Audit Report

OFFICE OF THE INSPECTOR GENERAL

ACQUISITION MANAGEMENT OF THE DEFENSE CIVILIAN PERSONNEL DATA SYSTEM

Report No. 98-041 December 16, 1997

Department of Defense

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Acronyms

ACAT	Acquisition Category
CPMS	Civilian Personnel Management Service
DCPDS	Defense Civilian Personnel Data System
TIMPL	Technical Implementation Manager

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202

December 16, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Acquisition Management of the Defense Civilian Personnel Data System (Report No. 98-041)

We are providing this report for review and comment. This is the first of four reports on the Defense Civilian Personnel Data System by the Office of Inspector General, Department of Defense. In addition, the Army Audit Agency and Air Force Audit Agency will issue separate reports on their Army and Air Force information assurance in the Defense Civilian Personnel Data System, respectively. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Assistant Secretary of the Air Force (Acquisition) provide comments on Recommendations 1.b. and 2. by February 17, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Mary Lu Ugone, Audit Program Director, at (703) 604-9049 (DSN 664-9049), Ms. Cecelia A. Miggins, Audit Project Manager, at (703) 604-9046 (DSN 664-9046), or Mr. Karim Malek, Audit Team Leader, at (703) 604-9039 (DSN 664-9039). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

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Report No. 98-041 **December 16, 1997**
(Project No. 7RE-3006.00)

Acquisition Management of the Defense Civilian Personnel Data System

Executive Summary

Introduction. The Defense Civilian Personnel Data System (DCPDS) is a DoD Major Automated Information System with estimated life-cycle costs including Regionalization/Modernization Investment, Modern DCPDS System Operations and Support, Legacy/Interim DCPDS Operations, and Regionalization/Modernization human resource mission costs for the multi-component DCPDS program of about $10.4 billion. The DCPDS is being developed by the Air Force Personnel Center central design activity. The Department of the Air Force is the executive agent; the Commander, Air Force Electronics Systems Center, is the designated acquisition commander; and the Air Force Personnel Center staffs the DCPDS acquisition program management organization. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), as the Chair, Major Automated Information Systems Review Council, is the DCPDS milestone decision authority, and the Civilian Personnel Management Service is the representative of the DCPDS functional sponsor, the Deputy Assistant Secretary of Defense (Civilian Personnel Policy).

Audit Objectives. Specifically, for this phase of the audit, we evaluated the acquisition management structure in support of the DCPDS program. The overall audit objective was to evaluate the adequacy of information assurance for the DCPDS. A separate report will address the overall objective and will discuss the results of our review of the management control program. In addition, the Army Audit Agency and Air Force Audit Agency will issue reports on their Army and Air Force DCPDS information assurance, respectively.

Audit Results. The DCPDS functional proponent performed responsibilities normally expected of acquisition officials. As a result, the Air Force cannot ensure that it is adequately managing the high levels of risk in key areas of DCPDS testing, information assurance, and life-cycle costing.

Summary of Recommendations. We recommend revision of the DCPDS acquisition management structure to clearly define the lines of responsibility, authority, and accountability. We recommend appointment of a program executive officer to execute acquisition management and direction of DCPDS and appointment of a program manager in accordance with DoD Manual 5000.52, "Acquisition Career Development Program," November 1995. We also recommend a comprehensive DCPDS in-process review.

Management Comments. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) commented for himself and the Air Force. He concluded that the $10.4 billion life-cycle cost for DCPDS is incorrect and should be less than $750 million. He stated that even though the current memorandum of agreement has been adequate to support DCPDS management, CPMS and the Air Force revised the memorandum of agreement to more clearly define the lines of responsibility, authority, and accountability. He stated that the regulations allow the Component Acquisition Executive to determine that a Program Manager can report directly and that the Air Force Acquisition Executive chose to have the Acquisition Program Manager report directly to the Commander, Electronic Systems Center, as the Designated Acquisition Commander. He stated that DoD Manual 5000.52 does not address Acquisition Category IA programs. Further, he stated that the Air Force Acquisition Staff and the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) have chartered a DCPDS Acquisition Oversight Integrated Process Team that was consistent with regulations. See Part I for a discussion of management comments and Part III for the complete text of the management comments. Also, see Appendix C for a discussion of management comments on the finding.

Audit Response. Management comments were partially responsive. The DCPDS program life-cycle costs are $10.4 billion, of which $795 million is for Regionalization/Modernization Investment and Modern DCPDS System Operations and Support. The remaining amount is for Legacy/Interim DCPDS Operations, and Regionalization/Modernization Human Resource Mission Costs. Management actions to revise the memorandum of agreement and establish the DCPDS Acquisition Oversight Integrated Process Team would satisfy the intent of strengthening the lines of responsibility, authority, and accountability and executing acquisition management and direction for the DCPDS. Management comments related to appointing a program manager in accordance with regulations were nonresponsive. The schedule slippage, information security issues, and DCPDS costs warrant reconsideration of our recommendation. Management comments on performing a comprehensive in-process review of the DCPDS were partially responsive. The Air Force Acquisition Executive established the DCPDS Acquisition Oversight Integrated Process Team. However, because that team should have been established in 1994, acquisition controls have been lacking in the years that followed, and the high risks associated with DCPDS warrant an in-process review to obtain an assessment of core acquisition management issues. Therefore, we request the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Assistant Secretary of the Air Force (Acquisition) to reconsider their positions to appoint a program manager and perform an in-process review and provide further comments by February 17, 1998.

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Part I - Audit Results

Audit Background

Defense Civilian Personnel Data System. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) designated the Defense Civilian Personnel Data System (DCPDS) as the interim standard civilian personnel system in an April 22, 1991, memorandum. The memorandum designates the Secretary of the Air Force as the executive agent for the DCPDS. The December 5, 1994, Program Budget Decision 711 funded the modernization of DCPDS for the DoD single, integrated information system for DoD civilian personnel administration. The DCPDS program exists to provide a seamless automated information system that will provide support for personnel policy actions and personnel decisions during peacetime, contingencies, and wartime. The DCPDS will support all DoD Components worldwide and will be used by personnel officials, employees, managers, and senior leadership at all levels of DoD operations throughout the world.

The DCPDS program is a major automated information system and is classified as Acquisition Category IA. The program is subject to the provisions of DoD Directive 5000.1, "Defense Acquisition," March 15, 1996, and DoD Regulation 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs," March 15, 1996. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), as Chair of the Major Automated Information Systems Review Council, is the DCPDS milestone decision authority and approves program entry into new life-cycle phases.

DCPDS is envisioned to enable one personnel specialist to provide personnel services to about 100 civilian personnel. DCPDS is also envisioned to eliminate duplicative DoD Component and Defense agency personnel system costs and to reduce maintenance costs for mainframe computers. The Civilian Personnel Management Service (CPMS), through the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), is the functional proponent of DCPDS, and the Assistant Secretary of the Air Force (Acquisition) is the Executive Agent for acquiring DCPDS. The Civilian Personnel Management Service, in the "Regionalization and Systems Modernization Program, 1997 Economic Analysis Update," September 29, 1997, estimates DCPDS program life-cycle costs for Regionalization/Modernization Investment, Modern DCPDS System Operations and Support, Legacy/Interim DCPDS Operations, and Regionalization/Modernization Human Resource Mission Costs for the

multi-component DCPDS program at about $10.4 billion. The $10.4 billion includes $795 million which is the Regionalization/Modernization Investment and Modern DCPDS System Operations and Support. The $795 million does not include the Legacy/Interim DCPDS Operations and Regionalization/Modernization Human Resource Mission costs. CPMS estimates annual program benefits of $156 million to $182 million upon full operational capability worldwide. The DCPDS initial operational capability was scheduled for February 1998 and has been postponed, and full operational capability is scheduled for June 1999.

Civilian Personnel Management Service. DoD Directive 5124.4, "Defense Civilian Personnel Management Service," August 30, 1993, establishes CPMS to provide civilian personnel policy support, functional information management, and civilian personnel administrative services to the DoD Components.

The CPMS is the lead Defense organization for the performance of the civilian personnel functions. In that capacity, CPMS coordinates DCPDS program events with the DoD Components to improve civilian personnel administration. Currently, CPMS coordinates three related civilian personnel improvement efforts: the regionalization of DoD Components' personnel operations; the civilian personnel business process reengineering effort, encompassed in the DCPDS interim system; and the development and acquisition of the DCPDS modernized system. The office of the DCPDS functional program manager resides within CPMS.

The CPMS has provided strong and consistent leadership to accomplish its mission and emphasizes coordination and cooperation among the DoD Components. In addition, the CPMS has worked diligently to meet the difficult challenges associated with diverse DoD cultural environments, a complex system of personnel functions, and a unique DCPDS acquisition process. The regionalization of personnel operations, the reengineering initiative, and the systems modernization acquisition program should bring improved operations and management throughout the DoD civilian personnel administration.

Program Budget Decision 711. Program Budget Decision 711, "Corporate Information Management (CIM) Initiatives," December 5, 1994, added and realigned funding and personnel for the regionalization and modernization of DCPDS. The regionalization of DoD personnel functions into about 20 personnel servicing centers is known as the DCPDS regionalization effort. The DCPDS modernization effort is the acquisition and development of new software applications using a common personnel database and a distributed computing architecture. The Air Force Personnel Center Central Design Activity is developing the new software applications and database requirements. Program Budget Decision 711 states that the DoD Components will fund the DCPDS regionalization effort. The CPMS would fund the DCPDS modernization effort. However, the communications and computing infrastructure that the DoD Components acquired for the regionalization effort must satisfy the DCPDS software application and database requirements acquired in the modernization effort.

Audit Objectives

The overall audit objective was to evaluate the adequacy of information assurance for DCPDS. Specifically, for this phase of the audit, we evaluated the acquisition management structure in support of the DCPDS program. Another audit is looking at the overall objective and will discuss the results of our review of the management control program. See Appendix A for a discussion of the audit scope and methodology.

Defense Civilian Personnel Data System Acquisition Controls

The DCPDS functional proponent, the Civilian Personnel Management Service, performed responsibilities normally expected of the acquisition program manager and the program executive officer.

The functional proponent's representative performed acquisition management responsibilities because the Air Force did not have adequate management controls in its DCPDS acquisition management structure to clearly define lines of responsibility, authority, and accountability, as required by DoD Directive 5000.1, "Defense Acquisition," March 15, 1996.

As a result, the Air Force cannot ensure that it is adequately managing the high level of risk associated with key areas such as DCPDS testing, information assurance, and life-cycle costing.

Defense Acquisition Management

Acquisition Management. DoD Directive 5000.1 establishes a disciplined management approach for Defense acquisition to assist the Under Secretary of Defense for Acquisition and Technology; the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence); and the Director, Operational Test and Evaluation, in meeting their fundamental commitments as the Department's decision authorities for acquisition programs, automated information systems, and operational testing. The Directive establishes general principles to guide all Defense acquisition programs and directs a streamlined acquisition management reporting chain.

DoD Directive 5000.1 states that DoD should use a streamlined acquisition management structure characterized by short, clearly defined lines of responsibility, authority, and accountability. In general, the chain of command will include the program manager; the program executive officer; the component acquisition executive, reporting through the head of the component;

and the Under Secretary of Defense for Acquisition and Technology or Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) as the milestone decision authorities. In all cases, no more than two levels of review should exist between a program manager and the milestone decision authority.

In lieu of program executive officers, the Directive provides for the use of designated acquisition commanders to support program managers. Designated acquisition commanders are normally milestone decision authorities for programs assigned to them, and they also manage their responsible systems, logistics, or materiel commands. Program executive officers do not assume command responsibilities, but they focus on the management and direction of the acquisition programs that they are assigned.

Defense Acquisition Procedures. DoD Regulation 5000.2-R establishes mandatory procedures for major automated information system acquisition programs and requires the acquisition program manager and the milestone decision authority to structure major automated information system acquisition programs to reduce risk, ensure affordability, and provide adequate decisionmaking information. The Regulation mandates the preparation of life-cycle management documentation, which provides essential information on cost, performance, schedule, and risks needed for decisionmaking during the review and approval process for major automated information system acquisition programs. The Regulation also requires DoD component acquisition executives to assign acquisition responsibilities for Acquisition Category (ACAT) IA programs to program executive officers unless a waiver is granted. Part 3 of the Regulation states:

> Unless a waiver is granted for a particular program by the USD(A&T)[1] or the ASD(C^3I)[2], [component acquisition executives] shall assign acquisition program responsibilities to a [program executive officer] for all ACAT I, ACAT IA, and sensitive classified programs, or for any other program determined by the Component Acquisition Executive to require dedicated executive management. The Component Acquisition Executive shall make this assignment no later than three months after program initiation; or within three

[1]Under Secretary of Defense for Acquisition and Technology.
[2]Assistant Secretary of Defense (Command, Control, Communications, and Intelligence).

> months of total program cost reaching the appropriate dollar threshold for ACAT I and ACAT IA programs. Component Acquisition Executives may determine that a specific [program manager] shall report directly, without being assigned to a Program Executive Officer, whenever such direct reporting is appropriate. The Component Acquisition Executives shall notify the USD(A&T) or the ASD(C^3I) of the decision to have a Program Manager report directly to the Component Acquisition Executives. Acquisition program responsibilities for programs not assigned to a Program Executive Officer or a direct reporting Program Manager shall be assigned to a commander of a systems, logistics, or materiel command. In order to transition from a Program Executive Officer to a commander of a systems, logistics, or materiel command, a program shall, at a minimum, have passed Initial Operating Capability, have achieved full-rate production, and be logistically supportable as planned.

The requirements of DoD Directive 5000.2-R, Part 3, reinforce the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) memorandum, "Program Manager (PM) Guidance Promulgated in the Department of Defense (DoD) Directive 8120.1, 'Life-Cycle Management (LCM) of Automated Information Systems,' dated January 14, 1993," June 17, 1993. That memorandum states that program managers for automated information systems will not report directly to functional proponents and that a specific acquisition management structure was needed for managing major automated information system acquisition programs.

Waivers or requests for exceptions to the provisions of DoD Regulation 5000.2-R must be submitted to the DoD milestone decision authority through the DoD component acquisition executive. Statutory requirements cannot be waived unless the statute specifically provides for waiver of the stated requirements. Also, DoD Components are not permitted to supplement the Regulation.

DCPDS Acquisition Management

The DCPDS functional program manager assumed acquisition management responsibilities normally performed by the acquisition program manager, the designated acquisition commander, or the program executive officer. The

Deputy Assistant Secretary of Defense (Civilian Personnel Policy) and the Deputy Assistant Secretary of the Air Force (Communications, Computers, and Support Systems)[3] outlined DCPDS acquisition roles and responsibilities in a May 3, 1995, memorandum of agreement (the Agreement). The Agreement requires the Component Acquisition Executive, the Assistant Secretary of the Air Force (Acquisition), to appoint an acquisition program manager that would be responsible for the acquisition, development, and life-cycle management of the DCPDS. The Agreement specifies the acquisition chain of command extending from the acquisition program manager through a designated acquisition commander and the component acquisition executive, to the DoD milestone decision authority. The Agreement also recognizes that the CPMS, the functional proponent's representative for the DCPDS, would provide funding and personnel resources to the acquisition program manager. See Appendix B for the complete text of the Agreement.

DCPDS Management. The DCPDS acquisition program management structure does not provide for a strong acquisition reporting chain. The Assistant Secretary of the Air Force (Acquisition) did not appoint a program executive officer who would be dedicated to providing acquisition oversight of a major automated information system and did not appoint an acquisition program manager that meets the requirements of DoD Manual 5000.52, "Acquisition Career Development Program," November 1995. The Assistant Secretary assigned designated acquisition commander responsibilities to the Commander, Air Force Electronics Systems Center.

The Agreement prescribes the acquisition program manager to report directly to the designated acquisition commander for acquisition-related matters. The Agreement also requires the acquisition program manager to coordinate on all acquisition matters with the functional program manager. However, the Agreement does not clearly define the rules of coordination within the context of acquisition-related issues.

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[3]The Director (Information Dominance), Office of the Assistant Secretary of the Air Force (Acquisition), is the current Executive Agent for the DCPDS program.

Functional Management. DCPDS functional proponents, rather than the designated acquisition commander or the acquisition program manager, performed DCPDS acquisition responsibilities and provided direction to the DCPDS acquisition program manager.

- The functional program manager, rather than the acquisition program manager or the designated acquisition commander, prepared and submitted DCPDS life-cycle management documents required by DoD Regulation 5000.2-R to the Major Automated Information Systems Review Council representatives. However, DoD Directive 5000.1 requires that major automated information system program managers report to another acquisition official for all acquisition-related matters. The Directive does not contain provisions that permit program managers to report to functional proponents. Also, the June 17, 1993, Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) memorandum specifically states that major automated information system program managers must be assigned within an acquisition or procurement chain and must not report directly to functional proponents.

- On September 7, 1995, the Personnel Policy Council agreed with the decision to use a commercial off-the-shelf human resources information services software product for development of a modernized civilian personnel data system. On September 18, 1995, the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) directed the DCPDS Acquisition Program Manager to contact the vendors, based on the rank order; evaluate their contracting vehicles; and determine program costs. The Acquisition Program Manager determined that all three vendor software products could be procured through General Services Agency channels, and the recommended software product could also be procured through an existing contract. He also stated that from a cost perspective, the recommended product is competitive with the other products. On September 29, 1995, the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) directed the acquisition program manager to proceed with the procurement of a specific commercial off-the-shelf software product to develop a modern DCPDS. However, acquisition decisions such as procurement of a specific software solution should have been made through the designated acquisition commander and the Major Automated Information Systems Review Council process. At that time, the milestone decision authority had not approved the DCPDS for development.

- CPMS, rather than the designated acquisition commander, provides personnel resource support to the DCPDS acquisition program manager. Also, CPMS provides funds directly to the acquisition program manager, bypassing the designated acquisition commander.

Acquisition Management Structure

DCPDS functional proponents were able to assume a strong acquisition role because the acquisition management structure was weak. The DCPDS does not have a dedicated acquisition management structure either through a program executive officer or an acquisition program manager. The DCPDS official who performed the responsibilities of the acquisition program manager performed the duties of the DoD Technical Implementation Manager (TIMPL) and the DCPDS Project Manager for Technical Development. The Agreement defined the latter position as a direct reporting position to the acquisition program manager, and the Agreement defined the TIMPL as an advisor to the acquisition program manager.

Acquisition Program Management. The acquisition program manager position was filled as of June 1997 by the Technical Director, Directorate of Personnel Data Systems, Air Force Personnel Center. The acquisition program manager was not dedicated to managing the DCPDS acquisition. The acquisition program manager also performed the responsibilities of two other separate management positions related to the DCPDS program: the DoD TIMPL and the Project Manager for Technical Development. Additionally, the acquisition program manager did not have mandatory program manager qualifications based on the experience, education, and training requirements of DoD Manual 5000.52, "Acquisition Career Development Program," November 1995.

DoD TIMPL. The Agreement requires the DoD TIMPL to provide the functional program manager, the DoD Components, and the acquisition program manager with technical, acquisition, and management support for the DCPDS. The Director, Personnel Data Systems, asserted that the acquisition program manager acts as the DoD TIMPL. However, the Air Force Personnel Center Pamphlet 38-1, "Organization and Functions," April 14, 1997, and the

Air Force Personnel Center Extended Unit Manpower Document (as of April 2, 1997) does not list a position for the DoD TIMPL, but does list a position for a DCPDS TIMPL office. The DCPDS TIMPL office is responsible for the overall architecture and design of all new personnel system development within the Directorate of Personnel Data Systems. That responsibility includes the selection of hardware, software, and communications solutions for the DCPDS; development of DCPDS program documentation; and coordination of DCPDS Major Automated Information Systems Review Council events. The DCPDS TIMPL was funded directly by and reported to the functional program manager, which caused a potential conflict of interest.

Project Manager for Technical Development. The acquisition program manager was also the DCPDS Project Manager for Technical Development. The DCPDS program manager's charter requires the acquisition program manager to appoint a Project Manager for Technical Development. The Project Manager for Technical Development is responsible for managing a project management organization, including assigning priorities, evaluating performance, and managing the DCPDS central design activity. The Air Force Personnel Center central design activity is responsible for the development of the DCPDS.

Life-Cycle Information for Acquisition Management. The confusion regarding DCPDS authority and accountability has resulted in incomplete life-cycle management documentation. Complete life-cycle management documentation contains information for DoD oversight officials to advise the milestone decision authority on program progress. DCPDS oversight officials have not approved mandatory and supplementary life-cycle management documentation even though the DCPDS program is within 1 year of planned initial operational capability. The DCPDS functional program manager and the DCPDS acquisition program manager have obtained approval of the Mission Needs Statement and the operational requirements document. However, the DCPDS milestone decision authority or other Major Automated Information Systems Review Council officials have not approved an acquisition program baseline, a test and evaluation master plan, an acquisition strategy, or a life-cycle cost estimate, as required by DoD Regulation 5000.2. In addition, the DCPDS supplemental life-cycle management documentation, such as the component cost analysis, security policy, program risk assessments, and technical risk management plan, have not been approved. Major automated

information system program managers develop complete life-cycle management documentation to use sound judgment and common business sense to manage program risks.

Management of Risks

The DCPDS program is scheduled for initial operational capability in February 1998. However, as of July 1997, the program's acquisition approach has not mitigated risks associated with testing, information assurance, and costs. The DCPDS draft test and evaluation master plan, April 25, 1996, estimated software development to be 53 percent of total software requirements, yet the acquisition program manager did not include a developmental testing approach in that test plan. Also, the acquisition program manager has not appointed a qualified computer system security officer, and the Major Automated Information Systems Review Council has not approved a DCPDS security policy. An independent qualification operational test and evaluation by the Air Force Operational Test and Evaluation Center and the Air Force Information Warfare Center will include computer security and is required before the DCPDS initial operational capability; however, as of June 1997, the DCPDS program did not have a concept of operations that the Air Force Information Warfare Center needs to plan its computer security assessment. Further, personnel from the Office of DoD Program Analysis and Evaluation stated that the CPMS September 29, 1997, "1997 Economic Analysis Update," did not contain some costs because the DoD Components have not controlled or identified all the costs associated with implementation of DCPDS. DoD Regulation 5000.2 requires those estimates to be developed at program initiation and updated at each milestone decision point. The DoD Office of Program Analysis and Evaluation is working with the Designated Acquisition Commander and the Air Force Cost Agency to perform the independent cost estimate of DCPDS investment costs and another for sustainment costs. The Program Analysis and Evaluation Office has also contacted the Service and Defense agency cost agencies to perform an independent cost estimate of their components. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) should review the DCPDS program documentation and determine whether the program's progress is in compliance with acquisition direction.

Conclusion

The Assistant Secretary of the Air Force (Acquisition) needs to streamline the DCPDS acquisition management structure and clearly define lines of responsibility, authority, and accountability to more effectively manage and direct the program. A centralized and focused acquisition management structure will facilitate producing the required life-cycle information needed for decisionmaking purposes and will help in decreasing the high level of risk associated with the development and deployment of DCPDS.

Management Comments on the Finding and Audit Response

The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) commented on the finding. Although not required to comment, the Principal Deputy Assistant Secretary, Force Management Policy, also commented on the finding. We revised the finding as necessary. A summary of those comments and our audit response is in Appendix C. The full text of the comments is in Part III.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Assistant Secretary of the Air Force (Acquisition), as the Air Force Acquisition Executive, define and provide an acquisition management structure that clearly defines the lines of responsibility, authority, and accountability for the acquisition of the Defense Civilian Personnel Data System and:

Management Comments. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), responding for the Air Force, partially concurred. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) stated that the

May 3, 1995, memorandum of agreement between the DoD CPMS and the Deputy Assistant Secretary of the Air Force (Communications, Computers, and Support Systems) adequately supports the DCPDS. However, CPMS and the Air Force revised the memorandum of agreement to more clearly define the lines of responsibility, authority, and accountability for the acquisition of the DCPDS. The revised memorandum states that the Commander, Electronics Systems Command, will be responsible and accountable to the Assistant Secretary of the Air Force (Acquisition) for program execution in terms of cost, schedule, and performance within the acquisition program baseline and will direct the DCPDS Acquisition Program Manager in all aspects of program execution with special emphasis on planning, reporting, and preparation for milestone and other program reviews.

Audit Response. Management actions are responsive to the intent of the recommendation. No further comments are required.

a. Appoint a program executive officer to execute acquisition management and direction of the Defense Civilian Personnel Data System.

Management Comments. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) nonconcurred, stating that the Air Force Acquisition Executive chose to have the Acquisition Program Manager report directly to the Air Force Designated Acquisition Commander. Also, the Designated Acquisition Commander has the responsibility for assigning the Acquisition Program Manager and directing and managing the acquisition of the DCPDS.

Audit Response. Although management nonconcurred, the revised memorandum of agreement and responsive actions to Recommendation 2. would satisfy the intent of this recommendation. The Air Force has improved controls in the DCPDS acquisition management structure, but the Air Force also needs to consistently maintain those controls to ensure that the DCPDS is successfully deployed. The initial operational capability, previously scheduled for February 1998, has been postponed with no new schedule date. No further comments are required.

b. Appoint a program manager in accordance with requirements in DoD Manual 5000.52, "Acquisition Career Development Program," November 1995.

Management Comments. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) nonconcurred, stating that DoD Manual 5000.52 does not address ACAT IA programs. The Air Force Acquisition Executive evaluated the current Acquisition Program Manager billet and will code the billet as a Level II position. The current Acquisition Program Manager will complete Acquisition Course 201 on October 3, 1997.

Audit Response. The comments were nonresponsive. The DCPDS is a $10.4 billion life-cycle cost program, of which $795 million are the life-cycle costs for the regionalization/modernization effort. DoD Directive 5000.1, March 15, 1996, clearly states that an automated information system program that has total life-cycle costs in excess of $360 million in FY 1996 is considered a ACAT IA program. The DCPDS is clearly an ACAT IA program. The Air Force inappropriately advocates a position that ACAT IA major programs do not need the same level of acquisition management training as ACAT I major programs. We disagree with that position. High risks associated with the DCPDS acquisition clearly illustrate the need for a highly trained acquisition program manager, in accordance with the intent of DoD Manual 5000.52. The schedule slippage, information security issues, and DCPDS costs warrant that the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Assistant Secretary of the Air Force (Acquisition) reconsider our recommendation and provide further comments on the final report.

2. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), as the Chair, Major Automated Information Systems Review Council, perform a comprehensive in-process review of the Defense Civilian Personnel Data System to include the program acquisition strategy, acquisition program baseline, test and evaluation master plan, life-cycle cost estimates, and information assurance plan.

Management Comments. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) nonconcurred, stating that, consistent with DoD Regulation 5000.2 section 5.4, the Air Force Acquisition staff and the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) staff have chartered a DCPDS Acquisition Oversight Integrated Process Team, which identified and is resolving acquisition strategy, baseline, test and evaluation, cost, and information assurance issues.

Audit Response. Management comments were partially responsive. On July 10, 1997, the DCPDS Acquisition Oversight Integrated Process Team, which the Air Force Acquisition Executive established, met for the first time. An integrated process team is consistent with DoD Directive 5000.1, but such a team should have been established in 1994, when the Major Automated Information System Resource Council approved the DCPDS regionalization/modernization program. During the intervening years, DCPDS acquisition controls were not adequate based on the size and risk of the program. Because of the high risks associated with the DCPDS, the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) should hold an in-process review to obtain from the acquisition oversight integrated process team an assessment of core acquisition management issues. Such an in-process review is consistent with DoD Directive 5000.1. Accordingly, we request that the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) reconsider its position and provide comments on the final report.

Part II - Additional Information

Appendix A. Audit Process

Scope

We reviewed the program management documentation for the DCPDS modernization program. Specifically, we examined DoD acquisition guidance and determined the degree to which the DCPDS program management structure complied with that guidance. We also reviewed Air Force Personnel Center records and Air Force Acquisition Career Management records to determine whether DCPDS staffing complied with DoD acquisition guidance.

Methodology

We reviewed the process that the Office of the Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Department of the Air Force used to manage and oversee the DCPDS program. To evaluate compliance with DoD Directive 5000.1, we compared the documented DCPDS management structure, the actual DCPDS management structure, and the structure mandated in the Directive. We used source records dated from FYs 1991 through 1997 and the results of interviews as audit records.

Use of Computer-Processed Data. We used computer-processed personnel data from the Directorate of Acquisition Career Management, Department of the Air Force, without confirming the validity of those personnel data. However, not establishing the validity of those personnel data will not materially affect our audit results.

We also used computer-processed personnel data from the Air Force Personnel Center, Randolph Air Force Base, Texas. We did not establish the reliability of the data because to do so would have been impractical. Also, we compared positions listed in the database with positions listed in current organizational charts and found the two records to present similar data. Not evaluating the reliability of the data did not affect the results of our audit.

Audit Type, Period, and Standards. We performed this program audit from March through June 1997 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

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

Summary of Prior Coverage

No prior audit coverage on the acquisition management of DCPDS was performed within the last 5 years.

Appendix B. Memorandum of Agreement

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE (CIVILIAN PERSONNEL POLICY)

FROM: Earl Payne, Director, CPMS EP 5/10/95
Prepared by: Harry Remshard, CPMS, 696-1760

SUBJECT: Memorandum of Agreement (MOA) on Defense Civilian Personnel Data System (DCPDS)

PURPOSE: Sign attached MOA to indicate agreement with defined responsibilities.

DISCUSSION: The attached MOA between DASD(CPP) and SAF/AQK establishes the responsibilities for acquisition, development, configuration, integration, implementation and life-cycle management of the DCPDS. Approval of this MOA is a necessary step in the MAIS process. This MOA applies to OASD(C3I), OASD(CPP), and the SAF/AQK with their subordinate organizations, in performance of activities relating to the Regionalization and DCPDS Modernization Programs.

COORDINATION(S): CPMS-AM and TIMPL concur. McCullar 5/9/95

RECOMMENDATION: Sign the attached MOA.

DASD(CPP) DECISION:

Anthony Approved
_____ Disapproved
_____ Other (when appropriate)

DEPARTMENT OF THE AIR FORCE
WASHINGTON DC 20330-1000

OFFICE OF THE ASSISTANT SECRETARY

03 MAY 1995

MEMORANDUM FOR DIRECTOR, CIVILIAN PERSONNEL MANAGEMENT SYSTEM
ATTN: Mr. Earl Payne

FROM: SAF/AQK
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Memorandum of Agreement (MOA) on Defense Civilian Personnel Data System (DCPDS)

Attached is the MOA that I have signed laying out the roles and responsibilities of those activities involved in the DCPDS program. With the signature of Dr. Disney, DASD/CPP, the MOA will be in effect until modified in accordance with the AGREEMENT ADMINISTRATION paragraph.

My point of contact is Mr. Mike Krupa, SAF/AQKP, (703) 607-3141.

LLOYD K. MOSSMANN, II
Deputy Assistant Secretary
(Communications, Computers and Support Systems)

Attachment:
DCPDS Memorandum of Agreement

Appendix B. Memorandum of Agreement

DEFENSE CIVILIAN PERSONNEL DATA SYSTEM
REGIONALIZATION AND MODERNIZATION PROGRAM

MEMORANDUM OF AGREEMENT (MOA)

BETWEEN THE

DEPARTMENT OF DEFENSE
CIVILIAN PERSONNEL MANAGEMENT SERVICE

AND THE

DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(COMMUNICATIONS, COMPUTERS, AND SUPPORT SYSTEMS)

1. **PURPOSE**: To establish responsibilities for acquisition, development, configuration, integration, implementation, and life-cycle management of the Defense Civilian Personnel Data System (DCPDS) sponsored by the Civilian Personnel Management Service (CPMS). This MOA establishes the general responsibilities of participating agencies.

2. **AUTHORITY**: Program Budget Decision 711, Corporate Information Management (CIM) Initiatives, dated December 5, 1994.

3. **PROGRAM TITLE**: Defense Civilian Personnel Data System (DCPDS).

4. **SCOPE**: This MOA is applicable to the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (OASD(C3I)), the Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) in the Office of Deputy Assistant Secretary of Defense (Force Management and Personnel) (ODASD(CPP)OASD(FMP)), the CPMS and the Deputy Assistant Secretary of the Air Force (Communications, Computers, and Support Systems) (SAF/AQK) with their subordinate organizations, in performance of activities relating to the Regionalization and DCPDS Modernization Programs. It also applies to the DoD Component/Agency Project Managers who are responsible for managing and coordinating Regionalization and DCPDS Modernization Program actions. The MOA defines the roles and responsibilities of the above activities in supporting the Regionalization and DCPDS Modernization Programs.

5. **RESPONSIBILITIES:** The OASD(C3I) has oversight authority for Major Automated Information System (MAIS) review process and is the MAIS Review Council (MAISRC) Milestone Decision Authority (MDA). The CPMS is the functional proponent for the DCPDS. The CPMS Regionalization and Systems Modernization Functional Program Manager (FPM) has functional responsibility for the Regionalization and DCPDS Modernization Programs. The DoD Technical Implementation Manager (TIMPL), Randolph AFB, San Antonio, Texas, provides technical, Modernization acquisition (and Regionalization acquisition when requested by the DoD Components/Agencies), and management support for the DCPDS. SAF/AQK is the executive

agent for the MAISRC-level DCPDS Regionalization/Modernization reviews. The Commander, Electronic Systems Center (Air Force Materiel Command), has Designated Acquisition Commander responsibilities for acquisition direction and management. The DCPDS Acquisition Program Manager (APM) has technical and acquisition responsibility for DCPDS Modernization, including Regionalization Information Resources Management actions. DoD Component/Agency Project Managers are responsible for coordinating Regionalization and Modernization actions within their activity and must also support MAISRC reporting requirements established by OASD(C3I). Specific responsibilities are as follows:

A. The OASD(C3I) will provide oversight authority for the MAIS review process and is the MAISRC MDA for DCPDS Modernization.

B. The ODASD(CPP)OASD(FMP) will coordinate policy guidance among the Deputy Assistant Secretaries for Civilian Personnel of the major Components/Agencies.

C. The Director, CPMS, will exercise oversight for operations of the Regionalization and DCPDS Modernization Programs. An Executive Committee composed of the Component/Agency Directors of Civilian Personnel will provide policy input and functional guidance to the Director, CPMS. In addition, CPMS will:

(1) Establish a CPMS Program Management Office (PMO) and appoint a CPMS FPM, Regionalization Project Manager (PMR), and a Modernization Project Manager (PMM).

(2) Provide functional requirements, funding, and other resources as required to support the established DCPDS Technical Developer Project Management Organization to include the following:

(a) Identify functional requirements.

(b) Obtain necessary funding, to be transferred to the Air Force via Military Interdepartmental Purchase Request (MIPR) for execution.

(c) Provide for temporary additional personnel and/or augment the DCPDS Technical Developer Project Management Organization with personnel when required.

(3) Act as the functional proponent (allocate and program funds as necessary) for the DCPDS. Establish and serve as functional liaison between DoD Component/Agency PMs and the CPMS FPM.

D. The CPMS FPM will:

(1) Oversee all functional actions related to the Regionalization and DCPDS Modernization Programs.

(2) Provide functional requirements to the Technical Developer Project Manager and ensure proper requirements definition, documentation, and certification are obtained and included as program documentation.

(3) Coordinate with the APM and report to the MAISRC with regard to FPM MAIS reporting.

(4) Review and coordinate on all contract award actions before the Procurement Contracting Officer enters into a binding contractual agreement.

E. The SAF/AQK will:

(1) Serve as the executive agent for MAISRC-level reviews.

(2) Oversee an Air Force Systems Acquisition Review Council (AFSARC) prior to each program review conducted by the MDA.

(3) Ensure all MAISRC-level reporting requirements directed by the OASD(C3I) are met.

(4) Monitor acquisition, software development, deployment, and other direct support actions for DCPDS Modernization. Oversight will include Regionalization Program Information Resources Management actions and expenditures. Regionalization O&M funding used for other purposes will be excluded from MAISRC oversight.

(5) Appoint the DCPDS APM.

(6) Approve the charter for the DCPDS APM.

F. The Commander, Electronic Systems Center (ESC) will:

(1) Have Designated Acquisition Commander (DAC) responsibilities for acquisition direction and management of the DCPDS APM.

(2) Assure that acquisition aspects of the software development activity by the DCPDS APM at the Air Force Military Personnel Center comply with DoD and Air Force acquisition policy, and that the necessary documentation appropriate for MAISRC-level programs is prepared and submitted to SAF/AQK.

G. The DCPDS APM will:

(1) Have overall technical and acquisition responsibility for the DCPDS Modernization Program.

(2) Establish a DCPDS Technical Developer Project Management Organization (PMO) and appoint a DCPDS Technical Developer Project Manager (PMTD). Oversee DCPDS PMTD and DCPDS Technical Developer PMO activities.

3

(3) Coordinate with the CPMS FPM and report to the MAISRC with regard to DCPDS Modernization MAIS reporting requirements.

(4) Receive assistance and support from the TIMPL, as required, on DCPDS Modernization technical, acquisition, and program management actions.

H. The DoD TIMPL will:

(1) Provide technical, acquisition, and management support for the DCPDS to the CPMS, the CPMS FPM, the DoD Components/Agencies, and the DCPDS APM in accordance with applicable DoD policy/guidance and existing interservice support agreements. This will encompass performing services that may include the following:

(a) Identify technical requirements for system software, hardware, and telecommunications, including local area networks.

(b) Procure hardware for Modernization support.

(c) Furnish technical and acquisition support to the Component/Agency PMs, the CPMS FPM, and the DCPDS APM.

(d) Provide life-cycle maintenance and management support.

(e) Collect information on Regionalization actions from the Component/Agency PMs to ensure there are no conflicts between the Regionalization schedules and the DCPDS Modernization timeline.

(2) Manage funding allocated by the CPMS and DoD Components/Agencies.

I. The DoD Component/Agency PMs will:

(1) Submit quarterly MAIS reports and include expenditures for Regionalization Information Resources Management support in their reports. Functional inputs will be submitted through the CPMS FPM to the DCPDS APM. Technical inputs will be submitted directly to the DCPDS APM.

(2) Support MAIS requirements for program documentation. This includes reviewing/coordinating on draft plans and preparing Component/Agency annexes to program documentation as required.

(3) Work through the CPMS PMO on all functional matters pertaining to Regionalization and DCPDS Modernization (e.g., facility construction/leasing, employee transfers, data requirements).

(4) Work through the DCPDS Technical Developer PMO on all technical matters pertaining to DCPDS Modernization (e.g., procurement issues, deployment actions, local area networks).

6. **AGREEMENT ADMINISTRATION.** This MOA will become effective upon coordination of all responsible activities and approval by the OASD(C3I), the DASD (CPP), and SAF/AQK. The MOA will remain in effect throughout the life cycle of the Regionalization and DCPDS Modernization Programs. The MOA can be changed only upon agreement of the approving activities.

LLOYD K. MOSEMANN, II
Deputy Assistant Secretary
(Communications, Computers and Support Systems)

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Appendix C. Management Comments on the Finding and Audit Response

The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Principal Deputy Assistant Secretary, Force Management Policy, provided comments on the finding. For the full text see of management comments, see Part III.

Comments on the Life-Cycle Cost. The Acting Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) stated that the report incorrectly states the DCPDS life-cycle cost as $10.4 billion and states that the life-cycle cost is less than $750 million*. The Principal Deputy Assistant Secretary, Force Management Policy, stated that the draft report contains inaccurate or misleading information. The program cost of $10.4 billion is inaccurate, and the cost will be less than $750 million over 15 years. The cost of the employees performing human resources work in the DoD Components is $8.6 billion for the period FYs 1995 to 2009.

Audit Response. The CPMS "Regionalization and Systems Modernization Program, 1997 Economic Analysis Update," September 29, 1997, shows that life-cycle cost for Regionalization/Modernization Investment, Modern DCPDS System Operations and Support, Legacy/Interim DCPDS Operations, and Regionalization/Modernization human resource mission costs for the multi-component DCPDS program is about $10.4 billion. Accordingly, we clarified that in our report. The $10.4 billion also includes $795 million for Regionalization/Modernization Investment and Modern DCPDS System Operations and Support but does not include the human resources operating the DCPDS. We clarified the discussion of the $10.4 billion for the DCPDS program and the DCPDS regionalization/modernization efforts. However, under either amount, the DCPDS is properly classified as an ACAT IA program and meets the threshold for a major automated information system, subject to Major Automated Information System Review Council oversight.

* The $750 million in the management comments was based on information in the draft Economic Analysis. The CPMS final 1997 Economic Analysis, September 29, 1997, gave the $795 million.

Comments on the Acquisition Responsibilities. The Principal Deputy Assistant Secretary, Force Management Policy, stated that the functional proponent did not perform acquisition management responsibilities or provide direction because the Air Force acquisition management structure did not clearly define the lines of responsibility. The CPMS supported the acquisition process by providing functional requirements, providing functional requirement analyses, and participating in software evaluation and never committed DoD to any contractual agreements. The only direction provided to the acquisition program manager was identification of acceptable functional products.

Audit Response. We maintain that the functional proponent performed acquisition management responsibilities normally expected of the acquisition managers because the acquisition controls were not adequate. During the audit, the acquisition program manager clearly reported to the functional proponent for direction and guidance on all matters relating to DCPDS. For example, the acquisition program manager was required to submit to the functional proponent for approval audit requests for acquisition-related documents. Also, we did not state that the functional proponent committed the Government to any contractual agreements or purchased any elements of DCPDS. However, we do maintain that the functional proponent provided acquisition guidance and direction to the DCPDS acquisition program manager.

Comments on Life-Cycle Management Responsibilities. The CPMS personnel did not prepare or officially submit life-cycle management documents to the Major Automated Information Systems Review Council representatives.

Audit Response. Major Automated Information Systems Review Council quarterly reports, which are normally the responsibility of the acquisition program managers, were prepared and submitted by the functional proponent. The reports discuss acquisition strategy and development approach, management structure, contracts, major automated information systems interface, and accomplishments.

Comments on Areas of Responsibility. The Principal Deputy Assistant Secretary, Force Management Policy, stated that the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) did not encroach into the acquisition program manager's area of responsibility. The functional and acquisition program offices worked together to select the specific DCPDS software solution.

Audit Response. We clarified the statement on the Deputy Assistant Secretary of Defense (Civilian Personnel Policy).

Comments on Resources and Funds. The Principal Deputy Assistant Secretary, Force Management Policy, stated that the action of CPMS to provide the funds directly to the acquisition program manager was not inappropriate. The 1994 Program Budget Decision 711 provided the funds to CPMS to develop and deploy the modern DCPDS, and the Air Force and CPMS are following directions from the Office of the Under Secretary of Defense (Comptroller) on funds disbursement.

Audit Response. We made the statement that funds were provided directly to the acquisition program manager by CPMS rather than to the designated acquisition commander to illustrate an inherent weakness in the acquisition management chain. The designated acquisition commander has no funds control over the acquisition program manager.

Comments on Component Cost Analysis. The Principal Deputy Assistant Secretary, Force Management Policy, stated that it was not accurate to say that neither the Air Force nor CPMS performed a component cost analysis and that the independent estimate of the program life cycle is incomplete. The CPMS performed an initial cost analysis before deciding to pursue a commercial off-the-shelf solution.

Audit Response. We clarified the statement regarding the cost analysis and independent estimate of the program life-cycle costs. The Office of DoD Program Analysis and Evaluation stated that the CPMS 1997 Economic Analysis did not contain some costs, they are working with the Air Force to perform the independent cost analysis of investment, and they will perform the independent cost analysis of sustainment cost later. The Program Analysis and Evaluation Office is also working with the Service and Defense agency cost agencies to perform independent cost estimates for the respective component.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  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)
Assistant Secretary of Defense (Force Management Policy)
  Deputy Assistant Secretary of Defense (Civilian Personnel Policy)
    Director, Civilian Personnel Management Service
Assistant Secretary of Defense (Public Affairs)
Deputy General Counsel

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Acquisition)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, Electronics Systems Center
Commander, Air Force Personnel Center

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

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 National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Comments

Final Report Reference

ASSISTANT SECRETARY OF DEFENSE

6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000

COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE

October 3, 1997

MEMORANDUM FOR DIRECTOR, READINESS AND OPERATIONAL SUPPORT (OIG, DOD)

SUBJECT: Response to OIG, DoD, Draft Audit Report, "Acquisition Management of the Defense Civilian Personnel Data System," Project No. 7RE-3006.00, August 1, 1997

Revised

Thank you for the opportunity to review and comment on your August 1, 1997, draft audit report, subject as above. This is a coordinated response with the Deputy Assistant Secretary of Defense (Civilian Personnel Policy), the Mission Area Director (Information Dominance), Office of the Assistant Secretary of the Air Force (Acquisition), and the Commander, Electronic Systems Center. We have reviewed the report in detail and we are very concerned about inaccuracies and some of the conclusions and recommendations. Specifically, the report incorrectly states that the Defense Civilian Personnel Data System (DCPDS) program has an estimated life-cycle cost of $10.4 billion. Preliminary data from the Economic Analysis update indicate that the program life cycle cost (investment plus 10 years sustainment, FY1995 - FY2009) is under $750 million. Overall, the audit is timely and helpful for ensuring even stronger management controls as the program is scheduled to fully deploy in June 1999. Our specific comments on the subject report's recommendations are attached.

We appreciate the exchanges we have had with members of the OIG audit team and thank them for their diligence. This audit is making a positive contribution to improving DoD management of DCPDS. Please incorporate this memorandum, along with the attachment, in the final audit report.

Anthony M. Valletta
(Acting)

Attachment

cc:
Deputy Assistant Secretary of Defense
(Civilian Personnel Policy) OUSD(P&R)
Mission Area Director (Information Dominance)
(SAF/AQ)
Commander, Electronic Systems Center, USAF

Response to Office of the Inspector General (OIG), DoD Draft Audit Report "Acquisition Management of the Defense Civilian Personnel Data System," Project No. 7RE-3006.00, August 1, 1997

Recommendation 1: The DoDIG recommended that the Assistant Secretary of the Air Force (Acquisition), as the Air Force Acquisition Executive, define and provide an acquisition management structure that clearly defines the lines of responsibility, authority, and accountability for the acquisition of the Defense Civilian Personnel Data System.

Response: Partially concur. The Memorandum of Agreement (MOA) between the Department of Defense Civilian Personnel Management Service (CPMS) and the Deputy Assistant Secretary of the Air Force (Communications, Computers, and Support Systems) of May 3, 1995: (1) outlines the DCPDS acquisition roles and responsibilities, (2) requires the Component Acquisition Executive, the Assistant Secretary of the Air Force (Acquisition) to appoint an acquisition program manager to manage the acquisition, development, and life-cycle management of the DCPDS, (3) specifies the acquisition chain of command, and (4) recognizes that the CPMS is the functional proponent's representative for the DCPDS. Within the management framework provided in this MOA, CPMS has no direct acquisition responsibilities. They do not execute funds for the DCPDS Acquisition Program Manager (APM). Further, CPMS personnel have never committed the Government to any contractual agreements or acquired any computer hardware, software, or engineering/installation support that is reserved for an acquisition official. CPMS allocates funds as necessary to the DCPDS APM to manage and expend for the DCPDS development efforts. Even though the current MOA has been adequate to support DCPDS management structure, we have elected to revise it to more clearly define the lines of responsibility, authority, and accountability for the acquisition of the DCPDS program.

Recommendation 1a: "Appoint a program executive officer to execute acquisition management and direction of the Defense Civilian Personnel Data System."

Response: Non-concur. Consistent with DoD Regulation 5000.2-R. Part 3 which states that the "Component Acquisition Executives may determine that a specific (Program manager) shall report directly, without being assigned to a Program Executive Officer, whenever such direct reporting is appropriate," the Air Force Acquisition Executive has elected to have the Acquisition Program Manager (APM) for DCPDS report directly to the Air Force Designated Acquisition Commander (DAC). The DAC has responsibility for assigning the APM and providing the acquisition direction and management of the DCPDS.

Recommendation 1b: "Appoint a program manager in accordance with requirements in DoD Manual 5000.52-M, "Acquisition Career Development Program," November 1995."

Response: Non-concur. DoD 5000.52-M does not address ACAT IAM (Major Automated Information Systems) programs. The Officer of the Under Secretary of Defense (Acquisition and Technology) is currently revising regulations and specifying standards for ACAT IAM Program Managers. In the meantime, the Office of Air Force Acquisition Executive has evaluated the

current Acquisition Program Manager (APM) billet and will code the slot an acquisition position, Level II. The current APM for DCPDS has demonstrated analytical and decision-making capabilities, job performance, and qualifying experience to hold the DCPDS Modernization APM position. He will meet the requirements for program management, Level II, once he completes Acquisition Course 201 on October 3, 1997.

Recommendation 2: The DoDIG recommended that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), as the Major Automated Information Systems Review Council, perform a comprehensive in-process review of the Defense Civilian Personnel Data System to include the program acquisition strategy, acquisition program baseline, test and evaluation master plan, life cycle cost estimates, and information assurance plan.

Response: Nonconcur. The DoD 5000.2-R provides guidance in section 5.4 for Integrated Product Teams (IPTs) to conduct acquisition and oversight. Consistent with this approach, the Air Force Acquisition Staff in coordination with the ASD(C3I) has chartered a Defense Civilian Personnel Data System Acquisition Oversight Integrated Process Team. This IPT is co-chaired by ASD(C3I) and SAF/AQI with representation from OSD, CPMS, and DoD Components, as necessary. The objective of this IPT is to ensure that the DCPDS acquisition program is consistent with DoDD 5000.1 practices and all acquisition documentation is complete and up to date. It has identified and is currently resolving the issues associated with the program acquisition strategy, baseline, test and evaluation master plan, cost, and information assurance.

Principal Deputy Assistant Secretary of Defense (Force Management Policy) Comments

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

FORCE MANAGEMENT POLICY

OCT 6 1997

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(ATTN: DIRECTOR, READINESS AND OPERATIONAL SUPPORT DIRECTORATE)

SUBJECT: Proposed Audit Report on Acquisition Management of the Defense Civilian Personnel Data System (DCPDS)

This memorandum constitutes the functional proponent's response to the proposed audit report on Acquisition Management of the Defense Civilian Personnel Data System (DCPDS), dated August 1, 1997 (Project No. 7RE-3006.00). The draft report contains some information that is inaccurate or misleading. The attached document identifies our areas of concern and explains the revisions we believe are necessary so that the final report will accurately reflect the functional proponent's role in the development of the modern DCPDS.

Francis M. Rush, Jr.
Principal Deputy Assistant Secretary

Attachment:
As stated

Principal Deputy Assistant Secretary of Defense (Force Management Policy) Comments

Final Report Reference

Functional Management Response

Draft Proposed Audit Report on Acquisition Management of the Defense Civilian Personnel Data System (DCPDS) DoDIG Project No. 7RE-3006.00

Part I - Audit Results

Revised

Audit Background (page 2). "Although a complete program cost estimate is not available, CPMS estimates DCPDS program life-cycle costs at about $10.4 billion."

This statement is incorrect. The DCPDS life-cycle program costs will be under $750 million over a fifteen-year period. The program cost stated in the report may have been confused with the total human resources mission cost of approximately $9.8 billion (FY95-FY09). This figure includes $8.6 billion for the cost of the employees actually performing human resources work in all Defense Components world-wide.

DCPDS Acquisition Controls (page 5). "The functional proponent's representative performed acquisition management responsibilities because the Air Force did not have adequate management controls in its DCPDS acquisition management structure to clearly define lines of responsibility, authority, and accountability, as required by DoD Directive 5000.1, Defense Acquisition, March 15, 1996."

This statement is not correct. CPMS has never committed the Government to any contractual agreements nor made any purchase of hardware, software, or installation in support of the DCPDS Modernization System.

CPMS supports the acquisition process by providing functional requirements to the acquisition program manager (APM). CPMS also performs functional requirement analyses and participates in the evaluation of software products to determine how the products meet the Department's functional requirements for civilian personnel systems.

Acquisition Management, Functional Management (page 9). Clarification for accuracy is necessary regarding the DCPDS functional organization role in the acquisition management process as follows:

1. "DCPDS functional organizations, rather than the designated acquisition commander or acquisition program manager, performed DCPDS acquisition responsibilities and provided direction to the DCPDS acquisition program manager."

This statement is not correct. The organizations which provide functional oversight to DCPDS, which include DASD (CPP), CPMS, and the CPMS FPM, participated in the evaluation of software products to determine how well the products meet DoD's functional requirements for a civilian personnel system. No functional organization has committed the Government to any

Attachment

Final Report Reference

contractual agreements or made any purchases of hardware, software, or engineering support that would normally be performed by the APM. The only direction provided to the acquisition program manager involved identification of acceptable functional products.

2. "The functional program manager, rather than the acquisition program manager or the designated acquisition commander, prepared and submitted DCPDS life-cycle management documents required by DoD Regulation 5000.2-R to the Major Automated Information Systems Review Council (MAISRC) representatives."

This statement is not correct. CPMS has not prepared or officially submitted life-cycle documents described in this statement. CPMS has the responsibility for preparing, coordinating, and submitting the Operational Requirements Document (ORD) and the DoD Regionalization and DCPDS Modernization Program EA to the MAISRC. Additionally, the memorandum of agreement between DASD (CPP) and SAF/AQK established that the CPMS FPM, after coordination with the APM, will submit the MAIS Quarterly Reports to the MAISRC.

3. "On September 29, 1995, the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD(CPP)) directed the acquisition program manager (APM) to procure a specific software solution, ORACLE Human Resources (HR), to meet functional deficiencies." Revised

This statement incorrectly assumes that the DASD (CPP)'s direction to purchase Oracle HR was an encroachment into the acquisition program manager's areas of responsibility. The actions which occurred prior to the September 29 memorandum clarify the clear separation of acquisition and functional responsibilities.

On September 7, 1995, the Personnel Policy Council agreed with the APM decision to use a COTS Human Resource Information System (HRIS) for the development of the modern DCPDS. On September 18, 1995, the DASD (CPP) asked the APM to evaluate the contracting vehicles and determine the program costs for three COTS HRIS vendors. After reviewing the three proposals from an acquisition perspective, the APM supported his original recommendation of the top-ranked product, ORACLE HR. The APM notified the DASD (CPP) that he was ready to finalize negotiations and begin procurement actions upon the DASD (CPP)'s direction. On September 29, 1995, the DASD (CPP) directed the APM to proceed immediately with his decision to procure the ORACLE HR software.

4. "CPMS, rather than the designated acquisition commander provided personnel resource support to the DCPDS acquisition program manager. Also, CPMS provides funds directly to the acquisition program manager bypassing the designated acquisition commander."

This statement implies inappropriate actions. This is not accurate. In 1994, Program Budget Decision (PBD) 711 provided CPMS the necessary financial and personnel resources for the development and deployment of a modern DCPDS. As funds are required by the APM to support the development effort, CPMS transfers to the Air Force via Military Interdepartmental Purchase Request (MIPR) the necessary program funds. Although this is potentially a unique method of funds distribution for the Department, CPMS and the Air Force are following

Attachment

Final Report Reference

directions from the Office of the DoD Comptroller on funds disbursement. The Comptroller staff have reviewed the use of funds provided in PBD 711 for every year since the funds were initially allocated and this procedure has never been an issue.

In managing DCPDS funds, CPMS provides funds to the Air Force Personnel Center to cover expenses that include government salaries and benefits, contractor support, software and hardware acquisition, and consulting services. As an adjunction to this support, CPMS also provided funding for five TIMPL employees. These employees reported to the APM, who provided guidance, direction, and full oversight of their performance.

Acquisition Management Structure, Acquisition Program Management, DoD TIMPL (page 11). "The DCPDS TIMPL was funded directly by and reported to the functional program manager, which caused a potential conflict of interest."

As discussed above, this statement is not correct.

Revised

Management of Risks (page 12). "Neither the Air Force nor the CPMS performed a Component Cost Analysis of the DCPDS, and an independent estimate of the program's life-cycle cost is incomplete."

This statement is not correct. Prior to making the decision to seek a COTS, CPMS performed an initial cost analysis to determine the benefits of buying a modern system and modifying it against the option of developing a system within DoD. In January 1996, CPMS completed its second economic analysis verifying the initial estimates and expected cost savings. In March 1997, CPMS began its third economic analysis. This year's analysis was completed on October 1,1997.

Attachment

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

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