

DEPUTY ASSISTANT SECRETARY
COMMUNICATIONS, COMPUTERS, AND LOGISTICS

NO
Col Reed
FYT

10 March 1992

MEMORANDUM FOR GENERAL LUDWIG
MR GILLIGAN
MR MAJORS
MR HADDAD

SUBJECT: CIM Funding

As additional background for our discussion on Friday, attached for your information is a paper developed by Melanie Reed of SAF/FM to explain CIM to her hierarchy.


LLOYD K MOSEMANN II

Talking Paper
on the
Corporate Information Management (CIM) Project

Introduction. The DoD Corporate Information Management (CIM) effort began as a result of the July 1989 Defense Management Report (DMR) and was formally authorized by Mr Atwood in October 1989. The CIM objective is to "enhance the availability and standardization of information in common areas and provide for the development of integrated management information systems" (DMRD 925, 10 Nov 89). Specifically, CIM's task is to eliminate the redundant information systems that exist within DoD. Over the course of the FYDP, CIM is assigned to develop standard, functional-specific information and to eliminate multiple systems and software that meet the same functional requirements. The current CIM management information interests, i.e., their functional focuses, are listed in Tab 1. The CIM relationship within DoD is at Tab 2. The Center for Information Management organization chart is at Tab 3.

CIM efforts are projected to save DoD \$35B over FYs 91-97. Most savings (\$33B) are to be achieved by standardizing the way DoD performs each functional business. The Assistant Secretaries of Defense (ASDs) for the functional areas (P&L, FM&P, Comptr, HA) are the principle drivers of each CIM initiative and must first agree on the common way of doing business. Then, they select a common-use automated data processing (ADP) system and use open system technical standards to increase transportability to different types of ADP hardware. Ultimately, CIM expects to reduce hardware and software operations and maintenance costs as well as improve efficiency in functional operations. To date CIM "owns" no systems although DFAS has selected some standard, corporate systems (e.g., Navy's civilian pay system) as a result of the CIM functional groups' work.

How is CIM Programmed, Budgeted and Executed? The budget presented to Congress in Exhibit 43 is the basis of Air Force's ADP modernization and development programs. CIM has affected our budget as follows:

- FY 90:

-- DMRD 925, Develop Standard ADP Systems, reduced each Service's ADP baseline and established a CIM ADP Mod/Dev baseline. AF reduced by \$854M for FYs 90-95 (of total DoD \$3B).

- FY 91:

-- Appropriations Conference withdrew all DoD ADP Mod/Dev funds to support CIM process (\$1.4B). AF share was \$407M. Since Congress appropriated only \$1B, the net loss was shared by all services.

-- AF was scheduled to get back \$311M (our share of \$1B), eventually got \$270M. The balance was retained by OSD as a CIM Executive Agent withhold.

-- AF projects were funded based on prioritized list presented to and decided by AF Board.

- FY 92:

-- Congress transferred \$187M (all appns) from AF ADP Mod/Dev (Exhibit 43) to OSD based on selected programs as follows. All other ADP Mod/Dev funds were appropriated normally.

--- \$64.5M for CIM (in DBOF)

--- \$97.2M for ADP consolidation (DMR 924)

--- \$25.1M for the Computer Aided Acquisition and Logistics Support System

- Allocation process has changed as follows (Services programmed and budgeted their ADP Mod/Dev as usual):

-- Congress appropriated DoD ADP Mod/Dev funds to OSD CIM Transfer Account (FY91 - all funds, FY92 - selected programs only). Funds are apportioned on DD Form 1415 to Services/Agencies following approval process; see next bullet.

-- Congress mandated CIM review and approval (and subsequent funds release from DoD) of our ADP Mod/Dev programs.

Note: OSD's definition of ADP Mod/Dev is considered restrictive by all Services/Agencies. As a result, they control money we believe they shouldn't. A revised definition was proposed last year and is being considered by ASD (PA&E).

--- OSD functional expert reviews the ADP program and recommends to ASD (C3I) whether to fund. ASD (C3I) approves the allocation and transfers funding to the Service/Agency via DD Form 1415.

--- Lengthy DD 1415 review and coordination process. Created many problems last year when all funds were OSD-controlled. ASD recognizes problem and is trying to speed up.

--- Takes even longer this year but less money to worry about. Example: A DD 1415 begun in November was signed 19 Feb by Mr O'Keefe. Takes another 1 - 2 months for Treasury Dept to send money.

- Execution is done normally except for CIM startup projects funded in O&M for Washington Hqtrs Service (WHS) account (Mr Strassman's DDI account). This money does not pass through Hq USAF but is MIPR'd directly to MAJCOMs from CIM. AF/SC consolidates execution reports from MAJCOMs and reports back to ASD (C3I).

Future CIM Programming and Budgeting

- DoD Services/Agencies will continue programming and budgeting ADP Mod/Dev as done previously until further notice:

-- AF/PE received a draft PPB Guidance for CIM from ASD(PA&E), 22 Nov 91, that proposed changes to the Mod/Dev definition and to the PPB process that funds CIM.

--- CIM would PPB "department-wide infrastructure initiatives" and "functionally-designated standard programs."

--- No final, official guidance has been issued.

- ASD (P/B) is proposing use of 21 new Program Elements (PE), all in MFP 3, to accommodate CIM programming and budgeting.

-- AF Non-concurred:

--- Disassociates ADP resources from missions they support.

--- Limits a commander's flexibility, contrary to one of DBOF's primary objectives.

-- Instead, AF recommends creating new PEs in other applicable MFPs to realistically show the ADP costs as they apply to the respective MFP.

--- Would create approximately 141 PEs.

--- Memo sent from AF/PEI to ASD (P/B) on 25 Feb 92 stating AF position.

--- OASD(C) analyst Mr Jon Rider feels both proposals disassociate resources from operational mission.

Can We Influence What's Happening and How? Per discussion with Mr Mcsemann, SAF/AQK, who has been the Air Force representative at the CIM Steering Group, SAF/FM can help improve the process as follows:

- Advocate Congressional language that will allow ASD to MIPR money to Services/Agencies rather than apportioning it. Congress tried to improve the distribution process this year but OSD General Counsel interpreted the language to mean that the money must still be apportioned rather than MIPR'd. Author's Note: Since MIPR'd money restricts a commander's spending flexibility and disassociates it from the AF PPB process, we may want to push ASD to streamline funds distribution instead.

- Advocate change to the DoD definition of ADP Modernization and Development; see Tab 4. Currently, fact of life changes that impact systems (e.g., changes to laws, mission, threat, etc.), are considered modernization. In reality the cost of these changes are essential to sustain existing operational systems.

- Advocate specific rules of business for CIM activities in DBOF. There is confusion regarding how OSD intends to use DBOF for funding CIM programs. Has been brought to ASD's (PA&E) attention via memorandum from BG Eberhart (AF/PE), 12 Sep 91.

- Steer CIM in a direction that attains something substantial, and soon, for DoD. As noted above, we still have no CIM systems. We're paying for something, but what?

CIM Activities

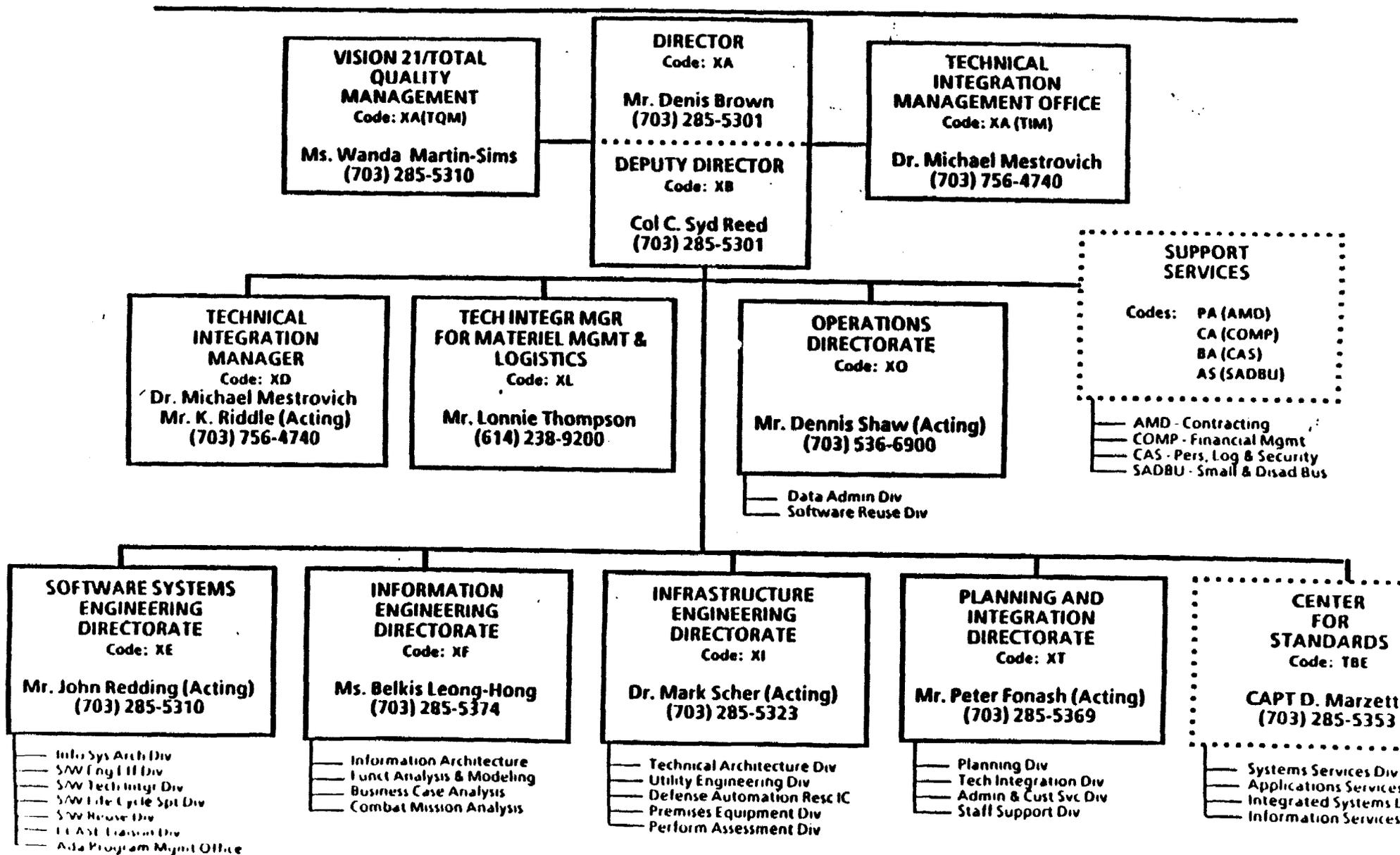
Per discussion with Ellen Law, CIM/XF, they are currently working in the following business areas:

- * Financial Management
 - Civilian Payroll
 - Financial Operations
 - Government Furnished Material
 - Contract Payment
- * Force Management and Personnel
 - Civilian Human Resources Management Group (called CHARM), aka, Civilian Personnel
 - may eventually look at Manpower, Mobilization, Training, Military Personnel
- * Production and Logistics Management
 - Distribution Centers (buy, distribute, warehouse)
 - Materiel Management
 - Technical Order Manual. AF development system, AFTOMS, was cancelled by CIM.
 - may eventually look at Environmental Management and Hazardous Material Transportation
- * Medical Functional Group. Includes all phases of medical administration including dental, veterinary, accounting, hospital admin, etc.
- Procurement/Acquisition Functional Group is in the planning phase under USD(A).
- Future possibilities under discussion:
 - Command and Control (C2)
 - Travel
 - Property

* Air Force Personnel Involved

CENTER FOR INFORMATION MANAGEMENT

Organizational Chart



As of 21 November 1991

AD 3

Department of the Air Force
Office of the Asst Secretary
Washington, DC 20320-1000

Department of the Army
Office of the Asst Secretary
Washington, DC 20310-0103

Department of the Navy
Office of the Asst Secretary
(Research, Development and Acquisition)
Washington, DC 20350-1000

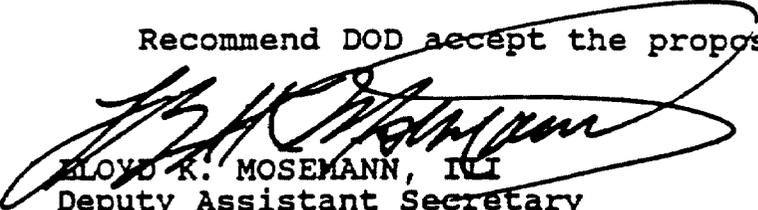
MEMORANDUM FOR ASSISTANT SECRETARY (COMMAND, CONTROL,
COMMUNICATIONS AND INTELLIGENCE)
OFFICE OF THE SECRETARY OF DEFENSE

SUBJECT: Definition of Operations versus Modernization,
Exhibit 43, "Report on Information Technology
Systems" - ACTION MEMORANDUM

The purpose of this memo is to present the Services' proposal for a change to the DOD definition of "Costs of Operations versus Costs of Modernization" currently used to prepare Exhibit 43, Report of Information Technology.

We believe that the current definition is overly restrictive in categorizing the costs of operations. It gives the perception that the Services are spending significant dollars on discretionary modernization efforts when, in reality, much of the "modernization" costs are essential to maintain viable operational systems.

Recommend DOD accept the proposed definition (attached).



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(Communications, Computers and
Logistics)

ROBERT T. HOWARD
Brigadier General, GS
Director for Operations and
Support

EDWARD C. WHITMAN
Deputy Assistant Secretary
of the Navy (C4I/EW/Space)

1 Attachment
Proposed Definition

Services' Proposal for Definition Change

Information Technology: Operations versus Modernization

A. THE COST OF OPERATIONS

- Operations represents the cost of existing automated information systems (AISs), as currently configured, without further changes **except for other than** (1) corrective software maintenance, (2) modifications to existing AIS to meet legal or fact-of-life requirements, (3) and the economic replacement of outdated or broken ADP, (4) the replacement of economically obsolete ADPE, or (5) expansion of existing capabilities to new users subsequent to completion of full deployment.

-- Corrective software maintenance includes all efforts to diagnose and correct actual errors (i.e., processing or performance errors) in a system.

-- Legal or fact-of-life requirements are those changes to an AIS which are necessary to sustain the AIS as a viable operational system. Modifications are limited to changes necessary to comply with new laws, Congressional language, OSD or other federal agency directives, vendor changes to operating systems and executive software for which the Service has a licensing or software maintenance agreement, other factors beyond the control of the users and maintainers of the AIS, or other modifications which do not change the original functionality of an existing system.

-- Broken ADPE includes the replacement of hardware that is no longer economically repairable. Outdated ADPE means ADPE that is over 8 years old (based on the initial commercial installation date of the equipment) and or is no longer in current production.

-- Economically obsolete ADPE applies to replacements where an economic analysis shows that the discounted cost of operating the current equipment is greater than the discounted cost of purchasing and operating the replacement equipment. ADPE replacement based solely on functional obsolescence is a modernization cost.

-- Existing capabilities are operational AISs and do not include prototype or pilot systems.

- In addition, operations includes all voice communications and personnel whose principal duties relate to the general management of information technology.

-- General management includes functions such as review of AIS program plans, and development and implementation of life-cycle management strategic planning.

Notes:

- **Boldface** indicates addition to current OSD definition.
- Italics indicates deletion to current OSD definition

B. THE COST OF MODERNIZATION

- Modernization includes program costs for new AISs that are planned or under development.

-- Program costs consist of development costs, procurement costs, and any construction costs which are in direct support of the system, irrespective of which DoD appropriation accounts or funds are used to finance the costs. Basically, this term encompasses costs from project initiation through deployment to all operational sites (less operation and support costs at sites which have been activated). Included with program costs are costs for AIS concept development, design, development and deployment.

-- ADPE replacements which are not based on economics but rather on functional obsolescence will be considered a modernization cost.

- In addition, modernization includes any change or modification to an existing AIS which results in improved capability or performance of the AIS (other than corrective action, which results in improved capability or performance of the AIS. These changes include all modifications to existing operational software (other than corrective software maintenance, acquiring technologically newer ADPE (economic replacement of outdated ADPE); and expansion of existing capabilities to new users. and not included in the cost of operations.

Notes:

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- Italics indicates deletion to current OSD definition