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Schedule Delays and Cost Overruns Plague DOD  
Automated Information Systems

Statement of  
The Honorable Charles A. Bowsher  
Comptroller General of the United States

Before the  
Subcommittee on Legislation and National  
Security  
Committee on Government Operations  
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

I am pleased to participate in these hearings on the management of automated information systems by the Department of Defense. Over the last few years, our reviews of major Defense automated information systems have identified a disturbing pattern of (1) cost growth, schedule delays, and performance shortfalls, and (2) evolving requirements resulting in changes to development and acquisition strategies. From my perspective, these problems indicate that Defense is not effectively controlling major system development efforts, and that the Office of the Secretary of Defense (OSD) is not rigorously enforcing established oversight policies. My testimony this morning highlights particularly troublesome areas, and discusses some initial steps that Defense needs to take to improve the management of major automated information systems.

At your request, we reviewed eight<sup>1</sup> automated Defense systems and found that:

-- All eight systems experienced significant cost growth, some in the hundreds of millions of dollars. OSD's estimate to develop and deploy the systems has almost doubled--from

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<sup>1</sup>Army Civilian Personnel System; Air Force's Requirements Data Bank, Depot Maintenance Management Information System, and Contract Data Management System; Navy's Aviation Logistics Command Management Information System, Standard Automated Financial System, and Integrated Disbursing and Accounting System; and Defense Logistics Agency's Defense Logistics Services Center.

about \$1 billion to more than \$2 billion. Our work indicates that additional cost growth is likely.

-- The original completion dates for all but one system have been delayed by 3 to 7 years. As a result, none are currently scheduled to be fully deployed until the early 1990s.

-- Acquisition strategies for all but one system have been revised, and development efforts for two systems were terminated due to poorly defined initial requirements, enhancements to the projects' scope, or design failures.

Another disturbing finding is that cost estimates reported to the Congress in budget submissions were not, in all cases, accurate, current, or complete. The problem was particularly acute with life cycle cost estimates.<sup>2</sup> The Navy, for example, reported an estimate of \$91 million for its Integrated Disbursing and Accounting System, even though an internal Navy estimate of the life cycle cost was \$879 million. We were told the higher estimate was not "officially approved." After we completed our work on that system, the Navy reported a life cycle cost estimate of approximately \$575 million. We have not assessed the basis for this estimate.

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<sup>2</sup>Life cycle costs include the costs to operate and maintain an automated system throughout its useful life, as well as the costs to develop and deploy the system.

It is also distressing that cost information for seven systems provided to this Subcommittee by OSD after the September 1988 hearing on the Navy's Standard Automated Financial System contained inaccuracies. For example, OSD provided the Subcommittee 1987 and 1988 estimates to demonstrate cost growth on the Naval Aviation Logistics Command Management Information System. Navy officials we contacted identified the source of the estimates, but said they should not be used to determine cost growth because the estimates were not comparable. The Navy officials provided us with documentation showing that the 1987 estimate OSD provided was incomplete as it did not include all of the anticipated costs.

OSD also provided the Subcommittee with 1985 and 1988 estimates to illustrate cost growth on the Army's Civilian Personnel System. However, Army officials we contacted said the estimates should not be used to measure cost growth because the officials did not know where OSD got the 1988 estimate provided to the Subcommittee or what costs the estimate included. In addition, we noticed inconsistent cost estimates for some of the seven systems in two separate schedules provided to the Subcommittee by OSD.

We are also concerned about OSD's oversight process. The oversight given to the major systems we reviewed suggests that

the process is not being implemented as intended. OSD created the Major Automated Information System Review Council (MAISRC) to provide structured oversight and prudent fiscal management in the acquisition of major automated information systems. MAISRC is responsible for reviewing development efforts and deciding whether they should be redirected or stopped when the Defense proponent may be unwilling to do so. We found that three systems had not been reviewed by MAISRC, even though they had been experiencing cost growth or schedule delays that should have prompted MAISRC involvement. One system not reviewed by MAISRC was the Navy's Standard Automated Financial System, which was terminated by the Navy in January 1989 after the Navy had spent about \$230 million on the system.

Other work we have performed shows that similar problems are prevalent in a number of automated information systems being developed by Defense and Civil agencies. We recognize that the underlying causes for these system development problems are varied and complex and will not be easily or quickly corrected. We have consistently seen, however, that government agencies generally do not do a good job of identifying mission-essential needs and prioritizing user needs, defining functional requirements, or fully evaluating the cost and benefits of available alternatives. As a result, initial cost estimates are often overly optimistic. In addition, top management does not always appear committed to providing sufficient oversight and

technical review in order to have a basis for making the tough decisions to terminate or redirect systems when warranted.

The systems I have been talking about this morning are critical to Defense's support missions and will be used to account for billions of dollars in logistics and personnel resources. Interestingly, the problems with automated information systems are similar to those experienced by Defense in its acquisition of major weapon systems. Unlike major weapon systems, however, the automated information systems being developed by Defense are not for unique, one-of-a-kind functions. Specifically, our work on payroll and personnel systems indicates that rather than considering and maximizing the use of existing systems to avoid duplication and unnecessary expenditures, some military services have preferred to develop new systems.

For example, although the Army considered a number of alternatives to meet its need for a single civilian personnel system, it decided to design and develop its own system. After spending 2-1/2 years and--according to Army officials--an undetermined amount of money, the Army decided the software it had developed was useless. The Army subsequently terminated its development effort and adopted the Air Force personnel system, an alternative previously considered and rejected. A similar situation occurred during the Army's attempt to redesign its

military pay system. We cannot afford such luxuries in the current budget environment.

Defense policies, directives, and instructions for major automated information systems development describe and provide for a relatively comprehensive management control and oversight process. Compliance with this process is intended to ensure that tax dollars allocated to automated information systems are well spent, and that development problems are identified and resolved in a timely manner. Again, from my perspective, the pattern of problems we have identified indicates that while the process is a good one on paper, it is not being effectively implemented.

In summary, given the pattern of difficulties identified by our work, the importance of the systems being acquired, the prospect for constrained or no-growth budgets, and the resulting need to reduce defense costs, it is clear that action needs to be taken. At a minimum, the Secretary of Defense should give immediate attention to:

- rigorously enforcing established Defense policies for oversight;
  
- establishing an early warning system to identify problems needing corrective action in automated information system development; and

-- ensuring that the Congress is consistently provided with accurate, current, and complete cost information for major automated information systems, including timely notification when internal Defense cost estimates significantly exceed initial projections.

This concludes my prepared statement. I will be happy to respond to any questions you may have.