details

## Program Description

**Service/Project:**  
 Army/Commodity Command Standard System (CCSS) and Integrated Procurement System (IPS)

**Appropriation:**  
 Other Procurement, Army (OPA), Communications and Electronics Equipment

**P-1 Item 115:**  
 AMC Information Processing Equipment

**Table III.1: Budget Authority**

	Fiscal Year <sup>a</sup>			
	1986	1987	1988	1989
OPA	18.800 <sup>b</sup>	11.874 <sup>c</sup>	13.009 <sup>c</sup>	25.723 <sup>c,d</sup>

<sup>a</sup>Obligations against these budget authorities can occur within a 3-year period, beginning with the fiscal year listed.

<sup>b</sup>These funds were authorized and appropriated in the Missiles Procurement, Army, account. Army requested reprogramming of these funds into OPA.

<sup>c</sup>These budget authority figures are in the Department of the Army's Committee Staff Procurement Backup Book (February 1988).

<sup>d</sup>The House Armed Services Committee's April 1988 report on the National Defense Authorization Act for Fiscal Year 1989 (H.R. 4264) revised this number to \$13.023 million. No bill had been enacted into law at the time this report was submitted for publication; therefore, the impact of this or any other change on the following discussion is unknown.

## Background

The Commodity Command Standard System (CCSS) is an automated, wholesale logistics system operated at Army Materiel Command (AMC) subordinate commands to manage an inventory of items such as tools, spares, and repair parts. Since implementation in 1972, CCSS's computing capacity has become saturated. To solve this problem, AMC plans to acquire six large-scale computers—one at each of six subordinate commands.

In March 1986, the Army requested congressional approval to reprogram \$18.8 million from the fiscal year 1986 Missiles Procurement, Army appropriation to the OPA appropriation in order to purchase four large-scale computers for CCSS. The other two computers were to be purchased using Asset Capitalization Funds and fiscal year 1985 Productivity Investment Funds. Before considering the reprogramming request, Congress required that the Army obtain approval of its plans for CCSS

from the Office of the Secretary of Defense's Major Automated Information System Review Council (MAISRC).

The MAISRC reviewed the Army's plans in May 1987, approved the purchase of two computers, and requested further cost information before approving purchase of the remaining four computers. In July 1987, the Army awarded a \$17.07 million contract that contained options for purchasing all six computers, as well as clauses covering equipment maintenance. The Army purchased two computers using the Asset Capitalization Funds and the fiscal year 1985 Productivity Investment Funds. In October 1987, after receiving the additional information requested from the Army, MAISRC approved purchase of the remaining four computers. Subsequently, the Army contacted the congressional oversight committees regarding the \$18.8 million reprogramming request; however, as of the date that this report was submitted for publication, congressional approval had not been received.

If reprogramming approval is not received by the end of fiscal year 1988, the Army will be unable to use the fiscal year 1986 funds to purchase the four computers, because those funds expire at the end of this fiscal year. If this situation occurs, the Army plans to purchase the four CCSS computers using fiscal year 1988 and 1989 OPA funds—funds that the Army otherwise would have used for purchasing four large-scale computers to upgrade AMC's data processing facilities.

A portion of computing capacity of the CCSS large-scale computers will be used for the Integrated Procurement System (IPS)—an AMC project to automate and integrate various procurement activities. As part of IPS, AMC plans to purchase minicomputers that will be linked to CCSS's six large-scale computers. AMC does not plan to purchase the minicomputers unless they can be linked with the CCSS large-scale computers. Consequently, the minicomputer purchases initially scheduled for fiscal years 1987 and 1988 are being postponed until the remaining four CCSS computers are purchased.

Table III.2 displays the Army's intended uses of funds in the AMC Information Processing Equipment line item by fiscal year. (See table III.1 for an explanation of the sources of these numbers.)

Appendix III  
 Program Description and Budget  
 Analysis Details

**Table III.2: Intended Uses of Budget Authority**

(millions of dollars)

Intended Use	Fiscal Year <sup>a</sup>								
	1986		1987		1988		1989 <sup>b</sup>		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Large-scale computers for CCSS	4	\$18.8							
Large-scale computers for AMC upgrade					1	\$4.5	3	\$12.6	
IPS minicomputers			10	\$2.6	30	\$7.8	40	\$10.4	
Other equipment				\$9.3		\$7		\$2.7	
<b>Totals</b>		<b>\$18.8</b>		<b>\$11.9</b>		<b>\$13.0</b>		<b>\$25.7</b>	

<sup>a</sup>Obligations against these budget authorities can occur within a 3-year period, beginning with the fiscal year listed.

<sup>b</sup>These figures may change depending on the outcome of the authorization and appropriation acts for fiscal year 1989.

## Areas of Concern

There are two mutually exclusive estimates of potential reductions. The first estimate is based on the assumption that the Army's request to reprogram \$18.8 million to the OPA appropriation is approved. The second estimate is based on the assumption that the reprogramming request is not approved.

If the request is approved, potential reductions could total \$8.7 million in fiscal year 1986 funds. This \$8.7 million is the sum of differences between estimated costs and costs specified in the contract for the CCSS large-scale computers.

If the request is not approved, the Army could use the \$18.8 million in fiscal year 1986 funds for other purposes during fiscal year 1988. The change in use of these funds could reduce the Army's need for fiscal year 1988 funds and potentially reduce the appropriation in which the funds are used. In addition, the Army intends to use \$10.4 million in fiscal year 1989 funds to purchase IPS minicomputers that will be connected to the CCSS large-scale computers. The Subcommittee may want to recommend appropriating these funds with a proviso that the funds not be obligated until all the CCSS large-scale computers are purchased. (These figures may change depending on the outcome of the authorization and appropriation acts for fiscal year 1989.)

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## Observations/ Considerations

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### Outlook if the Army's Reprogramming Request Is Approved

If the reprogramming request is approved, the Army will have \$18.8 million in fiscal year 1986 funds in the OPA appropriation to purchase the remaining four computers for CCSS. The \$18.8 million reflects the Army's estimates of the cost of four large-scale computers. However, the contract that the Army will use to obtain this equipment contains options specifying that the remaining four computers can be purchased for about \$10.1 million. Therefore, the Army would have \$8.7 million more in the OPA appropriation than required for the computer purchase.

Army officials agreed with this information, but disagreed that the \$8.7 million should be eliminated from the budget. They said that they have identified other uses for those funds, including purchases of additional large-scale computers.

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### Outlook if the Army's Reprogramming Request Is Not Approved

If reprogramming of the \$18.8 million in fiscal year 1986 funds is not approved, the Army could use the funds for other purposes during fiscal year 1988. The change in use of these funds could reduce the Army's needs for fiscal year 1988 funds and could potentially reduce the appropriation in which the funds are used.

In addition, the Army would have to use fiscal year 1988 and 1989 funds to purchase the four CCSS computers, delaying the implementation of IPS. The current budget documents indicate that the Army will purchase 40 minicomputers—10 with fiscal year 1987 funds and 30 with fiscal year 1988 funds—in the same year that the remaining four CCSS large-scale computers are purchased (fiscal year 1988). An additional 40 minicomputers would be purchased the following year with fiscal year 1989 funds. Without reprogramming approval, purchase of all four large-scale computers will not be completed until at least fiscal year 1989. Funds for the first 40 minicomputers, appropriated in fiscal years 1987 and 1988, could be used to purchase the minicomputers in fiscal year 1989. The \$10.4 million requested for the remaining 40 minicomputers would not be needed until after fiscal year 1989. Therefore, as mentioned before, the Subcommittee may want to recommend appropriating these funds with a proviso that the funds only be used to purchase IPS minicomputers and that the funds not be obligated until all the CCSS

large-scale computers are purchased. (These figures may change depending on the outcome of the authorization and appropriation acts for fiscal year 1989.)

Although Army officials agreed with our analysis, they emphasized that implementation of CCSS and IPS would be adversely affected if the reprogramming request is not approved. Specifically, they said that without the reprogrammed funds they would have to use fiscal year 1988 and 1989 funds to purchase the four CCSS computers, delaying the implementation of IPS. If fiscal year 1989 authorization levels are reduced as indicated in the House Armed Services Committee's report, the CCSS large-scale purchases could be delayed even further. These delays will mean that current, less economical operations would continue and that planned productivity improvements would be delayed. They added that over \$100 million that is already removed from future years' budget estimates because of anticipated savings resulting from IPS implementation would have to be added back to those estimates to cover the added costs of not achieving those savings.







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