INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Statement of Robert J. Lieberman Deputy Inspector General Department of Defense: Before the Subcommitte on National Security, Veterans Affairs and International Relations, House Committee on Government Reform on the Standard Procurement System

B. DATE Report Downloaded From the Internet: 02/11/02

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): **OAIG-AUD (ATTN: AFTS Audit Suggestions)**
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ **Preparation Date 02/11/02**

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.

February 7, 2002

Testimony

Statement of
Robert J. Lieberman
Deputy Inspector General
Department of Defense
Before the
Subcommittee on National Security, Veterans Affairs
and International Relations, House Committee on
Government Reform
on
the Standard Procurement System

No. D-2002-047

Department of Defense
Office of the Inspector General

Quality *Integrity* *Accountability*

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to participate in this important discussion about one of the most critical Department of Defense information system initiatives, the Standard Procurement System (SPS).

As requested in your invitation letter, my statement focuses primarily on the results of my office's three audits on this program. First, to put our findings on SPS into a broader context, I will repeat a few observations from my testimony before you last March on Top Defense Management Challenges.

> "Given the considerable dependence on "IT" and the high cost of large system investments, the historically poor record of the DoD for controlling the proliferation of incompatible systems with nonstandard data elements, acquiring new systems that meet user needs within reasonable timeframes, controlling cost, and ensuring the quality and security of data has been a major concern. Recognizing that such problems are common across the Federal Government, the Congress specified in the Clinger-Cohen Act of 1996 that Chief Information Officers in each agency would oversee well disciplined information technology acquisition processes. This is a daunting challenge for a department with 71 major information system acquisition projects and hundreds of "smaller" system acquisition and modification projects belonging to dozens of organizations. The DoD has been candid about the need for more effective management controls in this crucial area, but progress has been slow and the goals of the Clinger-Cohen Act have not yet been achieved.

> The Department has revised its basic information system acquisition procedures and tried to be responsive to our recommendations. Nevertheless, we believe this area deserves continued close attention.... At the present time, virtually every information technology project that we audit exhibits significant management problems. Those flaws include poorly defined requirements and frequent user dissatisfaction."

The SPS is one of those 71 major systems. Many of the issues raised during the past few years by my office, SPS users and the General Accounting Office pertained directly to incomplete compliance with the Clinger-Cohen Act, inadequate definition of requirements and user dissatisfaction. Its problems and challenges are not atypical in the DoD information system acquisition world.

When discussing the SPS program, it is also important to keep in mind that it represents one of the Department's most aggressive attempts to modernize and standardize its information processing in a core business function. The SPS was originally intended to replace a jumble of between 70 and 80 existing systems and to support what the Department refers to as the End-to-End Procurement-Finance Model. The concept of a common system to be used by all Military Departments and Defense Agencies for the whole gamut of procurement tasks, with efficient links to the finance systems, is extremely challenging. Nevertheless, it has

been well worth pursuing even if total standardization proves to be impossible, as is likely to be the case.

Finally, the SPS program merits close attention because of:

- the need for productivity enhancing information tools to offset the 50 percent reduction of the Defense acquisition workforce over the past several years;

- its prominence as a major attempt to tailor off-the-shelf commercial software for government use; and

- its spiral development and incremental deployment approaches, which have been widely touted as the best means to get new technology to users as quickly as possible.

Now to recap our three reports on SPS.

The SPS program began in November 1994. From April through October 1995, four draft contract solicitations were issued for comment. During that process, we received allegations to the DoD Hotline regarding what functional requirements had been initially identified, the program's acquisition approach and its testing plans. We reported our findings on these matters in

Audit Report No. 96-219, Allegations to the Defense Hotline Concerning the Standard Procurement System, September 5, 1996.

We determined that, despite Assistant Secretary of Defense (Command, Control, Communications and Intelligence) review and approval for SPS to proceed past Acquisition Milestone I in August 1995, much more needed to be done to control program risks. Specific risks were as follows:

- the testing plan was inadequate because of uncertain operational performance requirements and a compressed schedule;

- the acquisition strategy was to purchase an off-the-shelf commercial system, although it was recognized that very substantial follow-on software development would be needed to operate in the Defense environment;

- initially, a fixed price contract was planned, despite numerous uncertainties;

- functional requirements were delineated too broadly and there was insufficient assurance that user needs had been fully identified;

- specific site requirements were not well defined; and

- alternative deployment approaches were not fully analyzed.

In response to our audit, managers generally agreed that the program carried risk and took various measures to formalize the testing requirements, change the contract terms and provide ongoing monitoring. We were assured that each future Acquisition Milestone decision would be accompanied by a rigorous Office of the Secretary of Defense level review of system functionality, testing and risks. In retrospect, it is clear that not enough was done to keep the commitment expressed by the Defense Logistics Agency in reply to our report:

> "By prior direction of the Director, Defense Procurement, SPS will not be deployed to any DoD procurement site wherein we cannot provide equal to or better than existing functionality."

We performed a follow-up audit during 1998, resulting in Audit Report No. 99-166, Initial Implementation of the Standard Procurement System, May 26, 1999. We raised or reiterated the following concerns:

- The commercial software was providing only 45 percent of the required functionality, not the 60 to 75 percent that was originally predicted;

- the drastic makeover of the system to add functionality had created a DoD-unique system, yet in contractual terms SPS remained a licensed commercial product and DoD was locked into a sole source for life cycle support;

- initial users were complaining about the system's limited capability, the newly installed SPS software was not being used at 13 of 25 sites that we visited, and the "equal or better functionality" guidelines had not been enforced;

- the schedule was slipping and costs had increased;

- training, guidance and help desk support for users were inadequate;

- inefficient workarounds were frequently in use at sites where SPS had been deployed;

- a more accurate life-cycle cost estimate was needed; and

- although considerable time had passed since Congress provided additional contracting flexibility for buying commercial products, DoD still lacked internal guidance on acquiring commercial computer software for major information systems, including the SPS.

The management responses to our May 1999 report were mixed. The Assistant Secretary of Defense (Command, Control, Communications and Intelligence) agreed to issue guidance on acquiring commercial software and did so in July 2000. During the audit, in May 1998, a Requirements Board was established to evaluate deficiencies identified by users. The Board determined that 36 additional capabilities were needed. The program office also took various measures to improve customer support. By and large, however, program office managers appeared to believe that the problems cited in our report had been solved in the latest releases of the SPS software. As subsequent events proved, this was not the case.

By December 1999, four versions of SPS had been deployed, the latest being version 4.1. At about that time, the House Committee on the Budget opened its own Internet hotline for citizens to report waste in Government and received multiple complaints about SPS from Defense personnel at sites that had

received it. The Committee referred these allegations to us and we decided to conduct a web-based survey of statistically selected SPS version 4.1 users. Although the Department had great difficulty providing accurate user identities and e-mail addresses, we received about 600 replies to the survey instrument between May and July 2000.

The survey results were published in Audit Report No. D-2001-075, Standard Procurement System Use and User Satisfaction, March 13, 2001. The only reasonably good news was that 86 percent of the SPS users stated that the system was available always or most of the time. Otherwise, although numerous software improvements had been made and many respondents praised the system's potential, user dissatisfaction levels were still unexpectedly high. For example:

- 61 percent of SPS users preferred a procurement system other than SPS,
- 46 percent of the users stated that the number of workarounds had increased,
- 51 percent of the users stated that productivity had not increased since SPS version 4.1 was implemented, and

- 64 percent of the users stated that SPS had not substantially contributed to the DoD goal of paperless contracting.

Further, based on survey responses, we projected that about 27 percent of the personnel licensed to use SPS version 4.1 had not used it, because SPS either lacked the functionality for those sites or employees received SPS when it was not needed to perform their jobs. We estimate that the Department spent up to $2.1 million on licenses for users who could not or did not need to use SPS.

We made numerous recommendations and offered the following general conclusions.

> "DoD has experienced a 50 percent reduction in the procurement workforce without a commensurate reduction in workload. Conceptually, SPS should assist in automating and standardizing a variety of procurement tasks and thus assist in more efficiently completing the workload. According to the survey, however, functionality remains a serious concern. Management needs to respond to this concern when deploying new SPS versions and, if SPS does not fully meet mission needs, should consider supplementary and alternative tools for the procurement workforce."

> "There is a need for more appropriate testing prior to future deployment. About 38 percent of respondents contend that SPS version 4.1 had only some or none of the functionality needed, despite testing. Present performance measures do not address mission needs such as enhancing

> customer service, reducing problem disbursements, increasing contracting personnel productivity, or eliminating redundancy."

Several actions have been taken, in response to our audits and various other reviews, which lead me to be cautiously optimistic about the future of this effort. For example:

- the Director, Defense Procurement, explicitly directed the Military Departments and Defense Agencies to assess and validate functional requirements against user needs before deploying any future versions of the SPS;

- it is apparent that the Department insisted on rigorous testing of SPS version 4.2, which was actually returned to the contractor for rework last year;

- a contractor has been hired to provide Independent Validation and Verification of SPS software;

- independent management assessments by consultants and DoD acquisition experts strongly indicated higher than acceptable levels of risk remaining in the program and seem to have added impetus to efforts to improve its discipline and risk management;

- a working group is developing the performance measures that are badly needed to monitor this program properly;

- the SPS acquisition strategy and economic analysis will be reviewed and updated; and

- senior Office of the Secretary of Defense managers are clearly more engaged in this program's issues than was the case earlier in the program.

In conclusion, I believe that the SPS concept is fundamentally sound and the Department will be well served by replacing the outmoded and unintegrated legacy systems. Nevertheless, despite the numerous commendable actions recently taken, it would be premature to assume that further execution of this program will necessarily be smooth. In the near term, the program continues to need close attention and perhaps more restructuring if it is to fulfill the Department's expectations. The exact scope of the program and its funding requirements need to be resolved this year. From the standpoint of DoD financial management, the effectiveness of the data transfer between SPS and the DoD finance and logistics systems will be an especially significant

concern, particularly because those other systems and related standards are in various stages of redesign or replacement.

The recent suggestion by GAO that a DoD "lessons learned" report be written on the SPS experience is a very good one, although it would be important to ensure that such a report be thoroughly objective and reflect what may be a range of opinion about what those lessons are.

Thank you again for considering these views.