Audit Report

AUDIT OF THE REPORTING REQUIREMENTS FOR MAJOR AUTOMATED INFORMATION SYSTEM PROGRAMS

Report No. D-2000-125 May 17, 2000

Office of the Inspector General
Department of Defense

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Acronyms

AO	Action Officer
APB	Acquisition Program Baseline
ASD(C^3I)	Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
DAES	Defense Acquisition Executive Summary
MAIS	Major Automated Information System
OSD	Office of the Secretary of Defense
PME	Program Manager Estimate
PMO	Program Management Office
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology, and Logistics)

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

May 17, 2000

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE)

SUBJECT: Audit Report on Reporting Requirements for Major Automated Information System Programs (Report No. 00-125)

We are providing this report for information and use. We considered management comments on a draft of this report in preparing the final report.

Comments from the Acting Deputy Assistant Secretary of Defense, Deputy Chief Information Officer, were responsive. Management comments conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Raymond A. Spencer at (703) 604-9071 (DSN 664-9071) (rspencer@dodig.osd.mil) or Mr. Michael E. Simpson at (703) 604-8972 (DSN 664-8972) (msimpson@dodig.osd.mil). See Appendix C for report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 00-125 **May 17, 2000**
(Project No. 9AB-0045)

Audit of the Reporting Requirements for Major Automated Information System Programs

Executive Summary

Introduction. The Clinger-Cohen Act of 1996 requires the DoD Chief Information Officer to oversee all DoD information technology investments. There are 71 Major Automated Information System programs with total program costs of $26 billion. To qualify as a Major Automated Information System, the program must meet the following criteria: program costs must exceed $30 million in a fiscal year, total program cost must exceed $120 million or total life-cycle cost must exceed $360 million. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) is the Chief Information Officer for DoD. As the Chief Information Officer, DoD, the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) is required to design and implement a process to maximize the value of information technology acquisitions and to assess and manage the risks related to those acquisitions. This process shall be used to monitor and evaluate the performance of information technology programs and, based on the results, to advise the Secretary of Defense whether to continue, modify, or terminate a program. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) is transitioning to using the Defense Acquisition Executive Summary report for obtaining information on Major Automated Information Systems.

Objectives. Our objective was to evaluate the implementation of the reporting requirements for Automated Information System programs. Specifically, we determined whether the information required by current policies and regulations for the Automated Information System Programs is being adequately and accurately reported to the Office of the Secretary of Defense.

Results. The Defense Acquisition Executive Summary report, which is used to assess and manage risk for developing Major Automated Information Systems, is not complete or timely and is not used or received in a consistent manner. As a result, management could make decisions without having received all available information. For details of the audit results, see the Finding section of the report.

Summary of Recommendations. We recommend that the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) implement procedures that will verify that the Defense Acquisition Executive Summary report information is consistent, complete, and timely; and establish a systematic review and analysis process for the report.

Management Comments. The Acting Deputy Assistant Secretary of Defense, Deputy Chief Information Officer, concurred and stated interim policy was in a May 5, 1999, memorandum that will replaced by changes to DoD 5000.2-R. He also plans to implement a more formal review and analysis process for the Defense Acquisition Executive Summary reports.

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Background

The Clinger-Cohen Act of 1996 requires the DoD Chief Information Officer to oversee all DoD information technology investments. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) (ASD[C^3I]) is the Chief Information Officer for DoD and as such is required to design and implement a process to maximize the value of information technology acquisitions and to assess and manage the risks related to those acquisitions. This process should also be used to monitor and evaluate the performance of information technology programs and, based on the results, to advise the Secretary of Defense whether to continue, modify, or terminate a program.

The ASD(C^3I) established the Defense Acquisition Executive Summary (DAES) report as its primary reporting mechanism for oversight of Major Automated Information System (MAIS) programs effective June 30, 1999. To qualify as a MAIS, the program must meet the following criteria: program costs must exceed $30 million in a fiscal year, total program costs must exceed $120 million or total life-cycle cost must exceed $360 million. There are 71 AIS programs overseen by 8 Action Officers at ASD(C^3I).

The Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD[AT&L]) established the DAES report for oversight of the acquisition of weapon systems in 1988. The report is standardized, automated, provides information to DoD acquisition officials on program execution and policy decisions, and aids in early problem identification. The USD(AT&L) uses specialists from other offices within the Office of the Secretary of Defense (OSD), such as the Comptroller and Program, Analysis and Evaluation to provide functional analysis of the information provided in DAES reports. In addition, USD(AT&L) has guidelines for personnel on how to review the DAES reports. This process has been effective in the identification of problem programs. For further discussion of the USD(AT&L) process, see Appendix B.

Objective

Our objective was to evaluate the implementation of the reporting requirements for Automated Information System programs. Specifically, we determined if the information required by current policies and regulations for the Automated Information System programs is being adequately and accurately reported to the Office of the Secretary of Defense. See Appendix A for discussion of the audit scope and methodology.

Defense Acquisition Executive Summary Report as a Management Tool

The Defense Acquisition Executive Summary report, which is used to assess and manage risk for developing Major Automated Information Systems, is not complete or timely and is not used or received in a consistent manner. This condition occurred because the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) had not issued specific guidance to the MAIS Program Managers to ensure that the DAES reports are complete and timely in accordance with instructions in DoD Directive 5000-2.R and had no internal written guidance for Action Officers to follow when performing oversight responsibilities. As a result, decisions impacting MAIS programs may be made based on inconsistent reviews of incomplete and untimely information.

Major Automated Information Systems Oversight

The ASD(C^3I) adopted the DAES report to satisfy reporting requirements in the Clinger-Cohen Act and to provide information to acquisition officials on the status of MAIS programs. The DAES report has eight sections: Executive Summary, Assessments (Program indicators), Program Manager comments, Program Executive Officer/Senior Executive Officer Comments, Cost data, Background data, Supplemental Contract Cost Information, and Annual Funding Summary. We analyzed the June 30,1999, and September 30, 1999, DAES reports submitted to ASD(C^3I) for 17 MAIS programs, with an estimated total program cost of $10 billion, and found that Program Management Offices (PMO) were not providing information that was complete, consistent, or timely.

Completeness of the DAES Report. For the period ending June 30, 1999, only 11 of the 17 sampled MAIS programs submitted a DAES report. All 11 had at least one section missing. For example, five of those reports did not include the Executive Summary Section. For the period ending September 30, 1999, 13 of the 17 programs submitted reports. However, all 13 reports were missing at least one section. For example, 11 of the 13 reports did not include information on funding. The following table illustrates which programs submitted the DAES reports and which sections were completed.

Analysis of DAES Reports

	6-30-99 DAES Reports			9-30-99 DAES Reports		
Program Name	DAES Report Filed	Sections Completed	Sections Not Completed	DAES Report Filed	Sections Completed	Sections Not Completed
DIMHRS	No			Yes	1,2,3,5 7	6,8
DJAS	Yes	2,3,4,5,7,8	1,6	Yes	1,2,3,4,5,7,8	6
DMS	Yes	2 6	1,3,4,5,7,8	Yes	1,2,4,5,7	3,6,8
DPPS	Yes	1,2,3,5,7,8	4,6	Yes	1,2,4,5,7,8,	6
FAS	Yes	1,2,3,4	5,6,7,8	Yes	1,2,3,4,5	6,7,8
GCCS-A	Yes	2,3,5,6,8	1,4,7	Yes	1,2,6,7	3 4.5.8
GCCS-DISA	No			Yes	1,2,3,6,7	4,5,8
GCCS-M	No			No		
GCSS-AF	Yes	2,3,4,5	1,6,,7,8	Yes	1,2,3,4,5,7	6,8
GCSS-DISA	No			No		
JSIMS	Yes	1,2,3,6	4,5,7,8	Yes	1,3,	2,4,5,6,7,8
NSIPS	Yes	1,2,5	3,4,6,7,8	Yes	1,2,3,4,5,7	6,8
NTCSS	Yes	2,3	1,4,5,6,7,8	Yes	1,2,3,5	4,6,7,8
SANDMAN	No			No		
SIDPERS-3	No			No		
SPS	Yes	1,2,3,4,5,7,8	6	Yes	1,2,3,4,5,7,8	6
TC-AIMS II	Yes	1,2,3	4,5,6,7,8	Yes	2,3,5	1,4,6,7,8

Section 1	Executive Summary
Section 2	Assessments/Program Indicators
Section 3	Program Manager Comments
Section 4	PEO/SAE Comments
Section 5	Cost Data
Section 6	Background Data
Section 7	Supplemental Contract Cost Information
Section 8	Annual Funding Summary

DIMHRS	Defense Integrated Military Human Resources System
DJAS	Defense Joint Accounting System
DPPS	Defense Procurement Payment System
FAS	Fuels Automated System
GCCS-A	Global Command and Control System-Army
GCSS-DISA	Global Combat Support System-Defense Information System Agency
GCCS-DISA	Global Command and Control-Defense Information System Agency
JSIMS	Joint Simulation System
NSIPS	Navy Standard Integrated Personnel System
NTCSS	Navy Tactical Command Support System
SIDPERS-3	Standard Installation/Division Personnel System-3
SPS	DoD Standard Procurement System
TC-AIMS II	Transportation Coordinators Automated Information Movement Systems II

Consistent Use of the DAES Report. The ASD(C^3I) has 8 Action Officers (AO) assigned to provide oversight for 71 MAIS programs. Because no specific written guidelines were established within ASD(C^3I) that provided for the review of DAES reports, the consistency of review varies among the AOs as shown by the following examples:

- The Navy MAIS Global Command and Control System-Maritime are not required to provide a DAES report. In June 1999, the program manager received a verbal waiver from ASD(C^3I) followed by an e-mail message stating that the PMO did not have to provide DAES reports. The e-mail message stated that the AO was satisfied with the up-to-date information he could receive from the program manager's web page on the Internet. This program was the only MAIS reviewed that was approved to use the Internet web page instead of submitting a DAES report.

- The AO for the Global Combat Support System-Air Force stated that he did not use the DAES reports for oversight purposes because he maintains oversight of the program by attending meetings and using the telephone. In addition, he stated that by the time he gets the report, the information is outdated and not useful.

- The AO for the Defense Message System program stated that he reviews the report for any funding or scheduling changes. However, because he communicates with the PMO on a regular basis, he does not consider the reports to be useful for oversight purposes.

Timeliness of the DAES Report. According to ASD(C^3I) officials, the PMOs are not required to submit the DAES report on the last day of the quarter. Some DAES reports were more than 30 days old when the ASD(C^3I) received them. Some AOs review the DAES reports, others do not. For example, two AOs stated that the MAIS DAES reports are useless and outdated when they are received.

Conclusion

Use of the DAES report by USD(AT&L) to monitor the progress of weapon systems has proven effective. Oversight of MAIS programs using this report should also be effective as soon as ASD(C^3I) assures complete and timely reporting by Program Managers and takes steps to provide consistency of review by its Action Officers.

Recommendations, Management Comments, and Audit Response

We recommend that the Assistant Secretary of Defense, (Command, Control, Communications and Intelligence):

1. Implement policy and procedures that require the Program Managers of the Major Automated Information Systems submit Defense Acquisition Executive Summary reports to the Action Officers in a complete and timely manner.

2. Establish a systematic review and analysis process so that the Defense Acquisition Executive Summary report will be an effective management tool for Information Technology Programs.

Management Comments. The Deputy Assistant Secretary of Defense, Acting Deputy Chief Information Officer, concurred with the finding and stated that the initial interim policies and procedures are contained in the May 5, 1999, Assistant Secretary of Defense (Command, Control, Communications and Intelligence) memorandum that initialed the requirement to submit Defense Acquisition Executive Summary reports to the action officers in a timely manner. The Acting Deputy also stated that the Investment and Acquisition Directorate in his office plans to develop a more formal Defense Acquisition Executive Summary review and analysis process this calendar year. In developing the process for Major Automated Information Systems, the Defense Acquisition Executive Summary procedures used by the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) will be reviewed.

Appendix A. Audit Process

Scope

Work Performed and Limitations to Overall Audit Scope: We reviewed the process and supporting documentation used to report Major Automated Information Systems at the Office of the Secretary of Defense, Defense agencies, and Military Departments. We limited the scope of the audit to 17 of the 71 MAIS programs found in the Army, Navy, Air Force, Defense Logistics Agency, Defense Finance and Accounting Service, and Defense Information Systems Agency.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

DoD-wide Corporate-Level Government Performance and Results Act (GPRA) Goals. In response to the GPRA, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following corporate level goal and subordinate performance goal.

FY 2001 DoD Corporate-Level Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-2) FY 2001 Subordinate Performance Goal 2.4:** Meet Combat forces' needs smarter and faster, with products and services that work better and cost less, by improving the efficiency of DoD's acquisition processes. **(01-DoD-2.4)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal:

Information Technology Management Functional Area.

> **Objective:** Provide services that satisfy customer information needs.
> **Goal:** Upgrade technology base. **(ITM-2.3)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Information Management and Technology high-risk area.

Methodology

We performed this economy and efficiency audit from April 1999 through February 2000, in accordance with auditing standards issued by the Comptroller

of the United States. We relied on DoD and Service guidance for determining reporting requirements. To achieve the audit objective, we did not rely on computer-processed data when reviewing the reporting process for Major Automated Information System programs. We assessed the reliability of the data, including relevant general and application controls, and found them to be adequate. We also conducted sufficient tests of the data.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurances that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of management controls over the DAES reporting process. Because we did not identify a material weakness, we did not assess management's self-evaluation.

Prior Coverage

No prior coverage has been conducted on the subject in the last 5 years.

Appendix B. Defense Acquisition Executive Summary Report for Major Weapon Systems Oversight

The USD(AT&L) established the DAES report for oversight of the acquisition of weapon systems in 1988. The report provides information to OSD and DoD acquisition officials on program execution and policy decisions, and aids in early problem identification. DAES is a reporting and review process that serves two primary purposes: to provide progress information to OSD principals on selected acquisition programs and provide the DoD acquisition community with feedback on OSD staff views. DAES is an automated standardized report that emphasizes performance, schedule, and technical issues. DAES covers all major acquisition programs for which OSD is the primary milestone decision authority. Currently, 87 weapon system programs report through the DAES process.

The DAES review process provides timely information to DoD acquisition hierarchy about program execution and progress, policy decisions, and early problem identification. The program manager is held accountable for the completeness, accuracy, and consistency of the DAES report. The DAES report passes through the Program Executive Officer and Component Acquisition Executive and is received in USD(AT&L) for distribution to the OSD staff involved with acquisition oversight. Issues identified during this OSD staff review form the basis for a quarterly meeting held by USD(AT&L) and other key DoD acquisition executives.

The USD(AT&L) developed the DAES report to provide DoD acquisition officials with timely program information. The USD(AT&L) uses this information to perform oversight functions for weapon systems. Examples of how the DAES report has resulted in programmatic changes for the major weapon systems follow:

- **The Crusader Howitzer.** DAES identified that the prime hardware contractor lacked the capability to develop the software in a timely manner. As a result, the subcontractor was made the prime contractor for the software. The subcontractor is rated level 3 (the highest rating) in software. In addition, new policy regarding software was developed.

- **Cooperative Engagement Capability.** The Cooperative Engagement Capability is a Navy program created to make rapid-fire adjustments to deal with threats. To accomplish its mission, it links systems like the AEGIS, E-2, and AWACS-ARCIP. DAES showed that the digitization of the software effort to establish rapid communication would cost more and take longer than anticipated. As a result, more cooperation was required and USD(AT&L) established an Interoperability Office.

- **Ship Class LPD 17.** Ship Class LPD 17 is a new design supply ship for the Navy. DAES showed that the effort was going to cost about $100 million more than anticipated while others continued to believe otherwise. However, the figures showed something was wrong even though the rhetoric was that everything was fine. Now it is estimated that the ship will cost about $200 million more. The shipyard now admits that there are deck design problems. As it turned out, the ship was to have cargo stacked on deck but because of the way the deck was designed, the cargo would limit visibility and hamper operation with the fleet.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Acquisition, Technology, and Logistics)
  Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
Deputy Under Secretary of Defense (Acquisition Reform)
Deputy Chief Information Officer and Assistant Secretary of Defense (Chief Information Officer Policy and Implementation)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Chief Information Officer, Department of the Army
Program Executive Officer for Standard Army Management Information Systems

Department of the Navy

Naval Inspector General
Chief Information Officer, Department of the Navy
Auditor General, Department of the Navy
Space and Naval Warfare Systems Command

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Chief Information Officer, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Information Systems Agency
Inspector General, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

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Office of Management and Budget
General Accounting Office
  National Security and International Affairs Division
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Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Acting Deputy Chief Information Officer, Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Comments

COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE

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WASHINGTON, DC 20301-6000

01 MAY 2000

MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT DIRECTORATE, DODIG

SUBJECT: Draft Audit Report on the Reporting Requirements for Major Automated Information System Programs (Project No. 9AB-0045)

We appreciate the opportunity to comment on the subject draft report. Our specific comments on the report's major finding are attached. Our comments on the report's two recommendations are below.

- Recommendation 1: The ASD (C3I) should implement policies and procedures that require the program managers (PMs) of major automated information systems (MAIS) to submit DAES reports to the action officers in a timely manner.

  - Concur. However, initial interim policies and procedures are contained in the May 5, 1999 ASD (C3I) memorandum that initiated the requirement to submit DAES reports for MAIS. Changes to DoD 5000.2-R, which have just been released for DoD-wide comments, include changes that require timely submission of DAES reports for MAIS.

- Recommendation 2: The ASD (C3I) should establish a systematic review and analysis process so that the DAES report will be an effective management tool for IT programs.

  - Concur. The Investment and Acquisition Directorate in my office plans to develop a more formal DAES review and analysis process this calendar year. In developing the process for MAIS, we plan to review the DAES process used by the OUSD (AT&L).

Please direct any questions to Mr. John Laychus at (703) 604-1584.

Margaret E. Myers
for Paul R. Brubaker
Acting Deputy Chief Information Officer

Enclosure

SPECIFIC COMMENTS ON FINDINGS

The primary finding is that the Defense Acquisition Executive Summary (DAES) report is not complete or timely and is not used or received in a consistent manner.

- Concur that many of the sections cited by the report are missing. However, many of those sections were left blank for valid reasons. For example:

  - Section 8 is intended as a means for identifying funding changes that might result in acquisition program baseline breaches. If there are no funding changes to identify, the section should be left blank.
  - Section 4, "PEO/CAE Comments," is not a mandatory field. Therefore, it may be left blank.
  - Section 7, "Supplemental Contract Cost Information," has a dollar threshold of over $40 million. Therefore, contracts below this dollar threshold should be omitted.

- Three of the programs cited for failing to submit reports are major special interest initiatives. The May 5, 1999 ASD(C3I) memorandum that first required submission of DAES reports made submission of a DAES report optional for such initiatives. Another program, SIDPERS-3, was permitted to continue to provide a hard copy of the MAIS Quarterly Report instead of being required to implement the new automated DAES process. This was done because the program was fully fielded in the first quarter of FY00.

The report states that the reason for the finding is that ASD(C3I) (1) has not issued specific guidance to the MAIS program managers to assure that the DAES reports are complete and timely and in accordance with DoD 5000.2-R, and (2) has no internal written guidance for action officers to follow when performing oversight responsibilities.

- Partially concur regarding specific guidance. The May 5, 1999 ASD(C3I) memorandum contained guidance to program managers on how and when to submit DAES reports, and we have made available significant training and a help desk capability to MAIS program managers. However, as the DAES report is a new requirement for MAIS program managers, we did not expect the reports for the first few quarters to be flawless.

- We concur that no internal guidance regarding the performance of oversight responsibilities was written. However, the ASD(C3I) action officers attended DAES training, and all have considerable experience in performing acquisition oversight.

Audit Team Members

The Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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