

# **DEFENSE WORKING CAPITAL FUND**

## **DEFENSE-WIDE FISCAL YEAR (FY) FY 2005 BUDGET ESTIMATES**

### **OPERATING AND CAPITAL BUDGETS**



## **FEBRUARY 2004 CONGRESSIONAL DATA**

Corrected Revision – February 26, 2004

**DEFENSE-WIDE WORKING CAPITAL FUND  
FY 2005 BUDGET ESTIMATES**

**DEFENSE-WIDE SUMMARY**

Defense Agencies operated nine activity groups within the Defense-Wide Working Capital Fund during FY 2003 and will operate eight activity groups by the end of FY 2004. The Defense Logistics Agency (DLA) operates four activity groups while the Defense Finance and Accounting Service (DFAS) and the Defense Information Systems Agency (DISA) each operate two activity groups. The Defense Security Service (DSS) will operate as a DWCF entity in FY 2003 but will transfer workload and funding in FY 2004.

DFAS was formed in January 1991 from the Military Services finance and accounting functions to improve financial accounting support to DoD-wide activities. This was to reduce costs by adapting standard policies, procedures, forms, data, and systems to streamline/consolidate operations.

DISA was reorganized in 1991 from the former Defense Communications Agency. Its responsibilities include obtaining common telecommunication and information services for command and control. They also provide assistance in additional communication support to meet other customer needs.

DLA, formed in the early 1960s, operates the Distribution Depot, Reutilization and Marketing, Supply Management, and the Document Automation and Production Service activity groups. Distribution Depots receive, store, and ship inventory. Reutilization and Marketing functions include the reutilization of excess and surplus property and the donation, sale, or disposal of surplus DoD personal property. Supply Management conducts the procurement, inventory management, and technical operations functions for the defense inventory of consumable items. The Document Automation and Production Service provides printing services to DoD customers.

DSS, formerly known as the Defense Investigative Service, was formed in 1972. The mission of DSS is to administer the Personnel Security Investigations (PSI) program and the National Industrial Security Program (NISP) for the Department. DSS is also responsible for security education and training. The mission of the PSI program is to conduct background investigations on individuals assigned to or affiliated with the Defense Department. The purpose of the

NISP program is to ensure that private industry properly safeguards classified information in its possession while performing government contracts

### Changes

The Department reviewed alternatives to the current operation and structure of DAPS, based on the premise that the DAPS functions may not be inherently governmental and that other sources may exist for these services. The review addressed both mission transfer and alternative sourcing in the public or private sectors. The results of this review indicated that continuation of the DAPS mission, as currently structured, was necessary to perform classified and military unique printing requirements for the Services and DoD.

The Defense Security Service (DSS) is budgeted to transfer its personnel security background investigation function to the Office of Personnel Management (OPM) in FY 2004. Consistent with the President's Management Agenda, this would make OPM the central provider of personnel security investigations for the Federal Government. According to the Memorandum of Agreement signed in January, 2003, DSS would transfer 1,980 employees to OPM beginning in FY 2004. The remaining employees at DSS would perform collaborative adjudication, industrial security reviews of contractor facilities, critical infrastructure and technology protection, and security education and training. The 568 employees remaining at DSS will be direct funded in the Operation and Maintenance, Defense-Wide account. The DSS business area in the Defense Wide Working Capital Fund would be closed out.

The FY 2004 DoD Authorization Act approves the transfer. However, the Act made OPM's acceptance of the transfer optional. The Act states that the Secretary of Defense must certify to the Congress, in writing, that OPM can meet certain standards and that Defense retains sufficient manpower to perform the remaining functions noted above. A transfer of function cannot occur until thirty days after the Secretary certifies.

Since the Authorization Act was not signed until late November, OPM did not take any steps to begin the transfer of DSS employees. As a result, DSS retains the 1,980 employees in DoD. These employees are working to close investigations received prior to FY 2004. The revolving fund is paying these employees using resources provided by customers prior to FY 2004. The current budget was

developed based on the presumption that OPM will accept the transfer of employees prior to the end of FY 2004. OPM is working with the Department to train the DoD employees on OPM's investigation tracking system. After training, these employees could then assist OPM in completing DoD investigations until such a time as OPM accepts the transfer of function. OPM will need to reimburse DoD for these services.

### Appropriation Request

The Budget request includes appropriated funding for DLA's Supply Management activity group. The FY 2005 request includes \$90.9 million for military unique costs previously financed through surcharges to customers. This change in financing has been instituted to make DLA pricing more comparable to commercial pricing. The FY 2005 request also includes \$28.5 million for demolition of unneeded fuel facilities and \$60.7 million to purchase additional meals-ready-to eat (MREs) for the war reserve inventory.

### Defense-wide Working Capital Fund Cash

The Defense-Wide Working Capital Fund (DWWCF) includes the four activity groups of the Defense Logistics Agency's Defense Working Capital Fund and the Defense Finance and Accounting Service, the Defense Information Systems Agency, and the Defense Security Service. The chart below displays the actual DWWCF cash balance at the end of FY 2003 and balances projected for the end of FY 2004 and FY 2005. The cash balance is affected by disbursements, collections, appropriations and cash transfers. Days of cash varies with annual disbursements.

<b>Dollars are in Millions</b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
<b>Beginning of Period, Cash</b>	<b>\$1,043.1</b>	<b>\$1,526.5</b>	<b>\$1,325.7</b>
Disbursements	-31,039.8	-31,733.0	-28,459.0
Collections	+30,189.2	+30,770.5	+27,915.7
Appropriation	+109.0	+802.5	+180.4
Transfers	+1,225.0	-40.8	0
<b>Ending of Period, Cash</b>	<b>\$1,526.5</b>	<b>\$1,325.7</b>	<b>\$962.8</b>
<b>Days of Cash</b>	<b>10.6</b>	<b>8.6</b>	<b>7.0</b>

**FY 2004 Days of Cash:**

1 Day of Operating Cash = \$119.8M

6 Months of Capital Disbursements = \$294.8M

10 Days of Cash = \$1,492.6M

**FY 2005 Days of Cash:**

1 Day of Operating Cash = \$107.9M

6 Months of Capital Disbursements = \$207.0M

10 Days of Cash = \$1,285.6M

**FY 2004 Cash:** In FY 2004, we project DWWCF outlays from operations of \$962.5 million. The primary drivers are Supply Management with outlays of \$921.4 million (Energy \$750.6M and Non-Energy \$170.8M), Defense Security Service (DSS) with outlays of \$246.4 million, and Defense Information Systems Agency (DISA) with projected outlays of \$153.2 million. Energy's outlays are due to higher than projected product costs and an increase in sales volume. Energy received a direct appropriation of \$600 million in the FY 2004 Department of Defense Emergency Supplemental Appropriation Act to offset a portion of those outlays. Non-Energy's outlays are driven by the hardware centers readiness inventory investment efforts and relatively low FY 2003 inventory levels after the Iraqi Freedom efforts. DSS outlays are unprogrammed as they were originally forecasted to depart from the DWWCF and become an appropriated account beginning in FY 2004. Because their departure has been delayed the DWWCF has had to absorb the additional outlays. DISA's outlays are primarily due to increase workload in the Telecommunications Services and Enterprise Acquisition Services (TS/EAS) operations.

DWWCF (Energy) disbursements and collections increase in FY 2004 due to the new DLA mission of supporting Task Force Restoration Iraqi Oil (TF-RIO). The TF-RIO mission is to provide fuel support to the people of Iraq as required during FY 2004. DLA awards contracts through competitive procedures whenever possible for petroleum products (i.e., kerosene, gasoline, and diesel). DLA also will provide distribution of these products to designated depots within Iraq. FY 2004 collections and disbursements are estimated at \$1.62 billion to support this mission. Costs will be reimbursed by the Coalition Provisional Authority (CPA) or other authorized sources. The net outlay should have a zero impact on DWWCF cash; however, temporary cash drains may occur due to timing of reimbursements.

**FY05 Cash:** In FY 2005, DWWCF outlays from operations are projected at \$543.4 million. The primary driver is Supply Management with projected outlays of \$521.4 million (Non-Energy \$265.6M and Energy \$255.8M) and DISA with outlays of

\$120 million. Non-Energy outlays are primarily in support of our hardware centers readiness inventory investments efforts. Energy's outlay projection is due to an increase in fuel costs. DISA outlays are split between their TS/EAS (\$76.2M) and Computing Services (\$43.8M), both in support of increased workload.

**Bottom Line:** DWWCF will experience significant decreases in cash in FY04 and FY05 due to operations. This will be partially offset with appropriations and transfers. The current projection for cash at the end of FY 2005 is at the minimum level of 7 days of cash.

DEFENSE-WIDE WORKING CAPITAL FUND - TOTAL  
SOURCE OF NEW ORDERS AND REVENUE  
FISCAL YEAR (FY) 2005 BIENNIAL BUDGET ESTIMATES  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders:			
a. Orders from DoD Components			
Army	8,142.1	6,570.5	5,604.2
Navy	6,455.8	6,472.9	6,159.4
Air Force	7,653.9	7,779.5	7,409.7
Marine Corps	873.5	987.0	771.5
Other	2,242.7	2,104.4	2,087.3
b. Orders from Other Fund Activity	3,035.1	2,923.1	2,728.8
c. Total DoD	28,403.1	26,837.4	24,760.9
d. Other Orders:			
Other Federal Agencies	1,038.3	906.4	882.9
Trust Fund	0.0	0.0	0.0
Exchange Activities	0.0	0.0	0.0
Non Federal Agencies	555.1	677.0	633.6
Foreign Military Sales	726.7	822.5	819.2
2. Carry-In Orders	1,619.0	1,720.9	1,427.1
3. Total Gross Orders	32,342.2	30,964.2	28,523.7
4. Funded Carry Over	2,657.3	1,410.1	1,338.5
5. DRMS Sales Proceeds	51.7	38.1	35.5
6. Total Gross Sales	29,736.6	29,592.2	27,220.7

**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUMMARY**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**REVENUE AND EXPENSES**  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>Revenue:</b>			
Gross Sales	29,711.8	29,567.3	27,189.6
Operations	29,210.1	29,130.3	26,686.2
Capital Surcharge	255.8	91.3	101.3
Depreciation excluding Major Construction	245.9	345.7	402.1
Major Construction Depreciation	0.0	0.0	0.0
ADPE & Telecommunications Equipment	0.0	0.0	0.0
Other Income	615.3	2,742.1	1,141.3
Refunds/Discounts (-)	(429.0)	(432.1)	(429.1)
<b>Total Income</b>	<b>29,898.1</b>	<b>31,877.3</b>	<b>27,901.8</b>
<b>Expenses:</b>			
Cost of Materiel Sold from Inventory	18,817.1	19,763.8	16,287.0
Materiel-Related	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	81.0	76.5	68.2
Civilian Personnel Compensation & Benefits	2,783.5	2,771.2	2,704.7
Travel & Transportation of Personnel	78.8	117.4	113.4
Materials & Supplies (For Internal Oper)	280.1	269.3	248.6
Equipment	74.9	95.3	93.5
Other Purchases from Revolving Funds	1,536.9	1,538.8	1,579.5
Transportation of Things	2,133.6	1,728.8	1,096.8
Major Maintenance & Repair	0.0	0.0	0.0
Depreciation - Capital	290.2	370.5	416.1
Printing & Reproduction	220.7	247.0	260.8
Advisory and Assistance Services	131.7	151.6	124.0
Rent, Communication, Utilities, & Misc.	1,892.0	1,779.6	1,714.2
Other Purchased Services	2,225.3	3,481.8	3,578.4
<b>Total Expenses</b>	<b>30,545.8</b>	<b>32,391.6</b>	<b>28,285.2</b>
<b>Operating Result</b>	<b>(647.7)</b>	<b>(514.3)</b>	<b>(383.4)</b>
Less Capital Surcharge Reservation	(255.8)	(91.3)	(101.3)
Plus Passthroughs or Other Approp Affecting NOR	0.0	0.0	0.0
Other Adjustments Affecting NOR	720.0	556.7	(50.6)
<b>Net Operating Result (NOR)</b>	<b>(183.5)</b>	<b>(48.9)</b>	<b>(535.3)</b>
Prior Year Adjustments	(57.4)	37.2	28.9
Other Changes Affecting AOR	0.0	0.0	(1.5)
Prior Year AOR	813.3	535.6	494.8
<b>Accumulated Operating Result (AOR)</b>	<b>572.4</b>	<b>523.9</b>	<b>(13.1)</b>
Non-Recoverable Adjustments Impacting AOR	0.0	0.0	0.0
<b>Accumulated Operating Results for Budget Purposes</b>	<b>572.4</b>	<b>523.9</b>	<b>(13.1)</b>

**DEFENSE-WIDE WORKING CAPITAL FUND**  
**Fiscal Year (FY) 2005 BUDGET ESTIMATES**  
**OVERVIEW**

**DEFENSE LOGISTICS AGENCY**

The Defense Logistics Agency (DLA) is a Combat Support Agency responsible for providing worldwide logistics support for the missions of the Military Departments and the Unified Combatant Commands under conditions of peace and war. Responsibilities include the acquisition, storage, and distribution of most of the Department of Defense's (DoD) spare parts and other consumable items, reutilization and marketing of excess military property, document automation services, and operation of the Defense National Stockpile. DLA directly contributes to the warfighting readiness and sustainability of U.S. forces, literally "around the clock - around the world".

Most of these responsibilities are carried out by activity groups operating within the Defense-Wide Working Capital Fund. The DLA portion of the Fund consists of the following four activity groups:

- Supply Management
- Distribution Depots
- Reutilization and Marketing
- Document Automation and Production Service

This submission reflects DLA's continued commitment to execute our DLA 21 goals and implementation of the DLA Strategic Plan through aggressive use of business process reengineering, competitive and strategic sourcing, acquisition reform, and use of emerging technology to reduce infrastructure costs while sustaining readiness support to the warfighter. Specifically, this submission includes:

- ◆ Performance Contract goals and metrics for all major DLA Activity Groups.
- ◆ Supply Customer Price Change (CPC) of 0.9% in FY 2005.
- ◆ A direct appropriation to the DLA Defense Working Capital Fund of \$180.1 million in FY 2005.
- ◆ Actual Distribution workload (receipts and issues) increased 2.7 million lines ( 12.6 percent) over our initial FY 2003 estimate due to support for Operation Enduring Freedom (OEF) and Iraqi Freedom (OIF). We are projecting this continued support through the budget period.
- ◆ Distribution experienced a 400 percent increase in

transportation costs during FY 2003, Operations Iraqi Freedom and Enduring Freedom accounted for \$855.5 million. The FY 2004 transportation costs are estimated to be \$1,095.7M, of which \$766.9M is for the continued support of OEF and OIF. These increased costs are caused by increased air shipments, increased shipment volumes and weights, and increased freight surcharges.

- ◆ A major initiative underway is Business Systems Modernization, a project that will replace DLA's mission critical legacy systems with a new enterprise architecture based on COTS software and best commercial practices.
- ◆ Full-time equivalent reductions of 13% since the beginning of FY 2000 through FY 2005.

Detailed highlights by activity group follow:

### **Supply Management Activity Group**

The DLA Supply Management Activity Group incorporates those activities, programs and costs related to material management. Costs include operations (salaries and expenses), material (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). Approximately twenty-four million requisitions are received annually from the military services and other federal agencies for the four million six hundred thousand consumable items managed by DLA.

The DLA Supply Management Activity Group is broken into wholesale and retail level inventories. Wholesale inventories are inventories the manager has asset knowledge and control over, regardless of funding sources. Retail inventory (or base supply) provides equipment, materials, supplies and services to local DLA activities and authorized tenants. Four Inventory Control Points (ICPs) manage DLA's wholesale inventories. These ICPs provide the warfighter with Fuel, Troop Support (uniforms, food and medical), General Support (hardware type items), and Weapons Systems Support. DLA's retail management consists of Base Operating Support (BOS) and the National Security Agency (NSA). In addition, DLA's Supply management includes a small number of supporting activities, such as the Defense Logistics Information Service (DLIS) and the Defense Automated Addressing Systems Center (DAASC).

In FY 2002, the Defense Energy Support Center capitalized Aerospace Missile Fuels from the Air Force valued at \$77.4 million. DLA is reflecting capitalization of this inventory on inventory exhibits separately from petroleum.

To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the FY 2005 budget includes a request for a direct appropriation of \$180.1 million for the Working Capital Fund Supply Management Activity Group. This appropriation will fund the Meals Ready-to-Eat War Reserve requirement, Reutilization, Transfer and Disposal costs, a comprehensive survey of fuel facilities to evaluate sustainment and restoration requirements, unused warehouse space, and Defense Finance and Accounting Service systems costs. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from a central account.

The DLA Supply Management Budget includes Commitment Authority which is the administrative reservation of funds for future obligations. It allows additional obligations on a dollar-for-dollar basis when customer orders (demands) increase, or when prices, such as fuel prices, rise during the fiscal year. The estimates for non-energy reflect three months of commitments for each fiscal year, in anticipation of additional sales to support OEF and OIF and to address uncertainty in continued world events. The FY 2005 commitment authority for Non-Energy is \$5,065.5 million and for Energy is \$1,659.9 million.

The Customer Price Change (CPC) is the average change in price from one year to the next that the customer will encounter for the average non-energy item. DLA's goal is to have a CPC of no greater than the DoD composite inflation factor. Changes in customer price are driven by factors such as: inflation, basic costs incurred to procure, store, and ship to the customer; and possibly other DoD decisions. The FY 2004 CPC is -2.9 percent and the FY 2005 CPC is 0.9 percent. The FY 2004 decrease is primarily due to the realignment of unique military readiness costs such as reutilization costs and excess distribution warehouse costs that will be financed through direct appropriations. In addition, over-ocean transportation costs will be paid directly by the consuming Service.

The DLA has received claims totaling nearly \$3.0 billion from thirty-six fuel supply contractors involving 599 contracts. The claims allege that DESC has used an unauthorized price adjustment clause since the early 1980s. The contracting officer has denied \$2.7 billion of those claims. In one of these cases the court ruled against DLA and awarded \$61.5M in FY 2000 to the claimant contractor (Pride Company). As a result, the Government has filed actions for summary judgment to expedite resolution of these cases. Based on conflicting decisions regarding the law, two judges have certified the issue for pre-trial appeal on the legal issues. DLA is awaiting the Court of Appeals decision on the parties' petitions for appeal, but continues to believe that these cases will be resolved

favorably. If these cases go to full trials, final judgments on a majority of these claims will likely not be forthcoming for at least two years. As a result, this submission does not request funding for payment for any adverse judgments associated with these claims.

The Office of Management and Budget establishes fuel rates with input from the Departments of Defense, Energy, Treasury, and Commerce. The single most important cost factor is the world petroleum market price. This budget uses the OMB fuel rates to establish the standard prices for petroleum and Aerospace Missile Fuels. In FY 2005, the standard price for petroleum is \$39.48 per barrel and the composite standard price for missile fuels is \$5.22.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Cost of Goods Sold	\$18,817.1	\$19,763.8	\$16,287.0
Net Operating Results	\$271.3	(\$339.0)	(\$570.0)
Accumulated Operating Results	\$909.0	\$570.0	\$0.0
Civilian Full-Time Equivalents	11,222	11,399	11,373
Military Workyears	371	371	371
Capital Budget Program Authority	\$276.3	\$216.9	\$190.0

Distribution Depots Activity Group

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2003, the distribution depots, by location and component are:

DLA

Columbus, OH  
 San Joaquin, CA  
 Richmond, VA  
 Susquehanna, PA  
 Germersheim, Germany  
 Map Support, Richmond, VA

Navy

Cherry Point, NC  
 San Diego, CA  
 Jacksonville, FL  
 Norfolk, VA  
 Puget Sound, WA  
 Pearl Harbor, HI  
 Yokosuka, Japan

Army

Anniston, AL  
 Corpus Christi, TX  
 Red River, TX  
 Tobyhanna, PA

Air Force

Hill, UT  
 Oklahoma City, OK  
 Warner Robins, GA

Marines

Albany, GA  
 Barstow, CA

These depots, strategically located throughout the world, received and issued almost 24.4 million secondary lines and warehoused and maintained over 225 million cubic feet of material. The Defense Distribution Depot network insures that America's war fighters receive the best value in distribution services. All items are typically

prepared and shipped within one day of receiving the shipping order.

Since "9/11", the Distribution Depot Activity Group has seen unprogrammed increases in workload and transportation costs. Other challenges facing this business area include downsizing, an aging workforce, and A-76 competition and resulting transitions. The continuing challenge is to identify the most cost-effective way of getting the right product to the right place at the right time. The war fighters are requiring DLA to change business practices to reduce customer wait time, meet time definite delivery standards, and reduce costs. Understanding both tactical and strategic supply chain management and DLA's role in creating the DoD distribution system for the 21st century is critical. Some of the cost increases DLA has experienced during FY 2003 and those projected over the budget period include:

- Workload - Receipts and issues have increased 2.7 million lines (12.6 percent) over the initial FY 2003 estimate mainly due to support for Operation Enduring Freedom (OEF) and Iraqi Freedom (OIF). DLA is projecting this continued support during the budget period.
- Transportation - Distribution experienced over 400 percent increase in transportation costs during FY 2003, Iraqi Freedom and Enduring Freedom accounting for \$855.5 million. The FY 2004 estimate of \$1,095.7 million is for the continued support of Operations Iraqi and Enduring Freedom theater of operations (\$766.9 million), increased air shipments, increased shipment volumes and weights, and increased freight surcharges.

Initiatives for savings included in this submission aim at reducing infrastructure, eliminating duplicate functions, and streamlining business processes. Some initiatives include:

- Providing Strategic Distribution Enhancements -
  - o Increase in dedicated truck routes allows for shipments to be consolidated and directed from premium/unscheduled modes of transportation to existing scheduled/dedicated truck routes at a significant cost reduction.
  - o Divert shipments to new scheduled service. Shipping to customers via scheduled/dedicated truck provides time definite delivery at the lowest cost. Adding additional stop-offs to existing routes allows small customers to receive scheduled/dedicated truck support at a marginal additional cost.
  - o Forward stock positioning. In an effort to meet U.S. Forces demand and to reduce the transportation costs of airlifting material stored in CONUS, DLA has forward positioned some 26,000 National Stock Numbers (NSN) at Distribution Depot Germersheim, Germany. As part of this effort DLA will ship supplies to Europe

by more economical surface ship transportation. Orders will then be processed and shipped by surface for customer's directly out of Germersheim. Using surface transportation to ship supplies will significantly reduce processing costs and ultimately customer wait time.

- Installing the Distribution Planning and Management System (DPMS) - DPMS will allow the DDC to evaluate and optimize transportation planning operations to better manage material flow from vendors and distribution centers to the customer. The use of DPMS will allow DLA to lower transportation costs.
- Completing A-76 competitions - As of December 2002, DLA had completed nine of eighteen A-76 studies. The nine completed studies resulted in three in-house wins and six contractor wins.

The table below details the nine completed studies and nine planned or in progress A-76 studies.

<u>Completed Studies</u>	<u>FTE's</u>	<u>Winning Entity</u>
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.
Depot Warner Robins, GA	647	EG&G Logistics Inc.
Depot Jacksonville, FL	152	MANCON
Depot Cherry Point, NC	131	LABAT-Anderson
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	LABAT-Anderson

In addition, seven studies of 2,412 FTEs have been announced. DLA announced competition of the seven remaining CONUS depots during October 2001. On May 29, 2002 GAO issued a decision in the Jones-Hill case. It found that there was a conflict of interest when a team of government employees developed both a Performance Work Statement for an A-76 competition and developed the Management Plan for the Most Efficient Organization that would be competing against the private sector entrant. Distribution had organized along these lines to make the best use of A-76 talent in the organization. DLA had to reorganize the A-76 teams which has altered the schedule on the remaining competitions. In addition, the two final studies of support functions at the Strategic Distribution Platforms (SDP) will be announced during FY 2004. The table below details the nine planned or in progress A-76 studies.

<u>Studies Underway Or Planned</u>	<u>FTE's</u>	<u>Status</u>
Depot Tobyhanna, PA	120	PWS*In Source Selection
Depot Puget Sound, WA	93	PWS In Source Selection

Depot Corpus Christi, TX	122	PWS In Solicitation
Depot Anniston, AL	240	PWS In Source Selection
Depot Red River, TX	643	PWS Under Development
Depot Oklahoma City, OK	658	PWS Under Development
Depot Norfolk, VA	549	PWS Under Development
SDP's Susquehanna, PA	141	Study to Be Announced
& San Joaquin, CA	66	Study to Be Announced

\* PWS: Performance Work Statement

Estimated costs/assumptions for the competitions are as follows:

- (1) Study costs estimated at \$4,000 per full-time equivalent (FTE);
- (2) Separation costs for projected personnel reductions and contract conversions estimated at \$28,000 per FTE.

Budgeted FTE and labor savings include only most efficient organization (MEO) savings. Costs and savings are prorated to the fiscal year in which they are expected to occur.

#### Activity Group Profile

	(\$ in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Net Operating Results	(\$369.3)	\$307.2	(\$17.7)
Accumulated Operating Results	(\$299.8)	\$7.4	(\$10.3)
Civilian Full-Time Equivalents	7,551	8,155	7,880
Military Workyears	178	178	178
Capital Budget Program Authority	\$51.4	\$58.3	\$43.1

#### Reutilization and Marketing Activity Group

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services reutilized approximately \$1.1 billion worth of personal property in FY 2003, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. The balance of property is offered for competitive sale to the public.

The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property governed

by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. However, once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and funded by the Military Services.

DRMS headquarters, responsible for operational control, is located in Battle Creek, Michigan. The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales.

DRMS has adopted a corporate strategy of focusing, managing, and measuring logistics support based on customer needs; consistently providing responsive, best value supplies and services to their customers. DRMS is transitioning from being geography based to customer needs based.

Workload projections were reviewed and revised based on input from DRMS generators as well as from the DRMS National and International Commands. The Services are doing a better job of managing their inventories and thus generating less excess property; therefore, a decline in baseline workload is expected; however, this is countered by additional workload resulting from troop rotation and deployment as well as workload resulting from Operation Enduring Freedom and Operation Iraqi Freedom. Total workload projections, therefore, show no change in acquisition value from FY 2003 to FY 2005 and a less than one percent decrease in line items. However, these workload projections could be impacted by any new rounds of Base Realignment And Closures (BRAC).

DRMS also conducted an A-76 public/private competition on the logistics stock, store and issue functions at 10 DRMO's in the northeastern portion of the United States. The first DRMS A-76 competition was completed in FY 2000 and resulted in the conversion to contract of the affected functions. The solicitation for the second competition was issued May 19, 2003. The second DRMS A-76 study is of the warehouse logistics functions at 73 DRMO's. Approximately 361 FTEs will be impacted. We expect decisions on this second round in the first quarter of FY 2005. FTE and labor savings budgeted include only most efficient organization (MEO) savings. Costs and savings are expected to begin in FY 2006.

DRMS has a long-range goal of becoming a broker of information, which will result in the more efficient management of property. Their initiatives have been focused on enacting process improvements that will allow achievement of this goal. As DRMS transitions to an organization that is more adept at "moving information and not

property," DRMS will be able to centralize its organizational presence at fewer strategic locations. This will allow DRMS to effectively perform its mission with substantially reduced infrastructure, labor and cost.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Sales	\$342.4	\$308.5	\$270.8
Net Operating Results	\$90.0	(\$8.3)	(\$28.9)
Accumulated Operating Results	\$37.2	\$28.9	\$0.0
Civilian Full-Time Equivalents	1,686	1,722	1,566
Military Workyears	9	9	9
Capital Budget Program Authority	\$6.8	\$7.7	\$4.7

**Document Automation and Production Service Activity Group**

The Document Automation and Production Service (DAPS) is responsible for the DoD printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated printing services to include: conversion, electronic storage and output, and the distribution of hard copy and digital information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office (GPO).

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, 185 production facilities.

The FY 04 President's Budget reflected the discontinuation of DAPS as currently structured (less inclusion of related financial results in the DWCF) beginning in FY 2004 with a completion date in FY 2005. In December 2003, the Department decided to retain the DAPS within DLA as a "high performance" organization. This submission restores FY 2004 and 2005.

Activity Group Profile

	(\$ in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Net Operating Results	\$31.5	\$6.9	\$13.9
Accumulated Operating Results	(\$18.2)	(\$11.3)	\$2.6
Civilian Full-Time Equivalents	1001	907	879
Capital Budget Program Authority	\$2.1	\$0.1	\$0.2

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Supply Management Activity Group incorporates those activities, programs and costs related to material management. Costs include operations (salaries and expenses), material (items sold to the military services) and capital investments (purchase of equipment, software development and minor construction). Nearly twenty four million requisitions are received annually from the military services, other federal agencies, non-federal agencies, and foreign military for the four million six hundred thousand consumable items managed by DLA.

The DLA Supply Management Activity Group is broken into wholesale and retail level inventories. Wholesale inventories are inventories the manager has asset knowledge and control over, regardless of funding sources. Retail inventory (or base supply) provides equipment, materials, supplies and services to local DLA activities and authorized tenants. Four Inventory Control Points (ICPs) manage DLA's wholesale inventories. These ICPs provide the warfighter with Fuel, Troop Support (uniforms, food and medical), General Support (hardware type items), and Weapons Systems Support. DLA's retail management segments consist of Base Operating Support (BOS) and the National Security Agency (NSA). In addition, DLA's Supply Management includes a small number of supporting activities, such as the Defense Logistics Information Service (DLIS) and the Defense Automated Addressing Systems Center (DAASC).

**Wholesale Organizational responsibilities:**

The **Defense Energy Support Center (DESC)** located at Ft. Belvoir, Virginia, provides comprehensive worldwide petroleum support for the military services. This effort includes sales of petroleum and aerospace missile fuels; electricity and natural gas products; arranging for petroleum support services; providing facility/equipment maintenance on fuel infrastructure; performing environmental assessment and cleanup; coordinating bulk petroleum transportation; and performing petroleum quality surveillance functions worldwide. DESC's gross annual sales range between \$3 billion and \$5 billion depending on the price of fuel. With the transfer of responsibility for the Restoration Iraqi Oil mission to DLA in FY 2004, DESC's sales are expected to increase to over \$6 billion.

The **Defense Supply Center Philadelphia (DSCP)** provides food, clothing, medicine, medical equipment, general and industrial supplies and services to America's military, as well as non-DoD customers. Sales have significantly increased as a result of Global War on Terrorism. FY 2001 sales were \$6.3 billion and increased to \$10.4 billion in FY 2003. A description of DSCP's four directorates follows.

The **Clothing and Textiles Directorate** manages items that outfit U.S. troops and civilian customers with uniforms, helmets, body armor, chemical protective suits, footwear, tents, and other related items.

The **Medical Directorate** provides medical supplies, equipment, pharmaceuticals and other health care items to the Military Services. This ranges from first-aid kits to fully deployable field hospitals and complete turnkey radiology suites.

The **Subsistence Directorate** serves as the key link between the armed forces and the U.S. food industry. In addition to the support provided to America's armed forces personnel and their dependents worldwide, support is provided to other Federal agencies, public health service hospitals, the USDA national school lunch program, and the District of Columbia school district. Items include fresh fruits and vegetables, frozen and dehydrated food, and Meals Ready-to-Eat.

The **General and Industrial Directorate** sells and manages a wide variety of industrial hardware and commercial items for the Military Services and other Federal Agencies. Items managed are in the categories of general hardware, bench stock, move & store material, operational equipment, and metals.

As the inventory control point designated as the lead center for aviation, the **Defense Supply Center Richmond (DSCR)** serves within the DoD supply-chain as the primary source for nearly 900,000 repair parts and operating supply items for aviation. These items include a mix of military-unique items supporting over 1,300 major weapon systems and other items readily available in the commercial market. Sales have increased from \$2.4 billion in FY 2001 to \$3.3 billion in FY 2003.

The **Defense Supply Center Columbus (DSCC)** is the lead center for land and maritime support. DSCC sells and manages more than 1.8 million different spare parts. These items include valves,

hydraulics, transistors, and microcircuits. Annual sales have increased from \$2.0 billion in FY 2001 to \$2.8 billion in FY 2003.

**Retail Support:**

DLA provides support for two types of retail functions. The first is Base Operating Support that provides base supplies and procurement to DLA activities and authorized tenants. The other is the National Security Agency. Together their annual sales are approximately \$22 million.

**Other Support Organizations:**

The **Defense Logistics Information Service (DLIS)** supports all logistics functions of DoD, other government agencies, and foreign governments by managing and distributing logistics information on seven million supply items in the Federal Logistics Information System. The supply items DLIS catalogues range from operating supplies and spare and repair parts to propeller blades and space vehicles.

The **Defense Automated Addressing Systems Center (DAASC)** designs, develops, and implements logistics solutions that improve customers' requisition processing and logistics management processes worldwide. Their primary mission is to receive, edit, and route logistics transactions for the military services and Federal Agencies.

**BUDGET HIGHLIGHTS**

**Increased Customer Support:**

DLA is experiencing significant increases in customer orders. These increases are related not only military operations associated with operations Iraqi Freedom and Global War on Terrorism but also reflects more reliance on DLA by the Military Service for troop support, hardware and weapon systems support. The chart below displays customer gross orders from FY 2001 through FY 2005.

	Non-Energy Dollars in Millions	Energy Barrels in Millions
FY 2001	10,777.3	115.8
FY 2002	12,721.9	139.5
FY 2003	17,417.9	149.5
FY 2004	15,674.6	131.3
FY 2005	14,520.1	124.3

The FY 2002 and FY 2003 increases in orders are the result of support efforts for Operation Iraqi Freedom and the Global War on Terrorism. The decreases in FY 2004 and FY 2005 reflect a return to new normal business levels.

**Task Force Restoration Iraqi Oil:**

The Under Secretary of Defense for Acquisition, Technology and Logistics has assigned DLA the mission of supporting Task Force Restoration Iraqi Oil (TF-RIO). DLA is required to award contracts, through competitive procedures whenever possible, for petroleum products (kerosene, gasoline, diesel), to include movement of those products to designated depots within Iraq. Costs are projected to be \$1.62 billion in FY 2004 to support this mission. Costs will be reimbursed by the Coalition Provisional Authority (CPA) or other authorized source.

**Defense Working Capital Fund Direct (DWCF) Appropriations (including supplementals):**

Direct appropriations provided in FY 2003 and FY 2004 and amounts included in this budget submission are detailed in the following chart and narrative.

Dollars in Millions	FY 2003	FY 2004	FY 2005
<b>DWCF Appropriation:</b>			
Meals Ready to Eat War Reserve	0	0	60.7
Unused Warehouse Space	0	51.2	48.5
Reutilization, Transfer and Disposal Costs	0	46.1	38.8
Fuel Facility Study and Disposal	0	22.7	28.5
Defense Finance and Accounting System (DFAS) Costs	0	3.6	3.6
Aviation Investment	109.0	78.9	0
Subtotal	\$109.0	\$202.5	\$180.1
<b>Supplemental Appropriations:</b>			
Fuel Costs	\$1,100.0	\$600.0	0
<b>Total Appropriations</b>	<b>\$1,209.0</b>	<b>\$802.5</b>	<b>\$180.1</b>

**Meals Ready to Eat (MRE) War Reserve** - In the appropriation conference report, the Congress directed the Secretary of Defense to fund identified requirements for increased MRE inventory in the FY 2005 budget submission. Increasing MRE inventory levels will improve long-term sustainment position; however, it will not have any bearing on DLA's ability to

provide Global War on Terrorism support. The requested increase requires \$121 million in a direct appropriation for war reserve materiel (WRM) of which \$60.7 million is included in this submission. This will allow consumption and shelf life considerations to be addressed and smooth production over a period of time. DLA will validate the MRE requirement and fund the additional requirement in DLA's FY 2006 - FY 2011 program/budget submission.

**Unused Warehouse Space** - Continues the DoD effort to improve comparability of DLA prices to the private sector by removing readiness support costs or military unique costs from DLA prices. This is a zero sum realignment of costs from customers to direct appropriations to improve visibility of DLA costs and provide more informed rates to the customers. Private industry would not maintain unused warehouse space; however, DLA must maintain unused warehouses pending Base Realignment And Closure (BRAC) decisions. This cost has been removed from DLA prices and will be financed by a direct appropriation.

**Reutilization, Transfer, and Disposal Costs** - This is also part of the price comparability effort mentioned above. Part of the DoD mission is to demilitarize excess property and then reutilize it as much as possible to reduce overall DoD costs. Property that is not reutilized is first transferred or donated to authorized organizations before it can be sold. Demilitarization increases costs and reduces proceeds for affected items, while reutilization, transfer and donation divert the best material from the sales program. Since accomplishment of the DoD mission to reutilize excess property results in lower sales proceeds and is contrary to private industry practice of maximizing sales, these costs are removed from DWCF rates and charged to a direct appropriation as a military unique cost. Like unused storage space, this is a zero sum realignment of costs from customers to direct appropriations and deletion of these funds will result in increased rates in future years and perpetuation of unrealistic customer rates.

**Fuel Facility Study and Disposal** - This appropriation funds initial steps to identify and remove unneeded fuel facilities. The first phase was appropriated in FY 2004; funding is required in FY 2005 for the second phase. To support the Secretary of Defense's infrastructure goals to sustain, restore and modernize DoD facilities to DoD standards, the study is necessary to evaluate the condition of the facilities and the work needed to sustain and restore the facilities. Additionally, the study will identify unneeded facilities, where funding is necessary for disposal.

**DFAS Systems Costs** - To improve visibility to DFAS customers of the costs of DFAS systems, these costs were removed from DFAS rates beginning in FY 2004. These funds cover DLA's portion of the systems costs removed from DFAS rates.

**Aviation Investment** - The FY 2004 appropriation funds the last year of the Aviation Investment Strategy that was a four year effort to improve the availability of aviation spare parts. This augmentation of investments provides increased readiness for aviation for the military services.

**Fuel Costs** - In FY 2003, funds were transferred from the Iraqi Freedom Fund and in FY 2004 funds were provided from the FY 2004 Department of Defense Emergency Supplemental Appropriation Act to cover increased fuel costs.

**Fuel Pricing Claims:**

As documented in last year's submission, DLA has received claims totaling \$3 billion from thirty-six fuel supply contractors involving 599 contracts. The claims alleged that DLA used an unauthorized price adjustment clause in its fuel contracts since the early 1980s. The contracting officer has denied \$2.7 billion of those claims. Contractors have appealed to the United States Court of Federal Claims. In one of these cases the court ruled against DLA and awarded \$61.5M in FY 2000 to the claimant contractor (Pride Company). As a result, the Government has filed actions for summary judgment to expedite resolution of these cases. Based on conflicting decisions regarding the law, two judges have certified the issue for pre-trial appeal on the legal issues. DLA is awaiting the Court of Appeals decision on the parties' petitions for appeal, but continues to believe that these cases will be resolved favorably. If these cases go to full trials, final judgments on a majority of these claims will likely not be forthcoming for at least two years. As a result, this submission does not request funding for payment for any adverse judgments associated with these claims.

**PERFORMANCE INDICATORS**

The following are major measures that DLA uses to assess its financial performance:

**Net Operating Results (NOR):****Total Supply NOR:**

(\$ in Millions)	FY 2003	FY 2004	FY 2005
Revenue	\$22,100.2	\$23,158.6	\$20,234.7
Expenses	22,396.5	23,963.0	20,652.8
Cost of Goods Sold	18,817.1	19,763.8	16,287.0
Operations	3,579.4	4,199.2	4,365.8
Other Changes Affecting NOR:			
Capital Surcharge	-255.8	-91.3	-101.3
Readiness Inventory Investment	-371.5	-165.0	-138.5
Obsolescence Recovery Surcharge	-29.7	0.0	0.0
NIMS Surcharge	-0.4	-1.9	-12.2
Price Comparability Appropriation	0.0	123.6	119.3
FY 2006 Pricing	0.0	0.0	-19.2
Supplemental Appropriation	1,100.0	600.0	0.0
Cash Transfer	125.0	0.0	0.0
Net Operating Results	271.3	-339.0	-570.0
Prior Year Accumulated Operating Results	637.7	909.0	570.0
Ending Accumulated Operating Results	\$909.0	\$570.0	0.0

NOR is the difference between revenues and expenses and exclude non-recoverable items such as Property Disposal Office transfers, net acquisition cost changes, returns without credit and other changes. NOR is a financial management tool that measures the effectiveness of cost recovery rates, costs and revenue. Accumulated Operating Results reflects the long term, multi-year results of previous Net Operating Results. Its measurement describes the accumulated affects of Net Operating Results and demonstrates the fiscal strength over a longer time period. The goal is to breakeven by the budget year. The following table shows the NOR included in this budget submission.

**Non-Energy NOR:**

(\$ in Millions)	FY 2003	FY 2004	FY 2005
Revenue	\$16,828.1	\$16,556.2	\$15,470.3
Expenses	15,952.1	16,568.2	15,510.5
Cost of Goods Sold	13,316.1	13,499.6	12,291.8
Operations	2,636.0	3,068.6	3,218.7
Other Changes Affecting NOR:			
Capital Surcharge	-255.8	-91.3	-54.6
Readiness Inventory Investment	-371.5	-165.0	-138.5
Obsolescence Recovery Surcharge	-29.7	0.0	0.0
NIMS Surcharge	-0.4	-1.9	-12.2
Price Comparability Appropriation	0.0	100.9	90.8
FY 2006 Pricing	0.0	0.0	-19.2
Supplemental Appropriation	0.0	0.0	0.0
Cash Transfer	0.0	0.0	0.0
NOR Transfer	-281.4	-226.8	0.0
Net Operating Results	-62.8	-396.1	-173.9
Prior Year Accumulated Operating Results	632.8	570.0	173.9
Ending Accumulated Operating Results	\$570.0	\$173.9	0.0

The FY 2003 Non-Energy Net Operating Result of -\$62.8 million is attributed to the mix of increased sales and other changes affecting Net Operating Results: a capital surcharge (-\$255.8 million) to provide cash to pay for capital investments when depreciation costs are lower than anticipated capital outlays, readiness inventory investment in support of continuing increase in customer demands (-\$371.5 million), obsolescence recovery (-\$29.7 million), a surcharge for inventory to support the National Inventory Management Strategy (NIMS) (-\$0.4 million) to replace inventory transferred from Marine Corps to DLA and a transfer of earnings to the Energy portion of Supply Management for prior year losses due to higher fuel cost than those recovered in prices or provided in a direct appropriation(-\$281.4 million).

The FY 2004 Non-Energy Net Operating Result of -\$396.1 million is due to the following other changes affecting Net Operating Results: a surcharge for capital investment (-\$91.3 million), a surcharge for readiness inventory investment (-\$165.0 million), and a surcharge for NIMS (-\$1.9 million), a direct appropriation for unused warehouse space (\$51.2M), Reutilization, Transfer and Disposal costs (\$46.1M) and DFAS system costs (\$3.6M) and earnings transfer to the Energy portion of Supply Management for FY 2004 losses due to higher fuel costs than those recovered in

FY 2004 prices or through an direct appropriation (-\$226.8 million).

The FY 2005 Non-Energy Net Operating Result of -\$173.9 million include the following other changes affecting Net Operating Results: a surcharge for capital investment (-\$54.6 million), an readiness inventory investment(-\$138.5 million), a surcharge for NIMS (-\$12.2 million), an earnings reserve (-\$19.2 million) to be used in FY 2006 to level the cost recovery rate slope and a direct appropriation (\$90.8 million).

**Energy NOR:**

(\$ in Millions)	FY 2003	FY 2004	FY 2005
Revenue	\$5,272.1	\$6,602.4	\$4,764.4
Expenses	6,444.4	7,394.7	5,142.3
Cost of Goods Sold	5,501.0	6,264.2	3,995.2
Operations	943.4	1,130.5	1,147.1
Other Changes Affecting NOR:			
Capital Surcharge	0.0	0.0	-46.7
Readiness Inventory Investment	0.0	0.0	0.0
Obsolescence Recovery Surcharge	0.0	0.0	0.0
NIMS Surcharge	0.0	0.0	0.0
Price Comparability Appropriation	0.0	22.7	28.5
FY 2006 Pricing	0.0	0.0	0.0
Supplemental Appropriation	1,100.0	600.0	0.0
Cash Transfer	125.0	0.0	0.0
NOR Transfer	281.4	226.8	
Net Operating Results	334.1	57.1	-396.1
Prior Year Accumulated Operating Results	4.9	339.0	396.1
Ending Accumulated Operating Results	\$339.0	\$396.1	0.0

The FY 2003 Energy Operating Results of -\$1,172.3 million is the result of higher product cost of fuel than was recovered in the price of fuel we charged our customers. To offset these losses, a direct appropriation was transferred from the Iraqi Freedom Fund (\$1,100 million). In addition, repayment of the FY 2000 Air Force cash transfer (\$125 million) and a transfer of earnings from the non-Energy portion of Supply Management (\$281.4 million) was made to offset losses due to higher anticipated FY 2004 fuel costs.

The FY 2004 Energy Operating Results of -\$792.3 million is primarily due to higher projected fuel costs than included in

the FY 2004 prices we charge our customers. To offset these losses, a direct appropriation was provided in the FY 2004 Department of Defense Emergency Supplemental Appropriation Act for rising fuel costs (+\$600 million). In addition, a direct appropriation was provided for fuel facility studies and disposal (+\$22.7 million) and a transfer of earnings from the non-Energy portion of Supply Management was made to hold the FY 2005 fuel prices at the amount programmed in the FY 2004 Budget Estimates (\$226.8 million).

The FY 2005 Energy Operating Results of -\$377.9 million is due to higher projected fuel costs than included in the FY 2004 Budget Estimates Submission. These losses are offset from accumulated operating results projected in FY 2005. In addition, a surcharge for capital investments (-\$46.7 million) and a direct appropriation for fuel facility study and disposal (\$28.5 million) has been included in other changes affecting net operating results.

**Customer Price Change (CPC):**

The CPC is the average change in price from one year to the next that the customer will encounter for the average non-energy item. DLA's goal is to have a CPC of no greater than the DoD composite inflation factor. Changes in customer price are driven by factors such as: inflation, basic costs incurred to procure, store, and ship items to the customer. The table below displays the DoD approved CPC for FY 2003, FY 2004 and FY 2005, along with the Department of Defense (DoD) inflators:

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
CPC	3.5%	-2.9%	0.9%
DoD	1.0%	1.3%	1.3%

The FY 2004 decrease is primarily due to the realignment of unique military readiness costs such as reutilization costs and excess distribution warehouse costs that will be financed through direct appropriations. In addition, over-ocean transportation costs will be paid directly by the consuming Service.

**Supply Availability:**

Supply availability measures responsiveness and is calculated by the percentage of requisitions that are filled immediately from stock on hand without creating a backorder. Weapon system supply availability by service is calculated for all items coded as Weapon System related for Army, Navy, Air Force and the

Marine Corps. The following table displays the actual weapon system supply availability for FY 2003 and weapon system supply availability goals for FY 2004 - FY 2005.

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Army	88.4%	85.9%	88.9%
Air Force	86.6%	87.5%	88.7%
Navy	87.2%	89.3%	89.9%
Marine Corps	88.2%	85.5%	88.7%

Stocked demand for the Air Force and Navy has been level allowing us to continue to increase our responsiveness to their requirements. We have experienced significant increased stocked demand for both the Army and Marine Corps. These demands have significantly reduced the inventory on hand at the end of FY 2003 to these requirements. DLA is addressing this situation and has seen the availability for these two Services start to improve in the first few months of FY 2004. We expect this recovery to continue throughout FY 2004 and FY 2005.

#### **WORKLOAD**

##### **Non-Energy Gross Sales at Standard Unit Price**

Gross Sales at Standard Unit Price is the primary workload measure in the non-energy business. Sales are affected by customer demands (force structure, aging weapon systems and operating tempo). The following table displays non-energy gross sales for each year:

(Dollars in Millions)	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Non-Energy Gross Sales at Standard Unit Price	\$16,557.2	\$15,752.9	\$14,578.6

##### **Energy Net Barrels Sold**

Net Barrels sold is the workload measure for petroleum. Like gross sales in non-energy, net barrels sold reflect requirements provided to DLA by the military services and other authorized customers. The following table displays net barrels sold over the budget period. Barrels are in millions. The higher sales in FY 2003 and FY 2004 reflect sales for Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). Sales for Restoration Iraqi Oil are of a reimbursable nature and are outside normal DoD workload and are excluded from the numbers below.

<b>Energy, Petroleum</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Net barrels sold (Millions)	142.5	125.0	118.0

#### **UNIT COST**

Unit cost resourcing provides the operating cost authority for items such as salaries, facilities maintenance, supplies, materiel for resale, and other administrative costs within the DLA Supply Management Activity Group. Approved budget requirements and projected workload are used to develop a unit cost goal. This is applied to actual workload during the budget execution year to earn the approved cost authority.

<b>Non-Energy</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Costs (\$ in Millions)	17,820.7	14,178.5	14,436.1
Gross Sales (\$ in Millions)	16,557.2	15,752.9	14,578.6
Unit Cost Goal (per \$ of Sales)	1.08	0.90	0.99

The Non-Energy unit cost was \$1.08 as a result of DLA's FY 2003 efforts to have assets available in anticipation of customer's demands in FY 2004 and FY 2005. Items included in this effort are troop support items such as cold weather clothing, tents and boots for Army units deploying to Iraq. The FY 2004 and FY 2005 unit cost of less than \$1.00 reflects the FY 2003 leaning forward efforts.

<b>Energy Petroleum</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Costs (\$ in Millions)	6,590.9	5,175.6	4,838.2
Net Barrels Sold (Millions)	142.5	125.0	118.0
Unit Cost Goal (\$ per barrel)	46.25	41.40	41.00

Changes in the Energy unit cost goal are mainly driven by changes in product cost projections for fuel. In FY 2003 the product cost used to develop the standard price was \$26.62. The actual cost for FY 2003 was \$38.35. Product cost assumptions are \$36.93 in FY 2004 and \$33.62 in FY 2005.

#### **PRICING**

##### **Non-Energy Cost Recovery Rate (CRR):**

The CRR is the amount added to the cost of goods to recover costs associated with purchasing and selling supplies to the customer. These costs include operating costs such as payroll, benefits, travel, training, depreciation, facilities

maintenance, and service charges for shipping and storage, accounting, and cataloging. The following table reflects the composite Cost Recovery Rates included in this budget submission:

<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
20.7%	15.5%	15.0%

The FY 2004 decrease is primarily due to the realignment of unique military readiness costs which will be financed through a direct appropriation. In addition, over-ocean transportation costs that will be paid directly by the consuming Service.

**Energy Pricing (Petroleum and Missile Fuels):**

The Office of Management and Budget establishes fuel rates with input from the Departments of Defense, Energy, Treasury, and Commerce. The single most important cost factor is the world petroleum market price. This budget uses the OMB fuel rates to establish the standard prices for petroleum and Aerospace Missile Fuels below.

<b>Energy</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Standard Price for Petroleum (\$/BBL)	35.28	38.22	39.48
Standard Price for Missile Fuels (Composite)	8.10	8.99	5.22

The composite missile fuel rate decreases from \$8.99 in FY 2004 to \$5.22 in FY 2005. This is due to two factors: a projected drop in Nitrogen prices and the advanced purchase of Hydrazine in FY 2004 in anticipation of a production plant closure.

**INVENTORY**

The following chart shows total Non-Energy inventory included in this budget:

<b>Non-Energy Inventory (Dollars in Millions)</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Beginning Inventory	9,862.5	10,368.6	10,397.9
Receipts	13,313.1	13,558.8	12,607.5
Sales	-13,463.5	-13,660.6	-12,445.7
Returns for Credit	147.3	161.0	153.7
Returns for No Credit	241.4	177.5	149.4
Disposals	-243.2	-338.4	-334.0
Capitalization	39.7	69.9	118.9
Other	471.3	61.1	-11.8
Ending Inventory	10,368.6	10,397.9	10,635.9

**Energy Inventory:**

FY 2003 inventory includes the capitalization of 3.5 million barrels from Navy oiler retail inventories. This budget assumes petroleum inventory will remain at 59.3 million barrels through FY 2005.

<b>Energy Inventory (Barrels in Millions)</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Beginning Inventory	55.8	59.3	59.3
Purchases	145.1	126.0	119.0
Capitalized Inventory	3.5	0.0	0.0
Gross Sales	-149.5	-131.3	-124.3
Materiel Returns	7.0	6.3	6.3
Other	-2.6	-1.0	-1.0
Ending Inventory	59.3	59.3	59.3

**CASH OUTLAYS AND APPROPRIATION/TRANSFERS**

Pricing decisions and workload estimates result in projections for cash collections, disbursements, and net outlays. In addition to cash outlays, funding has been received through a direct appropriation or transfers.

<b>Non-Energy</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Disbursements	16,537.3	15,785.4	15,811.4
Collections	16,760.7	15,614.7	15,545.8
Net Outlays	-223.4	170.8	265.6
Appropriation	109.0	179.8	151.9
Transfer	0.0	-35.5	0.0
 <b>Energy</b>			
Disbursements	6,643.9	7,352.4	5,064.7
Collections	5,285.6	6,601.8	4,808.9
Net Outlays	1,358.3	750.6	255.8
Appropriation	0.0	622.7	28.5
Transfer	1,225.0	0.0	0.0

**Non-Energy:** In FY 2003, Non-Energy had negative net outlays (cash increase) of \$223.4 million. This was primarily due to the increased sales in support of Operations Enduring Freedom and

Iraqi Freedom (OEF/OIF). In addition, Non-Energy received a direct appropriation of \$109 million in support of the Aviation Investment Strategy (AIS).

In FY 2004, Non-Energy forecasts net outlays of \$170.8 million (cash reduction). This is primarily in support of our hardware centers readiness inventory investment efforts. To reflect commercial pricing, Non-Energy received a direct appropriation of \$179.8 million. In addition, \$35.5 million of cash will be transferred from Non-Energy to the Defense Commissary Agency.

In FY 2005, Non-Energy forecasted net outlays of \$265.6 million (cash reduction). This is primarily in support of our hardware centers previous year(s) readiness inventory investment efforts. Non-Energy will receive a direct appropriation of \$151.9 million.

**Energy:** In FY 2003, Energy projects net outlays of \$1,358.3 million (cash reduction). This was primarily due to higher than planned product costs and increased sales volume. To offset these net outlays, \$1,100 million in funds were transferred from the Iraqi Freedom Fund. In addition, a cash transfer of \$125 million in repayment of a FY 2000 Air Force cash transfer was received.

In FY 2004, Energy forecasts outlays of \$750.6 million (cash reduction) due to higher than projected product costs and an increased volume in sales. Energy disbursements and collections increase in FY 2004 due to the new DLA initiative of Task Force Restoration Iraqi Freedom (TF-RIO). Collections and Disbursements reflect \$1.62 billion in FY 2004 to support this mission. Costs will be reimbursed by the Coalition Provisional Authority (CPA) or other authorized sources. The net outlay should have a zero impact on DWWCF cash; however we may be subject to temporary cash drains due to timing of the reimbursements. Energy received a direct appropriation of \$600 million as part of the FY 2004 Department of Defense Emergency Supplemental Appropriation Act to offset projected outlays. In addition, Energy received a direct appropriation of \$22.7 million for fuel facility studies and disposal.

In FY 2005, Energy projects net outlays of \$255.8 million (cash reduction) due to an increase fuel costs. In addition, Energy will receive a direct appropriation for fuel facility studies and disposal of \$28.5 million.

## PERSONNEL

<b>End Strength</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Military	371	371	371
Civilian	11,166	11,455	11,429
Total	11,537	11,826	11,800
<b>FTEs</b>			
Military	371	371	371
Civilian	11,222	11,399	11,373
Total	11,593	11,770	11,744

## CAPITAL BUDGET

<b>Dollars in Millions</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Equipment (non-ADP)	9.1	4.2	3.8
Equipment (ADP/T)	15.9	6.0	4.6
Software	221.8	174.9	151.3
Minor Construction	29.5	31.8	30.3
Total	276.3	216.9	190.0

The capital budget funds investments that exceed \$100,000. There are four categories within the capital budget: (1) Automated Data Processing Equipment (ADPE), (2) Non-ADPE, (3) software development, and (4) minor construction projects.

The FY 2005 capital budget estimate of \$190 million reflects a decrease over the FY 2004 requirements in the amount of \$27 million. The primary reason is in the Software Development category. In FY 2003 through FY 2006 DLA will be fully implementing Business Systems Modernization (BSM), with Full Operational Capability (FOC) by the Second Quarter, FY 2006. The design and development portion continues through FY 2004, and in FY 2005 the investment slightly decreases as the Rollout Strategy begins. The FY 2005 funding allows DLA to incorporate lessons learned and further stabilize Concept Demonstration. Lessons learned include additional testing requirements and reconfiguration. In addition, this funding ensures the Release 2 approved blueprint is funded to include Federal Financial Management Improvement Act (FFMIA) compliance, certification and compliance with Financial Management Enterprise Architecture (FMEA), and integration of National Inventory Management Strategy (NIMS) functionality with BSM.

DLA also continues to invest in the Customer Relationship Management (CRM) and Integrated Data Environment (IDE). In FY 2004 through FY 2007 the External Service Provider (ESP) will develop CRM. The investment is higher in FY 2004 than in FY

2005 because FY 2004 includes startup strategy, design, and development costs, whereas FY 2005 includes only development costs. The FY 2004 and FY 2005 investments for IDE are for increments 2.0 and 3.0. The FY 2004 investment is higher as all of the Commercial off the Shelf (COTS) software requirements will be purchased in FY 2004.

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2005 Budget Estimates

**Clothing and Textiles**  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,551.9	1,736.6	1,108.8
Army	1,623.2	876.9	557.6
Navy	296.8	265.9	170.5
Air Force	389.2	274.8	176.2
Marine Corps	166.7	263.7	169.1
Other	76.0	55.4	35.5
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	226.1	376.5	241.4
c. Total DoD	2,778.0	2,113.1	1,350.3
d. Other Orders:	77.3	102.4	70.3
Other Federal Agencies	0.0	0.0	0.0
Non-Federal Agencies	65.2	88.6	56.8
Foreign Military Sales	12.1	13.8	13.5
Total New Orders	2,855.3	2,215.6	1,420.6
2. Carry-In Orders	270.4	343.4	344.9
3. Total Gross Orders	3,125.7	2,559.0	1,765.4
4. Funded Carry-Over	1,113.1	344.1	345.2
5. Total Gross Sales	2,012.7	2,214.9	1,420.2

Exhibit Fund-11 Source of New Orders & Revenue

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2005 Budget Estimates

**Medical**

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,985.8	2,584.8	2,391.1
Army	1,094.4	959.7	887.8
Navy	611.8	586.5	542.5
Air Force	745.8	639.8	591.9
Marine Corps	54.6	26.7	24.7
Other	479.2	372.2	344.2
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	2,985.8	2,584.8	2,391.1
d. Other Orders:	96.2	81.0	75.0
Other Federal Agencies	95.6	80.0	74.0
Non-Federal Agencies	0.0	0.0	0.0
Foreign Military Sales	0.6	1.0	1.0
Total New Orders	3,082.0	2,665.8	2,466.1
2. Carry-In Orders	214.8	191.3	189.4
3. Total Gross Orders	3,296.8	2,857.1	2,655.5
4. Funded Carry-Over	160.2	189.4	187.5
5. Total Gross Sales	3,136.6	2,667.7	2,468.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

**Subsistence**

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,566.1	2,084.0	1,915.5
Army	1,330.5	887.0	799.8
Navy	394.5	385.5	347.0
Air Force	277.6	227.4	204.7
Marine Corps	240.0	244.5	220.0
Other	15.9	21.8	21.4
DECA	307.6	317.8	322.6
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	2,566.1	2,084.0	1,915.5
d. Other Orders:	105.2	102.0	87.9
Other Federal Agencies	101.9	90.6	76.7
Non-Federal Agencies	0.0	10.9	10.7
Foreign Military Sales	3.3	0.5	0.5
Total New Orders	2,671.3	2,186.0	2,003.4
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	2,671.3	2,186.0	2,003.4
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	2,671.3	2,186.0	2,003.4

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

General & Industrial  
 (Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,504.8	2,506.1	2,476.5
Army	941.7	691.8	686.8
Navy	617.2	793.1	787.5
Air Force	796.4	827.7	810.1
Marine Corps	132.6	121.4	120.5
Other	13.8	68.8	68.3
DECA	3.1	3.2	3.2
b. Orders from Other Activity Groups	33.7	66.4	65.6
c. Total DoD	2,538.5	2,572.6	2,542.1
d. Other Orders:	208.5	235.3	232.4
Other Federal Agencies	65.6	34.0	33.5
Non-Federal Agencies	20.0	5.4	5.3
Foreign Military Sales	122.9	195.9	193.5
Total New Orders	2,747.0	2,807.8	2,774.5
2. Carry-In Orders	222.7	223.6	200.7
3. Total Gross Orders	2,969.7	3,031.4	2,975.2
4. Funded Carry-Over	374.2	200.7	190.4
5. Total Gross Sales	2,595.5	2,830.8	2,784.8

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

Total DSCP

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	10,608.6	8,911.5	7,891.9
Army	4,989.8	3,415.3	2,932.0
Navy	1,920.4	2,031.0	1,847.5
Air Force	2,208.9	1,969.7	1,782.8
Marine Corps	593.9	656.2	534.3
Other	584.9	518.2	469.5
DECA	310.7	321.0	325.8
b. Orders from Other Activity Groups	259.8	443.0	307.1
c. Total DoD	10,868.4	9,354.4	8,198.9
d. Other Orders:	487.2	520.8	465.6
Other Federal Agencies	263.1	204.6	184.3
Non-Federal Agencies	85.2	104.9	72.8
Foreign Military Sales	138.9	211.3	208.5
Total New Orders	11,355.6	9,875.2	8,664.6
2. Carry-In Orders	707.9	758.3	734.9
3. Total Gross Orders	12,063.6	10,633.5	9,399.5
4. Funded Carry-Over	1,647.5	734.2	723.1
5. Total Gross Sales	10,416.1	9,899.4	8,676.4

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2005 Budget Estimates

Richmond  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,640.6	2,678.2	2,811.0
Army	523.4	417.2	439.6
Navy	1,047.4	1,122.5	1,177.9
Air Force	1,009.4	1,099.3	1,153.9
Marine Corps	50.4	28.1	28.5
Other	10.0	11.1	11.1
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	28.7	25.3	25.3
c. Total DoD	2,669.3	2,703.5	2,836.3
d. Other Orders:	566.4	584.6	602.0
Other Federal Agencies	18.6	20.2	20.3
Non-Federal Agencies	238.5	244.9	245.3
Foreign Military Sales	309.3	319.5	336.5
Total New Orders	3,235.7	3,288.0	3,438.4
2. Carry-In Orders	544.8	455.2	397.9
3. Total Gross Orders	3,780.5	3,743.2	3,836.2
4. Funded Carry-Over	456.6	407.3	357.2
5. Total Gross Sales	3,323.9	3,335.9	3,479.0

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Supply Activity Group  
Source of New Orders and Revenue  
Fiscal Year (FY) 2005 Budget Estimates

Columbus

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	2,489.3	2,188.7	2,105.4
Army	842.7	617.8	594.7
Navy	887.3	838.9	806.8
Air Force	630.1	637.6	613.3
Marine Corps	118.4	79.1	75.8
Other	10.8	15.4	14.8
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	0.0	0.0	0.0
c. Total DoD	2,489.3	2,188.7	2,105.4
d. Other Orders:	319.6	301.1	289.8
Other Federal Agencies	72.2	44.9	43.2
Non-Federal Agencies	0.0	2.5	2.4
Foreign Military Sales	247.4	253.7	244.2
Total New Orders	2,808.9	2,489.8	2,395.2
2. Carry-In Orders	319.4	257.9	246.4
3. Total Gross Orders	3,128.3	2,747.7	2,641.6
4. Funded Carry-Over	328.8	251.7	240.4
5. Total Gross Sales	2,799.5	2,496.0	2,401.2

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

BOS

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	0.0	0.0	0.0
Army	0.0	0.0	0.0
Navy	0.0	0.0	0.0
Air Force	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0
Other	0.0	0.0	0.0
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	12.5	12.6	13.0
c. Total DoD	12.5	12.6	13.0
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies	0.0	0.0	0.0
Non-Federal Agencies	0.0	0.0	0.0
Foreign Military Sales	0.0	0.0	0.0
Total New Orders	12.5	12.6	13.0
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	12.5	12.6	13.0
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	12.5	12.6	13.0

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DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

NSA

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	0.0	0.0	0.0
Army	0.0	0.0	0.0
Navy	0.0	0.0	0.0
Air Force	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0
Other	0.0	0.0	0.0
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	5.2	9.0	9.0
c. Total DoD	5.2	9.0	9.0
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies	0.0	0.0	0.0
Non-Federal Agencies	0.0	0.0	0.0
Foreign Military Sales	0.0	0.0	0.0
Total New Orders	5.2	9.0	9.0
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	5.2	9.0	9.0
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	5.2	9.0	9.0

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DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

**Total Non-Energy**  
 (Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	15,738.4	13,778.3	12,808.2
Army	6,355.9	4,450.3	3,966.4
Navy	3,855.0	3,992.3	3,832.1
Air Force	3,848.4	3,706.6	3,550.0
Marine Corps	762.6	763.5	638.6
Other	605.7	544.7	495.4
DECA	310.7	321.0	325.8
b. Orders from Other Activity Groups	306.2	489.9	354.4
c. Total DoD	16,044.7	14,268.2	13,162.6
d. Other Orders:	1,373.3	1,406.4	1,357.5
Other Federal Agencies	353.9	269.7	247.8
Non-Federal Agencies	323.8	352.3	320.6
Foreign Military Sales	695.6	784.4	789.2
Total New Orders	17,417.9	15,674.6	14,520.1
2. Carry-In Orders	1,572.1	1,471.5	1,379.2
3. Total Gross Orders	18,990.1	17,146.1	15,899.3
4. Funded Carry-Over	2,432.9	1,393.2	1,320.7
5. Total Gross Sales	16,557.2	15,752.9	14,578.6

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

Energy

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	4,840.4	4,671.1	4,557.3
Army	343.3	253.6	250.3
Navy	1,736.6	1,524.8	1,485.8
Air Force	2,751.7	2,871.8	2,799.5
Marine Corps	0.0	0.0	0.0
Other	8.8	20.9	21.8
DECA	0.0	0.0	0.0
b. Orders from Other Activity Groups	0.0	0.4	0.5
c. Total DoD	4,840.4	4,671.6	4,557.8
d. Other Orders:	516.3	424.1	386.3
Other Federal Agencies	361.6	201.6	188.6
Non-Federal Agencies	154.7	222.5	197.7
Foreign Military Sales	0.0	0.0	0.0
Total New Orders	5,356.8	5,095.7	4,944.1
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	5,356.8	5,095.7	4,944.1
4. Funded Carry-Over	0.0	0.0	0.0
5. Total Gross Sales	5,356.8	5,095.7	4,944.1

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Source of New Orders and Revenue  
 Fiscal Year (FY) 2005 Budget Estimates

**Grand Total**

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>1. New Orders</b>			
<b>a. Orders from DoD Components</b>	20,578.9	18,449.5	17,365.6
Army	6,699.2	4,703.8	4,216.6
Navy	5,591.6	5,517.1	5,317.9
Air Force	6,600.1	6,578.4	6,349.5
Marine Corps	762.7	763.5	638.6
Other	614.5	565.6	517.2
DECA	310.7	321.0	325.8
<b>b. Orders from Other Activity Groups</b>	306.2	490.3	354.9
<b>c. Total DoD</b>	20,885.1	18,939.8	17,720.4
<b>d. Other Orders:</b>	1,889.6	1,830.5	1,743.7
Other Federal Agencies	715.5	471.3	436.3
Non-Federal Agencies	478.5	574.8	518.2
Foreign Military Sales	695.6	784.4	789.2
<b>Total New Orders</b>	22,774.7	20,770.3	19,464.2
<b>2. Carry-In Orders</b>	1,572.1	1,471.5	1,379.2
<b>3. Total Gross Orders</b>	24,346.8	22,241.8	20,843.4
<b>4. Funded Carry-Over</b>	2,432.9	1,393.2	1,320.7
<b>5. Total Gross Sales</b>	21,913.9	20,848.6	19,522.7

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 Revenue and Expenses

(\$ in millions)

	FY 2003	FY 2004	FY 2005
<b>Revenue:</b>			
Gross Sales @ Standard	21,913.9	20,848.6	19,522.7
Operations	21,604.7	20,681.3	19,323.6
Capital Surcharge	255.8	91.3	101.3
Depreciation	53.4	76.0	97.8
Other Income	615.3	2,742.1	1,141.1
Refunds/Discounts (-)	-429.0	-432.1	-429.1
Total Income:	22,100.2	23,158.6	20,234.7
<b>Expenses:</b>			
Cost of Material Sold from Inventory	18,817.1	19,763.8	16,287.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	29.1	33.3	35.7
Civilian Personnel Compensation & Benefits	841.4	860.2	895.0
Travel & Transportation of Personnel	29.0	65.6	61.8
Materials & Supplies (For Internal Operations)	38.8	48.6	49.7
Equipment	50.5	64.5	69.7
Other Purchases from Revolving Funds	1,161.6	1,164.3	1,197.9
Transportation of Things	764.3	381.3	401.1
Depreciation - Capital	51.1	76.0	97.8
Printing and Reproduction	0.7	2.8	2.8
Advisory and Assistance Services	19.2	28.6	24.8
Rent, Communication, Utilities & Misc. Charges	24.8	25.1	25.1
Other Purchased Services	569.0	1,448.8	1,504.4
Total Expenses	22,396.5	23,963.0	20,652.8
Operating Result	-296.3	-804.4	-418.1
Less Capital Surcharge Reservation	-255.8	-91.3	-101.3
Plus Passthroughs or Other Appropriations Affecting NOR	1,225.0	723.6	119.3
Other Changes Affecting NOR	-401.7	-166.9	-169.9
Net Operating Result	271.3	-339.0	-570.0
Prior Year AOR	637.7	909.0	570.0
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	909.0	570.0	0.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management: Energy  
 Fiscal Year (FY) 2005 Budget Estimates  
 Revenue and Expenses

(\$ in millions)

	FY 2003	FY 2004	FY 2005
<b>Revenue:</b>			
Gross Sales @ Standard	5,356.8	5,095.7	4,944.1
Operations (includes reimbursable)	5,348.5	5,083.5	4,882.8
Capital Surcharge	0.0	0.0	46.7
Depreciation	8.3	12.2	14.5
Other Income	162.3	1,747.1	68.7
Refunds/Discounts (-)	-247.0	-240.4	-248.3
Total Income:	5,272.1	6,602.4	4,764.4
<b>Expenses:</b>			
Cost of Material Sold from Inventory	5,501.0	6,264.2	3,995.2
Salaries and Wages:			
Military Personnel Compensation & Benefits	8.2	9.0	9.7
Civilian Personnel Compensation & Benefits	58.9	65.2	65.9
Travel & Transportation of Personnel	7.2	33.4	30.6
Materials & Supplies (For Internal Operations)	6.6	20.5	18.8
Equipment	3.1	19.8	18.1
Other Purch fm Revolving Funds (includes other DLA)	214.7	272.0	269.3
Transportation of Things	437.1	290.7	309.3
Depreciation - Capital	8.3	12.2	14.5
Printing and Reproduction	0.3	0.6	0.6
Advisory and Assistance Services	8.4	22.0	17.9
Rent, Communication, Utilities & Misc. Charges	1.7	1.7	1.7
Other Purchased Services (incl major maint & repair)	189.0	383.6	390.6
Total Expenses	6,444.4	7,394.8	5,142.3
Operating Result	-1,172.3	-792.4	-377.9
Less Capital Surcharge Reservation	0.0	0.0	-46.7
Plus Passthroughs or Other Appropriations Affecting NOR	1,225.0	622.7	28.5
Other Changes Affecting NOR	281.4	226.8	0.0
Net Operating Result	334.1	57.1	-396.1
Prior Year AOR	4.9	339.0	396.1
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	339.0	396.1	0.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management: Non-Energy  
 Fiscal Year (FY) 2005 Budget Estimates  
 Revenue and Expenses

(\$ in millions)

	FY 2003	FY 2004	FY 2005
<b>Revenue:</b>			
Gross Sales @ Standard	16,557.2	15,752.9	14,578.6
Operations	16,256.3	15,597.8	14,440.8
Capital Surcharge	255.8	91.3	54.6
Depreciation	45.1	63.8	83.3
Other Income	452.9	995.0	1,072.4
Refunds/Discounts (-)	-182.0	-191.7	-180.8
Total Income:	16,828.1	16,556.2	15,470.3
<b>Expenses:</b>			
Cost of Material Sold from Inventory	13,316.1	13,499.6	12,291.8
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	20.9	24.4	26.0
Civilian Personnel Compensation & Benefits	782.5	795.1	829.1
Travel & Transportation of Personnel	21.8	32.3	31.2
Materials & Supplies (For Internal Operations)	32.2	28.1	30.9
Equipment	47.4	44.7	51.6
Other Purchases from Revolving Funds	946.9	892.3	928.5
Transportation of Things	327.2	90.6	91.8
Depreciation - Capital	42.8	63.8	83.3
Printing and Reproduction	0.4	2.2	2.2
Advisory and Assistance Services	10.8	6.6	6.9
Rent, Communication, Utilities & Misc. Charges	23.1	23.4	23.4
Other Purchased Services	380.0	1,065.2	1,113.8
Total Expenses	15,952.1	16,568.2	15,510.5
Operating Result	876.0	-12.0	-40.2
Less Capital Surcharge Reservation	-255.8	-91.3	-54.6
Plus Passthroughs or Other Appropriations Affecting NOR	0.0	100.9	90.8
Other Changes Affecting NOR	-683.0	-393.8	-169.9
Net Operating Result	-62.8	-396.1	-173.9
Prior Year AOR	632.8	570.0	173.9
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	570.0	173.9	0.0

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**FUEL DATA**

FY 03 Actual Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date: Feb 2004
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP4, JAB	0.1	\$46.20	\$4.6				
JTS	0.1	\$157.50	\$11.0				
JP50, JA1, and JAA	2.0	\$47.46	\$94.9				
DISTILLATES (F76, DFW)	19.9	\$34.02	\$677.0				
DIESEL	5.0	\$37.80	\$189.0				
JP5	16.5	\$36.12	\$596.0				
JP8	81.0	\$35.28	\$2,857.7				
MOGAS (Leaded)	0.4	\$40.74	\$16.3				
MOGAS (Unleaded)	1.3	\$36.12	\$47.0				
RESIDUALS	1.4	\$29.40	\$41.2				
<b>TOTAL BULK and PC&amp;S</b>	<b>127.7</b>	<b>\$35.52</b>	<b>\$4,534.7</b>				
<b><u>INTOPLANE:</u></b>							
Jet Fuel Commercial Grade	4.9	\$39.06	\$191.4				
<b><u>BUNKERS:</u></b>							
DISTILLATES (F76, DFW)	0.3	\$34.02	\$8.8				
DIESEL (Marine)	4.6	\$34.44	\$158.4				
RESIDUALS (Intermediate)	3.3	\$21.42	\$69.8				
<b>TOTAL BUNKERS</b>	<b>8.1</b>	<b>\$29.19</b>	<b>\$237.0</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
AVCARD	0.2	\$69.72	\$13.2				
VOYAGER	0.3	\$60.06	\$16.2				
CASH	0.1	\$54.27	\$5.4				
FOREIGN GOVERNMENT	1.2	\$35.77	\$42.9				
	<b>1.8</b>	<b>\$44.15</b>	<b>\$77.7</b>				
Rounding factor			\$0.1				
<b>TOTAL</b>	<b>142.5</b>	<b>\$35.39</b>	<b>\$5,040.9</b>				

Exhibit Fund-15 Fuel Data

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**FUEL DATA**

FY 04 Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date: Feb 2004
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP4, JAB	0.1	\$42.42	\$4.2				
JTS	0.1	\$126.00	\$12.6				
JP50, JA1, and JAA	2.6	\$38.22	\$99.4				
DISTILLATES (F76, DFW)	17.5	\$35.28	\$617.4				
DIESEL	4.0	\$40.74	\$163.0				
JP5	14.5	\$39.06	\$566.4				
JP8	71.9	\$38.22	\$2,749.5				
MOGAS (Leaded)	0.1	\$48.30	\$4.8				
MOGAS (Unleaded)	0.5	\$46.20	\$23.1				
RESIDUALS	<u>2.0</u>	<u>\$32.76</u>	<u>\$65.5</u>				
<b>TOTAL BULK and PC&amp;S</b>	<b>113.3</b>	<b>\$37.99</b>	<b>\$4,305.9</b>				
<b><u>INTOPLANE:</u></b>							
Jet Fuel Commercial Grade	5.6	\$46.20	\$258.3				
<b><u>BUNKERS:</u></b>							
DISTILLATES (F76, DFW)	0.3	\$35.28	\$10.6				
DIESEL (Marine)	2.5	\$33.18	\$82.6				
RESIDUALS (Intermediate)	<u>2.0</u>	<u>\$28.98</u>	<u>\$58.0</u>				
<b>TOTAL BUNKERS</b>	<b>4.8</b>	<b>\$31.57</b>	<b>\$151.2</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
AVCARD	0.2	\$69.72	\$13.9				
VOYAGER	0.3	\$60.06	\$18.0				
CASH	0.1	\$54.27	\$5.4				
FOREIGN GOVERNMENT	<u>0.7</u>	<u>\$35.77</u>	<u>\$25.0</u>				
	<b>1.3</b>	<b>\$47.92</b>	<b>\$62.3</b>				
Rounding factor			\$0.2				
<b>TOTAL</b>	<b>125.0</b>	<b>\$38.22</b>	<b>\$4,777.9</b>				

Exhibit Fund-15 Fuel Data

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**FUEL DATA**

FY 05 Budget Petroleum Data	PROCURED FROM DESC			PROCURED BY SERVICE			Date: Feb 2004
Petroleum Products	Barrels (Millions)	Price Per Barrel (\$)	Extended Price (\$Mil)	Barrels (Millions)	Cost Per Barrel (\$)	Extended Price (\$Mil)	Stabilized Price
<b><u>BULK and PC&amp;S:</u></b>							
JP4, JAB	0.1	\$44.10	\$4.4				
JTS	0.1	\$163.80	\$16.4				
JP50, JA1, and JAA	2.2	\$38.64	\$85.0				
DISTILLATES (F76, DFW)	16.4	\$38.22	\$626.8				
DIESEL	4.2	\$42.42	\$178.2				
JP5	13.7	\$39.90	\$546.6				
JP8	67.7	\$38.64	\$2,615.9				
MOGAS (Leaded)	0.4	\$51.24	\$20.5				
MOGAS (Unleaded)	0.9	\$44.10	\$39.7				
RESIDUALS	0.9	\$33.60	\$30.2				
<b>TOTAL BULK and PC&amp;S</b>	<b>106.6</b>	<b>\$39.06</b>	<b>\$4,163.7</b>				
<b><u>INTOPLANE:</u></b>							
Jet Fuel Commercial Grade	5.3	\$48.72	\$258.2				
<b><u>BUNKERS:</u></b>							
DISTILLATES (F76, DFW)	0.1	\$38.22	\$3.8				
DIESEL (Marine)	2.4	\$34.02	\$81.6				
RESIDUALS (Intermediate)	1.7	\$28.98	\$49.3				
<b>TOTAL BUNKERS</b>	<b>4.2</b>	<b>\$32.07</b>	<b>\$134.7</b>				
<b><u>LOCAL PURCHASE and CASH</u></b>							
AVCARD	0.6	\$73.08	\$43.8				
VOYAGER	0.4	\$62.16	\$24.9				
CASH	0.1	\$54.27	\$5.4				
FOREIGN GOVERNMENT	0.8	\$35.77	\$28.6				
	<b>1.9</b>	<b>\$54.05</b>	<b>\$102.7</b>				
Rounding factor			(\$0.3)				
<b>TOTAL</b>	<b>118.0</b>	<b>\$39.48</b>	<b>4,659.0</b>				

Exhibit Fund-15 Fuel Data

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Activity Group**  
**Fiscal Year (FY) 2005 President's Budget**  
**FUEL DATA**

FY 03 Budget Fuel Data					PROCURED BY SERVICE			Date: Feb 2004
Aerospace Missile Fuels	PC	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Stabilized Price
Liquid Air	39	54.5	0.4	23.4				
Deuterium, Gaseous	33	1,241.0	0.1	124.1				
Isopropyl Alcohol	31	268.4	0.5	123.4				
JP-10	28	99.8	15.9	1,581.9				
Priming Fluid ALCM (PF-1)	23	2.0	16.0	32.2				
Nitric Acid	16	<u>0.1</u>	<u>26.0</u>	<u>1.7</u>				
<b>TOTAL MISCELLANEOUS</b>		<b>1,665.8</b>		<b>1,886.9</b>				
Argon, Gaseous-Conus	21	0.9	127.0	117.0				
Argon, Gaseous-OConus	61	0.2	185.0	41.3				
Argon, Liquid	32	<u>1,382.3</u>	<u>0.3</u>	<u>428.5</u>				
<b>TOTAL ARGON</b>		<b>1,383.4</b>		<b>586.7</b>				
Dinitrogen Tetroxide	9	1,118.6	15.0	16,778.9				
Dinitrogen Tetroxide, MON-25 Low Iron	79	<u>0.2</u>	<u>206.0</u>	<u>35.6</u>				
<b>TOTAL DINITROGEN TETROXIDE</b>		<b>1,118.8</b>		<b>16,814.5</b>				
Helium, Bulk	2	42.2	108.0	4,555.1				
Helium, Cylinder	1	352.7	0.4	130.5				
Helium, Extra Hi-Purity	43	0.0	0.8	0.0				
Helium, Liquid Bulk	36	94.1	3.2	296.5				
Helium, Liquid-Dewars	24	75.3	3.6	272.5				
Helium, Ultra Hi-Purity	49	<u>40.9</u>	<u>0.7</u>	<u>26.6</u>				
<b>TOTAL HELIUM</b>		<b>605.2</b>		<b>5,281.2</b>				
Hydrazine, A-50	8	261.8	61.0	15,966.9				
Hydrazine, Hi-Purity	35	16.1	75.0	1,210.5				
Hydrazine, MMH	15	45.5	61.0	2,776.6				
Hydrazine, MPH	34	21.2	61.0	1,294.1				
Hydrazine, UDMH	7	2.6	61.0	156.2				
Hydrazine, Water	37	<u>13.3</u>	<u>15.0</u>	<u>200.0</u>				
<b>TOTAL HYDRAZINE</b>		<b>360.5</b>		<b>21,604.3</b>				
Hydrogen Peroxide	17	183.4	1.2	220.1				
Hydrogen, Gaseous	27	0.0	78.0	1.2				
Hydrogen, Liquid	12	<u>1,071.0</u>	<u>2.5</u>	<u>2,677.5</u>				
<b>TOTAL HYDROGEN</b>		<b>1,254.4</b>		<b>2,898.7</b>				
Kerosene, RP-1, Bulk	10	285.2	3.0	855.7				
Kerosene, RP-1, Drum	65	2.1	5.8	11.9				
Kerosene, RP-1, TS-5	75	0.2	14.8	3.1				
Kerosene, RP-1, Ultra Low Grade	76	<u>0.2</u>	<u>14.8</u>	<u>3.1</u>				
<b>TOTAL KEROSENE</b>		<b>287.7</b>		<b>873.8</b>				
Nitrogen Trifluoride	11	2.7	223.0	605.0				
Nitrogen, Gaseous	5	180.9	3.3	587.9				
Nitrogen, Gaseous (KSC Only)	55	824.8	4.3	3,505.5				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	294.5	4.3	1,251.8				
Nitrogen, Liquid	4	107.4	88.5	9,506.8				
Nitrogen, Liquid (Pipeline)	46	34.1	52.4	1,784.5				
Nitrogen, Liquid (NASA AMES)	64	0.0	400.0	18.4				
Nitrogen, Liquid (Alaska/Hawaii)	54	<u>0.5</u>	<u>585.0</u>	<u>280.2</u>				
<b>TOTAL NITROGEN</b>		<b>1,445.0</b>		<b>17,540.1</b>				
Oxygen, Liquid	3	7.9	86.0	676.9				
Oxygen, Liquid (KSC Only)	63	4.1	112.0	463.0				
Oxygen, Liquid (Vandenberg AFB Only)	53	<u>1.7</u>	<u>125.0</u>	<u>210.3</u>				
<b>TOTAL LIQUID OXYGEN</b>		<b>13.7</b>		<b>1,350.2</b>				
Xenon, Gaseous	19	0.0	5.3	0.0				
Xenon, Extra High-Purity	66	<u>0.0</u>	<u>6.0</u>	<u>0.0</u>				
<b>TOTAL LIQUID XENON</b>		<b>0.0</b>		<b>0.0</b>				
Rounding factor				<b>0.2</b>				
<b>TOTAL</b>		<b>8,134.4</b>		<b>68,836.7</b>				<b>\$0.00</b>

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Activity Group**  
**Fiscal Year (FY) 2005 President's Budget**  
**FUEL DATA**

FY 04 Budget Fuel Data					PROCURED BY SERVICE			Date: Feb 2004
Aerospace Missile Fuels	PC	Qty	Price Per	Extended	Qty	Price Per	Extended	Stabilized
		(Thousands)	Qty (\$)	Price (\$000)				
Liquid Air	39	26.0	0.4	11.2				
Deuterium, Gaseous	33	2,173.4	0.1	217.3				
Isopropyl Alcohol	31	240.0	0.6	139.2				
JP-10	28	89.5	14.0	1,253.5				
Priming Fluid ALCM (PF-1)	23	3.0	16.0	48.0				
Nitric Acid	16	<u>3.8</u>	<u>26.3</u>	<u>98.4</u>				
<b>TOTAL MISCELLANEOUS</b>		<b>2,535.7</b>		<b>1,767.7</b>				
Argon, Gaseous-Conus	21	1.2	127.0	147.1				
Argon, Gaseous-OConus	61	0.4	185.0	67.0				
Argon, Liquid	32	<u>1,333.5</u>	<u>0.3</u>	<u>386.7</u>				
<b>TOTAL ARGON</b>		<b>1,335.0</b>		<b>600.7</b>				
Dinitrogen Tetroxide	9	546.5	18.5	10,110.2				
Dinitrogen Tetroxide, MON-25 Low Iron	79	<u>0.2</u>	<u>206.0</u>	<u>34.6</u>				
<b>TOTAL DINITROGEN TETROXIDE</b>		<b>546.7</b>		<b>10,144.8</b>				
Helium, Bulk	2	28.5	125.5	3,581.4				
Helium, Cylinder	1	516.1	0.4	180.6				
Helium, Extra Hi-Purity	43	0.0	0.0	0.0				
Helium, Liquid Bulk	36	0.0	0.0	0.0				
Helium, Liquid-Dewars	24	60.9	4.3	259.0				
Helium, Ultra Hi-Purity	49	<u>29.0</u>	<u>0.8</u>	<u>21.7</u>				
<b>TOTAL HELIUM</b>		<b>634.5</b>		<b>4,042.7</b>				
Hydrazine, UDMH	7	0.0	61.0	0.0				
Hydrazine	8	373.1	61.0	22,759.3				
Hydrazine, Hi-Purity	35	46.7	75.0	3,505.8				
Hydrazine, MMH	15	135.3	61.0	8,253.5				
Hydrazine, MPH	34	22.7	61.0	1,383.5				
Hydrazine, Water	37	<u>12.0</u>	<u>15.0</u>	<u>180.6</u>				
<b>TOTAL HYDRAZINE</b>		<b>589.9</b>		<b>36,082.7</b>				
Hydrogen Peroxide	17	387.0	1.1	406.4				
Hydrogen, Gaseous	27	0.0	0.0	0.0				
Hydrogen, Liquid	12	<u>1,015.0</u>	<u>2.5</u>	<u>2,537.4</u>				
<b>TOTAL HYDROGEN</b>		<b>1,402.0</b>		<b>2,943.7</b>				
Kerosene, RP-1, Bulk	10	305.7	3.0	917.2				
Kerosene, RP-1, Drum	65	<u>0.1</u>	<u>4.8</u>	<u>0.5</u>				
<b>TOTAL KEROSENE</b>		<b>305.8</b>		<b>917.7</b>				
Nitrogen Trifluoride	11	8.2	132.0	1,076.2				
Nitrogen, Gaseous	5	177.3	3.2	567.5				
Nitrogen, Gaseous (KSC Only)	55	685.0	4.7	3,185.3				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	216.8	5.0	1,083.9				
Nitrogen, Liquid	4	118.5	94.0	11,143.4				
Nitrogen, Liquid (Pipeline)	46	43.2	54.2	2,341.4				
Nitrogen, Liquid (NASA AMES)	64	0.0	380.0	0.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	<u>0.4</u>	<u>585.0</u>	<u>234.0</u>				
<b>TOTAL NITROGEN</b>		<b>1,249.4</b>		<b>19,631.7</b>				
Oxygen, Liquid	3	4.7	81.0	383.1				
Oxygen, Liquid (KSC Only)	63	5.9	108.0	641.5				
Oxygen, Liquid (Vandenberg AFB Only)	53	<u>1.9</u>	<u>125.0</u>	<u>243.6</u>				
<b>TOTAL LIQUID OXYGEN</b>		<b>12.6</b>		<b>1,268.3</b>				
Xenon, Gaseous	19	0.0	5.3	0.0				
Xenon, Extra High-Purity	66	<u>0.0</u>	<u>6.0</u>	<u>0.0</u>				
<b>TOTAL LIQUID XENON</b>		<b>0.0</b>		<b>0.0</b>				
Rounding factor				0.1				
<b>TOTAL</b>		<b>8,611.6</b>		<b>77,400.0</b>				<b>\$0.00</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Activity Group  
 Fiscal Year (FY) 2005 President's Budget

FUEL DATA

FY 05 Budget Fuel Data					PROCURED BY SERVICE			Date: Feb 2004
Aerospace Missile Fuels		Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Qty (Thousands)	Price Per Qty (\$)	Extended Price (\$000)	Stabilized Price
Liquid Air	39	5.5	1.3	7.2				
Deuterium, Gaseous	33	1,264.4	0.4	531.0				
Isopropyl Alcohol	31	240.0	0.5	129.6				
JP-10	28	136.6	15.5	2,118.0				
Priming Fluid ALCM (PF-1)	23	3.0	16.0	48.0				
Nitric Acid	16	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>				
<b>TOTAL MISCELLANEOUS</b>		<b>1,649.5</b>		<b>2,833.7</b>				
Argon, Gaseous-Conus	21	1.0	125.0	123.1				
Argon, Gaseous-OConus	61	0.2	179.0	42.2				
Argon, Liquid	32	<u>1,435.0</u>	<u>0.3</u>	<u>473.6</u>				
<b>TOTAL ARGON</b>		<b>1,436.2</b>		<b>638.9</b>				
Dinitrogen Tetroxide	9	487.9	14.3	6,972.4				
Dinitrogen Tetroxide, MON-25 Low Iron	79	<u>0.2</u>	<u>206.0</u>	<u>34.0</u>				
<b>TOTAL DINITROGEN TETROXIDE</b>		<b>488.1</b>		<b>7,006.4</b>				
Helium, Bulk	2	25.0	132.0	3,305.4				
Helium, Cylinder	1	328.2	0.4	114.9				
Helium, Extra Hi-Purity	43	0.0	0.0	0.0				
Helium, Liquid Bulk	36	0.0	0.0	0.0				
Helium, Liquid-Dewars	24	60.5	4.6	278.1				
Helium, Ultra Hi-Purity	49	<u>29.0</u>	<u>0.8</u>	<u>21.7</u>				
<b>TOTAL HELIUM</b>		<b>442.7</b>		<b>3,720.1</b>				
Hydrazine, UDMH	7	0.0	4.0	0.0				
Hydrazine	8	77.8	4.0	311.2				
Hydrazine, Hi-Purity	35	36.1	75.0	2,710.9				
Hydrazine, MMH	15	99.8	4.0	399.2				
Hydrazine, MPH	34	22.7	4.0	90.6				
Hydrazine, Water	37	<u>10.8</u>	<u>4.0</u>	<u>43.0</u>				
<b>TOTAL HYDRAZINE</b>		<b>247.1</b>		<b>3,554.9</b>				
Hydrogen Peroxide	17	387.0	0.7	251.6				
Hydrogen, Gaseous	27	0.0	0.0	0.0				
Hydrogen, Liquid	12	<u>704.9</u>	<u>3.1</u>	<u>2,185.3</u>				
<b>TOTAL HYDROGEN</b>		<b>1,091.9</b>		<b>2,436.9</b>				
Kerosene, RP-1, Bulk	10	406.4	2.4	983.5				
Kerosene, RP-1, Drum	65	<u>0.1</u>	<u>3.3</u>	<u>0.3</u>				
<b>TOTAL KEROSENE</b>		<b>406.5</b>		<b>983.9</b>				
Nitrogen Trifluoride	11	2.1	85.0	174.5				
Nitrogen, Gaseous	5	168.8	3.5	590.6				
Nitrogen, Gaseous (KSC Only)	55	685.0	4.7	3,185.3				
Nitrogen, Gaseous (Vandenberg AFB Only)	50	303.0	5.3	1,605.9				
Nitrogen, Liquid	4	97.8	92.0	8,993.2				
Nitrogen, Liquid (Pipeline)	46	0.0	0.0	0.0				
Nitrogen, Liquid (NASA AMES)	64	0.0	0.0	0.0				
Nitrogen, Liquid (Alaska/Hawaii)	54	<u>0.0</u>	<u>639.0</u>	<u>0.0</u>				
<b>TOTAL NITROGEN</b>		<b>1,256.6</b>		<b>14,549.4</b>				
Oxygen, Liquid	3	4.0	77.0	304.4				
Oxygen, Liquid (KSC Only)	63	4.2	99.0	417.8				
Oxygen, Liquid (Vandenberg AFB Only)	53	<u>1.9</u>	<u>125.0</u>	<u>243.6</u>				
<b>TOTAL LIQUID OXYGEN</b>		<b>10.1</b>		<b>965.8</b>				
Xenon, Gaseous	19	0.0	0.0	0.0				
Xenon, Extra High-Purity	66	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>				
<b>TOTAL LIQUID XENON</b>		<b>0.0</b>		<b>0.0</b>				
Rounding factor								
<b>TOTAL</b>		<b>7,028.8</b>		<b>36,690.0</b>				<b>\$0.00</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2003  
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,063.6	2,827.0	1,984.3	2,977.5	0.0	0.0	2,977.5	0.0	2,977.5
MEDICAL	302.3	3,071.4	3,126.0	3,109.7	0.0	0.0	3,109.7	0.0	3,109.7
SUBSISTENCE	5.7	2,670.0	2,670.0	2,490.5	0.0	0.0	2,490.5	0.0	2,490.5
GENERAL & INDUSTRIAL	938.3	2,715.2	2,563.7	2,742.0	0.0	0.0	2,742.0	0.0	2,742.0
AVIATION	4,312.6	3,181.4	3,269.6	3,359.8	0.0	0.0	3,359.8	0.0	3,359.8
LAND & MARITIME	3,388.2	2,753.3	2,743.9	2,790.5	0.0	0.0	2,790.5	0.0	2,790.5
BOS	1.8	12.5	12.5	11.8	0.0	0.0	11.8	0.0	11.8
NSA	3.0	5.2	5.2	4.0	0.0	0.0	4.0	0.0	4.0
DLIS	0.0	0.0	0.0	124.1	0.0	0.0	124.1	0.0	124.1
Corporate	0.0	0.0	0.0	435.9	0.0	0.0	435.9	0.0	435.9
SUBTOTAL	10,015.5	17,236.0	16,375.2	18,045.8	0.0	0.0	18,045.8	0.0	18,045.8
ENERGY (includes Aerospace)	955.9	5,109.8	5,109.8	6,739.9	0.0	0.0	6,739.9	0.0	6,739.9
<b>TOTAL</b>	<b>10,971.4</b>	<b>22,345.7</b>	<b>21,485.0</b>	<b>24,785.7</b>	<b>0.0</b>	<b>0.0</b>	<b>24,785.7</b>	<b>0.0</b>	<b>24,785.7</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2004  
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,137.2	2,184.5	2,183.9	1,057.3	0.0	0.0	1,057.3	435.2	1,492.5
MEDICAL	300.1	2,663.8	2,665.7	2,635.8	0.0	0.0	2,635.8	1,084.3	3,720.1
SUBSISTENCE	4.1	2,185.0	2,185.0	2,122.5	0.0	0.0	2,122.5	876.6	2,999.1
GENERAL & INDUSTRIAL	780.0	2,778.8	2,801.8	2,505.0	0.0	0.0	2,505.0	1,032.6	3,537.6
AVIATION	4,279.9	3,221.4	3,269.3	3,133.7	0.0	0.0	3,133.7	1,330.9	4,464.6
LAND & MARITIME	3,459.9	2,427.8	2,434.0	2,284.0	0.0	0.0	2,284.0	961.2	3,245.2
BOS	1.8	12.6	12.6	11.9	0.0	0.0	11.9	0.0	11.9
NSA	3.0	9.0	9.0	9.0	0.0	0.0	9.0	0.0	9.0
DLIS	0.0	0.0	0.0	135.0	0.0	0.0	135.0	0.0	135.0
Corporate	0.0	0.0	0.0	743.4	0.0	0.0	743.4	0.0	743.4
SUBTOTAL	9,965.9	15,483.0	15,561.2	14,637.6	0.0	0.0	14,637.6	5,720.8	20,358.4
ENERGY (includes Aerospace)	1,000.0	4,855.3	4,855.3	6,908.9	0.0	0.0	6,908.9	1,972.8	8,881.6
<b>TOTAL</b>	<b>10,965.9</b>	<b>20,338.2</b>	<b>20,416.5</b>	<b>21,546.5</b>	<b>0.0</b>	<b>0.0</b>	<b>21,546.5</b>	<b>7,693.5</b>	<b>29,240.0</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2005  
 (Dollars in Millions)

DIVISION	Peacetime Inventory	Net Customer Orders	Net Sales at Standard	Obligation Targets				Commitment Target	Total Target
				Operating	Mobilization	Other	Total		
CLOTHING & TEXTILES	1,319.9	1,389.0	1,388.7	1,312.5	0.0	0.0	1,312.5	475.9	1,788.4
MEDICAL	304.4	2,464.1	2,466.0	2,439.7	0.0	0.0	2,439.7	873.1	3,312.8
SUBSISTENCE	14.1	2,002.4	2,002.4	2,031.1	0.0	0.0	2,031.1	702.2	2,733.3
GENERAL & INDUSTRIAL	859.3	2,745.5	2,755.8	2,685.3	0.0	0.0	2,685.3	970.8	3,656.2
AVIATION	4,604.2	3,369.2	3,409.8	3,201.4	0.0	0.0	3,201.4	1,204.6	4,406.0
LAND & MARITIME	3,031.5	2,347.2	2,353.3	2,264.6	0.0	0.0	2,264.6	838.9	3,103.5
BOS	1.8	13.0	13.0	12.2	0.0	0.0	12.2	0.0	12.2
NSA	3.0	9.0	9.0	9.0	0.0	0.0	9.0	0.0	9.0
DLIS	0.0	0.0	0.0	136.8	0.0	0.0	136.8	0.0	136.8
Corporate	0.0	0.0	0.0	776.4	0.0	0.0	776.4	0.0	776.4
SUBTOTAL	10,138.2	14,339.4	14,397.9	14,869.1	0.0	0.0	14,869.1	5,065.5	19,934.7
ENERGY (includes Aerospace)	909.3	4,695.7	4,695.7	4,921.2	0.0	0.0	4,921.2	1,659.9	6,581.1
<b>TOTAL</b>	<b>11,047.5</b>	<b>19,035.1</b>	<b>19,093.6</b>	<b>19,790.4</b>	<b>0.0</b>	<b>0.0</b>	<b>19,790.4</b>	<b>6,725.4</b>	<b>26,515.8</b>

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2003 Inventory Status  
 (\$ in millions)

Total DLA Supply Management	Total	Mobilization	Peacetime	
				Other
INVENTORY - Beginning of Period (BOP)	11,908.9	1,657.8	6,057.1	4,194.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	(82.3)	(81.0)	(402.5)	401.2
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	11,826.6	1,576.8	5,654.6	4,595.2
<b>RECEIPTS AT COST</b>	18,898.1	366.3	18,531.8	0.0
<b>GROSS SALES AT COST</b>	(19,232.9)	(979.9)	(18,253.0)	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	120.7	0.0	110.7	10.0
Transfer to other DLA ICPs	(4.4)	0.0	(3.7)	(0.7)
Transfer from other DLA ICPs	4.6	0.0	2.8	1.8
b. Returns from Customers for Credit	415.8	0.0	415.8	0.0
c. Returns for Customers without Credit	498.2	0.0	291.9	206.3
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(243.2)	(0.8)	0.0	(242.4)
f. Issues/Receipts without Reimbursement (+/-)	(466.5)	0.0	(462.5)	(4.0)
g. Other ( List and Explain)	648.0	531.2	55.0	61.8
h. Total Adjustments	973.2	530.4	410.0	32.8
<b>INVENTORY - End of Period (EOP)</b>	12,465.0	1,493.6	6,343.4	4,628.0
<b>INVENTORY EOP - REVALUED</b>	12,465.0	1,493.6	6,343.4	4,628.0
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
<b>INVENTORY ON ORDER EOP</b>	7,782.0	0.0	7,782.0	0.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2004 Inventory Status  
 (\$ in millions)

Total DLA Supply Management	Total	Mobilization	Peacetime	
				Other
<b>INVENTORY - Beginning of Period (BOP)</b>	12,465.0	1,493.6	6,343.4	4,628.0
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	46.0	(6.7)	(27.3)	80.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,511.0	1,486.9	6,316.1	4,708.0
<b>RECEIPTS AT COST</b>	18,240.6	339.5	17,901.1	0.0
<b>GROSS SALES AT COST</b>	(18,537.2)	(332.3)	(18,204.9)	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	69.9	0.0	20.0	49.9
Transfer to other DLA ICPs	(4.0)	0.0	(4.0)	0.0
Transfer from other DLA ICPs	2.0	0.0	2.0	0.0
b. Returns from Customers for Credit	393.7	0.0	393.7	0.0
c. Returns for Customers without Credit	177.5	1.0	30.0	146.5
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(338.4)	(1.0)	(35.0)	(302.4)
f. Issues/Receipts without Reimbursement (+/-)	(2.0)	0.0	(2.0)	0.0
g. Other ( List and Explain)	18.5	71.6	(43.9)	(9.2)
h. Total Adjustments	317.2	71.6	360.8	(115.2)
<b>INVENTORY - End of Period (EOP)</b>	12,531.6	1,565.7	6,373.1	4,592.8
<b>INVENTORY EOP - REVALUED</b>	12,531.6	1,565.7	6,373.1	4,592.8
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
<b>INVENTORY ON ORDER EOP</b>	6,563.9	72.4	6,491.5	0.0

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 FY 2005 Inventory Status  
 (\$ in millions)

Total DLA Supply Management	Total	Mobilization	Peacetime	
				Other
INVENTORY - Beginning of Period (BOP)	12,531.6	1,565.7	6,373.1	4,592.8
<b>BOP INVENTORY ADJUSTMENTS</b>				
a. Reclassification Change (Memo)	(190.8)	(101.7)	(109.1)	20.0
b. Price Change Amount (Memo)	0.0	0.0	0.0	0.0
c. Inventory Reclassified and Repriced	12,340.8	1,464.0	6,264.0	4,612.8
<b>RECEIPTS AT COST</b>	16,636.0	328.8	16,307.2	0.0
<b>GROSS SALES AT COST</b>	(16,652.4)	(268.3)	(16,384.1)	0.0
<b>INVENTORY ADJUSTMENTS</b>				
a. Capitalizations + or (-)	118.9	0.0	45.9	73.0
Transfer to other DLA ICPs	(4.0)	0.0	(4.0)	0.0
Transfer from other DLA ICPs	2.0	0.0	2.0	0.0
b. Returns from Customers for Credit	365.5	0.0	365.5	0.0
c. Returns for Customers without Credit	149.4	0.0	10.0	139.4
d. Returns to Suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(334.0)	0.0	(40.0)	(294.0)
f. Issues/Receipts without Reimbursement (+/-)	(2.0)	0.0	(2.0)	0.0
g. Other ( List and Explain)	(43.1)	5.2	(37.7)	(10.6)
h. Total Adjustments	252.7	5.2	339.7	(92.2)
<b>INVENTORY - End of Period (EOP)</b>	12,577.2	1,529.7	6,526.9	4,520.6
<b>INVENTORY EOP - REVALUED</b>	12,577.2	1,529.7	6,526.9	4,520.6
a. Economic Retention (Memo)	0.0			0.0
b. Contingency Retention (Memo)	0.0			0.0
c. Potential DoD Utilization (Memo)	0.0			0.0
<b>INVENTORY ON ORDER EOP</b>	6,223.8	114.4	6,109.4	0.0

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,657.8	1,369.2	288.6
2. Price Change (Memo)	-	-	-
3. Reclassification	(81.0)	(86.9)	5.9
4. Inventory Changes			
a. Receipts @ cost	366.3	186.8	179.5
(1). Purchases	366.3	186.8	179.5
(2). Returns from customers	-	-	-
b. Issues @ cost	(979.9)	(496.8)	(483.1)
(1). Sales	(979.9)	(496.8)	(483.1)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	530.4	275.6	254.8
(1). Capitalizations	-	-	-
(2). Gains and Losses	(7.3)	-	(7.3)
(3.) Other	537.7	275.6	262.1
5. Inventory EOP	1,493.6	1,247.9	245.7
<b>WRM STOCKPILE COSTS</b>			
1. Storage	85.7	72.1	13.6
2. Management	4.4	4.4	-
3. Maintenance/Other	99.7	99.7	-
Total Cost	189.8	176.2	13.6
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	366.3	186.8	179.5
a. Additional WRM	-	-	-
b. Replen. WRM	366.3	186.8	179.5
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	366.3	186.8	179.5

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Defense Energy Support Center**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,227.4	1,227.4	-
2. Price Change (Memo)	-	-	-
3. Reclassification	(86.9)	(86.9)	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,140.5	1,140.5	-
<b>WRM STOCKPILE COSTS</b>			
1. Storage	70.6	70.6	-
2. Management	4.4	4.4	-
3. Maintenance/Other	99.7	99.7	-
Total Cost	174.7	174.7	0
<b>WRM BUDGET REQUEST</b>			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Clothing & Textiles**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	5.6	-	5.6
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(2.0)	-	(2.0)
(1). Sales	(2.0)	-	(2.0)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	3.6	-	3.6
WRM STOCKPILE COSTS			
1. Storage	5.1		5.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.1	0	5.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Medical**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	17.2	-	17.2
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(2.6)	-	(2.6)
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	(2.6)	-	(2.6)
5. Inventory EOP	14.6	-	14.6
WRM STOCKPILE COSTS			
1. Storage	1.5	-	1.5
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.5	0	1.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	278.0	141.8	136.2
2. Price Change (Memo)	-		-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	366.3	186.8	179.5
(1). Purchases	366.3	186.8	179.5
(2). Returns from customers	-		-
b. Issues @ cost	(974.1)	(496.8)	(477.3)
(1). Sales	(974.1)	(496.8)	(477.3)
(2). Returns to suppliers	-		-
(3.) Disposals	-		-
c. Adjustments @ cost	540.3	275.6	264.7
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	540.3	275.6	264.7
5. Inventory EOP	210.5	107.4	103.1
WRM STOCKPILE COSTS			
1. Storage	3.0	1.5	1.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	3.0	1.5	1.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	366.3	186.8	179.5
a. Additional WRM	-	-	-
b. Replen. WRM	366.3	186.8	179.5
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	366.3	186.8	179.5

Exhibit SM-6

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: General & Industrial**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	31.1	-	31.1
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	(3.8)	-	(3.8)
(1). Sales	(3.8)	-	(3.8)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	27.3	-	27.3
WRM STOCKPILE COSTS			
1. Storage	2.9	-	2.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	2.9	0	2.932
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	34.2	-	34.2
2. Price Change (Memo)	-	-	-
3. Reclassification	5.9	-	5.9
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	40.1	-	40.1
WRM STOCKPILE COSTS			
1. Storage	0.8	-	0.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.8	0	0.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Land and Maritime**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2003**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	64.3		64.3
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	(7.3)	-	(7.3)
(1). Capitalizations	-	-	-
(2). Gains and Losses	(7.3)	-	(7.3)
(3.) Other	-	-	-
5. Inventory EOP	57.0	-	57.0
WRM STOCKPILE COSTS			
1. Storage	1.8	-	1.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	1.8	0	1.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2004**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,493.6	1,247.9	245.7
2. Price Change (Memo)	-	-	-
3. Reclassification	(6.7)	(6.7)	-
4. Inventory Changes			
a. Receipts @ cost	339.5	173.1	166.4
(1). Purchases	339.5	173.1	166.4
(2). Returns from customers	-	-	-
b. Issues @ cost	(332.3)	(169.5)	(162.8)
(1). Sales	(332.3)	(169.5)	(162.8)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	71.6	33.9	37.7
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	71.6	33.9	37.7
5. Inventory EOP	1,565.7	1,278.7	287.0
WRM STOCKPILE COSTS			
1. Storage	120.5	101.0	19.5
2. Management	4.6	4.6	-
3. Maintenance/Other	103.4	103.4	-
Total Cost	228.5	209.0	19.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	339.5	173.1	166.4
a. Additional WRM	-	-	-
b. Replen. WRM	339.5	173.1	166.4
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	339.5	173.1	166.4

Exhibit SM-6

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Defense Energy Support Center**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2004**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,140.5	1,140.5	-
2. Price Change (Memo)	-	-	-
3. Reclassification	(6.7)	(6.7)	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,133.8	1,133.8	-
WRM STOCKPILE COSTS			
1. Storage	97.2	97.2	-
2. Management	4.6	4.6	-
3. Maintenance/Other	103.4	103.4	-
Total Cost	205.2	205.2	0
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Clothing & Textiles  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3.6	-	3.6
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	3.6	-	3.6
WRM STOCKPILE COSTS			
1. Storage	5.9		5.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.9	0	5.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Medical**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2004**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	14.6	-	14.6
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	5.0	-	5.0
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	5.0	-	5.0
5. Inventory EOP	19.6	-	19.6
WRM STOCKPILE COSTS			
1. Storage	1.6	-	1.6
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.6	0	1.57
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2004**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	210.5	107.4	103.1
2. Price Change (Memo)	-		-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	339.5	173.1	166.4
(1). Purchases	339.5	173.1	166.4
(2). Returns from customers	-		-
b. Issues @ cost	(332.3)	(169.5)	(162.8)
(1). Sales	(332.3)	(169.5)	(162.8)
(2). Returns to suppliers	-		-
(3.) Disposals	-		-
c. Adjustments @ cost	66.4	33.9	32.5
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	66.4	33.9	32.5
5. Inventory EOP	284.1	144.9	139.2
WRM STOCKPILE COSTS			
1. Storage	7.4	3.8	3.6
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	7.4	3.8	3.6
WRM BUDGET REQUEST			
1. Obligations @ Cost	339.5	173.1	166.4
a. Additional WRM	-	-	-
b. Replen. WRM	339.5	173.1	166.4
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	339.5	173.1	166.4

Exhibit SM-6

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: General & Industrial  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	27.3	-	27.3
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	0.2	-	0.2
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	0.2	-	0.2
5. Inventory EOP	27.5	-	27.5
WRM STOCKPILE COSTS			
1. Storage	1.5	-	1.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	1.5	0	1.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2004**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	40.1	-	40.1
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	40.1	-	40.1
WRM STOCKPILE COSTS			
1. Storage	3.0	-	3.0
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	3.0	0	3.0
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Land and Maritime  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2004

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	57.0	-	57.0
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	57.0	-	57.0
WRM STOCKPILE COSTS			
1. Storage	3.9	-	3.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	3.9	0	3.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2005**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,565.7	1,278.7	287.0
2. Price Change (Memo)	-	-	-
3. Reclassification	(101.7)	(101.7)	-
4. Inventory Changes			
a. Receipts @ cost	328.8	136.6	192.2
(1). Purchases	328.8	136.6	192.2
(2). Returns from customers	-	-	-
b. Issues @ cost	(268.3)	(136.8)	(131.5)
(1). Sales	(268.3)	(136.8)	(131.5)
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	5.2	-	5.2
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	5.2	-	5.2
5. Inventory EOP	1,529.7	1,176.8	352.9
WRM STOCKPILE COSTS			
1. Storage	109.2	93.7	15.5
2. Management	4.8	4.8	-
3. Maintenance/Other	102.2	102.2	-
Total Cost	216.2	200.7	15.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	328.8	136.6	192.2
a. Additional WRM	60.7	60.7	-
b. Replen. WRM	268.1	75.9	192.2
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	328.8	136.6	192.2

Exhibit SM-6

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Defense Energy Support Center  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	1,133.8	1,133.8	-
2. Price Change (Memo)	-	-	-
3. Reclassification	(101.7)	(101.7)	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	1,032.1	1,032.1	-
WRM STOCKPILE COSTS			
1. Storage	90.8	90.8	-
2. Management	4.8	4.8	-
3. Maintenance/Other	102.2	102.2	-
Total Cost	197.8	197.8	-
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Clothing & Textiles  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	3.6	-	3.6
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	3.6	-	3.6
WRM STOCKPILE COSTS			
1. Storage	6.1		6.1
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	6.1	-	6.1
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Medical  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	19.6	-	19.6
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	4.9	-	4.9
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	4.9	-	4.9
5. Inventory EOP	24.5	-	24.5
WRM STOCKPILE COSTS			
1. Storage	1.6	-	1.6
2. Management	-	-	
3. Maintenance/Other	-	-	
Total Cost	1.6	-	1.6
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Subsistence**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2005**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	284.1	144.9	139.2
2. Price Change (Memo)	-		-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	328.8	136.6	192.2
(1). Purchases	328.8	136.6	192.2
(2). Returns from customers	-		-
b. Issues @ cost	(268.3)	(136.8)	(131.5)
(1). Sales	(268.3)	(136.8)	(131.5)
(2). Returns to suppliers	-		-
(3.) Disposals	-		-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-		-
5. Inventory EOP	344.6	144.7	199.9
WRM STOCKPILE COSTS			
1. Storage	5.6	2.9	2.8
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	5.6	2.9	2.8
WRM BUDGET REQUEST			
1. Obligations @ Cost	328.8	136.6	192.2
a. Additional WRM	60.7	60.7	-
b. Replen. WRM	268.1	75.9	192.2
c. Repair WRM	-		
d. Assemble/Disassemble	-		
e. Other	-	-	
Total Request	328.8	136.6	192.2

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: General & Industrial  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	27.5	-	27.5
2. Price Change (Memo)	-	-	
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	0.3	-	0.3
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	0.3	-	0.3
5. Inventory EOP	27.8	-	27.8
WRM STOCKPILE COSTS			
1. Storage	0.5	-	0.5
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	0.5	-	0.5
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**Defense Logistics Agency**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group: Aviation**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**War Reserve Material Stockpile**  
**FY 2005**

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	40.1	-	40.1
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	40.1	-	40.1
WRM STOCKPILE COSTS			
1. Storage	2.6	-	2.6
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	2.6	-	2.6
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Supply Management Activity Group: Land and Maritime  
 Fiscal Year (FY) 2005 Budget Estimates  
 War Reserve Material Stockpile  
 FY 2005

	Total	WRM Protected	WRM Other
1. Inventory BOP @ Cost	57.0	-	57.0
2. Price Change (Memo)	-	-	-
3. Reclassification	-	-	-
4. Inventory Changes			
a. Receipts @ cost	-	-	-
(1). Purchases	-	-	-
(2). Returns from customers	-	-	-
b. Issues @ cost	-	-	-
(1). Sales	-	-	-
(2). Returns to suppliers	-	-	-
(3.) Disposals	-	-	-
c. Adjustments @ cost	-	-	-
(1). Capitalizations	-	-	-
(2). Gains and Losses	-	-	-
(3.) Other	-	-	-
5. Inventory EOP	57.0	-	57.0
WRM STOCKPILE COSTS			
1. Storage	1.9	-	1.9
2. Management	-	-	-
3. Maintenance/Other	-	-	-
Total Cost	1.9	-	1.9
WRM BUDGET REQUEST			
1. Obligations @ Cost	-	-	-
a. Additional WRM	-	-	-
b. Replen. WRM	-	-	-
c. Repair WRM	-	-	-
d. Assemble/Disassemble	-	-	-
e. Other	-	-	-
Total Request	-	-	-

**DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES  
DISTRIBUTION DEPOTS**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2003, the distribution depots, by location and component are:

<b>DLA</b>	<b>Navy</b>	<b>Army</b>	<b>Air Force</b>
Columbus, OH	Cherry Point, NC	Anniston, AL	Hill, UT
San Joaquin, CA	San Diego, CA	Corpus Christi, TX	Oklahoma City, OK
Richmond, VA	Jacksonville, FL	Red River, TX	Warner Robins, GA
Susquehanna, PA	Norfolk, VA	Tobyhanna, PA	
Germersheim, Germany	Puget Sound, WA		
Map Support, Richmond, VA	Pearl Harbor, HI		
	Yokosuka, Japan		
	<b>Marines</b>		
	Albany, GA		
	Barstow, CA		

These depots, strategically located throughout the world, received and issued 24.4 million secondary lines and warehoused and maintained over 225 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services.

**CHANGES IN OPERATIONS**

With the end of the Cold War, the DoD logistics system is evolving to support a smaller, highly agile, technology based force. DLA's challenge is to transform to meet the expectations and needs of this smaller, more mobile customer while continually reducing cost, increasing consistency, and increasing product and service quality. These responsibilities, coupled with decreasing resources, will require increased innovation and technology.

Since "9/11," the Distribution Depot Activity Group has seen unprogrammed increases in workload and transportation costs. In addition, Operation Iraqi Freedom presented other challenges facing this business area including setting up a new strategic location for operations in support of CENTCOM; unheralded high transportation costs due to the destination, volume, weight and priority of items being sent, and increases in supplies (nets, pallets, and radio frequency (RF) tags).

The continuing challenge is to identify the most cost-effective way of getting the right product to the right place at the right time while facing downsizing, an aging workforce, and A-76 competition and resulting transitions. The war fighters are requiring DLA to change business practices to reduce customer wait time, meet time definite delivery standards, and reduce costs. Understanding both tactical and strategic supply chain management and DLA's role in creating the DoD distribution system for the 21st century is critical. Some of the cost increases DLA has experienced during FY 2003 and those projected over the budget period include:

- Workload - Receipts and issues have increased 2.7 million lines (12.6 percent) over the initial FY 2003 estimate mainly due to support for Operation Enduring Freedom (OEF) and Iraqi Freedom (OIF). DLA is projecting this continued support during the budget period.
- Transportation - Distribution experienced over 400 percent increase in transportation costs during FY 2003, Iraqi Freedom and Enduring Freedom accounting for \$855.5 million. The FY 2004 estimate of \$1,095.7 million is for the continued support of Operations Iraqi and Enduring Freedom theater of operations (\$766.9 million), increased air shipments, increased shipment volumes and weights, and increased freight surcharges.
- Stock Positioning - This change in storage location for material release orders to Defense Depot Susquehanna and Defense Depot San Joaquin will implement a new stock positioning policy through Business Systems Modernization.
- Sigonella, Italy Depot - The physical distribution operations will be taken over in FY 2004 by DLA in order to support the customers of the Mediterranean Fleet.
- Reimbursable (Kitting) Support - Service activities are demanding more tailored service from the service providers. They are looking for one-stop shopping service providers. This will facilitate various kitting and project consolidation and packaging-type missions to include components, assemblies, sets, kits, or outfits.
- Forward Support - This is the level of distribution effort required to support the warfighter with Class IV (construction materiel) closer to the areas of action for OIF support.
- Overseas Distribution Centers - In order to further support the warfighter in theatre, the budget includes the establishment of four new depots overseas in the Southwest Asia and Pacific theatres. This initiative will reduce customers wait time and maximize surface transportation.

- Inventory Accuracy/Globally Mobile Workforce - Through operational savings DLA will implement programs for comprehensive training; clean up physical storage deficiencies; and a globally mobile small pool of well-trained warehousing and distribution personnel able to respond to any distribution situation at a moments notice.

Initiatives for savings included in this submission aim at reducing infrastructure, eliminating duplicate functions, and streamlining business processes. Some initiatives include:

- Providing Strategic Distribution Enhancements -
  - o Increase in dedicated truck routes allows for shipments to be consolidated and directed from premium/unscheduled modes of transportation to existing scheduled/dedicated truck routes at a significant cost reduction.
  - o Divert shipments to new scheduled service. Shipping to customers via scheduled/dedicated truck provides time definite delivery at the lowest cost. Adding additional stop-offs to existing routes allows small customers to receive scheduled/dedicated truck support at a marginal additional cost.
  - o Forward stock positioning. In an effort to meet U.S. Forces demand and to reduce the transportation costs of airlifting material stored in CONUS, DLA has forward positioned some 26,000 National Stock Numbers (NSN) at Distribution Depot Germersheim, Germany. As part of this effort DLA will ship supplies to Europe by more economical surface ship transportation. Orders will then be processed and shipped by surface for customer's directly out of Germersheim. Using surface transportation to ship supplies will significantly reduce processing costs and ultimately customer wait time.
- Installing the Distribution Planning and Management System (DPMS) - DPMS will allow the DDC to evaluate and optimize transportation planning operations to better manage material flow from vendors and distribution centers to the customer. The use of DPMS will allow DLA to lower transportation costs.
- Completing A-76 competitions - As of December 2002, DLA had completed nine of eighteen A-76 studies. The nine completed studies resulted in three in-house wins and six contractor wins.

The table below details the nine completed studies and nine planned or in progress A-76 studies.

<u>Completed Studies</u>	<u>FTE's</u>	<u>Winning Entity</u>
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.
Depot Warner Robins, GA	647	EG&G Logistics Inc.
Depot Jacksonville, FL	152	MANCON

Depot Cherry Point, NC	131	LABAT-Anderson
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	LABAT-Anderson

In addition, seven studies of 2,412 FTEs have been announced. DLA announced competition of the seven remaining CONUS depots during October 2001. On May 29, 2002 GAO issued a decision in the Jones-Hill case. It found that there was a conflict of interest when a team of government employees developed both a Performance Work Statement for an A-76 competition and developed the Management Plan for the Most Efficient Organization that would be competing against the private sector entrant. Distribution had organized along these lines to make the best use of A-76 talent in the organization. DLA had to reorganize the A-76 teams which has altered the schedule on the remaining competitions. In addition, the two final studies of support functions at the Strategic Distribution Platforms (SDP) will be announced during FY 2004. The table below details the nine planned or in progress A-76 studies.

<u>Studies Underway Or Planned</u>	<u>FTE's</u>	<u>Status</u>
Depot Tobyhanna, PA	120	PWS*In Source Selection
Depot Puget Sound, WA	93	PWS In Source Selection
Depot Corpus Christi, TX	122	PWS In Solicitation
Depot Anniston, AL	240	PWS In Source Selection
Depot Red River, TX	643	PWS Under Development
Depot Oklahoma City, OK	658	PWS Under Development
Depot Norfolk, VA	549	PWS Under Development
SDP's Susquehanna, PA	141	Study to Be Announced
& San Joaquin, CA	66	Study to Be Announced

\* PWS: Performance Work Statement

Estimated costs/assumptions for the competitions are as follows:

- (1) Study costs estimated at \$4,000 per full-time equivalent (FTE);
- (2) Separation costs for projected personnel reductions and contract conversions estimated at \$28,000 per FTE.

Budgeted FTE and labor savings include only most efficient organization (MEO) savings. Costs and savings are prorated to the fiscal year in which they are expected to occur.

### **Performance Indicators**

The performance metrics for this activity group are a reflection of the agency priorities established by the DLA strategic plan. These following metrics are a combination of traditional operational and financial measures as well as measures identified through the Balanced Scorecard process:

#### FINANCIAL:

- Operating Results, as measured by traditional NOR/AOR metrics. This budget submission reflects a projected NOR of \$-17.7 million for FY 2005.
- Minimizing Total Supply Chain Costs, as measured by Unit Cost for Distribution services. This budget submission establishes a projected unit cost rate (excluding transportation) for receipts and issues of \$20.19, reflecting the agency's continuing focus on improved efficiency and decreasing the cost of doing business.
- Promoting Confidence in Financial Stewardship, as measured by the activity group's ability to achieve and complete specific assigned milestones in the agency's CFO improvement plan. This activity group currently meets all assigned milestones.

#### CUSTOMER:

- Customer Satisfaction, as measured by an overarching customer satisfaction index. This index is based on customer survey feedback and is based on the percentage of customers who are satisfied/very satisfied with the activity group's performance. Current metric performance is at 89.2 percent, and is on target to meet the FY 2003 goal of 90 percent.

#### LEARNING & GROWTH:

- Deliver Proper Knowledge & Skills, as measured by the ability to complete training and achieve competency in the requirements identified through employee Individual Development Plans. The activity group is on target to meet the goal of completing 90% of all planned training for the current fiscal year. Target goal for future years has been established at 95 percent.

#### INTERNAL PROCESS:

- Implement Perfect Order Fulfillment, as measured by ability to process requisitions within established timeframes. Current targets are to process 90% of high priority requisitions and 80% of routine requisitions within one day. Current performance levels are at 80.3 percent and 66.6 percent, respectively, reflecting the impact of current high volume workload and requisitions in support of Enduring Freedom and Iraqi Freedom initiatives.
- Inventory Accuracy, as measured by the ability to achieve activity group performance goals for Materiel Denials and Materiel Adjustments. The metric for materiel denials

measures the percentage of requisitions denied against total requisitions. This metric was recently re-evaluated and made more stringent (from .8 percent to .5 percent) and the activity group is on-track for successful attainment of the goal, with current performance being .51 percent. The materiel adjustments metric is currently being established and will reflect a measure of the accuracy of inventory based on the variability of financial adjustments affecting inventory record balances.

**PERSONNEL PROFILE:**

Endstrength dropped from 25,372 in FY 1992 to a projected 7,584 in FY 2005, a reduction of 17,788 personnel, or a 70 percent decrease. Reductions to date have been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA). Various Reductions-in-Force (RIFs) conducted during FY 2003 resulted in 721 separations. To maintain the appropriate balance of workforce to workload, additional RIFs will be conducted, as necessary, during FYs 2004/2005.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Civilian End Strength	7,876	8,081	7,584
Civilian Full Time Equivalent (FTEs)	7,551	8,155	7,880
Military End Strength	178	178	178

**BUDGET HIGHLIGHTS:**

**WORKLOAD:**

**Lines Received and Shipped:**

Lines processed (either received or shipped) are the basic work count. Workload estimates have increased to capture OEF/OIF requirements through 2005. These estimates reflect the latest forecasts.

Lines Received and Shipped (Millions)

<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
24.4	23.9	23.9

**Storage:**

In FY 2003, DLA revised the method used to calculate storage rates. The correction of storage data through a joint Service effort resulted in more accurate item cube data. Using Net Landed Cost, DLA bills the customer for material (based upon total item cube) stored in DLA's warehouses. In so doing, DLA has fully automated a previously manual process and has brought storage billing into

real-time billing vice billing based on prior period workload. This visibility allows DLA's customers to determine the level of inventory they want to maintain in DLA storage.

	Item Cube (Millions) <u>1/</u>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Covered Storage Space	81.1	79.8	79.2
Open Storage Space	28.1	28.5	28.3
Specialized Storage Space	3.5	3.4	3.4

1/ Based on item cubic feet (the actual packaged material cube)

**REVENUE:**

Revenue for the Distribution Depots Activity Group consists of payments from the Supply Management Activity Groups of DLA and the Military Services for lines received and shipped, storage space occupied, and reimbursable funding provided by inventory managers or local activities to depots for special project work. Inventory Control Points (ICPs) in supply management include their distribution depot costs in surcharges applied to sales of materiel that they manage.

**Lines Received and Shipped:**

The current rate structure used is Net Landed Cost. Net Landed Cost provides DLA's customers with greater visibility of their distribution costs by commodity, customer, and transactions in order for them to make more informed supply decisions. The following table outlines DLA's rate schedule under Net Landed Cost:

### Net Landed Cost Rates

		FY 04		FY 05	
<b>Receipt</b>					
Base	\$	24.73	\$	22.25	per line
Plus					
1-40 lbs.	\$	0.81	\$	0.76	per line
41-150 lbs.	\$	9.35	\$	8.76	per line
151-2000 lbs.	\$	24.02	\$	19.95	per line
2000+ lbs.	\$	0.0108	\$	0.0101	per lb. + 151-2000 rate
Return	\$	3.90	\$	3.66	per line additional
Hazardous	\$	13.11	\$	12.29	per line additional
Hard-to-Handle	\$	13.11	\$	12.29	per line additional
<b>Issue</b>					
Onbase	\$	11.02	\$	9.95	per line
Plus					
1-40 lbs.	\$	0.81	\$	0.76	per line
41-150 lbs.	\$	9.35	\$	8.76	per line
151-2000 lbs.	\$	27.02	\$	19.95	per line
2000+ lbs.	\$	0.0108	\$	0.0101	per lb. + 151-2000 rate
<b>Offbase</b>	\$	15.07	\$	13.41	per line
1-40 lbs.	\$	1.56	\$	1.46	per line
41-150 lbs.	\$	21.56	\$	20.17	per line
151-2000 lbs.	\$	50.97	\$	39.95	per line
2000+ lbs.	\$	0.0159	\$	0.0149	per lb. + 151-2000 rate
Hazardous	\$	13.11	\$	12.29	per line additional
Controlled Item	\$	6.20	\$	5.81	per line additional
Hard-to-Handle	\$	13.11	\$	12.29	per line additional
FMS	\$	6.36	\$	5.96	per line additional
Out-of-Cycle	\$	17.89	\$	16.77	per line additional
Local Delivery	\$	1.34	\$	1.26	per line additional
<b>Issue from Receiving</b>					
Base	\$	1.17	\$	1.10	per line
Plus					
1-40 lbs.	\$	0.81	\$	0.76	per line
41-150 lbs.	\$	9.35	\$	8.76	per line
151-2000 lbs.	\$	27.02	\$	19.95	per line
2000+ lbs.	\$	0.0108	\$	0.0101	per lb. + 151-2000 rate
<b>Transshipments</b>					
Mark For	\$	5.42	\$	5.08	per line
Onbase	\$	10.42	\$	9.77	per line
Offbase	\$	20.50	\$	19.22	per line
Materiel Processing Center	\$	5.48	\$	5.48	per line
1-40 lbs.	\$	1.56	\$	1.46	per line
41-150 lbs.	\$	21.52	\$	20.17	per line
151-2000 lbs.	\$	50.97	\$	39.95	per line
2000+ lbs.	\$	0.0159	\$	0.0149	per lb. + 151-2000 rate
Estimated Transportation	\$	214,202,000	\$	210,600,000	
Total Processing Cost	\$	685,674,000	\$	689,686,000	
Composite Rate (without Transportation)	\$	21.54	\$	20.19	
Workload		24.0M Lines		23.9M Lines	

**Storage Rates.** DDC has applied ABC techniques by looking at the cost drivers for storage and has realigned costs accordingly. The last two depots closed under BRAC in FY 2001, which left an infrastructure still in excess of distribution depot requirements. To the extent possible, DDC is continuing to vacate warehouses and return them to hosts/owners. Only through reduced inventory can DLA reduce fixed costs - infrastructure - and pass these savings to customers. Under Net Landed Cost for storage, DLA's customers are provided item cube data at the national stock number level by distribution center in order to help the customer make better sourcing decisions.

During FY 2004, we reduced our customer storage rates by \$51.2 million, the amount we attribute to unused storage space. For FY 2005, this reduction will not apply to the storage rates but will be evident in our reduced cost of DLA supply items sold.

Customer Rate  
Average Cost Per Cubic Foot

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Covered Storage	\$3.368	\$2.515	\$3.195
Open Storage	\$0.696	\$0.524	\$0.669
Specialized Storage	\$4.765	\$3.695	\$4.828

**Reimbursables.** DLA charges two rates to capture workload performed: 1) at DLA facilities, and 2) at customer facilities. DLA's hourly rates reflect costs for a workload estimate of 1.3 million hours through the budget period.

The following table outlines DLA's rate schedule under Net Landed Cost:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
DLA Facilities	\$64.14	\$64.07	\$63.71
Non-DLA Facilities	\$53.23	\$53.50	\$50.97

Note: Non-DLA facilities rate excludes costs for utilities, maintenance, and corporate overhead

**Over-Ocean Transportation/Container Consolidation Point (OOT/CCP):**

During FY 2002, DLA experienced increased transportation costs as a result of higher fuel costs, increased air shipments, moving heavier items and the support for OEF. Due to the tremendous increase in the volume of Consolidation and Containerization Point (CCP) workload, DLA has also experienced unheralded increases during FY 2003 for OIF. The CCP workload escalated to an annual pace of 2.4 million line items processed, which is approximately 120 percent increase over the previous year. Along with this increased workload, expenditures for the purchase of RF tags as well as additional pallets, nets and

containers in support of CCP operations pushed our total costs for OOT/CCP to an unprecedented level of \$1.154 billion in FY 2003 and we expect \$1.095 billion in FY 2004. We have reduced our FY 2005 estimate to \$480.2 million in anticipation of a more normal mix of surface and air shipments for regular as well as OEF/OIF support.

**Capital Investments:**

The Capital Investment Program for distribution finances the reinvestment of the infrastructure for this activity group. The Distribution Depot Activity Group submits the following requirements:

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Equipment (non-ADP)	\$13.7	\$21.7	\$19.1
Equipment (ADP/T)	\$18.7	\$9.9	\$9.5
Software Development	\$10.5	19.2	\$6.8
Minor Construction	\$8.5	\$7.5	\$7.7
TOTAL	\$51.4	\$58.3	\$43.1

The FY 2005 capital budget estimate of \$43.1 million reflects a decrease over the FY 2004 requirements in the amount of \$15.2 million. The primary reason is in the Software Development category. In FY 2003 DDC began phase 1 of the Distribution Planning Management System (DPMS). DPMS will provide process integration to evaluate and optimize, at a global level, transportation operations. DPMS will also integrate information about transportation rates, routes, carrier capacities and customer service requirements in order for the DDC to better manage asset visibility and cost. The FY 2003 investment was for phase 1 which included development of the concept demo, software capabilities mapping to DDC processes and the Full Operational Capacity (FOC) blueprint. The FY 2004 investment is for phases 2 and 3, which will include first and second Destination Optimization. FY 2005 investment is for phase 4, Reverse Logistics and phase 5, Service Level integration with DPMS.

**Operating Result.** FY 2005 distribution rates defer full cost recovery to FY 2006. Some of the changes in operations mentioned above are based on a positive revenue gain during FY 2004 and a loss during FY 2005 to offset some of the FY 2004 gain. Although, in order to fully fund these initiatives to reinvest for readiness, we will need to collect all revenue from our customers. Due to the large unexpected transportation costs resulting from the Global War on Terrorism, customer funding was not available in FY 2003 but was budgeted and provided in the FY 2004 Supplemental. Low FY 2003 revenue resulted in a NOR loss which is recovered in FY 2004. Our operating result below, estimates full recovery of transportation

losses in FY 2004 and 2005, increased workload gains, and funding current year costs to realize future year savings and readiness.

Our assumptions subscribe to achieve DLA's performance commitment to our customers and to achieve the estimated NOR shown below:

	NOR/AOR (\$ in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	1,857.2	2,526.5	1,610.3
Expenses	2,226.5	2,219.3	1,628.0
Operating Result	(369.3)	307.2	(17.7)
Other Changes Affecting NOR	0.0	0.0	0.0
NOR	(369.3)	307.2	(17.7)
Prior year AOR	69.5	(299.8)	7.4
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
AOR	(299.8)	7.4	(10.3)

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Distribution Depots Activity Group  
Fiscal Year (FY) 2005 Budget Estimates  
Changes in Cost of Operations  
(Dollars in Millions)

	EXPENSES
FY 03 Actual	2,226.5
FY 04 Estimate in President's Budget	1,515.2
Estimated Impact in FY 04 of Actual FY 03 Experience:	
Depreciation	(0.2)
Personnel Costs	12.7
Supplies and Material	(6.1)
Travel and Transportation of Personnel	5.7
Transportation	(60.0)
Interfund Purchases	(2.0)
Other Services	(38.5)
Pricing Adjustments:	
Annualization of FY 03 Pay Raise	4.4
FY 04 Pay Raise	12.9
General Purpose Inflation	22.0
Program Changes:	
Stock Positioning	15.0
Radio Frequency Tags	5.0
A-76 Competitions	(21.8)
Over Seas Depots	21.0
Sigonella	14.7
Forward Support	8.0
FY 04 Current Estimate	2,219.3
Pricing Adjustments:	
Annualization of FY 04 Pay Raise	4.7
FY 05 Civilian Personnel Pay Raise	5.1
General Purpose Inflation	22.1
Program Changes:	
Non Capital IT	(3.9)
A-76 Competitions	17.3
Workload Increase	2.4
DPMS	(3.3)
Transportation	(617.2)
Depreciation	(1.8)
Materials and Supplies	(6.8)
DISA	(2.1)
Benefits to Former Employees	(7.8)
FY 05 Estimate	1,628.0

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Distribution Depots Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Source of New Orders and Revenue**  
**(Dollars in Millions)**

	FY 03	FY 04	FY 05
1. New Orders			
a. Orders from DoD Components:	284.4	1,181.4	332.2
Other Services (Appropriated)			
DLA	94.7	4.7	10.9
Army	118.2	640.8	159.7
Navy	15.1	170.8	52.9
Air Force	26.3	234.2	72.8
Marine Corps	11.4	112.0	16.4
QOL	3.5	3.6	3.6
DDMA	15.3	15.3	15.9
b. Orders from Other Working Capital Fund Activity Groups:	1,572.8	1,345.1	1,278.1
DLA	781.7	592.3	554.0
Army	303.2	275.7	223.2
Navy	195.6	184.4	190.3
Air Force	282.0	285.1	293.9
Marine Corps	10.3	7.6	16.8
c. Total DoD:	1,857.2	2,526.5	1,610.3
d. Other Orders:	0.0	0.0	0.0
Other Federal Agencies			
Trust Fund			
Non Federal Agencies			
Foreign Military Sales			
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	1,857.2	2,526.5	1,610.3
4. Funded Carry-over	0.0	0.0	0.0
5. Total Gross Sales	1,857.2	2,526.5	1,610.3

Exhibit Fund 11- Source of Revenue

Defense Logistics Agency  
 Defense-Wide Working Capital Fund  
 Distribution Depots Activity Group  
 Fiscal Year (FY) 2005 Budget Estimates  
 Revenue and Expenses  
 (Dollars in Millions)

	FY 03	FY 04	FY 05
<b>Revenue:</b>			
Gross Sales	0.0	0.0	0.0
Operations	1,816.5	2,486.0	1,570.1
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Maj Const	40.7	40.5	40.2
Other Income			
Total Income:	1,857.2	2,526.5	1,610.3
<b>Expenses:</b>			
Cost of Material Sold from Inventory	0.0	0.0	0.0
Salaries and Wages:			
Military Personnel	10.8	10.9	11.3
Civilian Personnel	427.1	476.2	484.9
Travel & Transportation of Personnel	4.8	10.5	10.7
Materials & Supplies (for Internal Operations)	48.9	42.8	31.1
Equipment	11.5	11.1	6.7
Other Purchased Services from Revolving Funds	49.4	47.4	45.0
Transportation of Things	1,342.8	1,310.6	673.1
Depreciation-Capital	40.7	40.5	40.2
Printing and Reproduction	4.0	0.3	0.3
Advisory and Assistance Services	0.3	1.6	1.8
Rent, Communication, Utilities, & Misc. Charges	8.5	8.3	8.2
Other Purchased Services	277.7	259.1	314.7
Total Expenses	2,226.5	2,219.3	1,628.0
Operating Result	(369.3)	307.2	(17.7)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR/AOR*	0.0	0.0	0.0
Net Operating Result	(369.3)	307.2	(17.7)
Prior Year AOR	69.5	(299.8)	7.4
Accumulated Operating Result	(299.8)	7.4	(10.3)
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	(299.8)	7.4	(10.3)

Exhibit Fund-14 Revenue and Expenses

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**February 2004**

**FUNCTIONAL DESCRIPTION**

The Defense Logistics Agency (DLA) Defense Reutilization and Marketing Service (DRMS) Activity Group is responsible for the reuse, or reutilization, of excess and surplus personal property within the Department of Defense (DoD). DoD inventory managers submit requirements to DLA via automated requisitions using standard requisition and issue procedures. Items received by the DLA Defense Reutilization and Marketing Offices (DRMOs) meeting Military Services item manager criteria are automatically referred through front-end screening notices. The Military Services reutilized \$1.1 billion worth of personal property in FY 2003, resulting in savings to the DoD and the Government. If property is not reutilized, it can be transferred to other Federal agencies. Remaining property becomes surplus and is made available for donation to authorized state agencies and charitable organizations. The balance of property is offered for competitive sale to the public.

The DLA disposal mission includes hazardous property disposition. In this capacity, DLA handles the vast majority of DoD property governed by the Resource Conservation Recovery Act (RCRA) of 1976, as amended. Some hazardous material has reutilization and/or sales value and goes through the same process as all other DoD property. However, once it has been screened for potential reutilization or sales value, all hazardous waste is directly disposed of through contracts managed by DLA and direct funded by the Military Services.

DRMS headquarters, responsible for operational control, is located in Battle Creek, Michigan. The operational core of this organization lies with individual DRMOs located on military installations throughout the world. DRMOs receive, classify, segregate, demilitarize, account for and report excess material for screening, lotting, merchandising, and sales.

## **CHANGES IN OPERATIONS**

DRMS has adopted a corporate strategy of focusing, managing, and measuring logistics support based on customer needs; consistently providing responsive, best value supplies and services to their customers. DRMS is transitioning from a primarily geography based activity that disposes of excess property to an information-based activity that utilizes a combination of best business practices to dispose of excess materiel more quickly and with a greater return on investment.

DRMS has a long-range goal of becoming a broker of information, which will result in the more efficient management of property. Their initiatives have been focused on enacting process improvements that will allow achievement of this goal. As DRMS transitions to an organization that is more adept at "moving information and not property," DRMS will be able to centralize its organizational presence at fewer strategic locations. This will allow DRMS to effectively perform its mission with substantially reduced infrastructure, labor and cost.

For example, DRMS has conducted an A-76 public/private competition on the logistics stock, store and issue functions at 10 DRMOs in the northeastern portion of the United States. The first DRMS A-76 competition was completed in FY 2000 and resulted in the conversion to contract of the affected functions. The solicitation for the second competition was issued May 19, 2003. The second DRMS A-76 study is of the warehouse logistics functions at 73 DRMOs. Approximately 361 FTEs will be impacted. We expect decisions on this second round in the first quarter of FY 2005. FTE and labor savings budgeted include only most efficient organization (MEO) savings. Costs and savings are expected to begin in FY 2006.

In addition, DRMS pioneered a joint commercial venture (CV) agreement with Government Liquidators, a private sector firm, to sell certain excess equipment. This approach allows DRMS to capitalize on private sector flexibility and agility. CV Sales in FY 2003 exceeded expectations.

## **BUDGET HIGHLIGHTS**

### TRANSACTION ACTIVITY BILLING:

DLA implemented Transaction Activity Billing (TAB) in FY 2003 to recover mission costs based on actual services and workload for property disposition. Estimated workload and cost data are processed through the TAB model. Through this process DRMS can identify the end user and the working capital fund customer

separately, providing visibility of the disposal cost in the life cycle of the item.

TAB is a practical application of Activity Based Costing (ABC) principles to assess costs and set billing rates in accordance with the level of effort required to perform the service. We have used the TAB application workload estimates to determine customer funding levels. Customer service level billings based on previous budget determinations and this budget request are as follows:

Customer	<u>\$ in Millions</u>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Army	92.6	77.2	64.7
Navy	56.5	52.2	43.7
Air Force	38.5	35.5	29.7
DLA	<u>35.6</u>	<u>43.8</u>	<u>36.7</u>
Total	223.2	208.6	174.8

UNIT COST/PERFORMANCE INDICATORS:

This submission continues the DRMS unit cost structure of five business areas that was implemented in FY 2003. This structure more accurately captures costs and workload of providing compliant disposal services to DoD. In recent years there has been a distinct downward trend in the value and marketability of excess property being turned in for disposal. This trend is consistent with ongoing DoD and DLA supply chain strategies and is particularly visible in the Reutilization, Transfer, and Donation (RTD) and sales programs. The unit cost structure: (1) captures additional workload elements - line items of useable property received; (2) changes workload indicators for RTD and sales from dollars to lines; (3) eliminates Abandonment and Destruction and replaces it with Recycling/Disposal that captures all recycling processes (scrap, demilitarization, mutilation and Demanufacturing) and (4) changes the name of Ultimate Disposal to Hazardous Waste Disposal.

The DRMS unit cost goals are based on the major work processes:

- a. **Receiving** unit cost goal is based on the total cost associated with the stock, store and issue (logistics) of useable property divided by the number of line items of useable property received.
- b. **Reutilization/Transfer/Donation (RTD)** unit cost goal is based on the total cost associated with reutilizing,

transferring and donating excess personal property divided by line items of property disposed via RTD.

- c. **Sales** unit cost goal is based on all costs associated with the public sale of surplus personal property divided by the number of line items of property sold.
- d. **Hazardous Waste Disposal** unit cost goal is based on the non-contract costs associated with environmentally regulated disposal of hazardous waste divided by the number of pounds of hazardous waste disposed.
- e. **Recycling/Disposal** unit cost goal is based on the cost of either storing in a landfill or destruction of those non-hazardous items, including DEMIL required property and scrap, that remain at the end of the disposal process as well as the cost of all recycling processes divided by the number of pounds of property disposed.

Costs are allocated using an ABC Model. DRMS updates and refines the ABC Model during each budget submission to more accurately capture costs and bill their customers based on the actual services provided to them. DRMS earns its obligation authority through unit cost goals. The FY 2003 actual and FY 2004 and FY 2005 estimated goals and workload are reflected below:

Unit Cost Structure

	FY 2003 Actual	FY 2003 Workload	FY 2004 Goal	FY 2004 Workload	FY 2005 Goal	FY 2005 Workload
Receiving 1/	\$19.190	3.083	\$29.551	3.144	\$29.89	3.075
R/T/D 2/	\$201.300	0.199	\$287.016	0.191	\$247.404	0.188
Sales 2/	\$35.490	0.423	\$41.406	0.461	\$41.715	0.446
Haz Waste Disp 3/	\$0.178	221.000	\$0.180	215.00	\$0.185	210.0
Recycling/Disp 3/	\$0.036	908.900	\$0.056	863.400	\$0.053	811.6

1/ Workload in millions of lines items received

2/ Workload in millions of line items disposed

3/ Workload in millions of pounds disposed

Workload:

The Services have reduced inventory levels by better managing their inventories and thus generating less excess property. However, this will be offset by additional workload resulting from troop rotation and deployment, and line workload resulting from added inspection requirements for excess Nuclear, Biological and Chemical (NBC) equipment. DRMS will ship the property to a central location for inspection and processing to insure the items cannot be used inappropriately.

During FY 2003, DRMS experienced a reduction in reutilization workload, primarily due to a continuing GSA moratorium on transfer of excess computers to UNICOR.

The dollar value of sales will decrease as a result of lower turn-ins and decreased value of property that is turned in. Useable property may be downgraded to scrap upon receipt based on the condition and value of the property. The downgrade rate was projected at 48 percent of useable receipts. Based on current experience the downgrade rate is now 58 percent. The increased downgrade rate reflects the declining value of the property which negatively impacts sales proceeds. These factors have been somewhat mitigated in FY 2003 by improved performance by Government Liquidators, DRMS commercial venture partner. In FY 2003 Sales workload was measured in lines sold. Despite the declining market value of the property, DRMS incurs the same cost to sell, including providing government oversight of their commercial venture partner. Lines are a better measure of the work effort.

Hazardous Waste Disposal and Recycling/Disposal workload show a decrease from FY 2003 to FY 2005, 5 percent and 10.7 percent respectively, due to the overall reduction in disposal workload.

**NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR)**

DRMS experienced a \$90M gain in FY 03 due primarily to the continued recovery of a loss in FY 2000 caused by an unsuccessful legislative proposal to allow the transfer of revenue from the Defense National Stockpile Center to DRMS, in lieu of a Military Service/DLA financed Service Level Billing to finance DRMS operating costs. When not allowed, DRMS didn't have a source for the costs the SLB normally covered, so they incurred a large loss. DRMS also had profit from the review of old records and the deobligation of erroneous costs/obligations from previous years.

The FY 04 projected loss is due to increased costs from the return of excess property due to GWOT & associated transportation and for additional supervision regarding disposal and sale of Nuclear, Biological, Chemical (NBC) property.

FY 05 reflects loss from the return of prior year AOR profits to breakeven by the end of the budget period.

NOR/AOR  
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	342.4	308.5	270.8
Expenses	252.4	316.8	299.7
Operating Result	90.0	-8.3	(28.9)
Other Changes Affecting NOR	0.0	0.0	0.0
NOR	90.0	-8.3	(28.9)
Prior year AOR	(52.8)	37.2	28.9
Non-Recoverable Adjustment			
Impacting AOR	0.0	0.0	0.0
AOR	37.2	28.9	0.0

**MILITARY AND CIVILIAN PERSONNEL**

Reductions in employment levels, without degradation of mission support, are achieved primarily by automation and management improvements. Automating the reutilization and marketing processes and management information systems (moving information not property) reduces the need for manual intervention. As DRMS transitions into moving more information and less property, they will be able to centralize their organizational presence at fewer strategic locations with substantially reduced infrastructure, labor and cost. Productivity measures include the number of people employed or, more importantly, the full-time equivalents used. The FY 2004 FTE / ES numbers were increased by requirements of OIF/OEF and additional inspection requirements for NBC related material. The FY 2005 numbers continue the productivity gains and A-76 reductions. The table identifies budget estimates for full-time equivalents and end strength for DRMS and corporate allocations. Full Time Equivalents are coming down 7% over the budget period.

Military and Civilian Personnel

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
End Strength			
Military	9	9	9
Civilian	<u>1,702</u>	<u>1,696</u>	<u>1,537</u>
Total	<u>1,735</u>	<u>1,705</u>	<u>1,495</u>
Full-time Equivalents			
Military	9	9	9
Civilian	<u>1,686</u>	<u>1,722</u>	<u>1,566</u>
Total	<u>1,695</u>	<u>1,731</u>	<u>1,575</u>

**CAPITAL EXPENDITURES**

DRMS monitors the condition of facilities and equipment at 95 DRMOs to maintain a safe and healthy workplace in accordance with stringent environmental and safety and health regulations. In FY 2004 and FY 2005, DRMS will replace tool carriers that have reached or exceeded their useful life at various DRMOs. The Disposal Automated Information System (DAISY) changes will improve access and analysis of financial transactions from the receipt and disposal process. Improved access to DRMS financial information is critical to increasing the accountability of the disposal property, providing better information for decision-making, and increasing the efficiency and effectiveness of the services provided by DRMS. Minor Construction projects are to enhance operations at various storage facilities to promote proper handling of hazardous materials, hazardous waste, and items requiring demilitarization. Minor construction projects in FY 2004 and FY 2005 will alter facilities to accommodate mission consolidation and relocation, renovate demilitarization facilities, upgrade security facilities, and add paving for open storage, road networks, and parking. The table below depicts the capital program budget authority for FY 2003 through FY 2005:

Capital Program Budget Authority  
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Non-ADP Equipment	0.8	0.5	0.7
ADP Equipment	0.0	0.2	0.0
Software Development	0.0	2.0	1.0
Minor Construction	<u>6.0</u>	<u>5.0</u>	<u>3.0</u>
Total	<u>6.8</u>	<u>7.7</u>	<u>4.7</u>

<b>Defense Logistics Agency</b> <b>Defense-Wide Working Capital Fund</b> <b>Defense Reutilization and Marketing Services</b> <b>Fiscal Year (FY) 2005 Budget Estimates</b> <b>Changes in the Costs of Operation</b> <b>February 2004</b> <b>(\$ in Millions)</b>	
	<b>EXPENSES</b>
FY 2003 Estimated Actual	252.4
FY 2004 Estimate in President's Budget	296.1
Estimated Impact in FY 2004 of Actual FY 2003 Experience:	64.4
<u>Pricing Adjustments</u>	6.1
Labor	4.1
Nonlabor	2.0
<u>Program Changes</u>	58.3
Civilian Personnel Cost	3.5
Military Personnel Cost	0.6
Travel of Persons	1.0
Supplies	0.6
Equipment	2.2
Intrafund Purchases	10.7
Transportation of Things	10.0
Depreciation	-3.0
Other Purchased Services	32.7
FY 2004 Current Estimate	316.8
Pricing Adjustments:	5.0
Labor	2.5
Nonlabor	2.5
Program Changes	-22.0
Civilian Personnel Cost	-5.5
Military Personnel Cost	0.0
Travel of Persons	0.3
Supplies	-0.2
Equipment	0.1
Intrafund Purchases	-5.3
Transportation of Things	-14.4
Depreciation	-0.5
Other Purchased Services	3.5
FY 2005 Current Estimate	299.7

**DEFENSE LOGISTICS AGENCY**  
**Defense Wide-Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Source of New Orders and Revenue**  
**February 2004**  
**(\$M)**

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>1. New Orders</b>			
<b>a. Orders from DoD Components</b>	279.3	262.6	227.5
<b>Army</b>	115.0	98.7	85.8
<b>Navy</b>	74.1	69.1	60.0
<b>Air Force</b>	51.2	47.7	41.7
<b>Other</b>	39.0	47.1	39.9
<b>b. Orders from Other Fund Activity Groups</b>	7.7	4.0	4.1
<b>c. Total DoD</b>	287.0	266.7	231.6
<b>d. Other Orders:</b>	3.7	3.7	3.7
<b>Other Federal Agencies</b>	0.7	0.7	0.7
<b>Foreign Military Sales</b>	3.0	3.0	3.0
<b>Total New Orders</b>	290.7	270.4	235.3
<b>2. Carry-In Orders</b>	0.0	0.0	0.0
<b>3. Total Gross Orders</b>	290.7	270.4	235.3
<b>4. Sales Proceeds</b>	51.7	38.1	35.5
<b>5. Total Gross Sales</b>	342.4	308.5	270.8

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization and Marketing Service**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Revenue and Expenses**  
**February 2004**  
**(\$ in Millions)**

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Revenue			
Sales			
Operations	342.4	308.5	270.8
Total Income:	342.4	308.5	270.8
Expenses			
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.1	0.8	0.8
Civilian Personnel Compensation & Benefits	108.2	111.7	108.6
Travel & Transportation of Personnel	3.5	4.6	4.9
Materials & Supplies (For Internal Operations)	2.0	2.6	2.4
Equipment	5.2	7.5	7.7
Other Purchases from Revolving Funds	8.0	18.8	13.8
Transportation of Things	23.7	34.0	20.0
Depreciation - Capital	12.2	9.2	8.7
Printing and Reproduction	-0.6	1.1	0.4
Advisory & Assistance Services	0.8	0.7	0.6
Rent, Communication, Utilities & Misc. Charges	5.1	4.9	3.7
Other Purchased Services	84.2	120.9	128.2
Total Expenses	252.4	316.8	299.7
Operating Result	90.0	-8.3	-28.9
Adjustments Affecting NOR/AOR	0.0	0.0	0.0
Net Operating Result	90.0	-8.3	-28.9
Prior Year Adjustments -- Prior Year AOR	-52.8	37.2	28.9
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	37.2	28.9	0.0
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0
Accumulated Operating Result for Budget Purposes	37.2	28.9	0.0

**DEFENSE LOGISTICS AGENCY**  
**Defense Wide Working Capital Fund (DWWCF)**  
**Document Automation and Production Service**  
**Fiscal Year (FY) 2005 Budget Estimates**

**FUNCTIONAL DESCRIPTION:** The Document Automation and Production Service (DAPS) is responsible for the DoD printing, duplicating, and document automation programs. This responsibility encompasses the full range of automated printing services to include: conversion, electronic storage and output, and the distribution of hard copy and digital information. DAPS provides time sensitive, competitively priced, high quality products and services that are produced either in-house or procured through the Government Printing Office (GPO).

DAPS manages this worldwide mission through a customer service network comprised of a Headquarters located at Mechanicsburg, Pennsylvania, and 185 production facilities.

**CUSTOMERS:** DAPS primary customers are Army (21.1 percent), Navy (31.1 percent), Air Force (22 percent), and Defense Agencies (17 percent) and non-DoD customers (8.8 percent). Both appropriated and DWWCF-funded activities are included in each Service's percentage.

**BUDGET HIGHLIGHTS**

**SPECIAL INTEREST ITEMS:** The FY 04 President's Budget reflected the discontinuation of DAPS as currently structured (less inclusion of related financial results in the DWWCF) beginning in FY 2004 with a completion date in FY 2005. In December 2003, the Department decided to retain the DAPS within DLA as a "high performance" organization. This submission restores FY 2004 and 2005.

**PERFORMANCE INDICATORS:**

**1) Conversion to Digital Format:** This performance metric measures the number of pages (in millions) converted to digital format during the year. Conversions may be accomplished either in-house or by contract and include hardcopy to digital, system output to digital and from one form of digital to another. Production of 67.0 million pages will exceed the goal of 59.2 million pages converted, and represents an increase of 8 percent from FY 2002.

**2) Customer Satisfaction:** This performance metric measures satisfied customers as the percentage of customers ranking DAPS performance as "satisfied" or "very satisfied." DAPS uses a survey, professionally prepared and administered by an independent entity to determine an overall customer satisfaction rating. Due to the proposed divestiture under the transformation initiative, DAPS did not perform a customer satisfaction survey during FY 2003. DAPS does receive customer feedback through an online questionnaire.

**Rework:** In-house rework percentage is used to measure the quality of delivered products. This performance metric is calculated by dividing (1) revenue lost from orders not accepted by (2) the total in-house production revenue. During FY 2003, DAPS achieved a rework percentage of .22 exceeding their goal of 0.36 percent.

**FINANCIAL PERFORMANCE MEASURE:** In addition to program performance measures, DLA measures the effectiveness of program budgeting and execution with a unit cost performance measure. DAPS Annual Operating Budget (AOB) measures this performance by dividing the total units by the total cost.

	<u>FY03 Goal</u>	<u>FY03 Actual</u>
<b>Unit Cost per In-house Production Unit</b>	.0558	.0489

DAPS bettered its Unit cost goal because actual in-house costs were lower than planned, \$131.1 million versus \$143.7 million, while the actual units produced were higher than planned, 2,678.3 million versus 2,575.1 million. The production of In-house units was higher than planned due to the increased operating tempo of the Department; and the customers' requirement that DAPS continue to man and operate facilities that were scheduled to be converted to self-service. The major causes of lower in-house costs were the Army's decision not to transfer the management of printing operations from the Army Corps of Engineers, Seoul to DAPS; and the higher than anticipated employee attrition rate.

**NET OPERATING RESULT (NOR)/ACCUMULATED OPERATING RESULT (AOR):**

The NOR measures a single fiscal year, impact of revenue and expenses incurred by the business. A positive NOR demonstrates that revenues exceeded expenses for the business activity.

AOR reflects multi-year results of annual NORs. Its measurement describes the accumulated affects of NORs and demonstrates the fiscal strength over a longer time.

The following chart depicts the projected NOR / AOR for FY 2003 through FY 2005:

(\$ Millions)	FY 03	FY 04	FY 05
<b>NOR</b>	<b>31.5</b>	<b>6.9</b>	<b>13.9</b>
<b>Prior Year AOR</b>	<b>(45.2)</b>	<b>(18.2)</b>	<b>(11.3)</b>
<b>Prior Year Adjustment</b>	<b>(4.6)</b>		-
<b>AOR</b>	<b>(18.2)</b>	<b>(11.3)</b>	<b>2.6</b>

DAPS ended FY 2003 with a positive NOR of \$31.5 million against a goal of \$45.8 million. This is due to lower than planned revenue and higher than planned in-house production costs.

**PERSONNEL:** FY 2002 saw a 23 percent end strength reduction from FY 2001. FY 03 saw a 15 percent end strength and 23 percent FTE reduction from FY 2002. This is primarily related to the MEO implementation. This submission reflects a FY 04 reduction of 5.4 percent in end strength and 9.6 percent in FTEs. FY 05 includes a reduction of 2.7 percent in end strength and 2.9 percent in FTEs. The end strength reductions are due to workload reductions and organization delayering.

**CAPITAL BUDGET:** The capital budget is the account available for investments that exceed the \$100,000 expense/investment criteria. These investments fall into one of four categories: (1) Automated Data Processing Equipment (ADPE), (2) Non-ADPE, (3) software developed for operational and management information systems, and (4) minor construction projects. A capital budget item is assumed to have zero salvage value and is depreciated on a straight-line basis over its useful life. This depreciation is expensed and recovered, as business related cost, in DAPS prices.

DAPS made a significant investment in FY 2002 in production equipment to implement the MEO. As a result of price decreases, the majority of the equipment required to implement the MEO was purchased with operating funds. The combination of the MEO investment and price decreases resulted in a significant decrease in capital requirements.

**ACTIVITY GROUP PROFILE**  
(Dollars and Workload in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Cost of Goods Sold	361.9	399.1	413.5
Pass through/Other Appropriations			
Net Operating Results	31.5	6.9	13.9
Accumulated Operating Results	(18.2)	(11.3)	2.6
Workload			
In-House Production (Units)	2678.3	2611.6	2533.3
Unit Cost			
In-House Production	0.0489	0.0567	0.0581
Customer Rate	0.0629	0.0618	0.0656
Customer Rate Change	6.2%	(2.0%)	3.17 %
Document Conversion (pages)	67.0	61.2	60.2
Customer Satisfaction	N/A	93.0%	93.0%
Rework Requests	0.22%	0.25%	0.25%
Civilian End Strength	942	891	867
Civilian Full-Time Equivalents	1001	907	879
Capital Budget Program			
Equipment (Non-ADP)	0.5	0	0
Equipment (ADP/T)	0.4	0	0
Software Development	1.2	0	0
Minor Construction	0.0	0.1	0.2
TOTAL	2.1	0.1	0.2

DEFENSE LOGISTICS AGENCY  
 Defense-Wide Working Capital Fund  
 Document Automation and Production Service  
 FY 2005 President's Budget  
 Changes in the Cost of Operation  
 (\$ in Millions)

	<u>Expenses</u>
FY 03 Actual:	361.6
FY 04 Estimate in President's Budget	387.1
Pricing Adjustments:	
Annualization of FY 03 Pay Raise	0.0
FY 04 Pay Raise	0.7
General Purpose Inflation	(0.7)
Program Changes:	
Civilian Personnel	0.5
Travel	0.4
Material & Supplies	(1.7)
Equipment	0.7
Other Purchases from Revolving Funds	(2.1)
Transportation	(0.1)
Printing and Reproduction	4.1
Rent, Communications, Utilities	(0.7)
Other Purchased Services	11.7
Depreciation	(0.8)
FY 04 Current Estimate	399.1
Pricing Adjustments	
Annualization of Prior Year Pay Raises	0.3
FY 05 Pay Raise	0.6
General Purpose Inflation	4.4
Program Changes:	
Civilian Personnel	(1.9)
Material & Supplies	(1.1)
Depreciation	0.1
Printing and Reproduction	12.3
Other Purchased Services	(0.3)
FY 05 Current Estimate	413.5

Exhibit Fund-2 Changes in the Costs of Operation

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Document Automation and Production Service  
Fiscal Year (FY) 2005 Budget Estimates  
Source of New Orders and Revenue  
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components	286.0	299.7	315.8
Department of the Navy	90.6	95.0	100.0
Operations and Maintenance, Navy	52.8	55.3	58.3
Operations and Maintenance, Marine Corps	10.5	11.0	11.6
O&M, Navy Reserve	2.2	2.3	2.4
O&M, Marine Corps Reserve	0.1	0.1	0.1
Aircraft Procurement, Navy	1.6	1.7	1.8
Shipbuilding & Conversion, Navy	0.4	0.4	0.4
Research, Development, Test & Eval, Navy	0.5	0.5	0.6
Military Construction, Navy	0.0	0.0	0.0
Other Navy Appropriations	0.3	0.3	0.3
Credit Card Purchases, Navy	22.2	23.3	24.5
Department of the Army	79.4	83.2	87.7
Army Operation and Maintenance	23.8	24.9	26.3
O&M, Army Reserve	2.4	2.5	2.6
Army National Guard	1.8	1.9	2.0
Army Res, Dev, Test & Eval Accounts	1.4	1.5	1.5
Army Procurement Accounts	0.3	0.3	0.3
Army Other	0.4	0.4	0.4
Credit Card Purchases, Army	49.3	51.7	54.4
Department of the Air Force	76.9	80.6	84.9
Air Force Operation & Maintenance	29.7	31.1	32.8
O&M, Air Force Reserve	0.7	0.7	0.8
Air Force National Guard	1.7	1.8	1.9
Air Force Res, Dev, Test & Eval Accounts	1.8	1.9	2.0
Air Force Procurement Accounts	1.8	1.9	2.0
Air Force Other	0.1	0.1	0.1
Credit Card Purchases, Air Force	41.1	43.1	45.4
DoD Appropriated Accounts	39.1	41.0	43.2
Operation & Maintenance Accounts	10.7	11.2	11.8
Res, Dev, Test & Eval Accounts	1.2	1.3	1.3
Procurement Accounts	0.5	0.5	0.6
Military Construction, Defense	0.0	0.0	0.0
Defense Health Program	16.4	17.2	18.1
DoD Other	0.9	0.9	1.0
Credit Card Purchases, Defense	9.4	9.9	10.4
b. Orders from other Fund Activity Groups	67.7	71.0	74.7
Navy	30.1	31.5	33.2
Army	2.1	2.2	2.3
Air Force	8.7	9.1	9.6
Other DoD	26.8	28.1	29.6
c. Total DoD	353.7	370.7	390.5
d. Other Orders	34.2	35.8	37.8
Other Federal Agencies	27.8	29.1	30.7
Credit Card Purchases	3.8	4.0	4.2
Non-Federal Agencies and Other	2.6	2.7	2.9
Total New Orders	387.9	406.5	428.3
2. Carry-In Orders	21.9	16.4	16.9
3. Total Gross Orders	409.8	422.9	445.2
4. Funded Carry-Over	16.4	16.9	17.8
5. Total Gross Sales	393.4	406.0	427.4

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Document Automation and Production Service  
Fiscal Year (FY) 2005 Budget Estimates  
Revenue and Expenses  
(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<b>Revenue</b>			
Gross Sales	393.4	406.0	427.4
Operations	0.0	0.0	0.0
Capital Surcharge	0.0	0.0	0.0
Depreciation excluding Major Construction	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0
Total Income:	393.4	406.0	427.4
<b>Expenses</b>			
Cost of Material Sold from Inventory	0.0	0.0	0.0
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel Compensation & Benefits	56.5	55.4	54.5
Travel & Transportation of Personnel	2.1	1.8	1.8
Materials & Supplies (For Internal Operations)	23.1	22.8	22.0
Equipment	0.9	2.3	2.3
Other Purchases from Revolving Funds	2.4	5.1	5.2
Transportation of Things	1.1	1.1	1.0
Depreciation - Capital	3.3	3.1	3.2
Printing and Reproduction	214.3	240.5	255.9
Advisory and Assistance Services	0.2	0.0	0.0
Rent, Communications, Utilities, & Misc. Charges	9.1	9.0	9.1
Other Purchased Services	49.0	58.0	58.5
Total Expenses:	361.9	399.1	413.5
Operating Result	31.5	6.9	13.9
Less Capital Surcharge Reservation			
Plus Passthroughs/Other Appropriations Affecting NOR	0.0	0.0	0.0
Net Operating Result	31.5	6.9	13.9
Prior Year Adjustments	(4.6)		
Prior Year AOR	(45.2)	(18.2)	(11.3)
Accumulated Operating Result	(18.2)	(11.3)	2.6
Non-Recoverable Adjustment Impacting AOR:			
Surcharge Prohibition			
Accumulated Operating Results for Budget Purposes	(18.2)	(11.3)	2.6

Exhibit Fund-14 Revenue and Expenses

**DEFENSE FINANCE AND ACCOUNTING SERVICE  
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**

**OVERVIEW**

Our mission is to provide professional, responsive finance and accounting service to the men and women who defend America. Making that service more efficient produces the best value to the Department of Defense and the taxpayer. In FY 2003, we lowered the cost of the services we provide to 0.34 percent of the Defense Budget. That's a decrease of almost 40 percent from 0.56 percent in FY 1999. This means that out of every dollar spent on Defense more can go toward protecting, training and equipping our soldiers, sailors, airmen and Marines. A more efficient DFAS means stronger national security and a greater value to the American taxpayer.

This past year, our DFAS team performed important roles as America mobilized for war in Iraq. Our trusted support helped the warfighters focus on their mission, while we focused on their financial needs. The DFAS team has a key role supporting the effort to rebuild a nation by providing finance and accounting expertise to establish control, disbursing and pay processes.

In Military and Civilian Pay Services, we now pay about 5.9 million people. Of those customers, more than 2.1 million have chosen to make MyPay their key to accessing and controlling pay information. Our customers enjoy taking charge of their own pay information.

In Commercial Pay Services, our team continued to reduce the amount of interest paid per million dollars disbursed, lowering this figure to just \$160, down from \$224 last year and \$343 in FY 2001. That's a one-year decrease of 29 percent and an impressive total decrease of 53 percent since FY 2001.

In Accounting Services, we saw significant improvement on many fronts. In the area of problem disbursements, the team exceeded all performance expectations—reducing negative unliquidated obligations by 34 percent more than the performance goal; unmatched disbursements by 17 percent more; and in-transit disbursements by 71 percent more. Accounting reports are now delivered in 13 days instead of

14. Our accounting team disbursed \$416 billion in FY 2003, managed more than \$194.4 billion in the Military Retirement Trust Fund to generate a return of more than 5.6 percent versus a -1.0 percent return for competitive commercial funds and performed nearly 121 million accounting transactions. All of these accomplishments enhance DFAS' value to customers. Internally, a variety of teams provide the mission-critical systems, resources, information and environment without which these achievements would not have been possible. The enhanced ePortal makes access to information and applications easier and allows individual members of the DFAS workforce to collaborate effectively from their desktops no matter what the geographic distance. Our DFAS systems have competed against other DoD entities, federal agencies, and commercial enterprises to win an impressive array of awards. Executive leaders have taken steps to better link our budget to strategy. Our Portfolio Management initiative gives us the "total picture" to ensure we make the best resource decisions. The Corporate Resources realignment has delivered improved personnel, resources and administrative support for us all while reducing the overhead cost to our customers.

Smooth teamwork, professional knowledge and expertise, and intrinsic core values of integrity, innovation, and service combine to give us a winning edge. Proving again that we have what it takes to continue our journey toward being a world-class finance and accounting service provider for the people who defend America.

DFAS Transformation is our integrated approach for assessing every product line and function within our agency to ensure we deliver the right products and services to the right customers in the best way possible. It will allow us to better anticipate and meet our customer needs and increase the future value we deliver. DFAS team members have always demonstrated the ability to adapt and succeed in the face of significant change. That is why I am confident that our DFAS Team will achieve a successful transformation.

Less than a year into our Transformation, our teams have completed several Business Case Analyses (BCAs). For Marine Corps Accounting, the team recommended conducting an A-76 competition, while the Vendor Pay team recommended transforming that function into a High-Performing Organization without conducting a competition in the

foreseeable future. Several other Business Case Analyses are in the final stages of review and coordination before the results can be announced.

In FY 2004, we will take on the significant challenge of conducting BCAs for Army, Navy, Air Force and Defense Agencies Accounting, Corporate Communications, and Equal Employment Opportunity functions.

In addition to the structural and procedural changes involved in Transformation, Lean Thinking and Six Sigma are producing cultural change where everyone on the team is entrusted, empowered and energized to fight waste and look for opportunities to continually pursue perfection. Lean Thinking and Six Sigma will help ensure that everything we do generates value for the client and will help us to better identify and act on opportunities to improve.

The principles of Lean Thinking are based on ensuring value is defined by the customer, clearly determining the complete value chain, allowing value to flow through the entire process, and letting the customer demand pull the process along. The final principle of Lean Thinking involves continuously pursuing perfection.

Such fundamental change will be successful only if we take care of DFAS' most valuable resource--our team members. DFAS' Human Capital Working Group is evaluating and addressing all the challenges facing our team members in order for DFAS to truly become an employer of choice. In FY 2003, DFAS spent nearly 3.8 percent of its total payroll on training--or \$1,811 per employee -- which nearly doubles the industry average of 1.9 percent for similar agencies and private firms. The investments we make in retaining qualified employees and recruiting new ones make certain DFAS will continue to employ the best and the brightest to serve the men and women who defend America.

## DFAS MAJOR ACTIVITIES AND LOCATIONS

### Financial Operations Business Area:

<u>Business Line</u>	<u>Location</u>
Corporate Elements/Support	Arlington, Virginia
Military & Civilian Pay Services	Indianapolis, Indiana
Commercial Pay Services	Columbus, Ohio
Accounting - Air Force	Denver, Colorado
Accounting - Army	Indianapolis, Indiana
Accounting - Navy	Cleveland, Ohio
Accounting - Marine Corps	Kansas City, Missouri
Accounting - Defense Agencies	Columbus, Ohio
Technology Support Organization	Indianapolis, Indiana

### Information Services Business Area:

<u>Activity</u>	<u>Location</u>
Technology Support Organization	Indianapolis, Indiana

## OPERATIONS BUDGET BY ACTIVITY GROUP

### Financial Operations Budget Activity Group:

The Financial Operations business area is composed of the three major business lines highlighted above - Military and Civilian Pay Services, Commercial Pay Services, and Accounting Services. In addition to these components, DFAS is also responsible for safeguarding U.S. funds through the delivery of payments and receipt of collections, providing prompt payment, accurate and timely disbursing service, and reporting Disbursing Officer accountability to the Department of Treasury.

The following table identifies costs, revenue, and workforce data for FY 2003 through 2005:

Dollars in Millions

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Costs	1,644.5	1,656.1	1,706.1
Revenue	1,454.5	1,727.6	1,783.0

Personnel:

Civilian E/S	13,350	13,188	12,624
Civilian Workyears	13,496	13,237	12,631
Military E/S & Wys	875	779	464

**FY 2003 Budget to FY 2003 Actual:** In FY 2003, actual operating costs were less than the budgeted amount by \$21.9 million. This decrease was due to efficiencies in operations realized during FY 2003. Additionally, depreciation costs were less than expected.

**FY 2004 President's Budget to Current Estimate:** DFAS continues to reduce workyears and overhead costs. The increase of \$102.7 million is a combination of factors that were unknown when the FY 2004 President's Budget was submitted. We received the following adjustments to the FY 2004 President's Budget for the reasons indicated:

- \$ 45.8 million increase - DFAS will be collecting costs from our customers to support the DOD IG Systems audit of up to six Financial Systems in FY 2004.
- \$ 46.1 million increase - Our non-rate-based work we do for other customers increased. These are amounts provided by the customers in addition to amounts that may be in the rate-based amounts. This new work includes processing travel vouchers for the Army Reserve and National Guard and providing e-payroll support to non-DoD customers.
- \$ 6.3 million increase - This increase is due to additional workload being identified by our customers. This increased workload affects our Accounting, Commercial Pay, and Military and Civilian Pay Business Lines.

- \$ 4.5 million increase - This increase pays for civilian replacements due to the policy shift in moving military personnel away from support functions.

**FY 2004 Current Estimate to FY 2005 Current Estimate:**

Overall costs reflect an increase of approximately 3 percent. This increase is largely due to the costs associated with the Department of Defense Inspector General's (DoDIG) systems audit requirements.

**FY 2004 President's Budget FY 2004 (Revised):**

	(Dollars in Millions)
FY 2004 President's Budget	1,553.4
Price Adjustments	6.3
Program Changes	50.6
Other Changes	45.8
FY 2004 Program Revised	1,656.1

**FY 2004 (Revised) to FY 2005:**

	(Dollars in Millions)
FY 2004 Revised President's Budget	1,656.1
Price Adjustments	6.3
Productivity	-27.7
Program Change/Other Changes	71.4
FY 2005 Program Revised	1,706.1

**FINANCIAL OPERATIONS**

Costs by Output Category (Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Undistributed	5.0	-	-
Civilian Pay Accounts Maintained	50.1	58.4	57.8
Active Military Pay Accounts Maintained	150.0	150.8	151.2
Military Pay Incremental	44.7	54.8	51.4
Retired Pay Accounts Maintained	59.1	54.8	49.4
Reserve Military Pay Accounts Maintained	36.0	40.5	41.2

Contract Payments - MOCAS	98.3	82.8	82.7
Contract Payments - SAMMS	15.8	16.1	16.5
Contract Payments - DECA	4.9	7.0	7.0
Travel Vouchers Paid	61.3	54.6	46.0
Transportation Bills Paid	1.6	20.0	18.3
Commercial Payments	252.5	174.0	167.5
Out of Service Debt Cases Managed	22.5	21.8	22.6
Direct Billable Hours	736.1	742.3	741.7
Accounting and Finance Support to Commissaries	10.9	13.0	12.7
FMS Cases Managed	28.8	26.3	26.1
Garnishments	-	-	12.7
Support to Others	66.9	138.8	201.3
Total Costs	1,644.5	1,656.1	1,706.1

DFAS has 17 output categories that cover the broad range of accounting and finance activities. All outputs except Support to Others are workcount driven and thus have individual unit cost rates. The Support to Others output is managed on a cost reimbursable basis.

## FINANCIAL OPERATIONS

Workload by Output Category (in Millions)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Civilian Pay Accounts Maintained	18.1	17.5	17.5
Active Military Pay Accounts Maintained	18.8	18.6	18.5
Military Pay Incremental	5.3	5.3	5.3
Retired Pay Accounts Maintained	28.6	29.0	30.0
Reserve Military Pay Accounts Maintained	12.3	12.5	12.5
Contract Payments - MOCAS	1.8	2.2	2.2
Contract Payments - SAMMS	3.2	3.0	3.0
Contract Payments - DECA	2.0	3.3	3.3
Travel Vouchers Paid	6.8	6.4	5.9
Transportation Bills Paid	-	0.7	0.7
Commercial Payments	10.8	9.8	9.7
Out of Service Debt Cases Managed	3.9	3.7	3.7
Direct Billable Hours	9.1	8.7	8.4
Accounting and Finance Support to Commissaries /1	0.0	0.0	0.0
FMS Cases Managed	0.2	0.2	0.2
Garnishments	-	-	0.2
Support to Others	66.9	138.8	201.5
/1 Workload is too small to represent in millions. The actual workload is:	 3,481	 3,591	 3,582

In general, the DFAS workload continues to decline in consonance with projected customer dollar and personnel resources. The exception is Retired Pay that shows a slight growth annually as more military personnel retire. The Reserve Military Pay Accounts Maintained growth is due to the increase of Reserves supporting the Iraq war.

The DFAS aggressively reduced costs in FY 2003. This resulted in an increase in the actual net operating result predicted in the FY 2005 President's Budget. Continued cost control in FY 2004 is masked by increases for full depreciation of the Defense Procurement Payment System (system terminated), Federal Accounting Standards Advisory Board (FASAB) - 10 changes (moved the source of some automated information system development costs from investment to operations), and increased charges for Information Processing (increased reliance on mid-tiers and DISA rate increases). FY 2004 and FY 2005 reflect our commitment to continued cost containment and best value to our customer.

**Operating Results - Financial Operations**  
**(Dollars in Millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	1,454.5	1,727.6	1,779.8
Costs	1,644.5	1,656.1	1,706.1
<b>NOR</b>	<b>(190.0)</b>	<b>71.5</b>	<b>73.7</b>
P/Y AOR	171.1	(122.2)	(50.7)
Other Changes	(103.3)		
AOR	(122.2)	(50.7)	23.0

**Fiscal Year (FY) 2005 President's Biennial**  
**Source of Revenue**  
**Component: Defense Finance and Accounting Service**  
**Business Area: Financial Operations**  
**Date: February 2004**  
**(Dollars in Millions)**

New Orders	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
a. Orders from DoD Components:			
Armed Forces Information Service	0.9	1.1	1.0
Corps of Engineers	2.3	2.9	4.3
Missile Defense Agency	2.1	3.3	2.8
Defense Advance Research Projects Agency	2.3	2.8	2.6
Defense Contract Audit Agency	2.3	3.0	3.2
Defense Contract Management Agency	4.9	6.4	6.8
Defense Health Program	37.7	36.1	40.0
Defense Human Resources Activity	0.6	0.7	0.6
Defense Information Systems Agency	7.6	9.3	8.8
Defense Information Technology Contracting Office	0.5	4.3	5.2
Defense Intelligence Agency	0.6	0.6	0.7
Defense Logistics Agency - O&M	1.0	0.8	1.0
Defense Technical Information Center	0.4	0.9	0.7
Defense Threat Reduction Agency - O&M	1.9	2.5	2.4
Department of the Air Force - O&M	260.3	305.2	317.1
Department of the Army - O&M	484.8	579.5	586.8
Department of the Navy - O&M	243.5	302.5	310.7
DoD Education Activity	3.5	4.5	6.2
DoD Inspector General	0.6	0.7	0.6
Department of Transportation (CG)	0.1	0.1	0.1
Defense Prisoner of War/Missing Personnel Office	0.2	0.2	0.2
Office of Economic Adjustment	0.1	0.1	0.1
Executive Office of the President	0.1	0.1	0.2
National Imagery and Mapping Agency	1.2	1.4	1.7
National Security Agency	0.3	0.5	0.6
Joint Chiefs of Staff	0.9	1.3	1.2
Defense Agencies (Other)	0.3	0.3	0.5
SDA White Sands	0.2	0.2	0.2
United States Marine Corps	72.7	85.3	90.1
United States Soldier's and Airman Home	0.1	0.1	0.1
Washington Headquarters Service	1.8	2.5	2.3
b. Orders from Other Fund Activity groups			
Defense Commissary Agency - WCF	20.8	22.6	24.1
DFAS Financial Systems Org - WCF	0.7	1.3	0.8
Department of the Army - WCF	23.9	27.2	25.4
Department of the Air Force - WCF	24.6	30.7	27.3
Department of Navy - WCF	63.2	54.2	56.0
Defense Logistics Agency - WCF	12.6	10.2	11.7
DLA Distribution Depots - WCF	4.4	3.9	4.4
DLA Printing & Publication Service - WCF	2.4	2.2	2.0
DLA Reutilization & Marketing Service - WCF	5.9	5.5	6.3
DLA Supply Management - WCF	52.7	63.7	73.0
Defense Security Service - WCF	0.6	0.7	0.8
TRANSCOM Transportation - WCF	11.6	18.2	16.5
c. Total DoD:	1,359.2	1,599.6	1,647.1
d. Other Orders			
Foreign Military Sales - Trust Fund	28.1	35.1	27.0
Other Federal Agencies	0.0	0.0	0.0
e. Support to Others	66.9	92.9	105.7
Total New Orders	1,454.2	1,727.6	1,779.8
Carry-In Orders	0.0	0.0	0.0
Total Gross Orders	1,454.2	1,727.6	1,779.8

**Fiscal Year (FY) 2005 President's Biennial Budget**  
**Changes in the Costs of Operation**  
**Component: Defense Finance and Accounting Service**  
**Business Area: Financial Operations**  
**Date: February 2004**  
**(Dollars in Millions)**

	<b>Expenses</b>
<b>FY 2003 Actual:</b>	<b>1,644.5</b>
<b>FY 2004 Estimated in President's Budget:</b>	<b>1,553.4</b>
<b>Program Changes:</b>	
Workload Related	6.3
Support to Others	46.1
Civilian Pay Costs	19.0
Civilian Replacements	5.9
Military Labor Reduction	(10.1)
Non-Pay Inflation Adjustments	(12.8)
Civilian Pay Raises	4.0
DoD IG Systems Audit	45.8
Disbursing Transportation Program	(1.5)
<b>Other:</b>	<b>0.0</b>
<b>FY 2004 Revised Estimate</b>	<b>1,656.1</b>
<b>Pricing Adjustments:</b>	
Annualization of Prior Year Pay Raises	8.1
FY 2004 Pay Raise	
Civilian Personnel	24.3
Military Personnel	1.2
General Purchase Inflation	8.9
<b>Productivity Initiatives and Other Efficiencies:</b>	
Process Improvements	(68.2)
DFAS Savings determined by OUSD	(27.7)
<b>Program Changes:</b>	
Support to Others	102.2
Civilian Pay Costs	9.1
Civilian Replacements	10.5
Workload Related	6.3
Military Labor Reduction - Civilian	7.1
Disbursing Transportation Program	(2.5)
Family Housing Improvement Plan	0.5
DoD IG Systems Audit	94.6
Military Labor Reduction - Military	(16.0)
<b>Other Changes:</b>	
One-Tipe DPPS Write-Off	(67.0)
<b>FY 2005 Estimate:</b>	<b>1,706.1</b>

Fiscal Year (FY) 2005 President's Biennial Budget  
Revenue and Expenses  
Component: Defense Finance and Accounting Service  
Business Area: Financial Operations  
Date: February 2004  
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Revenue			
Gross Sales			
Operations	1,338.6	1,592.3	1,651.9
Capital Surcharge			
Depreciation exc Maj Const	115.9	135.3	127.9
Major Construction Dep			
Other Income			
Refunds/Discounts (-)			
Total Income:	1,454.5	1,727.6	1,779.8
Expenses			
Cost of Material Sold from Inventory (DeCA)			
Salaries and Wages:			
Military Personnel Comp & Bene	36.1	27.3	16.7
Civilian Personnel Comp & Bene	818.1	841.4	835.9
Travel & Transportation of Personnel	24.6	22.4	23.2
Materials & Supplies (Internal Operations)	11.5	12.0	11.8
Equipment	2.5	9.4	6.7
Other Purchases from Revolving Funds	272.1	256.4	264.6
Transportation of Things	1.5	1.7	1.5
Depreciation - Capital	115.9	135.3	127.9
Printing and Reproduction	1.5	1.3	0.6
Advisory and Assistance Services	2.8	2.8	1.6
Rent, Comm, Utilities, & Misc Charges	70.4	82.2	85.8
Other Purchased Services	287.5	263.8	329.7
Total Expenses	1,644.5	1,656.1	1,706.1
Operating Result	(190.0)	71.5	73.7
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR			
Net Operating Result	(190.0)	71.5	73.7
PY AOR	171.1	(122.2)	(50.7)
Other Changes Affecting AOR	(103.3)	-	-
Accumulated Operating Results	(122.2)	(50.7)	23.0

**Information Services Budget Activity Group**

The Information Services Budget Activity Group provides for the operation of the DFAS's Technology Services Organization (TSO) responsible for software development and maintenance services. This fee-for-service Central Design Activity's (CDA) primary customer is the DFAS Financial Operations budget activity, which purchases software development and maintenance services from the TSO using a Direct Billable Hour (DBH) rate. Additionally, the CDA provides other Information Technology (IT) technical support charged on a cost reimbursable basis.

The DFAS's Information Services budget activity operates at seven geographical sites located in Denver, Colorado; Kansas City, Missouri; Indianapolis, Indiana; Columbus, Ohio; Cleveland, Ohio; Pensacola, Florida; and Lexington Park, Maryland. Additionally, there is a small staff element located in Indianapolis, which provides management for DFAS's Information Technology Infrastructure, DFAS Federal Information Processing (FIP) acquisitions, systems management, and technology support. The following table provides the budget activity's in-house workforce:

<b><u>Personnel</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>
Civilian End Strength 981		1,097	1,079
Civilian Workyears 981		1,142	1,079
Military End Strength 10		40	10
Total Cost (Dollars in millions) 150.4		195.8	168.8

The activity augments its in-house work force with contractors to meet the demands of software development and for technical expertise not available in-house. Currently, approximately 30% of the activity's work effort is provided by contract support.

**FY 2004 President's Budget to FY 2004 Current Estimate:**

The workload change identified in the submission reflects the guidance of the Business Modernization Management Program (BMMP) and the DFAS migration strategy.

**FY 2003 Current Estimate to FY 2004 Estimate:**

Customer demand for Direct Billable Hour support decreased in FY 2004 as we anticipated, as did our reliance on contractor support. These factors combined cause a decrease to the budget activity.

**Costs by Output Category:**

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Undistributed	(0.1)	-	-
Direct Billable Hours	167.0	145.8	127.0
Support to Others	28.9	23.0	23.4
<b>Total Costs</b>	<b>195.8</b>	<b>168.8</b>	<b>150.4</b>

The Direct Billable Hour output reflects all costs required to perform software development and maintenance. The output is based on 1,650 hours per direct in-house workyear, 1,450 per military workyear, and 1,800 hours per contract workyear. Direct hours include civilian, military, overtime, and contract support hours.

The Support to Others output reflects TSO participation in the implementation support for software systems. It also defines and implements the DFAS corporate information infrastructure.

Approximately 85% of the activity personnel develop and maintain software, while 15% support system deployment and other information technology activities.

**Workload by Output Category:**

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Direct Billable Hours	2.5	1.8	1.5
Support to Others	28.9	23.0	23.4

The activity works closely with its customers, primarily the DFAS Financial Operations budget activity, to estimate TSO workload. These discussions determine the number of hours required by system for software development and maintenance. The workload changes reflect the continuing advancement of the DFAS migratory strategy for DoD Finance and Accounting systems as well as support for high priority work for legacy systems.

**Operating Results:**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	209.4	164.5	152.4
Costs	195.8	168.8	150.4
<b>NOR</b>	<b>13.6</b>	<b>(4.3)</b>	<b>2.0</b>
P/Y AOR	(9.8)	3.8	(0.5)
Other Changes AOR	3.8	(0.5)	0.1

**Economies and Efficiencies:**

The Information Services budget activity has several on-going initiatives to standardize, modernize, and reduce costs in the software development process. The activity's Software Process Improvement Program seeks to improve and standardize software development, modification, and re-

engineering practices. Efforts in the areas of configuration management project tracking, requirement analysis, and release management offset some of the increases that would have otherwise been experienced.

The DFAS Corporate Repository is a part of the DFAS Corporate Information Infrastructure (DCII) and will enhance long term efficiency by allowing the sharing of the standard system suite of systems. As they migrate to the DCII environment, the cost of development and maintenance will decline as our inventory of reusable code increases.

Business Area: Information Services  
Date: February 2004  
(Dollars in Millions)

	FY2003	FY 2004	FY 2005
1. New Orders			
a. Orders From DoD Components:			
Air Force, O & M	0.0	0.0	0.0
Navy, O & M	7.2	8.1	6.3
Marine Corps, O & M	16.2	15.2	14.8
b. Orders From Other Fund Business Areas:			
DFAS Financial Operations	175.6	128.9	119.7
DLA and DoD Agencies	5.5	6.2	6.4
Air Force, DWCF	4.9	6.1	5.2
Navy, DWCF	0.0	0.0	0.0
c. Total DoD:	209.4	164.5	152.4
d. Other Orders:	0.0	0.0	0.0
 Total New Orders	 209.4	 164.5	 152.4
2. Carry-In Orders	25.0	25.0	31.0
3. Total Gross Orders:	209.4	164.5	152.4
4. Revenue (-)	209.4	164.5	152.4
5. End of Year Work-in-Process (-)	0.0	0.0	0.0
6. Direct Contract Obligations (-)	0.0	0.0	0.0
7. Non-DoD, BRAC, FMS and DWCF Orders (-)	0.0	0.0	0.0
8. Funded Carry-Over	0.0	0.0	0.0
9. Months of Carryover	0.0	0.0	0.0

**Fiscal Year (FY) 2005 President's Biennial Budget**  
**Changes in the Costs of Operation**  
**Component: Defense Finance and Accounting Service**  
**Business Area: Information Services**  
**Date: February 2004**  
**(Dollars in Millions)**

	<b>Expenses</b>
<b>FY 2003 Actual:</b>	<b>195.9</b>
<b>FY 2004 Estimated in President's Budget:</b>	<b>199.9</b>
<b>Program Changes:</b>	
Workload Related	(20.0)
Support to Others	(11.0)
Cost Efficiencies	(2.8)
Inflation Adjustments	(0.1)
Civilian Pay Rates	2.8
<b>Other:</b>	<b>0.0</b>
<b>FY 2004 Revised Estimate</b>	<b>168.8</b>
<b>Pricing Adjustments:</b>	
Annualization of Prior Year Pay Raises	1.0
FY 2004 Pay Raise	
Civilian Personnel	2.9
Military Personnel	0.1
General Purchase Inflation	1.4
<b>Productivity Initiatives and Other Efficiencies:</b>	
Process Improvements	
<b>Program Changes:</b>	
Support to Others	(8.0)
Workload Related	(15.8)
<b>Other Changes:</b>	
<b>FY 2005 Estimate:</b>	<b>150.4</b>

**Fiscal Year (FY) 2005 President's Biennial Budget**  
**Revenue and Expenses**  
**Component: Defense Finance and Accounting**  
**Business Area: Information Services**  
**Date: February 2004**  
**(Dollars in Millions)**

	FY 2003	FY 2004	FY2005
<b>Revenue</b>			
<b>Gross</b>			
<b>Operation</b>	207.2	162.8	150.9
<b>Capital</b>			
<b>Depreciation exc Maj</b>	2.2	1.7	1.5
<b>Major Construction</b>			
<b>Other</b>			
<b>Refunds/Discounts</b>			
<b>Total</b>	209.4	164.5	152.4
<b>Expenses</b>			
<b>Cost of Material Sold from Inventory</b>			
<b>Salaries and</b>			
<b>Military Personnel Comp &amp;</b>	1.7	0.6	0.5
<b>Civilian Personnel Comp &amp;</b>	100.0	99.2	96.4
<b>Travel &amp; Transportation of</b>	2.2	2.6	2.5
<b>Materials &amp; Supplies (Internal</b>	1.6	2.0	2.0
<b>Other Purchases from Revolving</b>	0.1	0.5	0.4
<b>Transportation of</b>	8.3	6.5	7.1
<b>Depreciation -</b>	0.0	0.0	0.0
<b>Printing and</b>	2.2	1.7	1.5
<b>Advisory and Assistance</b>	0.0	0.0	0.0
<b>Rent, Comm, Utilities, &amp; Misc</b>	0.0	0.0	0.0
<b>Other Purchased</b>	2.1	2.3	2.3
<b>Total</b>	77.6	53.6	37.8
<b>Total</b>	195.8	168.8	150.4
<b>Operating</b>	13.6	-4.3	2.0
<b>Less Capital Surcharge</b>			
<b>Plus Appropriations Affecting</b>			
<b>Other Changes Affecting</b>			
<b>Net Operating</b>	13.6	-4.3	2.0
<b>Prior Year</b>	-9.8	3.8	-0.5
<b>Other Changes Affecting</b>	0	0	-1.5
<b>Accumlated Operating</b>	3.8	-0.5	0.1

**DEPARTMENT OF DEFENSE  
DEFENSE-WIDE WORKING CAPITAL FUND  
  
INFORMATION SERVICES ACTIVITY GROUP  
DEFENSE INFORMATION SYSTEMS AGENCY  
FY 2005 PRESIDENT'S BUDGET SUBMISSION**

**FUNCTIONAL DESCRIPTIONS**

The Defense Information Systems Agency (DISA) Defense-wide Working Capital Fund (DWCF) Information Services Activity Group includes two business areas. The two business areas are comprised of Computing Services (CS) and Telecommunications Services and Enterprise Acquisition Services (TSEAS). This budget provides a summary of the Information Services Activity Group, as well as details of program objectives and resource requirements by business area. The TSEAS operations are divided into two cost centers:

- Telecommunications Services
- Enterprise Acquisition Services

**Computing Services**

As an integral component of the Global Information Grid (GIG), DISA provides militarily essential computing capabilities critical to the global combat support operations of the Department of Defense (DoD). Defense Computing Services include mainframe, server, and other information services that provide secure processing of classified and unclassified information, global interoperability from the sustaining base to deployed forces, positive end-to-end control, surge capability, and operational sensitivity to rapidly changing priorities. Consistent with Joint Vision (JV) 2020, DoD considers information processing and information technology (IT) to be strategic to achieving information superiority to attain full spectrum dominance. The JV 2020 states, "Information, information processing, and communications networks are at the core of every military activity... The evolution of information technology will increasingly permit us to integrate the traditional forms of information operations with sophisticated all-source intelligence, surveillance, and reconnaissance in a fully synchronized information campaign. The GIG will provide the network-centric environment required to achieve this goal. The grid will be the globally interconnected, end-to-end set of information capabilities, associated processes, and people to manage and provide information on demand to warfighters, policy makers, and support personnel. It will enhance combat power and contribute to the success of noncombat

military operations as well." To ensure information superiority, these capabilities must be under the military ownership and control that allows them to operate "...at a tempo that allows the force to shape the situation or react to changes and accomplish its mission..." and to protect against the information operations of an opponent.

Defense Computing Services provides mainframe and server computer operations, production support, technical services, and end-user assistance for command and control, combat support, and eBusiness functions across the DoD. DISA's Systems Management Centers (SMCs) and Processing Elements (PEs) rely on highly skilled and experienced teams of government and contractor personnel to manage hardware and software encompassing a broad spectrum of computing, storage, and communications technologies. The facilities have been designed and managed to provide a secure, available, protected, disciplined and interoperable environment for both classified and unclassified processing under military control. Defense Computing Services provides the GIG Enterprise Services (GIG ES) computing infrastructure, enabling global reachback, end-to-end control, defensive information operations, and operational sensitivity. Further, the DISA-fielded Global Combat Support System (GCSS) provides commanders with web-based access to selected Service and Agency authoritative/preferred logistics and transportation databases, which avoids the need to lift and support a considerable IT infrastructure in the area of operations. This represents the initial stages of net-centric warfare, one of the DoD CIO's five priorities.

DISA provides computer processing for the entire gamut of combat support functions, to include transportation, logistics, maintenance, munitions, engineering, acquisition, finance, medical, and military personnel readiness. The applications housed on DISA's mainframes and servers enable the armed forces and agencies to:

- Provide command and control of warfighting forces
- Ensure weapon systems availability through management and control of maintenance and supply
- Ensure mobility of the warfighter through management and maintenance of the airlifter and tanker fleets
- Provide warfighter sustainment through resupply and reorder
- Provide the warfighter with information on the location, movement, status, and identity of units, personnel, equipment, and supplies

- Manage the medical environment and patient care
- Support DoD business and eBusiness processes

Applications are developed by Services' and Agencies' central design activities. DISA provides common computing platforms, networks, and enterprise systems management tools that standardize the underlying infrastructure and integrate the combat support business processes it supports. Using the global reachback provided by Defense Information Systems Network (DISN), a joint task force can plug into this common computing infrastructure, assured of receiving full interoperable support. Through Global Command and Control System (GCCS), GCCS, and a common communications and computing infrastructure, DISA provides the joint warfighter with a single end-to-end capability to manage and monitor units, personnel, and equipment from mobilization through deployment, employment, sustainment, redeployment, and demobilization.

DISA's computing facilities continue to be highly accessible and secure data processing centers with dual high-capacity DISN connectivity and organic defense in depth, resulting in a more secure and robust computing infrastructure upon which to build. They feature automated systems management to control computing resources and gain economies of scale. Additionally, DISA has aggressively pursued an "assured computing" philosophy designed to ensure that information and mission-critical applications are continuously available for customers.

### **Telecommunications Services and Enterprise Acquisition Services (TSEAS)**

The primary mission of TSEAS is to purchase telecommunications and related information technology products from the worldwide commercial sector to ensure the utility and warfighter requirements of DoD Components and authorized non-defense customers are met. The TSEAS revolving fund enables DISA to build and sustain a critical component of the Global Information Grid (GIG), which provides the warfighter access to valid, secure, and operationally relevant information in a timely manner to ensure success of military operations. The existence of the core infrastructure ensures that standard telecommunications capability exists across the Department and facilitates interoperability and jointness among the military components. The importance and value of a common infrastructure able to operate worldwide was repeatedly demonstrated during the recent contingency operations.

Telecommunications Services provides a single source for high quality, reliable, survivable, and secure telecommunications services for DoD-wide command and control. Telecommunications Services provides the ideal vehicle for procurement of best-value and commercially competitive information technology, as well as data, video and voice services. The lowest possible cost to the customer is attained through bulk quantity purchases, economies of scale, and reengineering current communication services to ensure leading edge technologies are utilized.

TSEAS operations can be divided into three functional components:

- Defense Information Systems Network (DISN) Services
- Reimbursable Telecommunications Services
- Enterprise Acquisition Services

DISN services are grouped into either rate based or reimbursable services, as depicted in Table 1:

**Table 1:**  
**Components of the Defense Information Systems Network**

<b>Rate Based Offerings</b>	<b>Supporting Programs/Networks</b>
Voice Services	<ul style="list-style-type: none"> <li>• Defense Switched Network (DSN)</li> <li>• Hawaii Information Transfer System (HITS)</li> </ul>
Data Services	<ul style="list-style-type: none"> <li>• Internet Protocol Routers (IPR)</li> </ul>
Video Services	<ul style="list-style-type: none"> <li>• Defense Video Teleconferencing Network (VTC)</li> </ul>
Transmission Services	<ul style="list-style-type: none"> <li>• Dedicated Transmission Network (MUX)</li> <li>• Caribbean Transmission Network (TRANS-B)</li> <li>• Pacific Transmission Network (TRANS-P)</li> <li>• European Transmission Network (TRANS-E)</li> <li>• Continental US Transmission Network (TRANS-C)</li> <li>• Southwest Asia Transmission Network (TRANS-S)</li> <li>• Asynchronous Transfer Mode (ATM)</li> </ul>
<b>Reimbursables</b>	<b>Supporting Programs/Networks</b>
Reimbursable	<ul style="list-style-type: none"> <li>• Defense Red Switch Network (DRSN)</li> </ul>

e Services	<ul style="list-style-type: none"> <li>• Joint Worldwide Intelligence Communications System (JWICS)</li> <li>• Commercial Satellite Service Office (CSSO)</li> <li>• Gigabit Switched Routers (GSR)</li> <li>• Defense Messaging System (DMS)</li> <li>• FTS Satellite Services</li> </ul>
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### **DISN Rate Based Services**

TSEAS's core program is the Defense Information Systems Network (DISN). As a subset of the Defense Information Infrastructure, the DISN strategy is to consolidate the Military Departments' and Defense Agencies' telecommunications networks into one common-user network with interoperable equipment. DISN provides an enhanced long-haul telecommunication infrastructure that offers data, video and voice services to warfighters, policy makers, and support personnel. The DISN serves as the GIG's global information transport platform, providing connectivity, assured services, security, interoperability, transport capacity, diversity and preemption capabilities. DISN provides long-haul connections between the Combatant Commands, departments, agencies, bases and deployed forces. It provides dynamic routing of voice, text, imagery (both still and full motion) and bandwidth services. DISA also provides government and contract engineering, modeling, simulation and assessment, and system control resources to support the DISN networks operations.

### **DISN Reimbursable Services**

In addition to rate-based services, DISN also offers DoD components specific reimbursable services such as the Commercial Satellite System, Defense Red Switch Network, and Defense Messaging System. These services are customer-driven and are structured to meet specific, unique requirements. Additionally, DISN now offers specific reimbursable services to DoD components requiring Community of Interest (COI) networking with a defined quality of service to support their initiatives to meet the Department's transformation and information technology objectives. DISA offers these COI network services, virtual private networking with consolidated enterprise data service access, provided that COI networks fully comply with GIG interoperability and security requirements. The result ensures that component requirements are met by leveraging DISA's core telecommunications infrastructure.

## **Reimbursable Telecommunications Contracts**

In addition to the DISN, the TSEAS budget provides a wide variety of cost-reimbursable telecommunications contracts for the Department of Defense community and other approved organizations. Use of these contracts allows the military components to utilize fully DISA's economies of scale with the telecommunications vendor community. These contracts are treated as a "pass-through" expense to the Fund and mainly support Europe, Alaska, and Pacific for local unsecured telephone service.

## **Enterprise Acquisition Services**

Enterprise Acquisition Services encompasses a variety of support services to meet DoD information technology contract requirements. DEIS II, INFOSEC, and Computer Technology are some of the larger contract vehicles serviced for enterprise integration services and security related procurements. The mission of Enterprise Acquisition Services also includes acquisition planning, procurement, and contract administration; accounting and vendor payment; customer billing and tariff issues.

### **TRANSFORMATION UNDERWAY**

The Defense Computing Services mission is to provide secure, interoperable, and assured data processing that enables the DoD to deploy, employ, and sustain a warfighting force. In furtherance of this mission, DISA has begun executing the following general transformational strategies/goals for computing services:

- Refine the processing, support, and services architecture, taking advantage of increasing bandwidth and highly distributed computing and storage
- Provide standardized, content-rich computing environments
- Improve the usability of DISA computing services through enhanced customer relations management services, simplified billing and rate structures, and fewer service level agreements
- Increase system availability by expanding data replication and mirroring

- Enhance the scalability of DISA computing services to better support GIG policy and the requirements of Net Centric Enterprise Services (NCES)
- Increase use of centralized automated systems management
- Continue workload consolidation where increased efficiency and cost effectiveness can be achieved
- Facilitate the transfer of additional processing support for command and control and intelligence functions into DISA facilities
- Continue ongoing efforts to support cross-component server applications and facilitate DoD-wide consolidation as the designated provider for all DoD server processing

The goal of the transformed Defense Computing Services is to be centralized, standardized, available, secure, efficient, customer-focused, easy to use, and rich in value-added services.

### **Computing Services Transformation Initiatives**

DISA has a number of transformation initiatives that enhance Defense Computing Services availability, affordability, and ease of use. Investments for these initiatives will be funded through the Defense Working Capital Fund (DWCF). Implementation of these programs will be financed from the Defense Computing Services budget and once completed will result in significant savings to the Department. The Deputy Secretary of Defense approved DISA's request to proceed with implementation of these transformation initiatives on 10 March 2003.

**Assured Computing** DISA's "assured computing" concept is a set of initiatives designed to ensure that data is continuously available to the warfighter. There are five pillars of assured computing:

Facilities Availability: Capital investments in facilities to ensure redundancy of all elements of power and environmental control reduced unplanned facility outages from 240 hours in 1996 to less than 5 hours in 2002. Additional facilities investments in FY 2004 will eliminate the need for planned outages, thereby ensuring that the processing centers are truly 24x7 facilities.

Equipment Availability: DISA will continue its efforts to replace mechanical devices prone to failure, such as tape drives and silos, with more reliable and redundant technology, such as virtual tape. For all hardware,

consolidated maintenance contracts will continue to emphasize availability. These contracts incentivize vendors to keep the equipment in an operational condition to the maximum extent possible, using techniques such as predictive, call-home maintenance and remote automated diagnostics.

Communications Availability: DISA has eliminated single points of failure at the facility level by ensuring that communications paths into and out of computing facilities are both diverse and redundant. A new "Out of Band" network now provides a separate, secure, closed network for centralized system administration across all facilities. Since this system is on a separate network, any vulnerability in production networks will not impact enterprise management of Computing Services' hosts. The GIG Bandwidth Expansion and DoD Teleport initiatives provide additional diversity and Critical Infrastructure Protection (CIP) at the backbone level, and will further enhance the warfighter's ability to access combat support information.

Software Availability: DISA is working with software vendors to eliminate or reduce destructive or disruptive loads of new releases of commercial-off-the-shelf (COTS) software, e.g., microcode, databases, and management tools.

Data Availability: Availability of the data is the most important pillar. Assured computing uses remote data replication and mirroring at geographically separate locations to ensure the availability of data in the event of a catastrophic loss of a processing facility, and mitigate the risks inherent in data center consolidations. DISA has already implemented data replication in the Unisys mainframe environment and the transformation initiatives will expand data replication into the OS/390 mainframe and server environments.

DISA is implementing data replication for the OS/390 mainframe environment in conjunction with the mainframe consolidations described below. This is a collaborative effort with the vendor community to determine the best value replication solution for the OS/390 environment. The initiative is dependent upon required sites' connection to the GIG Bandwidth Expansion, and provides a capability that had not previously existed. Even with this added capability, the estimated customer billing rates are projected to continue to decline.

Currently, server data replication involves unique solutions implemented on a full cost recovery basis at the discretion of individual customers. Data availability is often a low priority to a program manager who is concerned about program funding. The events of September 11, 2001 have proven that the DoD must take steps to ensure that data is protected by requiring back up and recovery and replication of critical applications. A standard replication solution for the current server applications is being implemented during FY 2004 and FY 2005. Implementation across a broader base of DoD programs will depend on the degree to which the DoD takes advantage of DISA's capabilities to support DoD-wide server consolidation. This initiative is also dependent upon required sites' connection to the GIG Bandwidth Expansion.

**Affordability** The transformation of Defense Computing Services includes the consolidation of systems management functions for both mainframe and server environments, the consolidation of data processing operations if determined to be economical, and the streamlining of business and management processes including overhead. The following are several transformational initiatives intended to enhance the affordability of Defense Computing Services:

Consolidation of systems management: DISA is consolidating all systems management functions for mainframe and server computing into four locations, providing built-in backup support for each operating environment. These four sites will be known as Systems Management Centers (SMCs) and will also function as mainframe/server or server only processing sites. A lights-dim approach with support for remote operations will be implemented at operating sites, which will now be known as Processing Elements (PEs). The SMCs are created to host system and network management, administration, monitoring, and technical support functions. Systems management consolidation is being implemented in concert with mainframe and server processing consolidation from FY 2003 through FY 2005.

Consolidation of OS/390 and Unisys mainframe processing: DISA currently operates six mainframe processing sites, five of which support OS/390 processing and three of which support Unisys processing. Mainframe workload is being consolidated into three OS/390 and two Unisys sites in conjunction with implementation of data mirroring and replication. The OS/390 target sites have been carefully selected using fair, objective, quantifiable, and

defendable criteria that reflect the needs and provide the best value to DISA's customers. The two remaining Unisys processing sites were previously selected during the Strategy for Mainframe and Regional Transition (SMART) process.

Server consolidation: DISA is consolidating DFAS server applications from ten DISA sites into two DISA SMCs/mainframe sites. This initiative will improve operational efficiency and reduce costs to DFAS. DISA will also evaluate alternatives to consolidate other server processing into fewer sites. Each possibility will be carefully analyzed, taking into account the expected efficiencies and savings already resulting from the consolidation of systems management functions, to determine if there is sufficient return potential.

Server model operating environment: DISA is introducing server Model Operating Environments (MOEs) to simplify systems and database administration and to reduce acquisition and support costs. These model environments are being established in cooperation with DISA's customers, who will target their development activities toward the MOEs. For those applications using model environments, the cost of operation will be reduced because of economies of scale and increased efficiencies. Service contracts will be established with industry partners for provision of just-in-time processing capability based on the MOEs.

Management Restructuring: DISA is restructuring the organization and staffing of Defense Computing Services' headquarters and overhead functions to support the changed environment brought about by the other transformation initiatives. The current DECC and DECC detachment management structure is being eliminated. Overhead functions are being integrated and consolidated into a single virtual management organization, located primarily at existing headquarters locations. These streamlining processes are projected to be completed by the end of FY 2005.

Other/legacy/non-core changes: DISA will discontinue supporting workloads that are non-core to its combat support-processing mission. This change, in coordination with DISA's customers, will occur at the same time other transformation initiatives are being implemented.

**Ease of use** There are five customer-focused transformational initiatives to enhance customers' satisfaction when utilizing Defense Computing Services.

Streamlined business processes: This initiative includes implementation of standard pricing strategies that are simple, understandable, and predictable, including rates where appropriate. It also includes streamlined service level agreements, i.e., negotiating fewer high-level agreements rather than many activity-level agreements, and simplified invoicing.

Customer-focused help desks: DISA is reorganizing and consolidating help desk functions to focus them on major customers. Using best commercial practices will further automate help desk functions to make them more efficient. This restructuring is occurring in concert with the SMC consolidations and is projected to be completed by the end of FY 2005.

Improved scalability: This initiative has several components. First is the ability to respond to new and changing customer requirements by quickly providing proposed solutions back to the customer, reflecting the best requirements information the customer is able to provide. Second is to have readily available contract vehicles for hardware, software, and services to quickly satisfy customer requirements. Third is the ability to offer scalable implementation services, at lower marginal cost, to stand up new applications as quickly as possible.

Sensitive compartmented information facilities (SCIFs): DISA is adding SCIFs to accommodate increased demand for the processing of highly classified work.

Value-added services: DISA will offer value-added services such as content management and application instrumentation and monitoring. These are intended to reduce application development costs by adding operating environment tools and processes as part of a basic service offering. DISA will also facilitate DoD component compliance with net-centric enterprise service standards.

## MAJOR CHANGES BETWEEN FISCAL YEARS

### Computing Services

#### **FY 2004 President's Budget Submission to FY 2004 Current Estimate**

Overall, DISA's Computing Services FY 2004 current estimate of \$615.8 million has changed insignificantly from the previous President's Budget submission of \$616.9 million. Many program changes have been planned since the President's Budget submission due to DISA's initiatives as part of the DoD's Transformation process. Those initiatives are highlighted in DISA's Transformation Roadmap and are constantly being updated to meet customer needs and technology changes.

DISA's FY 2003 Computing Services budget included an estimate of \$42.0 million to begin the implementation of the transformation. However, due to the delay in OSD approval, announcement of the transformation to Congressional delegations and the workforce, and changes requested by DFAS for their server consolidation, DISA only incurred \$8.3 million in transformation costs during FY 2003. Cost estimates and associated savings included in the FY 2004 President's Budget submission were based upon initiation of transformation actions beginning in January 2003; however, commencement of transformation actions actually occurred in mid-May 2003.

The primary change between the FY 2004 President's submission and the revised current estimate is related to personnel compensation and contractor support. The FY 2004 President's submission had projected personnel compensation to be \$202 million and this submission reduces it to \$191.1 million. This \$11 million reduction has been primarily caused by an increase in resignations and retirements during FY 2003, thereby requiring less personnel compensation funds for FY 2004. These personnel reductions are offset by an increase in contractor support for the implementation of transformation initiatives and reimbursement for contract system reliability testing required by the DoD Inspector General's (IG) audit of the Department's DWCF financial statements.

#### **FY 2004 Current Estimate to FY 2005 Current Estimate**

DISA's Computing Services FY 2005 current estimate of \$608.7 million is \$7.1 million lower than the FY 2004 estimate. This decrease is primarily due to the reduction in personnel

compensation of \$11 million, \$22 million Contractor support, \$10 million Miscellaneous contracts (all as a result of reductions from Transformation and discontinue funding for the DoD-IG DWCF financial audit for a second year), offset by the increase \$26 million for depreciation expenses, and \$5 million for additional communications and \$5 million in equipment maintenance for new acquired equipment from the capital investment program. FY 2004 and FY 2003 provided a substantial capital program for DISA's investment for transformation and mainframe and server technical refresh and new customer requirements, thereby increasing FY 2005 and out year depreciation expenses.

The FY 2004 estimate funds 2,063 full time equivalents (FTEs), whereas the FY 2005 estimates funds 1,777 FTEs and 13.9% decrease in staffing. This decrease is due to the change in staffing size of the PEs and SMCs during FY 2004 and FY 2005 in accordance with the Transformation plan. Since the FY 2004 President's submission, the projected grade, series, and location of staffing changes has been further defined and, therefore, has provided the opportunity to better estimate the cost of basic personnel compensation and the related adverse cost of separating government employees. After FY 2005, the adverse cost of employee separation will not be diminished entirely but will begin to decline as the effected employees benefits are curtailed.

A significant performance measure used by our customers for mainframe processing is the rates. DISA is committed to reducing the costs to its customers, as evidenced by the rates included in this submission. The FY 2004 OS/390 mainframe rates decrease by 16% from FY 2003, and decrease in FY 2005 by an additional 5% from the FY 2004 rate. The Unisys rate will remain constant and unchanged during the FY 2004 and 2005 years.

**Telecommunications Services and Enterprise Acquisition Services**  
**FY 2004 President's Budget Submission to FY 2004 Current**  
**Estimate**

The TSEAS budget contains FY 2004 costs of \$2,841.9 million, or \$264.3 million more than the FY 2004 President's Budget Submission. Compared to the previous submission, the budget now includes an increase of \$101.3 million for contingency operations such as Operation Iraqi Freedom which was funded through a FY 2004 Supplemental Defense Appropriation. These costs will ensure the appropriate linkages between and within military components using DISA's core telecommunication infrastructure. The business area has also experienced significant growth in Commercial Satellite Communications and has caused DISA to increase the FY 2004 estimate by \$72.9 million. These are customer-driven and cost reimbursable. Reimbursable Telecommunications Contracts (pass through accounts) are expected to exceed the President's Budget estimates by \$54.5 million, as more DoD customers come to DISA information technology for contracting services. The FY 2004 current estimate also includes unprogrammed costs that were expected to incur in FY 2003 but now are expected to execute in FY 2004. The major decline in business operations is from the Navy for Gigabit Router Service (i.e., NMCI) which has not materialized as originally planned and is somewhat offset by the overall growth in Internet Protocol Router (IPR) Service customer requirements.

**FY 2004 Current Estimate to FY 2005 Current Estimate**

TSEAS costs show a net cost decrease of \$26.7 million from FY 2004 to FY 2005. Customer demand for NIPRNET and SIPRNET services continues to increase as does voice communications. The most notable decrease between FY 2004 and FY 2005 is a \$12.2 million decrease in FY 2005 rate-based program costs based on increased productivity with a resulting decrease to FY 2005 rates. Also, the budget includes inflationary growth and increased depreciation of capital assets. However, these increases are offset by various decreases to result in an overall decrease. The cost associated with Contingency Operations is projected to decline in FY 2005. Finally, the increase to FY 2004 for expenses not realized in FY 2003 will not reoccur in FY 2005 thereby decreasing costs.

## OPERATING BUDGETS

Each DISA DWCF business area achieves a zero Accumulated Operating Results (AOR) by the end of FY 2005. Table 2 provides a summary of FY 2003 actual and FY 2004 and FY 2005 estimated revenue, cost and operating results:

**Table 2: Operating Budget Summary**

Computing Services	\$ in Millions		
	FY 2003	FY 2004	FY 2005
Revenue	564.5	581.6	579.5
Costs	539.6	615.8	608.7
Net Operating Result (NOR)	24.9	-34.2	-29.2
Accumulated Operating Result (AOR)	63.4	29.2	0.0

Telecommunications Services and Enterprise Acquisition Services	\$ in Millions		
	FY 2003	FY 2004	FY 2005
Revenue	2,677.7	2,789.5	2,796.9
Costs	2,575.8	2,841.9	2,815.2
Net Operating Result (NOR)	101.9	-52.4	-18.2
Accumulated Operating Result (AOR)	70.6	18.2	0.0

## CAPITAL INVESTMENT BUDGET

Capital investment program requirements are generally predicated on the replacement of major telecommunications and ADPE equipment when current equipment is no longer maintainable, or when replacement parts are not available. DISA strives to provide customers with quality service through the latest technology, and the capital program supports the insertion of new technology through major equipment purchases, which provides service enhancements and future cost reductions.

## **Computing Services:**

The capital program includes estimates for: facilities and infrastructure replacements, optimization and replacement of mainframe and server systems, software standard operating environment, integrated storage solutions for computing processing, communication devices, and transformation initiatives.

### **Facilities and communications infrastructure replacements**

Facilities and communications infrastructure replacement requirements for FY 2004 total \$3.0 million for replacement of Uninterrupted Power Supply for Montgomery System Management Center and \$4.5 million for Enterprise Edge Switch devices to support the Out of Ban network for CSD sites. By FY 2005, the facility and communications program reaches a recurring annual infrastructure replacement of \$1.0 million facilities and \$4.0 million for communications.

**Optimization and replacement of mainframe systems** \$6.5 million in FY 2004 and \$5.0 million in FY 2005 in capital requirements are programmed for Z900 processors for life-cycle replacement and enhanced capability to complete the mainframe consolidation.

**Optimization and replacement for server systems** \$35.2 million in FY 2004 and \$28.3 million in FY 2005 supports new server workload for the Composite Health Care System (CHCS), Air Force, and DFAS server solutions. \$3.7M in FY 2004 and \$9.2M in FY 2005 are scheduled for purchase of partitionable enterprise servers and recurring technical refresh.

### **Optimization and replacement Executive software and storage**

Enterprise systems management tools sets and executive software are scheduled for FY 2004 for \$8.3 million and FY 2005 for \$6.5 million. Enterprise Infrastructure storage and technical refresh is planned for \$7.4 million in FY 2004 and \$6 million in FY 2005, which enables CSD to introduce an enterprise Storage Area Network (SAN) and replace approximately 20 TB of older storage devices.

**Transformation initiatives** In FY 2003, transformation initiatives were approved and received capital funding. The transformation initiatives will continue in FY 2004. However, the only FY 2004 transformation capital project is the SMCs' transformation to a new way of providing service (\$4 million).

## **Telecommunications Services and Enterprise Acquisition Services:**

The capital budget reflects DISA's emphasis on investment funding as an optimal means of procuring information technology equipment to support DISA's customers and warfighters. The investment focus is to replace outmoded equipment and leverage new technologies to increase effectiveness. Additionally, selected procurements such as the CONUS and HITS Multi-Function Switches seek to move the new equipment from commercial to government ownership to enhance survivability and continuity. They are also expected to generate significant cost avoidances. Investments are also driven by customer demand for increased service in such areas as teleconferencing.

The FY 2004 capital budget is highlighted by the phased purchases of the CONUS Multi Function Switches, HITS Multi Function Switches, and replacement of the Video Teleconferencing (VTC) DVS-II contract. In FY 2005, phased replacement of the CONUS Multi Function Switches and HITS Multi Function Switches are completed. The deployment of DISN Billing Application and Automated Workflow software are also phased over the budget years and are expected to transform the DWCF telecommunications workload tracking and customer feedback processes. The customer will also benefit from the Enterprise Business Modernization effort which will modernize DISA's acquisition and provisioning business processes through the creation of an Enterprise Architecture. Table 3 provides a summary of capital budget financial requirements.

**Table 3: Capital Budget Summary**

<b>\$ in Millions</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Computing Services	139.3*	72.7	60.0
TSEAS	80.4*	71.7	51.6
Total Capital Program	219.8	144.4	111.6

\* FY 2003 Carryover for CSD is 71.4 and for TSEAS is 66.3

## **CUSTOMER RATES**

### **Computing Services**

Computing Services rates reflect DISA's Transformation initiative which will result in the consolidation of mainframe processing, server processing, systems management, and management restructuring. The Computing Services budget has two

basic methods of cost recovery, rate based and direct reimbursement. Each methodology is designed to capture the total cost of operations, including direct and overhead costs. The Tape MB Days (OS/390) was reduced as a technical adjustment from .0007 to .0005 in July 2003. Also note that DASD Assured Computing has been given a separate rate in FY 2005 to increase visibility of this critical area. This table provides the proposed computing customer rates:

**Table 4: Computing Services Customer Rates**

Outputs	(Dollars per Unit)		
	FY 2003	FY 2004	FY 2005
<b>Unisys</b>			
SUPS	13.8542	13.8535	13.8525
DASD MB Days	0.0252	0.0248	0.0246
Tape Storage (MB/Days)	0.0010	0.0013	0.0012
<b>OS/390</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
CPU Hours (OS/390)	28.9265	24.1681	22.9127
I/O Transfers (OS/390)	0.0291	0.0270	0.0269
DASD MB Days (OS/390)	0.0073	0.0073	0.0061
Tape Mounts Cartridge (OS/390)	0.2973	0.3010	0.3595
Cartridge MB Days (OS/390)	0.0005	0.0007	0.0007
DASD Assured Computing	0.0000	0.0000	0.0029

**Telecommunications Services**

The two-tiered pricing methodology for telecommunications services is still in effect through FY 2005. Tier-One costs provide military readiness attributes not available in commercial systems such as tactical extension, enhanced physical and personnel security, diverse routes and media and multi-level precedence. Per Congressional direction, these costs are funded in the DISA Operations and Maintenance, Defense-Wide account for FY 2004 and FY 2005. Tier-Two covers costs analogous to those incurred by commercial providers in the delivery of comparable information services and are recovered through customer billing rates. Additional services such as the Commercial Satellites Service, Defense Messaging System, and Defense Red Switch System are provided on a cost reimbursable basis. This budget includes providing telecommunications services while incurring no more than the unit prices summarized in Table 5.

**Table 5: Telecommunications Services Customer Rates**

<b>Theater Average Annual Unit Price (TY\$)</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Voice (\$/min)			
CONUS	0.0286	0.0286	0.0277
Caribbean	0.0446	0.0446	0.0433
PAC	0.1059	0.1059	0.1027
Europe	0.1657	0.1465	0.1421
SW Asia	0.1726	0.1726	0.1674
Data (\$/kb)			
CONUS	10.0800	10.0800	9.7751
Caribbean	10.0800	10.0800	9.7751
PAC	22.4700	22.4700	21.7902
Europe	21.1800	21.1800	20.5392
SW Asia	26.5900	26.5900	25.7856
Video (\$/min)			
CONUS	1.5170	1.5170	1.4711
Caribbean	1.5170	1.5170	1.4711
PAC	2.6100	2.6100	2.5310
Europe	2.4800	2.4800	2.4050
SW Asia	2.4800	2.4800	2.4050
Transmission (\$/kb)			
CONUS	21.7140	18.9210	18.3486
Caribbean	21.7140	18.9210	18.3486
PAC	21.7140	18.9210	18.3486
Europe	21.7140	18.9210	18.3486
SW Asia	21.7140	18.9210	18.3486

**Enterprise Acquisition Services**

Enterprise Acquisition Services has two sources of revenue. The pass-through contracts are directly reimbursed by the customers. The remaining Contracting, Accounting and Financial Management Services line of business earns revenue by assessing a fee of 2 percent on every telecommunications service and contract billed to TSEAS customers to recover administrative costs.

**PERFORMANCE INDICATORS**

DISA drafted its FY 2004 Performance Plan to demonstrate alignment with the management goals of the President's Management Agenda, the Quadrennial Defense Review's performance goals for risk management (balanced scorecard approach), and the Government Performance and Results Act. However, now with the

DISA Transformation Initiative, the agency is in the process of reviewing and re-establishing performance indicators along with a balanced scorecard. This process is expected to be completed by mid-FY 2004.

### **Computing Services**

The Computing Services budget currently has the following performance indicators (under review), which revolve around system availability and responsiveness, and value to the customer:

1. Provide mainframe information processing services while incurring no more than specified unit prices.
2. All peak workload requirements will be met while maintaining an average utilization of installed OS 390 capacity of at least 70 percent.
3. Users will experience MVS and Unisys platform availability of at least 98 percent.
4. Complete a survey of Computing/Information Processing Service customers annually. Identify major concerns and issues. Not later than October 31, following the completion of the fiscal year, report to the Defense Management Council (DMC) an action plan that addresses all major issue areas with customers.

### **Telecommunications Services and Enterprise Acquisition Services**

The TSEAS budget currently has the following performance indicators (under review), which revolve around responsiveness and value to the customer:

1. Provide DISN telecommunications services while incurring no more than the specified prices.
2. The fee for Enterprise Acquisition Services will be competitive with the fee charged for similar services by other DoD and Federal Government contracting organizations
3. Provide Global Net-Centric solutions for the Nation's warfighter and supporting activities.

## **CIVILIAN PERSONNEL**

### **Computing Services**

Over the past ten years, DISA has achieved significant personnel reductions through various management initiatives. From FY 2003 through FY 2005, and continuing through the implementation of transformation initiatives and proactive human resources

planning, Computing Services is estimating staffing level reductions of approximately 725, or 35 percent, compared to the end of FY 2003. This submission decreases the end strength for both FY 2004 and 2005 from the FY 2004 Presidents submission by 235 and 351, respectively. With the announcement of transformation in mid-March, DISA's workforce has actively participated in DISA's Human Resource Plan mechanisms such as voluntary early retirements, voluntary separation incentive payments, and referral placements. These initiatives have accelerated the loss of employees planned in the Transformation Roadmap.

The civilian labor cost estimates shown above include voluntary separation incentive pay, voluntary early retirement pay and severance pay for DISA's planned transformation reductions. These costs are \$3.9 million in FY 2003, \$6 million in FY 2004, and \$14.2 million in FY 2005.

**Telecommunications Services and Enterprise Acquisition Services**

The civilian personnel budget is experiencing growth in FY 2004 due to an expansion of network operations functions. In addition, in FY 2005, NIPRNET network management functions will also transfer to TSEAS from the Computing Services line of business.

Table 6 provides an overview of civilian personnel levels and costs for the DISA agency.

**Table 6: Civilian Personnel**

<b>Computing Services</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Civilian End Strength	2,061	1,948	1,336
Civilian FTE	2,274	2,063	1,777
Civilian Personnel Cost (\$ Millions)	\$189.3	\$191.1	\$180.6

<b>Telecommunications Services and Enterprise Acquisition Services *</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Civilian End Strength	530	547	572
Civilian FTE	513	530	558
Civilian Personnel Cost (\$ Millions)	\$38.6	\$43.4	\$46.4

\* includes amounts for 10 Foreign National Indirect Hires

**MILITARY PERSONNEL**

The Computing Services budget shows military personnel billets from FY 2003 through FY 2005 remaining consistent with the FY 2004 President's Budget. Consistent with the transformation initiatives, the Computing Services military billets are reduced and returned to the services. The remaining billets will only be allocated to the headquarters elements. Reimbursable military billets assigned to the TSEAS business area remain flat in FY 2005. TSEAS military personnel support the DISA CONUS activity located at the Scott Air Force Base, Illinois.

Table 7 provides a synopsis of DISA DWCF Military Personnel levels and costs.

**Table 7: Military Personnel**

<b>Computing Services</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Military End Strength	14	14	7
Military Workyears	14	14	7
Military Personnel Cost (\$ Millions)	\$1.3	\$1.3	\$.9

<b>Telecommunications Services and Enterprise Acquisition Services</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
Military End Strength	32	35	34
Military Workyears	32	35	34
Military Personnel Cost (\$ Millions)	\$1.9	\$2.3	\$2.3

**Changes in the Costs of Operations**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
(Dollars in Millions)

FY 2003	Actual	539.572
FY 2004	Estimate in President's Budget	616.898
	Pricing Adjustments:	
	Change in Payraise Assumptions	3.587
	Change in Inflation Rate	0.669
	Program Changes:	
	181 Fewer FTEs due to Transformation	(14.758)
	Other Program Changes	1.551
	Other Changes:	
	Contract System Reliability Testing	7.600
	Benefits to Former Employees - Transformation Downsizing	0.238
FY 2004	Current Estimate	615.785
	Pricing Adjustments:	
	Civpay Annualization and Price Growth	4.110
	Non-Pay Price Growth	4.585
	Program Changes:	
	Change in Personnel Cost due to Transformation	(14.595)
	Advisory Services Reduction (as Transformation is Executed)	(23.865)
	Other Program Changes	(4.020)
	Other Changes:	
	Depreciation	26.706
FY 2005	Estimate	608.707

**Changes in the Costs of Operations**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
(Dollars in Millions)

FY 2003	Actual	2,575.811
FY 2004	Estimate in President's Budget	2,577.604
	Pricing Adjustments:	
	Change in Payraise assumptions	0.738
	Change in Inflation Rate	4.455
	Program Changes:	
	Commercial Satellite System Increase in Demand	72.881
	MCI FTS 2001 Contract Cost	34.645
	General Increase in Telecommunications	20.709
	Other Changes:	
	(passthru)	54.486
	Change in Contingency Requirements	101.266
	Change in Depreciation	(24.913)
FY 2004	Current Estimate	2,841.871
	Pricing Adjustments:	
	Civpay Annualization and Price Growth	0.919
	Non-Pay Price Growth	35.981
	Program Changes:	
	Productivity Savings	(12.200)
	Programs	(34.053)
	Other Changes:	
	Change in Contingency Requirements	(33.079)
	Change in Depreciation	15.756
FY 2005	Estimate	2,815.195

Exhibit Fund-2, Changes in the Costs of Operations

**Source of New Orders and Revenue**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS and CS**  
**February 2004**  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
a. Orders from DoD Components			
Air Force Appropriated	608.988	533.454	543.686
Army Appropriated	498.554	461.627	463.285
Navy and Marine Corps Appropriated	341.014	334.803	323.163
DISA Appropriated	482.597	743.937	720.137
Other DoD	345.863	258.501	270.753
Orders from Other Fund			
b. Activity Groups			
Airforce - Working Capital	75.367	71.363	73.102
Army - Working Capital	9.889	11.717	8.825
Navy - Working Capital	48.165	45.092	47.808
DISA - Working Capital	5.349	8.164	9.068
DFAS	160.044	145.013	145.303
DLA	77.756	71.535	72.081
Defensewide - Working Capital	13.869	10.735	11.261
Computing Services	277.257	267.492	269.909
c. Total DoD	2,944.712	2,963.433	2,958.381
d. Other Orders			
FAA	214.184	199.374	202.225
Other Federal Agencies	80.049	205.702	213.025
Other Non-Federal	3.270	2.614	2.596
Total New Orders	3,242.215	3,371.123	3,376.227
2. Carry In Orders	0.000	0.000	0.000
3. Total Gross Orders	3,242.215	3,371.123	3,376.227
4. Other Income	0.000	0.000	0.234
5. Revenue	3,242.215	3,371.123	3,376.461
6. End of Year Work in Process	0.000	0.000	0.000
7. Direct Contract Obligations	0.000	0.000	0.000
8. Non-DoD, BRAC, FMS, and DWCF Order	0.000	0.000	0.000
9. Backlog)	0.000	0.000	0.000
10. Months of Carry-Over	0.000	0.000	0.000

Exhibit Fund-11

**Revenue and Expenses**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS and CS**  
**February 2004**  
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
<b>Revenue</b>			
Gross Sales			
Operations	3,208.501	3,278.874	3,241.514
Capital Surcharge	0.000	0.000	0.000
Depreciation Excluding Major	33.712	92.250	134.712
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.234
Refunds/Discounts(-)			
Total Income	3,242.214	3,371.124	3,376.460
<b>Expenses</b>			
Salaries and Wages:			
Military Personnel Compensation &	3.252	3.640	3.161
Civilian Personnel Compensation &	227.958	234.509	226.994
Travel & Transportation of Personnel	6.291	8.311	8.354
Materials and Supplies	150.186	137.140	129.527
Equipment	0.000	0.000	0.000
Other Purchases from Revolving Funds	34.482	39.883	45.622
Transportation of Things	0.183	0.066	0.067
Depreciation Capital	51.551	92.250	134.712
Misc. Charges	1,758.155	1,643.213	1,579.533
Printing and Reproduction	0.673	0.850	0.845
Advisory and Assistance Services	107.906	117.528	95.190
Other Purchased Services	774.746	1,180.266	1,199.896
Total Expenses	3,115.383	3,457.656	3,423.902
Operating Result	126.831	(86.532)	(47.442)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Appropriations Affecting NOR	0.000	0.000	0.000
Other Adjustments Affecting NOR	0.000	0.000	0.000
Net Operating Result	126.831	(86.532)	(47.442)
Prior Year AOR	7.144	133.975	47.442
Other Changes Affecting AOR	0.000	0.000	0.000
Accumulated Operating Result	133.975	47.442	0.001
AOR	0.000	0.000	0.000
Purpose	133.975	47.442	0.001

**Defense Security Service**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**February 2004**

Functional Description

The Defense Security Service (DSS) is under the direction, authority and control of the Under Secretary of Defense (Intelligence). DSS provides security services to the Department of Defense (DoD) through the integration of personnel security, industrial security, security training and education, information systems security and counterintelligence. Due to the integration of security services, combined with intelligence threat data, the DSS is uniquely positioned to facilitate the application of threat-appropriate security countermeasures.

Prior to FY 2004, the Personnel Security Investigation (PSI) mission of DSS operated within in the Defense-Wide Working Capital Fund (DWCF). The PSI mission for DoD personnel supported all Defense components. In addition, DSS served as executive agent for PSIs for contractor personnel. In this function, DSS finances the costs of personnel security investigations for all industry personnel in support of DoD and multiple other federal agencies. Since contractor personnel often are employed on projects in support of many agencies, this centralized financing program provides an economy of scale for federal requirements and dramatically reduces the overhead management requirements in the federal sector.

In FY 2003, DSS executed its mission (less the counter-intelligence functions) in DWCF. The general fund activities, specifically the Defense Security Service Academy (DSSA) and the National Industrial Security Program (NISP) reimbursed the Working Capital Fund for support. The PSI mission was entirely funded by customer orders on a fixed price per case basis. DSS billed their customers when cases were opened by DSS agents/contractors, placed the funds in an "Advances" account, and earned the funds as revenue when the cases were closed. The Office of Personnel Management (OPM) also processed DoD cases and billings for the OPM work was paid through DSS.

In the FY 2004 President's Budget, the PSI mission was to transfer from DSS to OPM beginning in FY 2004. All new PSI cases were to be submitted to OPM and executed through OPM

processes. By the end of FY 2004, 1855 personnel from DSS were to transfer to OPM to support their expanded mission. Prior to the transfer of personnel, OPM would train the DSS employees on the OPM information systems and processes. At the time of transfer, OPM would assume the responsibility for all of their support to include communications, office space, information technology, and transportation. Specifics of the transfer are still being developed. This budget assumes that all personnel will be transferred by mid year 2004.

At the end of FY 2003, there were 258,000 open cases for which DSS had collected advances—cases that needed to be completed to support the customer and generate revenue for DSS. DSS agents and contractors plan to complete most of these cases in the first half of FY 2004. Special attention was given to completing the cases that required the interview of overseas leads.

DSS initiated action to create the essential archives of the investigative files from the Case Control Management System (CCMS) and to plan for the decommissioning of CCMS as part of the closeout of the PSI mission and the DWCF financial environment. DSS is also executing a detailed reconciliation/close-out of the prior year DWCF financial transactions. Complete liquidation of the financial transactions will be necessary prior to the close out of the fund itself.

The closeout actions are anticipated to continue into mid-FY 2005. It is anticipated that the fund can be closed at the end of FY 2005. Additional cash required to eliminate the accumulated negative balance in the fund (after the infusion of \$50 million from the DSS O&M DW account in FY 2005) will be made available from the Defense Logistics Agency cash balances. At this time, every effort is being made to properly terminate and liquidate all open financial transactions in a manner that will reduce this requirement to minimum levels.

#### Activity Group Composition

As of FY 2004, the DSS is structured with a Headquarters in Alexandria, VA, Linthicum and Fort Meade, MD; with Regions, and Operating Centers located in :

Personnel Security Investigation (PSI) Regions:

Northern Region, Managed by Regional Director, located in Linthicum, MD

Southern Region, Managed by Regional Director, located in Linthicum, MD

Capital Region, Managed by Regional Director, located in Linthicum, MD

Western Region, Managed by Regional Director, located in Long Beach, CA

Operating Centers:

Personnel Investigation Center (PIC), FT Meade, MD

The DSS missions included in the DWCF in FY 2004 and FY 2005 are only the PSI program and the functions needed to closeout the DWCF after the transfer of personnel.

Manpower Budget Highlights

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Civilian End Strength	2,470	40	10
Civilian Full-Time Equivalents	2,528	990	18

As a result of a Department of Defense transformation initiative, the DSS PSI mission (1980 FTE's) will transfer to OPM in FY 2004, subject to OPM approval. The personnel associated with the NISP, DSSA and Management Headquarters (568 FTE's) activities have been transferred to general fund accounts. These functions will be directly paid from the Operations and Maintenance (O&M) appropriation. All other DSS DWCF positions are eliminated through process streamlining and outsourcing.

Key Financial Data

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	\$298.8	\$214.5	\$50.0
Cost of Goods Sold	352.8	211.0	11.0
Net Operating Results	-54.0	+3.5	+39.0
Accumulated Operating Results	-71.3	-67.8	-28.8

DEFENSE SECURITY SERVICE  
 Fiscal Year (FY) 2005 Budget Estimates  
 February 2004  
 Exhibit Fund 2 Changes in Costs of Operation

(\$ in Millions)

				<u>Expenses</u>
<b>FY 2003</b>	<b>Current Estimate:</b>			352.760
	<b>Pricing Adjustments:</b>			10.516
	Annualization of Prior Year Pay Raises		2.309	
	FY 2004 Pay Raise		6.175	
	Civilian Personnel	6.175		
	Military Personnel	0.000		
	Fund Price Changes		0.025	
	General Purchase Inflation		2.007	
	<b>Efficiencies:</b>			0.000
	<b>Program Changes:</b>			(152.287)
	DSS required to complete cases inducted in 2003 Then transfer PSI mission to OPM		(152.287)	
	<b>Other Changes:</b>			0.000
<b>FY 2004</b>	<b>Estimate:</b>			210.989
	<b>Pricing Adjustments:</b>			5.163
	Annualization of Prior Year Pay Raises		0.950	
	FY 2005 Pay Raise		2.848	
	Civilian Personnel	0.000		
	Military Personnel	2.848		
	Fund Price Changes		-0.002	
	General Purchase Inflation		1.367	
	<b>Efficiencies:</b>			0.000
	<b>Program Changes:</b>			(205.107)
	Complete the closeout of the Case Control Management System and the DSS DWCF Financial Accounts		(205.107)	
<b>FY 2005</b>	<b>Estimate:</b>			11.045

DEFENSE SECURITY SERVICE  
Fiscal Year (FY) 2005 Budget Estimates  
February 2004  
Exhibit Fund 11 Source of New Orders and Revenue  
(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders		*	***
a. Orders from DoD Components:			
Department of the Army	144.731		
Department of the Navy	103.206	(13.500)	
Department of the Air Force**	30.081		
Subtotal Military Department O&M:	278.018	(13.500)	0.000
Defense-Wide Operations and Maintenance			
DARPA	0.013		
DCAA	0.392		
DCMA	0.472		
DIA	1.476		
DMDC	0.103		
DOHA	0.004		
DSS	0.995		
DSS-DSSA	6.991	7.297	
DSS-ISP	56.455		
DSS-PSI	148.793	12.500	50.000
DTRA	0.191		
JCS	0.102		
MEPCOM	0.000		
NIMA	4.185		
NSA	2.072		
TRICARE	0.918		
USSOCOM	0.000		
USUHS	0.000		
WHS	1.800		
Subtotal Defense-Wide O&M:	224.962	19.797	50.000
Other Operations and Maintenance			
OIG	0.181	0.000	
b. Orders from other Fund Activity Groups			
DECA	0.023		
DFAS	0.324		
DISA	1.351		
DLA	1.293		
Other	0.626		
Subtotal, DWCF	3.617	0.000	0.000
c. Total DoD	506.778	6.297	50.000
d. Other Orders:			

**DEFENSE SECURITY SERVICE**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**February 2004**  
**Exhibit Fund 11 Source of New Orders and Revenue**  
**(Dollars in Millions)**

Department of Homeland Security/Coast Guard	0.000	0.225	
General Accounting Office	0.000		
General Service Administration	0.000		
White House	0.069		
Other	0.000		
Subtotal Non-DoD Agencies and Others:	0.069	0.225	0.000
Total New Orders:	506.847	6.522	50.000
2. Carry-in Orders	0.000	208.020	0.008
3. Total Gross Orders	506.847	214.542	50.008
4. Revenue (-)	298.827	214.534	50.000
5. Funded Carryover	208.020	0.008	0.008
6. Months of Carryover	6.000	0.000	0.000

\* "New Orders" in 2004 are payments/orders due to support workload inducted into CCMS in 2003 without r

\*\* FY 2003 does not include Air Force products that flowed from the Air force directly to OPM\*

\*\*\* " NewOrders" in 2005 is a cash infustion from DSS O&M DW to meet corpus requirements associated with of the DSS DWCF.

DEFENSE SECURITY SERVICE  
Fiscal Year (FY) 2005 Budget Estimates  
February 2004  
Exhibit Fund 14 Revenue and Expenses

(Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue			
Gross Sales:	298.827	214.534	50.008
Operations	298.827	214.534	50.008
Surcharges	0.000	0.000	0.000
Depreciation	0.000	0.000	0.000
Major Construction Depreciation			
Other Income			
Refunds/Discounts (-)			
Total Income:	298.827	214.534	50.008
Expenses			
Salaries and Wages:	204.343	92.639	2.361
Military Personnel Compensation & Benef	0.000	0.000	0.000
Civilian Personnel Compensation & Benef	204.343	92.639	2.361
Travel & Transportation of Personnel	6.362	1.600	0.160
Materials & Supplies (For Internal Operations)	3.959	1.400	0.140
Equipment	4.179	0.000	0.000
Other Purchases from Revolving Funds	0.650	0.353	0.350
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	13.271	12.471	2.119
Printing and Reproduction	0.151	0.050	0.000
Advisory and Assistance Services	0.450	0.355	0.036
Rent, Communication, Utilities, & Misc. Char	13.908	4.615	0.462
Other Purchased Services	105.487	97.506	5.418
Total Expenses	352.760	210.989	11.045
Cost of Goods Sold	352.760	210.989	11.045
Operating Result	(53.933)	3.545	38.963
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Passthroughs or Other Appropriations Affecting NOR			
Other Adjustments Affecting NOR:	0.000	0.000	0.000
Other Inventory Adjustments	0.000	0.000	0.000
Net Change in WIP	0.000	0.000	0.000
Net Operating Result	(53.933)	3.545	38.963
Prior Year Accumulated Balance	(17.100)	(71.033)	(67.488)
Accumulated Operating Result	(71.033)	(67.488)	(28.525)
Non-recoverable Adjustment Impacting AOR (specify)			
Accumulated Operating Results for Budget Purposes	(71.033)	(67.488)	(28.525)

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Activity Group Capital Investment Summary**  
(Dollars in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
REP 000	EQUIPMENT (Non ADP/T) \$0.1 to \$0.499	3	0.6	4	1.0	3	0.9
PRD 000	Replacement	3	0.6	4	1.0	3	0.9
NEW 000	Productivity						
	New Mission						
REP 100	EQUIPMENT (Non ADP/T) \$0.5 to \$0.999			0	0.0	0	0.0
PRD 100	Replacement						
NEW 100	Productivity						
	New Mission						
REP 200	EQUIPMENT (Non ADP/T) \$1.0 and Over	2	8.6	1	3.2	2	2.9
PRD 200	Replacement						
NEW 200	Productivity	2	8.6	1	3.2	2	2.9
	New Mission						
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	5	9.2	5	4.2	5	3.8
ADP 000	ADP/T EQUIPMENT \$0.1 To \$0.499	34	4.9	16	5.5	9	4.0
ADP 100	ADP/T EQUIPMENT \$0.5 To \$0.999	2	1.1	1	0.5	1	0.5
ADP 200	ADP/T EQUIPMENT \$1.0 and Over	4	9.9				
	<u>TOTAL EQUIPMENT (ADP/T)</u>	40	15.9	17	6.0	10	4.6
SWD 000	SOFTWARE DEVELOPMENT \$0.1 To \$0.499		0.8		0.7		0.6
SWD 100	SOFTWARE DEVELOPMENT \$0.5 To \$0.999		3.2		3.3		2.4
SWD 200	SOFTWARE DEVELOPMENT \$1.0 and Over		217.8		171.0		148.4
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		221.8		174.9		151.3
RPM 000	<u>MINOR CONSTRUCTION</u>		29.4		31.8		30.3
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	45	276.3	22	217.0	15	190.1
	Total Capital Outlays		110.3		213.5		154.0
	Total Depreciation Expense		51.1		76.0		97.7

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
REP 000 Replacement Equipment \$0.1 to \$0.499

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>Total REP 000</u>				3	190.5	571.6	4	243.7	975	3	311.7	935

**Narrative Justification:**

These investments include replacement of existing items that have reached or exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy/productivity enhancements standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment. This program includes productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals, and modification to enhance safety of the operators or environment are met. All productivity related projects normally provide a payback of not more than five years and savings to investment ratio of greater than one. In FY 2005, replacement equipment is planned for:

Defense Supply Center Columbus (DSCC), Spectrometer - \$285.

Defense Supply Center Richmond (DSCR), X-ray machine - \$250.

Defense Logistics Information Service (DLIS), Security Cameras - \$400.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
PRD 200 Productivity Equipment \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
Total PRD 200 Automated Fuel Handling Equipment (AFHE) MCAS Beaufort, SC										1	1,410	1,410

**Narrative Justification:**

The AFHE system at Marine Corp Air Station (MCAS), Beaufort, SC, will allow a single operator in an Operations Control Center (OCC) to monitor and control primary fuel system activities from receipt to transfer to the customer. The operator would have control of selected valves throughout the system and of the transfer pumps. This would allow the OCC operator to monitor barge receipts and to transfer the fuel to the storage tanks. Truck and aircraft loading will still be manual operations. The OCC operator will also be able to monitor fuel system operations through feedback from the pumps and valves under his control and from instruments installed on tanks and pipelines throughout the system. The monitoring capability will allow the operator to maintain positive control over the fuel inventory and detect and control problem situations before damage or spills occur.

The heart of the AFHE system is the operator's console. The operator's console runs a powerful Supervisory Control and Data Acquisition (SCADA) and Human-Machine Interface (HMI) program to gather data from field instrumentation, provide data to the operator in an easily understood graphical format and to relay the operator's instructions to the various field devices. The operator console will be connected to Programmable Logic Controllers (PLC), tank gauges, flow computers and other field devices through a high-speed Transport Control Protocol/Internet Protocol (TCP/IP) local area network. The high-speed local area network will enable real time monitoring and control of all fuel system activities, with little manual intervention.

The project is estimated to provide a discounted payback of 4.69 years and savings to investment ratio of 1.91

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
ADP 100 \$0.5 to \$0.999

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>Total REP 200</u> Chiller (DSCR)										1	1,500	1,500

**Narrative Justification:**

The existing chiller is only intended to provide cooling for the computer equipment and communications vault at buildings 33, L section and hence has been classified as equipment instead of real property. The chiller system is critical for the emergency backup required for the Continuity of Operations Plan (COOP) also. The systems supported are critical to continuing Defense Supply Center Richmond (DSCR) operations that include maintaining all data pertaining to weapon systems required by the services, hazardous materials, national stock number clearinghouse, and telephone system. In the future, this computer system will be required to keep the Business System Modernization (BSM) program functioning at DSCR. The components of the chiller system are all 1987 models and have exceeded their life expectancy. Various options for the replacement of the chiller system, which consists of three refrigeration units and eleven air-handlers were considered. Leasing was one of the options considered, but it is not a viable one due to unique installation configuration and operating demand of the equipment. Failure to replace the chiller in FY 2005 will increase the probability that the computer systems will not be available for the DSCR personnel for extended periods of time resulting in degradation of customer support.

The discounted payback for this project is 2.3 years and the savings to investment ratio is 4.0

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
ADP 000 \$0.1 to \$0.499

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>ADP 000</u> ADP Equipment > \$499K				34	144.9	4,926	16	345.4	5,526	13	311	4,043

**Narrative Justification:**

Headquarters (J-6) Integrated Data Environment (IDE) – ADP equipment is required to support IDE. IDE will allow the DoD Logistics Enterprise to execute practices, processes, applications, and decision-support tools to achieve logistics interoperability, and allow for information exchange within and between internal and external DoD business partners. The FY 2005 requirement is for secure servers needed for asset visibility and servers for the back-up COOP site.

DSCC Local Area Network (LAN) upgrade – The LAN campus enhancements are part of the overall plan for responding to: (1) Enhancement in LAN capabilities, (2) Infrastructure changes made necessary by relocation of workforce due to demolition and/or reconstruction/remodeling of work areas and (3) Increased dependency on access to network applications. Also, as part of the DLA regionalization effort, DSCC is now responsible for the operation and maintenance of the Customer Service Office-Columbus. The CSO-C LAN was not upgraded during the last major upgrade of the DSCC LAN in FY 2001. Cable plant improvements and switching equipment are necessary to bring the CSO-C LAN infrastructure equal capacity with the DSCC LAN environment.

DSCC Storage Area Network (SAN) – DSCC has a requirement to provide large amounts of diverse information to a widely dispersed user base. Currently, storage area network equipment is being utilized to accomplish this mission. As both technology and demand for data continue to grow at accelerated rates, the necessity for reacting to enhancements and improvements becomes essential. The currently used SAN equipment is due for life cycle replacement in FY 2005.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
ADP 100 \$0.5 to \$0.999

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
ADP 100 LAN Growth and CAT 6 Upgrade (DSCR)				1	542	542	1	517	517	1	525	525

**Narrative Justification:**

Procuring the latest Smartswitch technology and continuing to upgrade LAN connections are necessary at Defense Supply Center Richmond (DSCR) to meet current and future telecommunication demands. Due to the expanded use of on-line systems and Electronic Data Interchange, more connections and faster transmission must be added to the LAN. DSCR plans to upgrade LAN wiring to Category 6, which will allow for the reliable, high-speed transmission of data, ensuring that all critical applications run smoothly. Category 6 is expected to double the amount of usable bandwidth. A Smartswitch will provide seamless connectivity. Smartswitch technology is a robust system with one to one ratios, eliminating collision domains, as traffic will no longer have to compete for the same space. Any data received at the Center will move faster over the LAN as the system transports data packets faster and can handle greater volume.

The Return on Investment (ROI) is 1.1 and the estimated payback period is 7 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 000 \$0.1 to \$0.499

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 000</u> Supply Software Development Initiatives						785			633			600

Narrative Justification:

Headquarters (J-1) Workforce Planning – A COTS solution is required to enable DLA to analyze workforce critical competencies/skills and develop recruitment plans, outsourcing plans, and training plans. A workforce planning tool will allow DLA to establish a framework for identifying organizational skills gaps and developing workforce shaping plans. Currently, workforce planning data collection is manual and a significant lag time exists between the time data is collected and the time data is analyzed. The estimated cost of the COTS solution is \$200K. Workforce Planning is the only new requirement for FY 2005 in this category.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 100 \$0.5 to \$0.999

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2004		
	Quantity	Unit Cost	Total Cost									
<u>SWD 100-01</u> Program Budget Reporting System Modification (PBRs)									750			750

**Narrative Justification:**

Program Budget Reporting System (PBRs) is a DLA internal web based database that provides a means for all DLA activities (HQ and Field Activities) to generate, view, edit, and coordinate all Program and Budget related documents and exhibits. This database does not feed or interface with any other systems. This investment is for a modification to the current Program Budget Reporting System (PBRs) database, that will significantly expand on the current database capabilities. The modification will expand capability to generate, view, edit and coordinate the data to fully accommodate both the Program Objective Memorandum (POM) and Budget review requirements, since these two processes have now been combined. The Return on Investment (ROI) for this modification effort is 1.48.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 100-02</u> Cataloging Re-Engineering System (DLIS)						3,000			750			750

**Narrative Justification:**

The Cataloging Re-engineering System (CRS) provides DoD with a standard cataloging system that fully supports the centralization of all cataloging functions under DLA responsibility. CRS will interface with the Standard Procurement System (SPS), Federal Logistics Information System (FLIS) and all of the Service and DoD Supply systems. It will be fully compliant with the Global Combat Support System (GCSS) and the Defense Information Infrastructure/Common Operating Environment (DII/COE). CRS will increase the productivity of catalogers and reduce the number of errors in cataloging batch transactions. CRS will store all business logic. Systems that encapsulate knowledge, rather than merely store data, will reduce processing time and free operators to work on the smaller number of transactions that pose more intricate problems and require concentrated operator knowledge to solve. The savings for CRS are \$11 million over the cost of investment period, FY 1999-2006, plus yearly savings of \$12 million over the status quo in every subsequent year. The Return on Investment is 1.4 and the payback period is 7 years. All funding in FY 2004 will be utilized for System Change Requests (SCRs ) and implementation of new technology to meet future requirements. All development will be performed externally.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 100-03</u> Apparel Research Network (ARN) Virtual Prime Vendor (VPV)						1,550			950			850

**Narrative Justification:**

The Apparel Research Network (ARN) Virtual Prime Vendor (VPV) initiative is a supply chain integration system based on a balanced inventory flow replenishment concept. This project will allow the Defense Supply Center Philadelphia (DSCP) to assume the ownership of inventory at Marine, Navy and Air Force Recruit Training Centers (RTCs) and retail clothing stores. This project is essential to the success of the DSCP initiative to take ownership of all retail clothing inventory at RTCs, immediately draw down inventory levels, and maintain optimum inventory control with total asset visibility of the recruit clothing supply chain. The ARN -VPV will provide tools to support every aspect of supply chain management:

- Integration - ARN Asset Visibility System through the Virtual Item Manager Interface
- Wholesale - Balanced Inventory Flow Replenishment System and Integrated Retail Management (IRM)
- Retail – Integrated Retail Management (IRM) and 3-D Full Body Scanning for Recruit Clothing Issues
- Manufacturing – ARN Supply chain Automated Processing

The design of the ARN-VPV system is built on a foundation of Commercial-off-the-Shelf Software (COTS) tools and standard web-based technologies. In FY 2000 development began under the Logistics Research and Development (Log R&D) program with the Army RTC's as the prototype. The prototype successfully achieved an overall inventory reduction of \$25 million at the 6 Army RTC's. During FY 2001 the Army RTC rollout was completed with rollout to the Navy RTC at Great Lakes Naval Center and the Marine Corps NCRDs at San Diego and Parris Island. The Air Force RTC at Lackland AFB was completed during FY 2003. During FY 2004 ARN-VPV will explore the possibility of expanding the system to include the Navy Exchange Command (NEXCOM) retail stores. Also, during FY 2004 and FY2005, it is anticipated that the ARN focus will shift to the Organizational Clothing and Individual Equipment (OCIE) initiative. Additionally during FY 2005, ARN will extend its application to include component suppliers (fabric producers and finishers) focusing on the NOMEX family of items. ARN will also investigate the application of Radio Frequency Identification (RFID) Tags integrated with shop floor control systems for improved manufacturing processes and potential labor savings. Coordination with the Business System Modernization (BSM) implementation team will continue to ensure a smooth transition as new items are added to the transition schedule. The Return on Investment (ROI) is 4.38 with a payback period of 1.29 years. All software development will be performed externally.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
SWD 200-01 Learning Management System (LMS)									800			1,324

**Narrative Justification:**

The proposed Learning Management System is an integrated solution that will link the Defense Logistics Agency's (DLA's) workforce development strategy with mission and business objectives, focusing on developing skills required to meet present requirements or future needs. A centralized approach to workforce development planning and delivery will reduce the time and costs to process transactions for course registration, course assessment, and payment to training providers through the use of technology. Centralized management and monitoring of the total training investment would provide improved visibility of investments provided by contractors or others, provide data to assess training effectiveness, and provide measures that link enhanced skills to enhanced mission performance. The effectiveness of the individual development process would improve by defining current and future skills against competency models for each position in DLA, establishing requirements for each job category as a framework for Individual Development Plans (IDP's), providing a standard process and format for developing and tracking IDPs, and outlining development paths appropriate for the employee that are closely tied to work requirements.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-02</u> Common Food Management System (CFMS)						993			13,881			9,426

Narrative Justification:

The Common Food Management System (CFMS) is a consolidation of STORES NT, STORESWeb, and STORES Retail. The Subsistence Total Order and Receipt Electronic System (STORES) is the automated system that supports ordering of all subsistence items from the Defense Logistics Agency (DLA) including prime vendor, market ready, produce, and ration items. STORES NT operates on a PC located in the military dining facility and interfaces with the military services' six different food management systems to exchange order, receipt, and catalog information. STORESWeb operates on the Internet for customers who do not need to connect to a legacy system, such as child-care centers, and as an interface to the Air Force's retail food management system. It offers the same catalog, order, and receipt functionality as STORES NT.

STORES Retail, a DLA-financed and DLA-coordinated system, will replace the various military food management systems and STORES NT with a single retail system for the DoD incorporating all food management functions performed by the service legacy systems, in addition to the catalog, order, receipt, and management information currently provided by STORES NT. It will utilize commercial off the shelf software, with some customization to address the special requirements of a system that must operate in peace and in war. STORES Retail will be the automation tool for total supply chain integration for Class I and will support DLA's role as Executive Agent. STORES Retail will incorporate STORESWeb.

Moving to a DLA-financed single retail system for Class I will reduce system maintenance costs across the DoD and will assure that the services continue ordering their garrison feeding from DLA. An economic analysis was conducted to identify the full scope of the anticipated savings. The analysis showed \$57 million in savings over a ten-year period for DLA development of a single system versus the services developing and maintaining their own separate systems.

All four services, plus the Coast Guard, signed a memorandum of agreement endorsing STORES Retail and agreeing to participate in its design and implementation. They have discontinued funding for their legacy systems as they anticipate their replacement by STORES Retail. Failure to invest in STORES Retail will cause the services to seek funding to individually replace their outdated systems, increasing overall DoD systems costs and impacting DLA's ability to support the Class I supply chain.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-03</u> Organizational Clothing and Individual Equipment (OCIE)												4,962

**Narrative Justification:**

The Army requested DLA to consider assumption of the Organizational Clothing and Individual Equipment (OCIE) process as a result of an internal Army audit. The current process of ordering, receiving, managing, accounting for, and distributing OCIE is not an Army core competency. Efforts have been ongoing since FY 2000 to identify not only the most economical system to use, but also one that is flexible and capable of meeting Army deployment requirements. In order to achieve total Defense Supply Center Philadelphia (DSCP)/DLA OCIE management, middleware must be obtained to link the Army Installation Management System (ISM) to DLA's Business Systems Modernization (BSM). This interfacing will provide Total Asset Visibility to facilitate total supply chain management of the identified items.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-04</u> Integrated Data Environment (IDE)						11,259			15,434			9,701

**Narrative Justification:**

The Integrated Data Environment (IDE) program will provide a commercial-off-the shelf (COTS) software environment that enables the extended DoD Logistics Enterprise to execute practices, processes, applications, and decision-support tools to achieve logistics interoperability, and allow for information exchange within and between internal and external DoD business partners. Additional funding is required in FY 2004 and FY 2005 for the Joint Total Asset Visibility (JTAV) program transition to IDE. IDE will subsume JTAV functions prior to the JTAV sunset date of FY 2005, directed by DUSD(L) in July 2001. The transition plan includes simultaneous development of new capability and current JTAV in FY 2004 and FY 2005. The impact of not making the proposed capital investment would result in inadequate information exchange/sharing; less efficient electronic commerce between DoD components/commercial partners; and limited ability to implement emerging DoD logistics data strategy. Additionally, stovepipe logistics functionality and swivel chair logistics planning and operations would remain for Military components/agencies. The latest update to the IDE Economic Analysis (EA) was approved in June 2003. Four alternatives were considered in the EA, however, IDE was the only alternative that met all the requirements of the evolving DoD Logistics Environment. The calculated Return on Investment (ROI) for the IDE program is 4.13 with a pay-back period of 2 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
SWD 200-05 Business Systems Modernization (BSM)						187,934			99,711			95,672

**Narrative Justification:**

Business Systems Modernization (BSM) allows for the integration of business processes with a new enterprise business system based on Commercial-off-the-Shelf software (COTS) and best commercial practices. BSM provides an IT foundation that allows for both continuous process and continuous technology insertion. It is the IT foundation which will allow the Defense Logistics Agency (DLA) to fully implement electronic business, web-based technologies, and an integrated data environment, as well as other innovations to be compliant with the Joint Technical Architecture (JTA) and the data exchange standards (e.g. ANS X.12 and XML), necessary for DLA to interoperate with its customers and suppliers. DLA currently provides common logistics support to the Military Services and Combatant Commanders using legacy materiel management systems such as the Standard Automated Materiel Management System (SAMMS) and the Defense Integrated Subsistence Management System (DISMS). These legacy systems are the product of decades of accumulated and divergent business practices, using technology that is obsolete and is no longer supported by the original equipment manufacturers and software providers. Additionally, the system consists of several million lines of code that provides no analytical capability or real-time data access. These shortfalls (age, complexity, and size) lead to its fragility, high maintenance cost, and increasing unreliability. DoD and DLA are striving to align our current business practices with best practices by re-engineering logistics processes at all echelons. BSM supports the objectives of Joint Vision 2020 Concept of "Focused Logistics" (an Agile Sustainment, the DoD Future Logistics Enterprise, and the DLA Strategic Plan). BSM complies with the Global Combat Support System (GCSS) Capstone Requirements Document, the Global Information Grid (GIG) Capstone Requirements Document, the Network-Centric Data Strategy and Information Assurance. BSM received Milestone C approval on July 23, 2002, which approved a limited user deployment. In FY 2003 through FY 2006 DLA will be fully implementing BSM, with Full Operational Capability (FOC) during Second Quarter, FY 2006. DLA's ERP effort, BSM, requires an additional \$50.3 million in FY 2005. This increase is within the Approved Program Baseline threshold, and will be used for requirements identified as a result of the Concept Demonstration (Release 1 and 1.X as currently defined, and DLA Business only), deployed July 31, 2001. The additional funding allows DLA to incorporate lessons learned and further stabilize Concept Demonstration. Lessons learned include additional testing requirements and reconfiguration to accommodate a more customer centric focus. In addition, this funding ensures the Release 2 approved blueprint is funded to include FFMIA compliance, certification and compliance with Financial Management Enterprise Architecture (FMEA), and integration of NIMS functionality with BSM. Return-on-investment (ROI) has been calculated for each of the releases, and the ROI for the total program is 1.52, as documented in the May 2003 economic analysis based on future costs and expected mission area benefits of inventory and personnel reductions.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
SWD 200-01 Federal Logistics Information System (FLIS)						588			2,170			2,090

**Narrative Justification:**

The FLIS is identified as the authoritative source system to broadcast the logistics data for numerous processes that support DoD ERP implementations. Current gaps in the SAP system (In use by the Defense Logistics Agency (DLA), Army and Navy) will require Defense Logistics Information Service (DLIS) to handle many of these processes in FLIS. Additionally, Air Force, currently not using an ERP, is planning modernization that will require FLIS changes. DLIS currently uses proprietary data exchange formats for FLIS queries and non-MILS, non-ANSI, FLIS specific formats for output transition processing. This is changing as we work with the Services to reengineer their process as they implement their ERPs. Given the increased emphasis on commercial practice (ANSI, EDI, XML) DLIS understands the need and OSD mandates to migrate data to an environment that is open and current standards based rather than on a pseudo proprietary standard. These changes position DLIS to satisfy customer information needs and to prepare for inclusion in commercial products. DLA and the Services are learning that it takes a significant amount of time to deal with the tougher cross-process issues within DoD, which is why these funds are programmed for FY 2005.

Federal Item Identification Guides (FIIG) automation will continue from FY 2004. This project will engineer FIIG processes into an XML environment that will facilitate reduced maintenance costs and provide FIIG users with systems access to the Cataloging Taxonomy in the most efficient manner. The second phase of this project will include any remaining software development (including total automation of edit guides) to support the FIIG automation. It will also include milestones for the deployment throughout the US and NATO cataloging community and extends the capability to interface with commercial sectors through industry standard cataloging capabilities (such as Electronic Commerce Code Management Association's (ECCMA's) electronic Open Technical Dictionary (eOTD)). Requirements for maintenance for FIIG documents are included in this phase. The successful completion of this project will streamline both customer interfaces and internal processing, allowing the automated interchange of data via XML standards.

FLIS system change request to support the automation of Interchangeability and Substitutability (I&S), Logistics Reassignments and DIIP process in FLIS versus the Standard Automated Materiel Management System (SAMMS). These applications will be required to support BSM as possible "bolt-ons" to the ERP.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-07</u> Customer Relationship Management (CRM)									21,842			6,893

**Narrative Justification:**

Customer Relationship Management (CRM) will provide the Defense Logistics Agency (DLA) with the information and processes necessary to better know the customers, understand their needs, and effectively build relationships between DLA and its customer base. As a result, DLA will better meet the needs of major customer segments and improve operational effectiveness. CRM will significantly improve customer satisfaction by providing the enhanced capability to anticipate and act on customer demands. This capability is not possible in a diverse corporate environment without a unifying corporate customer data profile, which is a key functional component of CRM. Further, CRM will provide the intelligence that will complement DLA's Business Systems Modernization (BSM) effort in supply chain management/financial management. Additionally, CRM will address the customer relationship management requirements of the entire DLA enterprise. Investment dollars for FY 2004-FY 2005 are for the software and integration contractor services. Integration costs will include re-engineering of customer-touch processes, training development, and interfaces to the BSM SAP software.

A preliminary cost estimate was developed by consulting with industry experts with regard to the potential operational requirements and incorporating cost estimates and cost estimating relationships discovered through research. The Economic Analysis will be refreshed in spring 2004 once the solution is more defined. Potential CRM benefits are estimated at \$184.7M over the life of the program (FY 2015). The expected Return-on-Investment (ROI) of the program is 2.53 with DLA reaching the investment payback point in FY 2009. The CRM potential benefits are based on increased productivity, FTE reduction, and Legacy System retirement. It is expected that the enhanced capability to analyze customer requirements will result in improved responsiveness, increased readiness, and reduced cost to their customers, leading to increased customer satisfaction. Without an IT-solution, the same level of responsiveness, readiness, and cost reductions could not be possible with only additional personnel or Business Process Reengineering (BPR). All development will be performed externally.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-08</u> Product Management Data Initiative (PDMI)						3,440			8,141			9,148

**Narrative Justification:**

The primary objective of the Product Data Management Initiative (PDMI) is to implement automated capabilities to manage and use engineering support and product data within the Defense Logistics Agency (DLA). Specific objectives include increased accuracy and accessibility of product data needed to make informed engineering, technical and quality decisions in support of procurement actions; provide easy location and access of product data for authorized users; and link to the SAP application being developed and implemented, where required, to support ongoing business processes. PDMI builds on the accomplishments of the Engineering Support Automation (ESA) project. It is an enhancement of the capability already resident in the product data management tool (eMatrix) developed for the ESA project. PDMI will leverage the DLA Information Technology (IT) architecture, and COTS hardware put into production by the ESA project.

The PDMI Program implementation Full Operational Capability (FOC) will be achieved incrementally. Each increment will provide additional functionality and/or expand the use of PDMI. FY 2004 and FY 2005 funds will be used for Increment 1 that is designed as Initial Operational Capability (IOC) with integration of PDMI to Business System Modernization (BSM) Release 2.0. The integration of PDMI to BSM will involve the interface of the COTS eMatrix application to the BSM SAP Enterprise Resource Planning application. In addition, this increment will include the implementation of initial document management and critical item management functionality into the COTS eMatrix application.

PDMI processes include new procedures developed and documented by the DLA Technical Support Policy and Procedures Desk book. The initial focus will be on critical safety items with technical data management and quality assurance functions following. All development will be performed externally.

A preliminary Economic Analysis (EA) has been completed. The Return on Investment (ROI) is 2.02 and the payback period is 6.5 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-09</u> eWorkplace						4,515			4,392			4,167

**Narrative Justification:**

The Defense Logistics Agency (DLA) eWorkplace (formerly Knowledge Management) is an emerging DLA enterprise initiative that treats intellectual capital as a managed asset. Through the e-Workplace environment, DLA knowledge workers will be able to search and access content, work applications, and people through a user-friendly interface that is accessible from any duty location. Users will be able to review, edit and approve documents through automated processes within e-Workplace. The purpose is to empower knowledge-enabled Communities of Practice (CoPs), largely through an effective knowledge transfer program throughout DLA. The DLA focus is on Business-to-Employee (B2E). The scope includes all DLA functions, activities and CoPs with knowledge needs, as defined in phases by the knowledge management (KM) community and DLA leadership. Phased implementation will allow e-Workplace to achieve an initial set of capabilities and begin to familiarize the customer base in the use of basic KM principles and methodologies (e.g., collaboration and workflow) and to advance use of supporting technologies. Subsequent releases will expand e-Workplace capabilities, and, more importantly, broaden the use of collaboration, resource sharing and information sharing among DLA individuals, subject matter experts, work teams, CoPs and other organizational groups. The KM concept will support initiatives such as distributed learning, employee self-service, web portal collaboration, and other B2E services. In FY 2004 and FY 2005, we will continue the introduction of new capabilities and the integration with the DLA Enterprise Architecture.

The Return on Investment (ROI) is 1.65 and the payback period is 2.92 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-10</u> Defense Medical Logistics Standard System Wholesale (DMLSS)						5,486			5,461			5,005

**Narrative Justification:**

The Defense Medical Logistics Standard System Wholesale (DMLSS-W) is an integrated electronic system supporting the medical logistics needs of the Military Services. While the program directly funds the business process improvements and Management Information System (MIS) enhancements at the Defense Supply Center Philadelphia (DSCP) Medical Directorate, the benefits and savings cascade down the entire wholesale DoD logistics network. In FY 2004-2007 the DMLSS-W program will focus on providing and managing the business intelligence necessary to maintain and exploit situational awareness throughout the medical supply chain. This capability is critical to DSCP's need to leverage the medical commercial base to meet DoD's every day and contingency requirements. Achieving situational awareness requires a combination of predictive logistics and asset visibility in both the DoD and commercial sectors. The Medical Supply Chain Manager at DSCP must have the information, management tools, training and credibility necessary to compress the decision and execution cycle time sufficiently to make commercial-based, just-in-time logistics a functioning reality. DMLSS-W will fund the enhancements of the Distribution and Pricing Agreement (DAPA) Management System and Medical Electronic Customer Assistance through the Product of Choice initiative and position the Medical Directorate to establish and maintain one Single Federal Catalog for medical materiel, with increased web accessibility for all customers. DMLSS-W will continue its data warehousing, customer relationship management and training efforts under the Medical Logistics Integrated Information Environment program to ensure it provides medical customers the reliable business intelligence they require on a 24/7 basis. DMLSS-W will expand and improve its Readiness Management Application further integrating the Medical Contingency File and the Industrial Preparedness System to project the Warfighter's medical materiel needs and position materiel to meet those needs. Through improvements in the product, pricing, and description tools, the Corporate Data for Medical Intelligence Application will improve DSCP's ability to identify and manage DoD medical procurement. DMLSS-W will expand the scope of the developing Medical Air Bridge supporting the Warfighter in expediting and tracking high priority orders through the commercial consolidation hub to the Warfighter overseas. By fully developing the capabilities of the Contingency Automation Application, DSCP will be better able to source and fulfill high priority requisitions in world-wide contingency support. DMLSS-W will also improve its Medical Web Portal (DMMonline) and its Electronic Catalog, thereby ensuring timely ordering and delivery of medical materiel to Warfighters, their families and other federal customers throughout the world. In addition to situational awareness, DMLSS-W must provide the data integrity and electronic connectivity to rapidly collaborate and communicate decisions among trading partners up and down the supply chain from the place of manufacture to the point of consumption. The Return on Investment for the DMLSS Program is 5.98. The life cycle benefits estimate is \$3.2 billion over the period FY 2002-FY 2012, with benefits attributed to DMLSS Release 3.0 of \$428 million. All savings are aggregated for the retail and wholesale components because DMLSS is an integrated partnership between these components. All development will be performed externally.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Supply Management Activity Group February 2004

C. Line Number & Item Description  
RPM 000 Minor Construction

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>Minor Construction</u>												
Non-Energy						1,900			4,416			4,700
Energy						27,505			27,400			25,600
Total Minor Construction						29,405			31,816			30,300

**Narrative Justification:**

The minor construction investment for projects (costing between \$100,000 and \$750,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. The only new requirement in FY 2005 is to fund mission essential construction projects in support of DSS-DP at Pearl Harbor, Hawaii, and DSS-IF at the Headquarters Complex, Fort Belvoir, Virginia. These projects include:

1. Construction of administrative space to replace the current administrative space in buildings at Camp Smith, Hawaii which are scheduled for demolition.
2. Upgrade of the two existing entrance gates to the Headquarters Complex, Fort Belvoir, Virginia to comply with current Anti-Terrorism/Force Protection (AT/FP) standards.

None of the projects will result in a cost savings or avoidance. All of these projects are required to allow existing missions to continue in safe and compliant facilities.

**DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
SUPPLY MANAGEMENT ACTIVITY GROUP  
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES  
CAPITAL BUDGET EXECUTION  
February 2004  
(DOLLARS IN MILLIONS)**

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>	<b>Explanation</b>
2003	<u>Equipment except ADPE &amp; TELCOM:</u>	(2.6)	6.6	9.2	(2.6)	
	Replacement < \$0.499	(0.3)	0.3	0.6	(0.3)	Emergent requirement.
	Productivity < \$0.499	0.0	0.0	0.0	0.0	
	Fuel Terminal Automation	0.6	6.3	5.7	0.6	Project repriced.
	Card Access System	(2.9)	0.0	2.9	(2.9)	Emergent requirement.
2003	<u>Equipment - ADPE &amp; TELCOM:</u>	1.8	17.6	15.9	1.8	
	Base Level Sustainment (BLS)	3.3	8.3	4.9	3.3	FAS server requirement canceled.
	LAN Replacement (DSCR)	(0.0)	0.5	0.5	(0.0)	
	LAN Upgrade (DLIS)	1.0	1.5	0.5	1.0	Project downsized.
	DARP II	(0.4)	1.1	1.5	(0.4)	Project repriced.
	Communications Upgrade	0.0	1.0	1.0	0.0	
	Telephone Switch Upgrade	2.6	5.3	2.7	2.6	Project rescoped.
	BSM Hardware	(4.7)	0.0	4.7	(4.7)	Emergent requirement.
2003	<u>Software Development:</u>	2.4	224.2	221.8	2.4	
	Software Development < \$0.499	0.3	1.1	0.8	0.3	FLIS requirement downsized.
	DARP II	0.1	1.1	0.9	0.1	Project repriced.
	Logistics Data Gateway	0.2	1.3	1.1	0.2	Project repriced.
	Defense Medical Logistics Standard Sys (DMLSS)	(0.0)	5.5	5.5	(0.0)	
	Business Systems Modernization (BSM)	(0.8)	187.1	187.9	(0.8)	Project repriced.
	Cataloging Reengineering System (CRS)	(2.3)	0.8	3.0	(2.3)	Emergent requirements.
	Customer Relationship Management (CRM)	8.7	8.7	0.0	8.7	Carryover to FY04
	Subsistence Total Order & Receipt Electronic Sys (STORE)	(0.2)	0.5	0.7	(0.2)	Emergent requirement.
	STORES Retail	0.0	1.0	1.0	0.0	
	Integrated Data Environment (IDE)	0.1	11.3	11.2	0.1	
	Knowledge Management	(0.9)	3.6	4.5	(0.9)	Partial reprogramming from ADP.
	Apparel Research Network (ARN) VPV	0.0	1.6	1.6	0.0	
	Federal Logistics Information System	0.2	0.8	0.6	0.2	Emergent requirement.
	Product Data Management Initiative	(3.0)	0.0	3.0	(3.0)	Emergent requirement.
2003	<u>Minor Construction:</u>	1.9	31.3	29.4	1.9	Projects canceled.
	<b>Total FY 2003</b>	<b>3.5</b>	<b>279.8</b>	<b>276.3</b>	<b>3.5</b>	

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**SUPPLY MANAGEMENT ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
 February 2004  
 (DOLLARS IN MILLIONS)

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
2004	Equipment except ADPE & TELCOM:	0.0	4.2	4.2	0.0	
	Replacement < \$0.499	0.0	0.8	0.8	0.0	
	Productivity < \$0.499	0.0	0.2	0.2	0.0	
	Fuel Terminal Automation	0.0	3.2	3.2	0.0	
2004	Equipment - ADPE & TELCOM:	0.0	6.0	6.0	0.0	
	ADP Equipment < \$0.499	0.0	5.5	5.5	0.0	
	DSCR LAN Growth	0.0	0.5	0.5	0.0	
2004	Software Development:	(3.7)	171.2	174.9	(3.7)	
	Softward Development < \$0.499	0.7	1.4	0.7	0.7	One requirement merged; Two canceled.
	Learning Management System	(0.8)	0.0	0.8	(0.8)	Emergent requirement.
	POM/Budget Reporting System (PBRS)	0.0	0.8	0.8	0.0	
	Cataloging Reengineering System (CRS)	0.0	0.8	0.8	0.0	
	Apparel Research Network (ARN) VPV	0.0	1.0	1.0	0.0	
	Federal Logistics Information System (FLIS)	0.0	2.2	2.2	0.0	
	Business Systems Modernization (BSM)	0.0	99.7	99.7	0.0	
	Customer Relationship Management (CRM)	0.0	21.8	21.8	0.0	
	Product Data Management Initiative (PDMI)	0.0	8.1	8.1	0.0	
	Integrated Data Environment (IDE)	(3.2)	12.2	15.4	(3.2)	Additional requirement added.
	Defense Medical Logistics Standard Sys (DMLSS)	0.0	5.5	5.5	0.0	
	Knowledge Management	0.0	4.4	4.4	0.0	
	Common Food Management System (formerly STORES Retail and STORES).	(0.4)	13.5	13.9	(0.4)	Two requirements combined.
2004	Minor Construction:	0.0	31.8	31.8	0.0	
<b>Total FY 2004</b>		<b>(3.7)</b>	<b>213.3</b>	<b>217.0</b>	<b>(3.7)</b>	

DEFENSE LOGISTICS AGENCY  
Defense-Wide Working Capital Fund  
Distribution Depots Activity Group  
Fiscal Year (FY) 2005 Budget Estimates  
Activity Group Capital Investment Summary  
(Dollars in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) \$0.1 to \$0.499	9	2.2	17	4.3	13	2.9
REP 000	Replacement	6	0.8	7	1.8	9	1.9
PRD 000	Productivity	3	1.4	10	2.6	4	1.1
NEW 000	New Mission						
	EQUIPMENT (Non ADP/T) \$0.5 to \$0.999	1	0.1	4	2.7	3	2.6
REP 100	Replacement	1	0.1	2	1.1	1	0.9
PRD 100	Productivity	0	0.0	2	1.6	2	1.7
NEW 100	New Mission						
	EQUIPMENT (Non ADP/T) \$1.0 and Over	6	11.4	5	14.7	4	13.5
REP 200	Replacement	0	0.0				
PRD 200	Productivity	6	11.4	5	14.7	4	13.5
NEW 200	New Mission						
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	16	13.7	26	21.7	20	19.1
ADP 000	ADP/T EQUIPMENT \$0.1 To \$0.499	24	16.2	235	8.9	216	5.9
ADP 100	ADP/T EQUIPMENT \$0.5 To \$0.999			1	1.0	4	3.6
ADP 200	ADP/T EQUIPMENT \$1.0 and Over	2	2.5				
	<u>TOTAL EQUIPMENT (ADP/T)</u>	26	18.7	236	9.9	220	9.5
SWD 000	SOFTWARE DEVELOPMENT \$0.1 To \$0.499						
SWD 100	SOFTWARE DEVELOPMENT \$0.5 To \$0.999						
SWD 200	SOFTWARE DEVELOPMENT \$1.0 and Over		10.5		19.2		6.8
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		10.5		19.2		6.8
RPM 000	<u>MINOR CONSTRUCTION</u>		8.5		7.5		7.7
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	42	51.4	262	58.3	240	43.1
	Total Capital Outlays		21.7		58.9		47.4
	Total Depreciation Expense		40.7		40.5		40.2

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
Replacement/Productivity Equipment < \$1M

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>Total REP/PRD 000</u>				7	305.2	2,136	17	255.5	4,344	16	349.7	5,595

**Narrative Justification:**

These investments include the replacement of existing items that have reached or exceeded their useful life. Based on guidance contained in various Department of Defense (DoD) governing polices, the Defense Logistics Agency (DLA) has established replacement and life expectancy/productivity enhancement standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment. This program also includes productivity related projects for which DLA has established policies and procedures to ensure that the ultimate goals of providing cost savings in terms of reduced man-hours to complete mission oriented tasks, new systems or equipment to meet the requirements for attaining DLA strategic goals, and modification to enhance safety of the operators or environment are met. All productivity related projects normally provide a payback of not more than five years and a savings to investment ratio of greater than one.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2005 Budget Estimates		
B. Component/Activity Group/Date Defense Logistics Agency Distribution Depot Activity Group February 2004				C. Line Number & Item Description REP 200 Replacement Equipment \$1.0 and Over						D. Activity Identification		
Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
REP 200-01 EDC High-Rise Vehicles (DDSP)										27	196	5,300
<p>Narrative Justification:</p> <p>The Eastern Distribution Center (EDC) at Distribution Depot Susquehanna (DDSP) is the primary distribution facility on the east coast. The largest storage area in the EDC is located in the southwest corner of the facility. The high bay storage area contains 65 foot racks that hold 70,248 pallet storage and 242,688 bin/package locations. These racks are serviced by personnel onboard hybrid high rise vehicles. They have a single mast design, with an onboard compartment that traverses the mast vertically using a lift motor and cable. Cracks have been found in the mast and the annual maintenance costs are continually increasing. The vehicles were originally installed in 1989 and have exceeded their useful life of 10 years. For both economics and safety reasons, it is time to replace these vehicles. The equipment replacement will be accomplished in two phases (FY 2005/2006) providing the ability to remain operational during the replacement process.</p> <p>The savings to investment ratio is 3.9 and the discounted payback for this project is 2.4 years.</p>												

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
PRD 200 Productivity Equipment \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>PRD 200-01</u> Equipment for New GPW, Ph II (DDJC)							1	5,000	5,000	1	4,600	4,600

**Narrative Justification:**

A new 480,000 square foot General Purpose Warehouse (GPW) is currently under construction west of building 16 at Distribution Depot Tracy (DDJC). This facility will replace Buildings 8, 9, 11 and 12, which are World War II era warehouses. This is part of the process to eliminate substandard facilities and reduce infrastructure at DDJC. The proposed equipment project will provide a high rise narrow aisle pallet rack storage system, turret trucks including batteries and chargers, rail guidance system for Materiel Handling Equipment (MHE), elevated dual stacked pallet conveyor, vertical pallet conveyor, floor level pallet conveyor, covered cross-over tunnel to building 16, intra-depot transporter conveyors and work stations. Installation of this new equipment will lower overall material handling costs, reduce facility space requirements and decrease warehouse receiving, storage and shipping times. If this equipment is not provided, the new facility will be used only in a bulk storage mode and a substantial portion of the available stacking height would not be utilized, DDJC will not be able to accommodate anticipated storage requirements, material handling costs will increase, and system production capabilities will decrease. To facilitate coordination with the construction of the new facility and timely installation of equipment, the project will be funded and installed over two fiscal years, FY 2004 and FY 2005. This funding request pertains to the second phase installation of the system.

The Savings to Investment Ratio (SIR) for the entire project is 2.2 and the discounted payback is 4.2 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
PRD 200 Productivity Equipment \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>PRD 200-02</u> Modernize Depot Operations (DDPH)										1	1,818	1,818

**Narrative Justification:**

Currently, Distribution Depot, Pearl Harbor's (DDPH) incoming material is physically received in the newly constructed building 1900. Material is then staged, sorted, and conveyed via forklift or truck to the designated locations in the depot based on the weight and size. Local delivery and trans-shipment materials are received, stored, and shipped in building 1900, which is part of the Material Processing Center (MPC). The operation is very labor intensive because at least 80% of the pallets must be broken down and the material consolidated in a large container for at least fifty-five different shipments. The proposed modernization consists of a mechanized pallet receiving conveyor and sorting system for building 1900 and the installation of an overhead conveyor system which connects buildings 475 and 190. Material received in building 1900 will be placed on a pallet conveyor and processed as a full pallet if the material is for a single customer or broken down and placed on a sortation system for multiple customers. If the material is to be sent directly to a ship, it will be sorted into a reusable bulk container. However, if the material is to be stowed in buildings, 475, 474, and/or 452, an overhead scanner will divert the material to the new bi-directional overhead conveyor system which ties the centralized receiving with the entire bin complex. Binnable material picked up in these buildings will also be sent to building 1900 utilizing the same bi-directional overhead conveyor for processing and shipping. Benefits include centralized receipt processing, improved resource utilization, and improved performance as employees will be working from a central location.

The savings to investment ratio for the entire project is 5.1 and the discounted payback period for the project is 1.8 years.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group August 2003

C. Line Number & Item Description  
PRD 000 Productivity Equipment >1.00M

D. Activity Identification

Element of Cost	FY 2002			FY 2003			FY 2004			FY 2005		
	Quantity	Quantity	Quantity	Quantity			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>PRD 200-03</u> Equipment for new GPW (DDSP)										1	1,823	1,823

**Narrative Justification:**

Construction of a new 400,000 SF general purpose warehouse is planned in the FY 04 MILCON program. As part of the process to eliminate substandard facilities at DDSP, this warehouse will replace three WWII buildings at the New Cumberland site. The proposed equipment for this new warehouse will provide rail-guided, narrow aisle, high rise pallet storage system that will take advantage of the 20 feet clear stacking height. The proposed system also include four swing mast vehicles capable of accessing pallet storage locations at the top levels and six transporter docks to interface with the existing depot wide transporter system. The project will improve production by consolidating operations from several buildings into one. The stock pick rates will also increase due to increased inventory accuracy enabled by discrete location assignments. Not providing this equipment will result in the building being utilized as a bulk warehouse without taking advantage of the 20 feet clear stacking height. This will reduce productivity and lowers tock pick rate.

The savings to Investment Ratio (SIR) for the entire project is 3.5 and the discounted payback is 2.61 years

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
ADP 000 \$0.1 to \$0.499

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>ADP 000</u> Base Level Support				22	684.8	15,066	235	37.8	8,880	232	37.65	8,735

**Narrative Justification:**

In FY 2005 the Defense Distribution Center (DDC) will upgrade LAN networks to include hardware and infrastructure cabling at DDJF (Jacksonville Florida), DDDE (Germersheim, Germany), DDYJ (Yokosuka, Japan), and new sites in SW Asia and the Pacific (\$2,919). These upgrades will improve mission performance through increased connectivity depot-wide. The LAN infrastructure is standardized, upgraded, and refreshed according to recognized DoD and DLA standards. (\$2,919)

Distribution Depot San Joaquin (DDJC) communications and computer center upgrade (\$317K).

The Advanced HAZMAT Rapid Identification, Sorting and Tracking (AHRIST) initiatives will continue in FY 2005 for equipment purchases and installations at DDC Distribution Centers. The AHRIST project was the spearhead effort for the Microchip Logistics (MICLOG) program. MICLOG is DLA's initial thrust into the passive Radio Frequency Identification (RFID) technology arena to establish automated supply chain in-transit visibility from vendor through disposal for items using unobtrusive electronic microchips. The intent is to rapidly identify and track material as it moves through the DLA supply chain. The equipment required includes RFID printers, portals and PC equipment (\$1,590).

Radio Frequency Equipment (\$3,909) - DLA is committed to supporting the policy for Unique Item Tracking (UIT) as specified in DoD4140.1-R and DRID 48. Initial specifications for the UIT mission call for the ability to read 2D bar codes during the pick operation. The mission relies upon the perpetuation of serial number information throughout the supply chain; suppliers will mark this information on material in the form of 2D bar codes. This work is primarily supported by Radio Frequency equipment. Since the existing equipment cannot read 2D bar codes, the current systems must be replaced. The costs associated with replacing the systems are based on a one for one replacement of the existing end user equipment (hand held terminals and vehicle mounted terminals) as well as the number of access points (base stations) necessary to support this equipment. FY 05 funding will cover RF replacements at 16 Defense Distribution Depots. The RFID project is divided into three phases that will cover FY 05 – FY 07.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2004-2009 Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2003

C. Line Number & Item Description  
ADP 000 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>ADP 100</u> Telephone Network Upgrade							1	1,049	1,049	1	780	780

**Narrative Justification:**

The telephone network upgrade is a Distribution Depot Susquehanna initiative to upgrade mission essential telecommunications equipment. FY05 telecommunications upgrade will include installation of the next 3 current meridian software loads to increase telecommunications capabilities within the telephone switch (\$320). This upgrade will enhance video teleconferencing, Integrated Services Digital Network (ISDN), ATM, telecommunication applications, modems and faxes that compete for telephone switch ports. Telecommunications application upgrades that may be initiated include automatic Call Distribution, Call Pilot, Voice Mail, Call Center Management Information System, Enhanced 911, Telewall, and interactive Voice Response Systems (\$460).

The FY05 Return on Investment (ROI) is 1.6 and payback period is .2 year.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
<u>SWD 200-01</u> Distribution Standard System (DSS)						3,000			3,500			3,500

**Narrative Justification:**

The Distribution Standard System (DSS) was fully deployed at all 21 sites in FY 1998. DSS will continue to be enhanced through Business Process Improvements beyond Full Operational Capability (FOC). Many of these productivity System Change Requests (SCR's) are generated by the Defense Distribution Centers to improve and standardize the Distribution Business Processes. They will provide more cost effective customer support by enhancing the following functional areas: storage, workload planning, transportation, inventory, receiving, Total Package Fielding/Small Arms Serialization Program (TPF/SASP), Packing, Packaging, Preservation and Marking (PPP&M), Care Of Supplies In Storage (COSIS), inventory, Equipment Control System (ECS) and Hazardous Material (HAZMAT), Equipment Control System (ECS), and Management Information System (MIS). DSS System Change Requests (SCRs) created by DLA/DDC HQ to support ERP (Enterprise Resource Planning) of DSS interface requirements, DODAAF Reinvention Effort, DoD SDR Web Interface, Project Consolidation and Packaging (P&CP) Kitting, Configuration Load Build tool (CLBT).

This funding will support expanding DSS not only to new sites as required (for example, SW Asia and Pacific sites) but also for ongoing Distribution Depot Europe and Yokosuka initiatives and DDC Database 2 migration. System Change Request's are required to keep DSS current with changing commercial and government freight policies, unique DoD and Service related initiatives, and regulatory changes to on-line and batch programs. These SCR's address priority 1 or priority 2 core mission issues. All development will be performed internally.

Expected benefits in the DSS functional EA are estimated to be over \$400 million, with a Return On Investment (ROI) of 5.3 and an estimated payback of 2.8 years

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission Fiscal Year (FY) 2005 Budget Estimates		
B. Component/Activity Group/Date Defense Logistics Agency Distribution Depot Activity Group February 2004				C. Line Number & Item Description SWD 200 \$1.0 and Over						D. Activity Identification		
Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>SWD 200-02</u> Distribution Planning Management System (DPMS)						7,584			15,658			3,251
<p><b>Narrative Justification:</b></p> <p>The Distribution Planning Management System (DPMS) will provide process integration to evaluate and optimize transportation operations, at a global level, not just in terms of cost but also in terms of trade-offs between inventory, warehousing, forecasted demands and the actual capacities of the transportation/distribution network, to include suppliers to meet customer requirements. DPMS will integrate information about transportation rates, routes, carrier capacities and customer service requirements. Defense Distribution Center (DDC) will be able to better manage the existing movement of products from vendors and distribution centers to customers through the use of DPMS resulting in greater coordination, asset visibility, and precise stock positioning to lower transportation and inventory holding costs. DPMS will interface with the Department of Defense's (DoD's) transportation financial system (PowerTrack), Distribution Standard System (DSS), the execution and planning portions of Business Systems Modernization (BSM), as well as Service Enterprise Resource Planning (ERP) systems and DoD tracking systems. The FY 2003 investment was for phase 1 which included development of the concept demo, software capabilities mapping to DDC processes and the Full Operational Capacity (FOC) blueprint. The FY 2004 investment is for phases 2 and 3, which will include first and second Destination Optimization. FY 2005 investment is for phase 4, Reverse Logistics and phase 5, Service Level integration with DPMS.</p> <p>Based on the February 2003 Economic Analysis (EA ), the Return on Investment (ROI) is 10.41 and the payback period is 2.2 years. A Business Case Analysis (BCA) is being conducted to document the phase 4 and phase 5 benefits. This analysis will be used to refresh the DPMS EA by October 2003.</p>												

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Distribution Depot Activity Group February 2004

C. Line Number & Item Description  
RPM 000 Minor Construction

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
Minor Construction (DDC)						8,545			7,500			7,691

**Narrative Justification:**

The minor construction investment for projects (costing between \$100,000 and \$750,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:

1. Installing and improving fire protection and alarm systems
2. Upgrading security facilities (gates, fences, lighting) to meet current standards
3. Adding paving for open storage, road networks and organizational and personnel parking
4. Altering facilities to accommodate mission consolidation and stock repositioning
5. Improvements to utilities to enhance reliability.
6. Incidental improvements associated with facilities repair projects

These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the distribution mission.

**DEFENSE LOGISTICS AGENCY  
DEFENSE-WIDE WORKING CAPITAL FUND  
DISTRIBUTION DEPOTS ACTIVITY GROUP  
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES  
CAPITAL BUDGET EXECUTION  
February 2004  
(DOLLARS IN MILLIONS)**

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>	<b>Explanation</b>
2003	Equipment except ADPE & TELCOM:	(0.2)	14.3	14.5	(0.2)	
	Replacement <\$500K	0.0	0.8	0.8	0.0	
	Productivity <\$500K	(1.3)	0.2	1.4	(1.3)	Rec Convey and 2 change orders
	Replacement \$0.5 to \$0.999K	0.9	1.8	0.9	0.9	One requirement canceled.
	Productivity \$0.5 to \$0.999K	0.9	0.9	0.0	0.9	Project canceled.
	Whse Stg Sys Refurbishment, Bldg 13	0.4	1.7	1.3	0.4	Project repriced
	Bulk Receiving Upgrade. Bldg 143	0.1	1.8	1.7	0.1	
	Equipment for Humidity Warehouse	1.1	2.6	1.5	1.1	Project rescope
	Narrow Aisle Cantilever Rack Stg, Bldg J39	0.0	2.0	2.0	0.0	
	Forward Stock Positioning System	(0.8)	2.5	3.3	(0.8)	Additional requirement.
	Counter Terrorism	(1.6)	0.0	1.6	(1.6)	
2003	Equipment - ADPE & TELCOM:	(0.1)	17.8	17.9	(0.1)	
	Base Level Support	0.0	15.1	15.1	0.0	
	Telecom Network Infrastructure	0.2	1.2	1.0	0.2	Project repriced
	AHRIST	0.0	1.5	1.5	0.0	
	Telephone Switch Upgrade - Change Order	(0.4)	0.0	0.4	(0.4)	Additional requirement.
2003	Software Development:	1.0	11.5	10.5	1.0	
	Distribution Standard System	0.0	3.0	3.0	0.0	
	Distribution Planning & Management Sys	1.0	8.5	7.5	1.0	Project repriced
2003	Minor Construction	(1.0)	7.5	8.5	(1.0)	Emergent requirements.
	<b>Total FY 2003</b>	<b>(0.3)</b>	<b>51.2</b>	<b>51.4</b>	<b>(0.3)</b>	

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DISTRIBUTION DEPOTS ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
 February 2004  
 (DOLLARS IN MILLIONS)

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
2004	Equipment except ADPE & TELCOM:	0.0	21.7	21.7	0.0	
	Replacement <\$500K	0.0	1.8	1.8	0.0	
	Productivity <\$500K	0.0	2.6	2.6	0.0	
	Replacement \$0.5 to \$0.999K	0.0	1.1	1.1	0.0	
	Productivity \$0.5 to \$0.999K	0.0	1.6	1.6	0.0	
	Equipment - Support Stock Positioning	0.0	2.1	2.1	0.0	
	Equipment - General Purpose Warehouse	0.0	5.0	5.0	0.0	
	Warehouse Storage System, Tracy Bldg 18-1	0.0	1.4	1.4	0.0	
	Equipment For Special Purpose Warehouse	0.0	3.9	3.9	0.0	
	Pallet Storage System, Bldg W135	0.0	2.3	2.3	0.0	
2004	Equipment - ADPE & TELCOM:	0.0	9.9	9.9	0.0	
	ADP Equipment < \$0.499	0.0	5.7	5.7	0.0	
	Telephone System Upgrade	0.0	1.0	1.0	0.0	
	LAN Hardware	0.0	3.2	3.2	0.0	
2004	Software Development:	0.0	19.2	19.2	0.0	
	DSS System Change Requests (SCRs)	0.0	3.5	3.5	0.0	
	Distribution Planning Management System	0.0	15.7	15.7	0.0	
2004	Minor Construction	0.0	7.5	7.5	0.0	
	<b>Total FY 2004</b>	<b>0.0</b>	<b>58.3</b>	<b>58.3</b>	<b>0.0</b>	

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Reutilization & Marketing Service Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Activity Group Capital Investment Summary**  
(Dollars in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
REP 000	EQUIPMENT (Non ADP/T) \$0.1 to \$0.499	3	0.8	5	0.5	3	0.7
PRD 000	Replacement	3	0.8	5	0.5	3	0.7
NEW 000	Productivity						
	New Mission						
REP 100	EQUIPMENT (Non ADP/T) \$0.5 to \$0.999	0	0.0	0	0.0	0	0.0
PRD 100	Replacement						
NEW 100	Productivity						
	New Mission						
REP 200	EQUIPMENT (Non ADP/T) \$1.0 and Over	0	0.0	0	0.0	0	0.0
PRD 200	Replacement						
NEW 200	Productivity						
	New Mission						
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	3	0.8	5	0.5	3	0.7
ADP 000	ADP/T EQUIPMENT \$0.1 To \$0.499			1	0.2		
ADP 100	ADP/T EQUIPMENT \$0.5 To \$0.999						
ADP 200	ADP/T EQUIPMENT \$1.0 and Over						
	<u>TOTAL EQUIPMENT (ADP/T)</u>	0	0.0	1	0.2	0	0.0
SWD 000	SOFTWARE DEVELOPMENT \$0.1 To \$0.499		0.0		2.0		1.0
SWD 100	SOFTWARE DEVELOPMENT \$0.5 To \$0.999						
SWD 200	SOFTWARE DEVELOPMENT \$1.0 and Over						
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		0.0		2.0		1.0
RPM 000	<u>MINOR CONSTRUCTION</u>		6.0		5.0		3.0
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	3	6.8	6	7.7	3	4.7
	Total Capital Outlays		1.6		13.5		6.9
	Total Depreciation Expense		12.2		9.2		8.7

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
DRMS Group February 2004

C. Line Number & Item Description  
REP 000 Replacement Equipment \$0.1 to \$0.499

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Quantity	Quantity	Quantity			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>REP 000</u> Material Handling Equipment				2	350	762				3	233	700

Narrative Justification:

These investments which include a tool carrier, shredder and a scrap handler, replace existing items that have reached or exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing polices, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to various categories of equipment.

The increase in this category is \$178K. Offset identified, no overall increase in FY 2005.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
DRMS Group

C. Line Number & Item Description  
SWD 200 \$1.0 and Over

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Quantity	Quantity	Quantity			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<u>SWD 200</u>									1,970			1,000

Narrative Justification:

System changes are required for the DRMS Automated Information System (DAISY). In FY 2005, changes are required in support of transportation. The Transportation effort is to implement efficient transportation practices. Implementation of this will help modernize the DRMS business model and when implemented will provide cost savings and increased efficiency. The transportation effort will help strengthen Intransit accountability of DEMIL-required and other DRMS property. Today, DRMOs shipping DEMIL/mutilation and other property to the centralized DEMIL centers or elsewhere lose control of property shipments when property is dropped off to the TMO for shipment. At this time, TMO then schedules property shipments in their normal shipping schedules, priorities, and many times DRMS shipments are co-mingled with other shipments leaving the installation.

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**Fiscal Year (FY) 2005**  
**Budget Estimates**

B. Component/Activity Group/Date Defense Logistics Agency  
Reutilization & Marketing Service Activity Group February 2004

C. Line Number & Item Description  
RPM 000 Minor Construction

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
Minor Construction						6,000			5,000			3,000

**Narrative Justification:**

The minor construction investment for projects (costing between \$100,000 and \$750,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:

1. Upgrading security facilities (gates, fences, lighting) to meet current standards
2. Adding paving for open storage, road networks and parking
3. Altering facilities to accommodate mission consolidation and relocation
4. Renovation of demilitarization facilities
5. Incidental improvements associated with facilities repair projects

These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the DRMS mission.

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DEFENSE REUTILIZATION & MARKETING SERVICE ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
**FEBRUARY 2004**  
**(DOLLARS IN MILLIONS)**

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>	<b>Explanation</b>
2004	Equipment except ADPE & TELCOM:	0.0	0.5	0.5	0.0	
	Replacement <\$500K	0.0	0.5	0.5	0.0	
	Productivity <\$500K	0.0	0.0	0.0	0.0	
2004	Equipment - ADPE & TELCOM:	0.0	0.2	0.2	0.0	
	ADP Equipment < \$0.499	0.0	0.2	0.2	0.0	
2004	Software Development:	0.0	2.0	2.0	0.0	
	DAISY SCR's	0.0	2.0	2.0	0.0	
2004	Minor Construction:	0.0	5.0	5.0	0.0	
	<b>Total FY 2004</b>	<b>0.0</b>	<b>7.7</b>	<b>7.7</b>	<b>0.0</b>	

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DEFENSE REUTILIZATION & MARKETING SERVICE ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
**FEBRUARY 2004**  
**(DOLLARS IN MILLIONS)**

***PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET***

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>
2003	<u>Equipment except ADPE &amp; TELCOM:</u>	(0.1)	0.8	0.8	(0.1)
	Replacement <\$500K	(0.1)	0.8	0.8	(0.1)
	Productivity <\$500K	0.0	0.0	0.0	0.0
2003	<u>Equipment - ADPE &amp; TELCOM:</u>	0.0	0.0	0.0	0.0
		0.0	0.0	0.0	0.0
2003	<u>Software Development:</u>	0.0	0.0	0.0	0.0
	DAISY SCR's	0.0	0.0	0.0	0.0
2003	<u>Minor Construction:</u>	0.0	6.0	6.0	0.0
	<b>Total FY 2003</b>	<b>(0.1)</b>	<b>6.8</b>	<b>6.8</b>	<b>(0.1)</b>

**DEFENSE LOGISTICS AGENCY**  
**Defense-Wide Working Capital Fund**  
**Defense Automated Printing Service Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Activity Group Capital Investment Summary**  
(Dollars in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
REP 000	EQUIPMENT (Non ADP/T) \$0.1 to \$0.499	1	0.5	0	0.0	0	0.0
PRD 000	Replacement						
PRD 000	Productivity	1	0.5				
NEW 000	New Mission						
REP 100	EQUIPMENT (Non ADP/T) \$0.5 to \$0.999						
PRD 100	Replacement						
PRD 100	Productivity						
NEW 100	New Mission						
REP 200	EQUIPMENT (Non ADP/T) \$1.0 and Over						
PRD 200	Replacement						
PRD 200	Productivity						
NEW 200	New Mission						
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	1	0.5	0	0.0	0	0.0
ADP 000	ADP/T EQUIPMENT \$0.1 To \$0.499	1	0.4				
ADP 100	ADP/T EQUIPMENT \$0.5 To \$0.999						
ADP 200	ADP/T EQUIPMENT \$1.0 and Over						
	<u>TOTAL EQUIPMENT (ADP/T)</u>	1	0.4	0	0.0	0	0.0
SWD 000	SOFTWARE DEVELOPMENT \$0.1 To \$0.499						
SWD 100	SOFTWARE DEVELOPMENT \$0.5 To \$0.999						
SWD 200	SOFTWARE DEVELOPMENT \$1.0 and Over		1.1				
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		1.1		0.0		0.0
RPM 000	<u>MINOR CONSTRUCTION</u>				0.1		0.2
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	2	2.1	0	0.1	0	0.2
	Total Capital Outlays		1.0		4.7		1.4
	Total Depreciation Expense		3.0		3.1		3.1

**Activity Group Capital Investment Justification**  
(Dollars in Thousands)

A. Budget Submission  
**FISCAL YEAR (FY) 2005**  
**BUDGET ESTIMATES**

B. Component/Activity Group/Date Defense Logistics Agency  
Defense Automated Printing Service Activity Group February 2004

C. Line Number & Item Description  
RPM 000 Minor Construction

D. Activity Identification

Element of Cost				FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost									
Minor Construction									120			150

**Narrative Justification:**

The minor construction investment for projects (between \$100,000 and \$750,000) will construct new, replace existing, or modify current facilities to implement mission consolidations and allow for operational improvements. These projects consist of:

- (1) Renovations and alterations of administrative facilities.
- (2) Renovations and alterations to mission operational facilities such as printing, blueprint and microfilm facilities.

These investments will result in cost effective facilities to support the mission and will allow for the implementation of the MEO resulting from the recent A76 competition.

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DEFENSE AUTOMATED PRINTING SERVICE ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
**February 2004**  
**(DOLLARS IN MILLIONS)**

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>	<b>Explanation</b>
2003	Equipment except ADPE & TELCOM:	(0.3)	0.2	0.5	(0.3)	
	Productivity <\$500K	(0.3)	0.2	0.5	(0.3)	Emergent requirement.
	Equipment - ADPE & TELCOM	5.0	5.4	0.4	5.0	
	ADPE <\$500K	3.3	3.7	0.4	3.3	Requirements canceled - MEO
	Enterprise Document Mgmt System	1.7	1.7	0.0	1.7	Requirements canceled - MEO
2003	Software Development:	(0.8)	0.3	1.1	(0.8)	
	Software Development <\$500K	0.3	0.3	0.0	0.3	Requirements canceled - MEO
	Electronic Document Access	(1.1)	0.0	1.1	(1.1)	Emergent requirement.
2003	Minor Construction:	0.0	0.0	0.0	0.0	
	<b>Total FY 2003</b>	<b>3.8</b>	<b>5.9</b>	<b>2.1</b>	<b>3.8</b>	

**DEFENSE LOGISTICS AGENCY**  
**DEFENSE-WIDE WORKING CAPITAL FUND**  
**DEFENSE AUTOMATED PRINTING SERVICE ACTIVITY GROUP**  
**FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**  
**CAPITAL BUDGET EXECUTION**  
**February 2004**  
**(DOLLARS IN MILLIONS)**

**PROJECTS ON THE FY 2004 PRESIDENT'S BUDGET**

<b>FY</b>	<b>Approved Project</b>	<b>Reprogs</b>	<b>Approved Proj Cost</b>	<b>Current Proj Cost</b>	<b>Asset/ (Deficiency)</b>	<b>Explanation</b>
2004	Equipment except ADPE & TELCOM:	0.0	0.0	0.0	0.0	
		0.0	0.0	0.0	0.0	
2004	Equipment - ADPE & TELCOM	0.0	0.0	0.0	0.0	
		0.0	0.0	0.0	0.0	
2004	Software Development:	0.0	0.0	0.0	0.0	
		0.0	0.0	0.0	0.0	
2004	Minor Construction:	(0.1)	0.0	0.1	(0.1)	Additional requirement.
	<b>Total FY 2004</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.1</b>	<b>(0.1)</b>	

## Capital Budget

In FY 2004 and 2005, DFAS will continue its efforts to exercise a system modernization and improvement strategy with fewer resources and in accordance with the Defense Business Management Modernization Program guidelines. Our capital investment program will decline from \$182.6 million in FY 2002 to \$62.0 million in FY 2005, a total decrease of \$113.6 million or 66% percent.

We continue implementing our modernization strategy to replace existing legacy systems with a standard suite of integrated, efficient systems. However, our efforts are being tempered by the need to remain consistent with on-going efforts to develop a DoD enterprise architecture.

As part of this effort, multiple disbursing, military pay, and vendor pay systems are being replaced by single systems that support DOD-wide customers in each DFAS business line. For example, MilPay Systems Transition Program (MSTPO) is being developed to replace multiple disparate and aging personnel and pay systems with single, fully integrated COTS human resources application exploiting modern processing technology. Accounting systems are also being standardized and reduced to a core number necessary to support DoD-wide applications. System development and deployment will take place within a standard infrastructure that creates a shared, integrated operating environment. This environment is compliant and interoperable with the DoD Joint Technical Architecture and has the flexibility to mesh with the future DoD financial management enterprise architecture. Overall, this environment will give DFAS the capability to provide the Military Services and other customers with high quality financial information and business intelligence that is responsive to their decision-making needs and is compliant with the Chief Financial Officer Act requirements.

The decline in costs is driven by several factors. Required resources decline as we move significantly closer to completion of the modernization and standardization of our finance and accounting systems. Other factors for the decline in capital are the termination of Defense Procurement Payment System (DPPS), Defense Standard Disbursing System (DSDS) and the fulfillment of the functional requirement by enhancing Mechanization of Contract Administration Services (MOCAS). Finally, the

capital program in FY 2003 also reflects changes in capital investment criteria mandated by the Federal Accounting Standards Board (FASB). The adoption of the FASB standards realigned selected system acquisition costs from the investment to operations funding category. Overall, the DFAS investment program meets customer needs for management information while using fewer resources.

**FISCAL YEAR (FY) 2005 PRESIDENT'S BUDGET**

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**CAPITAL BUDGET EXHIBITS**

**FINANCIAL OPERATIONS BUSINESS AREA**

EXHIBIT FUND 9-a

DWCF ACTIVITY CAPITAL INVESTMENT SUMMARY

EXHIBIT FUND 9-b

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION

Automated Data Processing Equipment  
Minor Construction  
Automated Time Attendance and Production System (ATAAPS)  
Business Management Redesign (BMR)/Electronic Business  
(e-Biz)  
Defense Cash Accountability system (DCAS)  
DFAS Corporate Database (DCD)  
Defense Civilian Pay System (DCPS)  
DFAS Corporate Warehouse (DCW)  
Defense Debt Management System (DDMS)  
Defense Departmental Reporting System (DDRS)  
Deployable Disbursing System (DDS)  
Defense Industrial Financial Management System (DIFMS)  
Defense Joint Accounting System (DJAS)  
Defense Joint Military Pay System (DJMS)  
Defense Procurement Payment System (DPPS)  
Defense Retiree and Annuitant Pay System (DRAS)  
Defense Standard Disbursing System (DSDS)  
Defense Working Capital Accounting System (DWAS)  
Electronic Commerce/ Electronic Data  
Employee Member Self Service (EMSS) (MYPAY)  
Forward Compatible Payroll (FCP)  
General Accounting and Finance System-Reengineered (GAFS-R)  
Integrated Accounts Payable System (IAPS)  
Marine Corps Total Force System (MCTFS)  
Material Financial Control System (MFCS)  
Mechanization of Contract Administration Services  
(MOCAS)  
Military Pay Systems Transition Program Office  
(MSTPO)/Defense Military Office (DMO)  
Operational Data Storage (ODS)  
Standard Materiel Accounting System (SMAS)  
Standard Accounting and Reporting System (STARS)  
Other Accounting (General Fund) Systems

EXHIBIT FUND 9-c

CAPITAL BUDGET EXECUTION

**Activity Capital Investment Summary**  
**Component: Defense Finance and Accounting Service**  
**Activity: Financial Operations**  
**Date: February 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2002		FY 2003		FY 2004		FY 2005	
		Quantity	Total Costs						
	<b>Non-ADPE Equipment &gt; \$100,000</b> - Replacement - Productivity - New Mission - Environment		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>
	<b>ADPE &amp; Telecommunications Equipment</b> - Computer Equipment - Computer Software - Telecommunications - Other		<b>6.2</b>		<b>12.1</b>		<b>15.7</b>		<b>14.1</b>
	<b>Software Development</b> - Internally Developed - Externally Developed		<b>174.8</b>		<b>122.4</b>		<b>82.2</b>		<b>47.4</b>
			88.1		74.7		51.8		28.5
			86.7		47.7		30.4		18.9
	<b>Minor Construction</b>		<b>1.6</b>		<b>0.8</b>		<b>1.1</b>		<b>.9</b>
	<b>TOTAL*</b>		<b>182.6</b>		<b>135.3</b>		<b>99.1</b>		<b>62.4</b>
	<b>Total Capital Outlays</b>		<b>184.1</b>		<b>169.0</b>		<b>137.5</b>		<b>103.1</b>
	<b>Total Depreciation Expenses</b>		<b>142.2</b>		<b>115.9</b>		<b>135.3</b>		<b>127.9</b>

(\*Totals in this exhibit conflict with totals in the CIS database. We are working to resolve the difference

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Automated Data Processing Equipment (ADPE) > \$100,000

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Off. Auto. (Printer)						1,056			528			528
I-GARNS									0			0
System Security			0			1,345			1,260			2,000
DCD						592						
Other ADPE (TGET)			1,593			270			245			175
DJMS-AC						344						
MSTPO						250						
PBX			723			723			723			723
Total			2,316			4,580			2,756			3,426

**Narrative Justification:**

The FY 2003 and FY 2004 Financial Operations business area ADPE program will primarily support the phased refresh and replacement of the DFAS Corporate Infrastructure. This funding will replace and upgrade the backbone processing capability. The essential replacements are for routers, backbone/communication servers. DFAS plans to invest in adequate security hardware while replacing the out of date and aging security protection. Security equipment is also a phased approach and consists of replacing and upgrading firewalls, encryption devices, and enterprise vulnerability scanning devices and intrusion detection hardware. For FY 2004, completion of a standard testing platform for the Defense Corporate Database (DCD) is planned, which allows standard testing and the reuse of test information across system applications. Additionally, the Private Branch Exchange (PBE) for Cleveland will require continued funding for the lease-to-own acquisition which will be complete by FY 2005. DFAS-Cleveland is purchasing check printers in FY 2004 and FY 2005.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

B. Fiscal Year (FY) 2005 President's Budget

<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004	<b>C. Line No. &amp; Item Description:</b> Automated Data Processing Equipment (ADPE) > \$100,000	<b>D. Activity Identification</b> DFAS
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Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
EDM			0			365			2,500			1,130

**Narrative Justification:** The Electronic Document Management (EDM) Program is a comprehensive business process improvement initiative designed to enhance automation of paper processes thereby facilitating ease of interaction between DoD finance and accounting functions. The EDM is comprised of Imaging, Electronic Folders and Workflow. Capturing images can originate as a fax, spreadsheet, word-processing, e-mails, Electronic Commerce/Electronic Data Interchange (EC/EDI) transactions, Electronic Data Access (EDA) Broadcast message, downloaded files, or a scanned document. These images are stored for sequential viewing. EDM uses electronic folders as a logical grouping of electronic documents for storage and requires replacement equipment to support document workflow, access and scanning for the contract and vendor pay business areas.

FY 2004 Funds will be used for datamapping changes for Vendor Pay to index and interface electronic 810s from the initial receipt of hard copy invoices. Receipt and automated processing of electronic 824 transactions into EDM for reject processing from feeder systems. Include web based access for the DoD customer base and the front in access through EDA including PKI integration. Begin programming and installation of on-line COOP programming providing our customers system availability 24-7. Begin feasibility assessment of utilizing current baseline for Accounting paperless solution.

FY 2005 funds will be used to evaluate possible workload realignments based on ongoing feasibility studies. Also includes program changes to system as prioritized by Configuration Control Board.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

C. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Automated Data Processing Equipment (ADPE) > \$100,000

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Enterprise LAN			3,904			7,494			10,416			9,560

**Narrative Justification:**

The strategy for the ELAN was to adopt interoperable communications which provided universal access to every business application regardless of geographic location. From its inception, the ELAN was envisioned as the most important enabling technology to link DFAS to its customers and suppliers. The ELAN concept of operations envisioned single network architecture for the agency. The ELAN is comprised of the local area networks (LANs) linked wide area network (WAN) connections provided by the DoD Global Information Grid (GIG) to form a seamless entity. The Funds will be used to provide the communications infrastructure and collaboration tools that make the attainment of these goals possible. Success is measured by the use of performance metrics to drive best practices and achieve high quality results. The goal of being a trusted and innovative financial partner is met by the stringent application of Critical Infrastructure Protection (CIP) tools and techniques to protect the personal and financial information of our customers.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Minor Construction < \$750,000

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			1,636			800			1,145			927

**Narrative Justification:**

DFAS Minor Construction primarily supports various Continental United States (CONUS) sites. For FY 2003, our San Diego site required renovations due to deteriorated facility conditions. Also, DFAS needs to provide security protection for several sites and funding will support erection of force protection barriers to maintain a secured perimeter. The FY 2004 and FY 2005 Minor Construction funding is for design and construction at Dayton, Charleston, and Denver. The projects include the following: parking, passive security, ductwork, and curbs & gutters.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Automated Time Attendance and Production System  
(ATAAPS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			2,115			2,433			1,160			991

**Narrative Justification:**

The Automated Time Attendance and Production System (ATAAPS) provides an automated, single-source input for reporting and collecting time and attendance (T&A) and labor data and for passing that information to interfacing payroll and accounting systems. Pre-investment economic analysis has not been accomplished for the ATAAPS system.

Funding provided in FY 2004 would be used to provide the functionality to support known legislative requirements and certain customer requested functional changes that meet criteria for capital investment. Currently planned FY 2004 changes will move the application to a web environment with the ultimate elimination of the mainframe version; allow activity based costing to more accurately accomplish activity based costing and reporting; include hazard pay /representational hours in default system settings; accommodate retroactive processing of Time and Attendance data; implement changes required to support functionality offered by the Defense Civilian Pay System.

The Principal Deputy Secretary, Financial Management, for the Air Force requested that DFAS assume system management and technical support functions for an existing payroll system used to pay foreign national employees. FY 2002 and FY 2003 funding reflects the cost to support that application as the baseline and increased functionality required enabling the system to support the payment of proposed expanded customer base.

**ACTIVITY CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:** Software Dev/Mod –  
Business Management Redesign (BMR)/ Electronic  
Business (e-Biz) Application

**D. Activity Identification**  
DFAS Sites

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			4,033			6,864			750			250

**Narrative Justification:**

BMR/e-Biz is a Commercial Off the Shelf (COTS) application that provides accounting, financial management and comprehensive financial planning capabilities. It offers extensive functionality to record financial planning and purchasing events as well as accounts receivable and payable, disbursements, and budgeting activities. All BMR/e-Biz subsystems are fully integrated, so that transactions update budgets, financial plans, projects and the general ledger at the time they are processed. The BMR/e-Biz system will support Working Capital Funds, and General Funds.

BMR/e-Biz is currently planned to be implemented in three phases. FY 2002 funding supported testing and implementation of Phase 1 (Timekeeping). FY 2003 funding will support application development, testing and full technical deployment of Phases 2 and 3 to DFAS. FY 2004 and FY 2005 funds will also allow for further enhancements to meet changes in statutory and policy requirements.

The December 2003 life cycle cost estimate shows savings of \$40,900K and a productivity improvement of \$8,800K for total benefits of \$49,700K. The benefits occur between FY 2003 and FY 2013.

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)	A. Fiscal Year (FY) 2005 President's Budget
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B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004	C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod – Defense Cash Accountability System (DCAS)	D. <u>Activity Identification</u> DFAS
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Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			9,249			3,887			5,995			5,467

**Narrative Justification:**

DCAS is the migration system selected by the Defense Finance and Accounting Service (DFAS) to be the single cash accountability system for the Department of Defense (DoD). DCAS will meet the need to re-engineer and consolidate multiple disparate systems into a single DoD cash accountability and reporting process supporting all DoD components, as well as external stakeholders. Cash accountability is the reporting of disbursements, reimbursements, deposits and receipts to the United States Treasury, as well as all other transactions which would impact the status of funds.

FY 2003 – FY 2005 capital funds will support added functionality for yearend reporting, closed account appropriation adjustments, and interfund transactions for Phase 2. It will also support the implementation of DCAS Phase 3, which includes the reconciliation of Treasury expenditure data with accounting system data and the elimination of Financial Reporting System in the DFAS Cleveland and DFAS Kansas City networks. This effort includes costs for finalizing design and development, developmental testing and DCAS Phase 3 Milestone C. In addition to Phase 2 and Phase 3 functionality, the funds will be utilized to initiate identification of requirements for DCAS Phase 4, Treasury and Reconciliation for Indianapolis and Columbus networks, and Phase 5, Treasury and Reconciliation for the Denver network.

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004			<b>C. Line No. &amp; Item Description:</b> Software Dev/Mod - DFAS Corporate Database (DCD)				<b>D. Activity Identification</b> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			19,132			14,846			1,334			425

**Narrative Justification:**  
DCD is a major component of the DFAS strategy to evolve to standard finance and accounting systems and processes. It is the integration engine for the DFAS Corporate Information Infrastructure (DCII) architecture using Oracle relational databases used to interface, standardize and share data between financial systems and provide supplemental functionality to support migratory initiatives. The DCD will incrementally integrate DFAS systems initiatives while minimizing change to legacy applications and other initiatives. It also provides a target for migratory systems to build to and eliminates many of the hurdles that would otherwise be required for the achievement of the full benefits associated with major standardization initiatives such as: the Defense Cash Accountability System (DCAS), and the Defense Integrated Military Human Resource System (DIMHRS). By integrating the entitlement, disbursing, and accounting data to provide a standard source of shared data that our systems can access, the DCD will facilitate the elimination of such problems as Unmatched Disbursements, Negative Unliquidated Obligations, and the time delays associated with pre-validation.  
The funds for FY 04 and FY 05 support the change in program scope, which now consists of "core" functionality including the Cross-Services Financial Information Support (FIS) (formerly referred to as US Special Operations Command/TI97), Corporate Electronic Funds Transfer (CEFT), File Inventory Control System (FICS), and Global Edit Tables (GET)/Standard General Ledger (SGL).

Exhibit Fund-9b Activity Group Capital Purchase Justification

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Software Dev/Mod -- Defense Civilian Pay System (DCPS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			8,000			7,443			6,741			0

**Narrative Justification:**

DCPS is a payroll system providing pay, leave, and entitlement computations and financial accounting for the Department of Defense and Executive Office of the President and serves approximately 681,000 civilian employees. Further, DCPS is used by the National Security Agency to process classified payroll. DFAS competed against 18 Executive Branch agencies to become one of the Federal payroll service providers as part of the Office of Management and Budget (OMB) and Office of Program Management's (OPM) ePayroll initiative. In October 2002, DCPS was selected as an ePayroll system provider. An economic analysis of DCPS was completed in January 1992.

**Funding provided in FY 2004 would be used to implement functionality to support new legislation and other mandatory updates. Currently planned FY 2004 changes will support system modifications to accommodate the requirements of the DoD National Security Personnel System; changes to the Senior Executive Service Pay and Performance Award legislation; changes to automate the handling of Health Benefit indebtedness for activated Reservists; annual tax changes; commercial tax computation package replacement; retroactive pay increase for 2004; additional requirements to accomplish the payment for DoD Medical professionals.**

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)										A. Fiscal Year (FY) 2005 President's Budget		
B. Component/ Activity/ Date: Defense Finance and Accounting Service February 2004				C. Line No. & Item Description: Software Dev/Mod - DFAS Corporate Warehouse (DCW)				D. Activity Identification DFAS				
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			7,927			5,327			1,839			900
<b>Narrative Justification:</b>												
<p>DCW provides central data warehouse capability to store, query and report DoD financial data. It is a business area-oriented, consolidated, historical collection of shared data designed to support management analysis and decision-making for DoD and DFAS customers. The DCW will extract validated historical data from the DFAS Corporate Database, transform the data, and store the data in a multidimensional database. The data is then available for data evaluation, trend analyses, decision-making, and audits. The DCW provides fast access to the data needed for analysis.</p> <p>FY 2004 – FY 2005 funds are to support the change in program scope, which now consists of “core” functionality including the Cross-Services Financial Information Support (FIS) (formerly referred to as US Special Operations Command/TI97), Corporate Electronic Funds Transfer (CEFT), File Inventory Control System (FICS), and Global Edit Tables (GET)/Standard General Ledger (SGL).</p>												

Exhibit Fund-9b Activity Group Capital Purchase Justification

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004			C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod – Defense Debt Management System (DDMS)				D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			707			760			685			720

**Narrative Justification:** DDMS is the designated DoD system supporting out-of-service debt collections for Air Force, Army, Navy, Marine Corps, civilians, retirees and annuitants. The Defense Debt Management System (DDMS) has been fully implemented since 1995. The Capital investment is to continue the ongoing mandated changes to comply with out-of-service debt collection procedures, laws, regulations, and changes and to implement the ongoing system interface changes with system partners such as Treasury Offset Program, Treasury Collection Agencies, and the probable requirements for Treasury Cross-Servicing initiatives to interface with the new FEDDEBT system.

Benefits and savings for FY 2003 and FY2004 --- DDMS supports debt collections of over \$72,000 thousand per year. If the DDMS interfaces are not compatible with the Treasury programs, future debt submissions to Treasury would have to be cancelled and existing debts would need to be recalled. DoD, Treasury, and Congress would have to be notified that DoD will stop participating in the Treasury debt collection programs, placing the agency outside of compliance with the Debt Collection Improvement Act (DCIA) of 1996 and other legal requirements. All collection actions must comply with laws, regulations and procedures.

FY 2003 – FY 2005 funding will support the system changes to DDMS (mandatory changes, system interfaces and reporting). DDMS in turn will support the out-of-service debt collection and claims management functions to meet DFAS mission.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Defense Departmental Reporting System (DDRS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			6,091			1,977			4,161			800

**Narrative Justification:** DDRS will standardize the departmental reporting process for all DoD Fund Types. This modern system will be used to produce the DoD Audited Financial Statements and budgetary reports from a single database, provide data query and report generation tools, eliminate the need for manual reconciliation, and operate within the DFAS Corporate Information Infrastructure environment (DCII).

FY 2004 capital funds will be used to accomplish the following: Update DDRS AFS/FACTS I FY2004 annual reporting. Continue deployment of the Data Collection Module to support AFS accelerated reporting requirements. Implement an Analysis Reporting Module to meet customer's ad hoc managerial reporting requirements. Implement DDRS Budgetary functionality for Navy and Marine Corps General Funds reporting. Implement DWCF reporting for the Air Force and select DoD Agencies. Achieve Full Rate Production approval.

FY 2005 capital funds will be used to deploy Army and select DoD Agencies General Fund reporting and for Army DWCF reporting.

Per DDRS Life Cycle Cost Estimate, April 2003, the program has cost savings of \$89,200K and cost avoidance of \$63,800K for total benefits of \$153,000K. The benefits are for the period of FY 2003 through FY 2011.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Deployable Disbursing System (DDS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			5,700			5,400			2,063			1,927
<p><b>Narrative Justification:</b></p> <p>DDS is a completely integrated disbursing system and complies with DoD Financial Management Regulation (FMR), Volume 5. DDS's versatility will be proven by its ability to be used in any computer configuration the user desires: network, stand-alone or laptop. DDS will replace Disbursing Office Processing System (DOPS) in non-U.S. garrison environments but, unlike DOPS, can be deployed to a tactical environment with or without connectivity. The system supports single-source input and will maintain a Disbursing Officer's accountability.</p> <p>FY 2003: Required to deliver the Deployable Disbursing System (DDS) to the Army. DDS will replace DOPS in the outside Continental United States (OCONUS) peacetime environment as well as be used in support of tactical missions. Funding is for technical support to the project. Technical support includes developmental costs and contractor support. FY 2004 and FY 2005: Required for system modifications to include interfacing with other migratory systems provide functionality required by the Navy and Marine Corps and new functionality required by legislative and regulatory changes</p>												

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)	<b>A. Fiscal Year (FY) 2005 President's Budget</b>
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<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004	<b>C. Line No. &amp; Item Description:</b> Software Dev/Mod - Defense Industrial Financial Management System (DIFMS)	<b>D. Activity Identification</b> DFAS
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Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			12,715			211			1,000			1,000

**Narrative Justification:**

The DIFMS provides core financial systems management, financial reporting, funds control, general ledger management, receipts management, payments management, and cost management functions for Navy, Marine Corp, and Air Force Depot Maintenance and Research and Development (R&D)activities. System interfaces with standard Department of Defense systems, as well as local unique systems. DIFMS is a Chief Financial Officer (CFO) compliant system enabling customers to produce auditable financial statements.

FY 2003 - 2005 funds support the system requirements to the remaining Navy R&D activity, the remaining two Air Force Logistics Centers and the final testing and deployment of the Technical Refresh (TR) of the application software to the existing production activities.

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)							A Fiscal Year (FY) 2005 President's Budget					
<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004				<b>C. Line No. &amp; Item Description:</b> Software Dev/Mod - Defense Joint Accounting System (DJAS)			<b>D. Activity Identification</b> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			3,625			641			0			0
<b>Narrative Justification:</b>												
<p>Development and modernization of this program has stopped because it does not fit into the Business Modernization Systems Integration Program Office (BMSI) for the Business Management Modernization Program (BMMP) system architecture.</p>												

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**D. Line No. & Item Description:**  
Software Dev/Mod Defense Joint Military Pay System  
(DJMS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			3,625			641			0			0

**Narrative Justification:**  
 Defense Joint Military Pay System (DJMS)—Active Component (DJMS-AC) and Reserve Component (DJMS-RC)—is legacy systems. They pay Army, Navy, and Air Force Active Duty and Reserve forces, US Military Academies, National Guard, Officer Training Corps, and Armed Forces Health Professional Scholarship Program—over 2.4 million customers.

The Department has an urgent military payroll problem that is generated by the failing DJMS Systems. Funding for DJMS is no longer required since DJMS is being replaced by the interim system, Forward Compatible Payroll (FCP), currently planned for FY 2006.

<b>ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)	<b>A. Fiscal Year (FY) 2005 President's Budget</b>
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<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004	<b>C. Line No. &amp; Item Description:</b> Software Dev/Mod –Defense Procurement Payment System (DPPS)	<b>D. Activity Identification</b> DFAS
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Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			12,827			700			0			0

**Narrative Justification:**

Development and modernization of this program has stopped because it does not fit into the Business Modernization Systems Integration Program Office (BMSI) for the Business Management Modernization Program (BMMP) system architecture. Therefore, the funding will no longer be required for DPPS, since Mechanization of Contract Administration Services (MOCAS) will be re-hosted to cover the DPPS requirements.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Defense Retiree and Annuitant Pay System (DRAS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			1,909			1,800			1,800			1,858
<b>Narrative Justification:</b>												
<p>The DRAS is the standard, consolidated system for paying all Army, Navy, Marine Corps, and Air Force military retirees, annuitants and former spouses. DRAS establishes, maintains, and adjudicates pay accounts. It interfaces with each Service's military personnel center, the Social Security Administration, the Department of Veterans Affairs, the Defense Manpower Data Center (DMDC), and the Department of Treasury.</p> <p>In support of its mission, further capital investments will be made to: improve the interfaces with each Service's military personnel center, modify the system to accommodate Employee/Member Self Service (E/MSS) capabilities, Concurrent Disability Payments, Combat Related Special Compensation, and other legislative changes that are not identified at this time. Funding for anticipated legislation is critical since if changes are not accomplished, DRAS would not be in compliance with current laws, and/or 2.3 million retirees/annuitants could be paid incorrectly.</p> <p>Capital funding will be used to process mandatory adjustments to comply with customer/legislative requirements. The new outsourcing contractor will make system development, changes, and enhancements, ACS Government Services, at the direction of and with funding by the DFAS Continuing Government Activities (CGA) group.</p>												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Defense Standard Disbursing System (DSDS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			7,153			6,557			0			0
<b>Narrative Justification:</b>  Development and modernization of this program has been suspended until it is determined if it will fit into the Business Modernization Systems Integration Program Office (BMSI) for the Business Management Modernization Program (BMMP) system architecture.												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Defense Working Capital Accounting System (DWAS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			5,810			0			500			976
<p><b>Narrative Justification:</b></p> <p>DWAS is a fully integrated Working Capital Fund and General Fund financial management system supporting accounting functions for the Information Services Activity Group (ISAG) Air Force and Army, the Defense Automation and Production Service (DAPS), the Defense National Stockpile Center (DNSC), the Naval Facilities Engineering Service Center (NFESC), and the Public Works Centers (PWCs) Printing and Publication and Navy Base Support business areas. DWAS consists of several functional modules including: general ledger, funds distribution, fixed assets, cost accounting, accounts payables, accounts receivables, billing, contract sales, inventory, and reports. DWAS is the financial system of record and the central source of consolidated financial information for the activities that use the system. As an integrated system, capture of most information on-line will be at point of origin. As a result, operations are improved at the field activity level with reduction of paper flow between offices and the elimination of duplication of data entry. In addition, access to financial data at all levels of the organization and higher commands levels are available. DWAS consists of several functional modules sharing a common Oracle relational database.</p> <p>FY 2003-FY 2005 capital funding will be used to modify and standardize critical processes within DWAS to improve system processes and efficiencies and correct critical interfaces deficiencies required to support electronic invoicing with STARS One Bill Pay. Increased efficiency of these processes to reduce rework, streamline processing requirements, and support the Department of Defense goals move to a "paperless" environment.</p>												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004			C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod – Electronic Commerce/Electronic Data Interchange (EC/EDI)				D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			1,489			920			1,632			633
<b>Narrative Justification:</b>  Electronic Commerce (EC/EDI) provides for standardization of DFAS efforts in development/maintenance of American National Standards Institute (ANSI) transaction formats and supports inquiries into vendor pay actions by government/commercial sources. The funds are to develop and implement electronic commerce solutions wherever feasible to improve business processes. DFAS will use the funds to assess all new development in conjunction with CIOI and reviews project to ensure maximum efficiencies are incorporated regarding electronic commerce and electronic data interchanges. Continual updates to electronic commerce processes are required as new financial systems are brought on-line or new legislation dictates additional electronic and paperless requirements.												

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**

Defense Finance and Accounting Service  
February 2004

**D. Line No. & Item Description:**

Software Dev/Mod – MyPay (Employee/Member Self  
Service (E/MSS))

**D. Activity Identification**

DFAS

	FY 02			FY 03			FY 04			FY 05		
Element of Cost	Quantity	Unit Cost	Total Cost									
Total			1,006			2,450			1,850			1,250

**Narrative Justification:**

My Pay (E/MSS) is a self-service capability that reduces the number of routine telephone and paper account change requests processed by DoD personnel. The system allows DFAS to cope with personnel cuts and reduces operating costs without degrading customer service by giving civilian, active duty, retired, and reserve DoD customers the ability to review and make changes to their accounts.

The FY-2003 through FY 2005 requirements are to develop new transaction capabilities and enhance the delivery of online products to the customer population, including: The "Cambridge Initiatives" (e.g., smart Leave and Earnings Statement (LES)), Master Personnel Identification Number (PIN) database benchmarking initiatives, Thrift Savings Plan (TSP), Travel Advise of Payment (AOP), (pay allotments, Savings Bonds, the on-line display of pay statements for retirees and annuitants, and the display of income tax statements. In addition, the system delivers LES electronically and reduces costs associated with the printing and mailing of hard copy LES statements.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

B. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**E. Line No. & Item Description:**  
Software Dev/Mod – Forward Compatible Payroll (FCP)

**D. Activity Identification**  
DFAS Sites

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			0			2,070			8,863			5,400

**Narrative Justification:**

The DFAS Forward Compatible Payroll (FCP) initiative will design, develop, and implement a new single integrated active/reserve payroll capability that replaces Defense Joint Military Pay System (DJMS). FCP will address the urgent military payroll problems that are generated by the failing DJMS system. FCP will implement payroll modernization while supporting the overall DoD objective of establishing an integrated military personnel and pay system, and will be made available to the DIMHRS Joint Program Management Office (JPMO) as Government Furnished Equipment (GFE) for potential seamless integration into the DIMHRS architecture. The FCP system will be built in accordance with regulatory, statutory, and financial information requirements relating to military pay entitlements and applicable policies and procedures. It will deliver accurate, timely, and cost effective delivery of pay, allowances, and payment information (including accounting and disbursing data) to our customers. Military pay customers are the members of the Army, Navy, and Air Force active, reserve, and guard forces, and those enrolled in a Service Academy, Reserve Officer Training Corps (ROTC), or in the Health Professional Incentive Program (HPIP). The FCP is a new start initiated in April 2003.

The FY 2003, FY 2004 and FY 2005 funds are for the DFAS FCP initiative to design, develop and implement a new single integrated active/reserve payroll capability that replaces Defense Joint Military Pay system (DJMS). FCP will address the urgent military payroll problems that are generated by the failing DJMS system. FCP is an interim system to replace the DJMS system. The Life Cycle Cost Estimate, November 6, 2003, states the total savings, during the period FY 2003 – FY 2009, is \$109,400K.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004			C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - General Accounting and Finance System-Reengineered (GAFS-R)				D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			8,362			1,050			1,648			1,425
<p><b>Narrative Justification:</b> GAFS-Reengineering (GAFS-R) is the Defense Finance and Accounting Service (DFAS) interim migratory Air Force accounting system supporting the corporate Accounting business area. GAFS-R will be a phased project. Phase 1 creates a global functional data mart; which will provide a transaction driven General Ledger. Trial Balances (General Ledger) for General Funds and Working Capital Funds will be sent to the Defense Departmental Reporting System (DDRS) for production of financial reports. Functionality will be added replacing the Status of Funds (SOF) with its subsidiary - Chief Financial Officer (CFO) Reporting System (CRS), Air Force Stock Fund (AFSF), Command On-line Accounting and Reporting System (COARS) and Comptroller Information Transfer System (CITS) /Paperview. Phase 2 will implement a Commercial off-the-Shelf Accounts Receivable for the Air Force which will replace the Base Accounts Receivable System (BARS). Phase 3 merges the Central Procurement Accounting System (CPAS) into the General Accounting and Finance System – Base Level (GAFS-BL) and will become a module of GAFS-R. GAFS-R is being implemented to meet user, Department of Defense (DoD), and Air Force requirements consistent with accounting and financial policy, regulatory and statutory requirements, such as the Federal Managers Financial Integrity Act (FMFIA), Antideficiency Act, and the Chief Financial Officer (CFO) Act. The General Accounting and Finance System – Rehost (GAFS-R) will replace COARS, SOF, CRS, BARS, CITS/Paperview and AFSF. It will also provide Air Force with a transaction driven general ledger. The Denver network manpower savings cannot be realized without GAFS-R. In FY 2003, GAFS-R development requirements include full expansion of USSGL Chart of Accounts and departmental requirements to support DDRS interface for Property, Plant and Equipment Operating Material and Supply (PP&amp;E/OM&amp;S) and regulatory requirements for year-end close-outs. FY 2004 - FY 2005 requirements will complete PP&amp;E/OM&amp;S interfaces and develops priority requirements to support miscellaneous obligations and regulatory fiscal reporting.</p>												

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Software Dev/Mod – Integrated Accounts Payable System  
(IAPS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			111			775			1,245			0

**Narrative Justification:**

IAPS performs the accounts payable functions (vendor pay) for the Air Force.

FY 2003 funds established an IAPS to Standard Material Accounting System (SMAS) interface to support Standard Base Supply System payment transactions upon deployment of SMAS eliminating the need for manual input of information. Also, the funds established an IAPS interface file of pending Foreign Military Sales payments for an automated inquiry into Defense Integrated Financial System to obtain expenditure authority approval/denial eliminating need for manual inquiry; established an interface of Electronic Data Interchange (EDI) 821 Obligations/810 Certified Invoices to support PowerTrack eliminating manual input of PowerTrack obligations, invoices, and receipts; and established capability to electronically accept receiving report data EDI 861 from wide areas workflow eliminating need to manually input receiving reports.

FY 2004 funding will modify current contracting interfaces to process new contracts and modifications using a standard under defined file based on EDI 850 and 860 transaction sets.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**D. Line No. & Item Description:**  
Software Dev/Mod - Marine Corps Total Force System  
(MCTFS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			5,312			7,153			10,417			5,291

**Narrative Justification:**

MCTFS is integrated pay and personnel database for Marine active duty and reserve records, eliminating the need to store individual data in multiple databases for use by multiple systems. Military pay function supports computation and payment of net pay to individual Marines along with distribution of military pay deductions. The MCTFS database includes a comprehensive history of pay entitlements, deductions, and payments for each active duty and reserve Marine.

The funds in FY 2003 and FY 2004 are required to provide accurate accountability of military pay appropriations to the Marine Corps to preclude loss of funding due to unexpended obligations in the military pay appropriations and to prevent additional appropriation law 1517 violations.

The FY 2005 funding maintains and upgrades software in order to comply with current legislative, regulatory, tax laws, DOD policies and MyPay (formerly Employee/member self Service) options to ensure timely and accurate pay to Marines. MCTFS is being maintained until Defense Integrated Military Human Resource System (DIMHRS) is implemented for the Marine Corps.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				C. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Material Financial Control System (MFCS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			1,260			499			0			0

**Narrative Justification:**

MFCS is a migratory Defense Working Capital Fund (DWCF) system for the Navy Supply Management Business Area. MFCS is a mixed system owned by the Naval Supply Systems Command (NAVSUP) and DFAS, who is the functional manager for the accounting portion of the system. MFCS performs funds control, accounts receivable, and accounts payable, billing, expenditure processing, and inventory accounting (including in-transit tracking and reconciliation) for both DWCF and appropriated funds.

FY 2002 and FY 2003 capital funding supported the remaining consolidation efforts of Uniform Automated Data Processing System (UADPS) into MFCS. Also, the funds were used for system changes due to various compliance actions as a result of the final migration issues as well as funded the integration with the DFAS Corporate Database (DCD) and the DFAS Corporate Information Infrastructure (DCII) environment.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004				D. <u>Line No. &amp; Item Description:</u> Software Dev/Mod - Mechanization of Contract Administration Services (MOCAS)			D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			423			10,646			5,000			0

**Narrative Justification:** The Defense Finance and Accounting Service use MOCAS in the administration and payment of supply and service contracts. In accordance with the Defense Financial Management Modernization Program guidelines, capital was provided to support re-engineering strategies that decommissioned automated contract and vendor pay systems which produced unacceptable results and the ultimate termination of the Defense Procurement Payment System (DPPS) initiative. MOCAS Rehost, therefore becomes Mission-Critical to DFAS, in support of Weapon Systems and its Warfighter programs concerned with on-time delivery of resources, regardless of the product or resource. The FY2003 funding will be used for the MOCAS Rehost initiative in migrating the current COBOL, MANTIS and Job Control Language (JCL) programs and database files from a hierarchical structure to a Relational Database Management System (RDBMS). It is important to note that our MOCAS Rehost project addresses current "As-Is" MOCAS Contract Management and Contract Pay functionality. The MOCAS Rehost utilizes an incremental phase approach as follows:

- Baseline functionality needed prior to re-host of MOCAS.
- Migrate MOCAS to RDBMS.
- Provide a batch conversion to on line - real time interactive processing.
- Provide the integration of vendor pay system processes.

The FY 2003 and FY 2004 funding will provide for the software design, software development, software testing and acceptance of the MOCAS Rehost application.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

B. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**E. Line No. & Item Description:**  
Software Dev/Mod – MilPay Systems Transition Program  
Office (MSTPO)/ Defense Military Office (DMO)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
DMO						1,469			2,314			0
MSTPO			14,317			9,697			6,578			5,782
Total			14,317			11,166			8,892			5,782

**Narrative Justification:**

Within DFAS, MSTPO provides the focal point for military pay support to the Department's Defense Integrated Military Human Resources System for Personnel and Pay (DIMHRS (Pers/Pay)) activities. The MilPay Systems Transition Program (MSTP) was established and chartered to provide technical payroll related support to the DIMHRS (Pers/Pay) program implementation. Support to the DIMHRS program includes participation on Integrated Product Teams (IPT), military pay requirement definition and validation, technical document reviews, participation in system testing, and product acceptance.

In addition, DMO, a graphical user interface replacement for legacy pay data entry and retrieval systems, has been developed and deployed under MSTP auspices. By the end of FY 2004 the DMO will achieve full operating capability (FOC) being deployed to Active and Reserve Components of the Army, Navy, and Air Force.

More recently, MSTP responsibilities were expanded to include development and implementation of the DFAS Forward Compatible Payroll (FCP) interim replacement to the Defense Joint Military Pay System (DJMS) Active and Reserve Components (AC/RC). The FCP prototype phase began with OUSD(C) approval in April 2003. Milestone B approval was received in January 2004 to develop FCP through a single-step-to-full-capability strategy using mature commercial-off-the-shelf (COTS) and proven government-off-the-shelf (GOTS) products. Initial FCP deployment will begin with the Army Reserve and Guard Components near the end of 2<sup>nd</sup>Qtr FY 2005 followed by the Army Active Component in the 4<sup>th</sup>Qtr, then the Air Force in 1<sup>st</sup>Qtr FY 2006 and finally the Navy in 2<sup>nd</sup>Qtr FY2006.

<b>ACTIVITYGROUP CAPITAL INVESTMENT JUSTIFICATION</b> (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
<b>B. Component/ Activity/ Date:</b> Defense Finance and Accounting Service February 2004				<b>C. Line No. &amp; Item Description:</b> Software Dev/Mod - Operational Data Store (ODS)			<b>D. Activity Identification</b> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total			250			2,400			2,300			1,300
<b>Narrative Justification:</b>  ODS is an oracle relational database storing entitlement transactions (request for payment), payment information and accounting information related to those payments and can be queried by many different report writer software tools. It interfaces with DCAS. The FY 2003 through FY 2005 funds will support the integration of all Army legacy systems and provide the Army with a consolidated information tool. ODS will interface for obtaining, receiving, editing and recording the expenditure authority for Foreign Military Sales transactions not under Intra-governmental Payment and Collection System. This effort is being coordinated and developed in conjunction with the DFAS Corporate Database and DFAS Corporate Warehouse and will support the necessary data in a central location for the DFAS Corporate Information Infrastructure applications. The ODS strategy is being incorporated into the overall DFAS Corporate Database/DFAS Corporate Warehouse environment.												

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Software Dev/Mod - Standard Materiel Accounting System  
(SMAS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			6,146			1,125			0			0

**Narrative Justification:**

The Standard Materiel Accounting System (SMAS) is a Defense Working Capital Fund (DWCF) system that performs accounting and financial reporting for the Air Force (AF) Supply Management Business function. This includes AF base supply, hospitals, dental clinics, dining halls, and residual fuels. SMAS is an on-line, transaction-driven system under general ledger control. SMAS maintains accounting records for fixed assets, inventory, receivables, payables, funds, and management information. Financial reports are prepared and distributed to AF customers. SMAS interfaces with 11 logistics systems, two financial management systems, one acquisition system, and five accounting systems.

The FY 2003 funds were used to modify the mission essential system change requests.

**ACTIVITYGROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

A. Fiscal Year (FY) 2005 President's Budget

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**D. Line No. & Item Description:**  
Software Dev/Mod - Standard Accounting and Reporting  
System (STARS)

**D. Activity Identification**  
DFAS

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
Total			1,388			1,825			2,375			2,500

**Narrative Justification:**

STARS are a general fund accounting and reporting system. STARS has been selected as the migratory system to consolidate all Navy general funds accounting and reporting operations. STARS manage approximately 3/4 of a trillion dollars in current and prior year funds for the Navy. STARS is composed of three major sub-systems: 1) STARS-FL (Field Level Accounting), 2) STARS-HQ (Headquarters Accounting and Reporting for Funds Administrators, Major Commands and Systems Commands or equivalents), and 3) STARS-Funds Distribution and Departmental Reporting (STARS-FDR).

FY 2003 capital funded the following STARS projects: centralized scheduling, Smart Card Transport Platform from Public Key Infrastructure (PKI), Table Validation Audit Trail, STARS Global Edit Table, STARS – Funds Distribution, STARS/ SABRS (Standard Accounting & Budgeting Reporting System) Activity Level Reporting, STARS/ SABRS - Marine Corps Enhancements to MCR/FDR, Working Capital Funds to General Fund Activities (i.e. Seal Beach/NAVESC) to STARS. Various mandatory and customer-driven efforts would also be addressed in FY 2002.

FY 2004 and FY 2005 capital funding provides for re-engineering of STARS FDR/MCR to standardize all critical processes.

**ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION**  
(In Thousands)

**B. Fiscal Year (FY) 2005 President's Budget**

**B. Component/ Activity/ Date:**  
Defense Finance and Accounting Service  
February 2004

**C. Line No. & Item Description:**  
Software Dev/Mod - Other Accounting (General Fund)  
Systems

**D. Activity Identification**  
DFAS Sites

Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost									
PBAS-FD			0			0			0			500
SCRT			0			250			0			0
DIFS- R			100			0			0			0
SABRS			1,692			0			300			300
STANFINS			0			375			0			0
TGET						693			255			125
MSC FMIS						1,875			932			0
GARNS						991			500			450
I-GARNS						0			938			200
Total			1,792			4,184			2,925			1,575

**Narrative Justification:**

The Program and Budget Accounting System (PBAS) is the only standard system, that records the receipt and distribution of financial resources appropriated for and/or administered by the Departments of the Army, Navy, and Defense. The Standard Contract Reconciliation Tool (SCRT) is a comprehensive system that automates and streamlines the contract reconciliation process. SCRT is a Windows application with user-friendly screens for accessing and updating information. The SCRT database is designed to accept and format data from external organizations and provides a central point of communication that facilitates the team reconciliation process and eliminates duplicate efforts. The Standard Accounting, Budgeting and Reporting System (SABRS) has been enhanced to provide full accounting support for all Marine Corps general funds at installation/intermediate command levels and support of departmental level accounting/reporting processes in compliance with Federal Financial Management Requirements (FFMRs).

The FY 2003 funding for SCRT was to consolidate contract pay information and reconciliation processing by interfacing the Contract Reconciliation System. This will eliminate duplicate data and provide for a standard process with consistent data for contract pay operations. DIFS-R provides an interface between DSAMS and DFAS accounting systems

The funds in FY2003 through FY 2005 for SABRS, STANFINS, PBAS-FD, GARNS and I-GARNS are for legislative and other regulatory changes for the Marine Corps and Army accounting environment.

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2003**

**FY 2004 FINANCIAL OPERATIONS BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 03	Enterprise LAN	7,494.0	0.0	7,494.0	7,494.0
FY 03	Office Automation		1,056.0	1,056.0	1,056.0
FY 03	PBX - Telephone System	723.0	0.0	723.0	723.0
FY 03	System Security	1,345.0	0.0	1,345.0	1,345.0
FY 03	DFAS Corporate Database	620.0	-28.3	591.7	591.7
FY 03	Electronic Document Mgmt	565.0	-200.0	365.0	365.0
FY 03	Defense Integrated Military Human Resource Sys.	250.0	0.0	250.0	250.0
FY 03	Defense Civilian Pay System	125.0	-125.0	0.0	0.0
FY 03	DJMS-AC		344.0	344.0	344.0
FY 03	Other APDE		270.0	270.0	270.0
	<b>TOTAL:</b>	<b>11,122.0</b>	<b>1,316.7</b>	<b>12,438.7</b>	<b>12,438.7</b>

An aging infrastructure and the increasing need to protect DFAS systems and data drove the increase. DFAS Corporate Infrastructure will be phasing the upgrade to the backbone Gigabit processing capability and replacement of routers, backbone/communication servers. The mid-tier/Web system replacements will also be phased over the next several years to maintain current operating conditions. Security upgrades and replacement equipment for DFAS Corporate Infrastructure includes enhanced firewalls, encryption, and security detection devices for DISA. DFAS Corporate Database and Defense Integrated Military Human Resource System funding will support expansion of development testing platforms. The Electronic Document Management requires funding to support the replacement of scanning and storage equipment in support of contract payments. The Private Branch Exchange funding support the acquisition for a lease to own option which will end in FY 2005.

**Minor Construction**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
FY 03	Minor Construction	800.0		0.0	800.0

The funding for the Minor Construction program will support renovations of Office Space at San Diego site and construct force protection barriers at various sites.

**Software Development and Modification (SW DEVMOD)**

1. Defense Working Capital Fund Accounting Systems Migration Strategy

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
FY 03	Business Management Redesign/e-Biz	2,760.8	4,103.4	6,864.2	6,864.2
FY 03	Defense Industrial Financial Management System	1,000.0	-789.0	211.0	211.0
FY 03	Material Financial Control System	1,202.0	-703.5	498.5	498.5
FY 03	Standard Material Accounting System	1,125.0	0.0	1,125.0	1,125.0
FY 03	Military Sealift Command Financial Mgmt System	1,875.0	0.0	1,875.0	1,875.0
FY 03	Defense Working Capital Accounting System	1,400.0	-1,400.0	0.0	0.0
	<b>TOTAL</b>	<b>9,362.8</b>	<b>1,210.9</b>	<b>10,573.8</b>	<b>10,573.8</b>

The reductions in capital funds for Defense Industrial Financial Management System (DIFMS) and Material Financial Control System (MFCS) are the result of completion of the development phases for the key DWCF accounting systems as the systems transition into a deployed and operational environment. The Defense Working Capital Accounting System (DWAS) and Standard Material Accounting System (SMAS) require changes resulting from the on-going site implementations and core accounting refinements. BMR/e-Biz is a phased developmental effort that should reach full operating capability by end of 2004. BMR/e-Biz should incorporate all necessary accounting and current infrastructure functionality to support DFAS and other customers. Military Sealift Command Financial Management System requirements should incorporate changes necessary for the core financial accountability requirements such as cash accountability and refinement of reconciliation and suspense account reviews.

## 2. General Accounting Fund Systems Migratory Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 03	Standard Contract Reconciliation Tool	250.0	0.0	250.0	250.0
FY 03	Defense Joint Accounting System	0.0	641.0	641.0	641.0
FY 03	Defense Cash Accountability System	5,387.0	-1,500.0	3,887.0	3,887.0
FY 03	Defense Departmental Reporting System	1,857.0	120.0	1,977.0	1,977.0
FY 03	Standard Finance System	375.0	0.0	375.0	375.0
FY 03	General Accounting & Finance System - Reengr	1,050.0	0.0	1,050.0	1,050.0
FY 03	Standard Accounting & Reporting System	1,825.0	0.0	1,825.0	1,825.0
FY 03	Defense Integrated Financial System-Reengr	150.0	-150.0	0.0	0.0
FY 03	Operational Data Store	1,900.0	500.0	2,400.0	2,400.0
	TOTAL	12,794.0	-389.0	12,405.0	12,405.0

The General Accounting systems' changes are attributed to the refinement of deployment costs for the migratory efforts while addressing the full requirements of the mission and DFAS customers. The Defense Cash Accountability System and Defense Departmental Reporting System should reach full operating capability in 2004. Site deployment initiated requirements as well as their phased development process require a significant level of on going development efforts. General Accounting and Finance System – Reengineer will be completing its development phase and start initial operating capability during 2003. Standard Accounting and Reporting System changes are centered on core accounting and fund distribution functionality. The Operational Data Store will interface will all Army legacy accounting and finance systems for improved processing of data and create a data mart for Army financial information and reporting. Standard Contract Reconciliation Tool will develop data interfaces with Contract Reconciliation System to reduce data redundancy and improve contract payment operations.

## 3. Disbursing Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 03	Defense Standard Disbursing System	5,907.0	650.0	6,557.0	6,557.0
FY 03	Deployable Disbursing System	2,600.0	2,800.0	5,400.0	5,400.0
	TOTAL	8,507.0	3,450.0	11,957.0	11,957.0

The increase for Defense Standard Disbursing System supports the strategy for the vendor pay end-to-end processing environment and changes for the DFAS corporate infrastructure. DSDDS has been suspended. The Deployable Disbursing System incorporate new interfaces for accountability and changes identified during fielding of the system. DDS has begun deployment in late 2002 and anticipated full operating capability by end of 2004.

#### 4. Military Pay Systems Migration Strategy

FY	Initiative	Approved		Approved	Current	Proj
		Project	Reprogs	Proj Cost	Cost	
FY 03	MilPay Systems Transition Program Office	9,697.0	0.0	9,697.0		9,697.0
FY 03	Employee/Member Self Service System (MyPay)	2,450.0	0.0	2,450.0		2,450.0
FY 03	Defense Joint Military Pay System – Active	13,620.6	-2,615.7	11,004.9		11,004.9
FY 03	Defense Joint Military Pay System – Reserve	8,636.3	-2,550.5	6,085.8		6,085.8
FY 03	Marine Corps Total Force System	7,153.1	0.0	7,153.1		7,153.1
FY 03	Defense Retiree & Annuitant Pay System	1,800.0	0.0	1,800.0		1,800.0
	TOTAL	43,357.0	-5,166.2	38,190.8		38,190.8

Defense Joint Military Pay System has documented all key system functionality and requirements. The funding reflects the priority requirements of the Military Services. Legislative changes are the driven for the continued development efforts. Requirements with manual workarounds have been evaluated and provide high return on investments. Defense Joint Military Pay System –Active and Reserve was projected to go into a maintenance mode based upon the implementation of the Defense Integrated Military Human Resource System (DIMHRS) in the FY 06-08 timeframe. The numerous manual workarounds required to supplement pending system changes have resulted in Service priorities and mandatory legislative requirements being delayed. There is a backlog of pending legislation, as well as policy and regulation changes, that have resulted in extreme manual workload to central and field operations. Accuracy and timeliness of pay has been degraded. Stabilization and relief of manual workload is imperative in the interim to DIMHRS implementation. It is anticipated that new legislative items will be implemented, which will further exacerbate the problem. DJMS must remain in an enhancement mode in FY 2002-2005 pending DIMHRS deployment. The investment applied to DJMS will provide for a stable platform, which will prevent imminent payroll failure and free up operational resources for other requirements. Marine Corps Total Force System increases will finalize changes with thrift saving requirements and incorporate legislative changes. There were numerous changes delayed due to the increased scope and accelerated timeline for TSP to the military personnel and these changes must be accomplished in conjunction with the FY 2003 legislative requirements. Employee/Member Self Service System (EMSS) (now known as MyPay) will incorporate improvements to the current electronic processes for LES, Master PIN database and thrift saving/bond information. This will notify the employee/service member of a change in their LES status. EMSS (MyPay) will provide for more interactive question/answer capability, which should reduce the manual support requirements.

## 5. Other Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 03	Defense Procurement Payment System	700.0	0.0	700.0	700.0
FY 03	System Security	4,296.0	-2,546.2	1,749.8	1,749.8
FY 03	Enterprise LAN	986.6	-528.0	458.6	458.6
FY 03	Automated Time Attendance & Production System	2,684.4	-251.5	2,432.9	2,432.9
FY 03	Defense Civilian Pay System	7,443.1	0.0	7,443.1	7,443.1
FY 03	Defense Debt Management System	760.0	0.0	760.0	760.0
FY 03	Garnishment Support System	990.7	0.0	990.7	990.7
FY 03	Mechanization of Contract Administration Support	10,646.0	0.0	10,646.0	10,646.0
FY 03	Integrated Accounts Payable System	575.0	200.0	775.0	775.0
FY 03	STARS-One Bill Pay	120.0	-120.0	0.0	0.0
FY 03	Defense MilPay Office	1,468.9	0.0	1,468.9	1,468.9
FY 03	Electronic Commerce/Data Interchange	190.0	730.3	920.3	920.3
FY 03	DFAS Corporate Database	14,845.8	0.0	14,845.8	14,845.8
FY 03	DFAS Corporate Warehouse	5,327.0	0.0	5,327.0	5,327.0
FY 03	Vendor Pay Inquiry System	200.0	-80.0	120.0	120.0
	TOTAL	51,233.5	-2,595.4	48,638.2	48,638.2

Defense Procurement Payment System (DPPS) has been cancelled by USD (C) and the FY 2003 funds are for termination fees. The change from the dual contract/vendor pay strategy has impacted other DFAS corporate infrastructure systems such as DCD/DCW. Automated Time Attendance and Production System increases are tied to the development efforts for Air Force Korea Civilian Pay requirements that standardize oversea pay applications for the Air Force. Defense Civilian Pay System will maintain its current level of operations with only changes due to legislative and mandatory initiatives to include integration for garnishment actions, overseas personnel pay conditions for teachers and TSP functionality for non-appropriated fund personnel. Enhancements for the Integrated Accounts Payable System will support the interfaces required by PowerTrack, Standard Base Level Supply System (SBSS) and Standard Procurement System (SPS), and EC/EDI transaction sets for Wide Area WorkFlow. DFAS Enterprise Portal and Defense Military Office front-end processing for DJMS changes comprise the office automation funding. EPortal enhancements, such as workflow management and collaboration applications, will provide greater communication and increased information access for DFAS and its customers. DMO changes support the legislative requirements for military pay operations to ensure timely and accurate data for the military pay systems. STARS-One Bill Pay and DDMS requirements provide priority legislative and key mission changes which will sustain current operating environment. MOCAS funding has significantly increased to fill in for the cancelled DPPS program. Interfaces, communications software and other corporate infrastructure software is captured in the ELAN funding required to upgrade and replace out-dated operating and application software. The funding for security support upgrades and improvements to the DFAS Corporate Information Infrastructure where the latest technology in network scanning software, packet sniffers, buffer overflows and other intrusion detection and monitoring software will be installed to achieve optimum protection and surveillance of DFAS data and systems. This requirement will be phased in the next few years to maintain the most current and secure environment. Garnishment System will directly link to the military and civilian pay systems for automated notification and processing of payment deductions. The GARN funding will also support the KIDS 1<sup>st</sup> program initiatives in support state enforcement agencies to directly submit wage withholding orders via Internet to GARNs for validation and processing. The changes for DFAS Corporate Database and DFAS Corporate Warehouse will support the complete vendor pay strategy and the initial requirements for deployments of DCAS, DDRS and other key migratory accounting systems to Navy Accounting Business Area. Vendor Pay Inquiry System will provide a web-based self-service data source for government and commercial personnel. VPIS will also provide electronic advice of remittance in lieu manual mailings. Electronic Commerce supports the modification of new and revised standard ANSI X-12 EDI transactions and Wide Area WorkFlow development for the overall procurement end-to-end solution. Electronic

Document Management will maintain its current operations and will use central design activity (CDA) maintenance funding until complete of vendor pay implementations.

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2004**

**FY 2004 FINANCIAL OPERATIONS BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
04	None				
<b>Equipment - ADPE and TELECOM</b>					

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 04	Enterprise LAN	12,143.0	-1,727.3	10,415.7	10,415.7
FY 04	PBX - Telephone System	723.0	0.0	723.0	723.0
FY 04	System Security	1,260.0	0.0	1,260.0	1,260.0
FY 04	Electronic Document Management	1,130.0	1,370.0	2,500.0	2,500.0
FY 04	Integrated Garnishment System	440.5	-440.5	0.0	0.0
FY 04	Office Automation	528.0	0.0	528.0	528.0
FY 04	Transportation Global Edit Table	0.0	245.0	245.0	245.0
	<b>TOTAL</b>	<b>16,224.5</b>	<b>-552.8</b>	<b>15,671.7</b>	<b>15,671.7</b>

DFAS Corporate Infrastructure phased upgrade to the backbone Gigabit processing capability and replacement of routers; backbone/communication servers are essential to maintain DFAS operations and communication. The mid-tier/Web system replacements will also be phased in over the next several years to maintain current operating conditions. Security upgrades and replacement equipment for DFAS Corporate Infrastructure will focus on firewalls. The Electronic Document Management requires funding to support replacement of scanning and storage equipment supporting contract payments. The Private Branch Exchange funding supports the acquisition for a lease-to-own option that ends in FY 2005. In order to maintain and operate increasing garnishment workload, an imaging solution to automate electronic and manual information into one source is required to improve customer requests for information and daily processing for pay withhold.

## Minor Construction

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
	4	1,145.0	0.0	1,145.0	1,145.0

The increase for Minor Construction program will support force protection requirements, renovations to logistic facilities and other infrastructure replacements such as cooling towers and heating/air conditioning equipment.

## Software Development and Modification (SW DEVMOD)

### 1. Defense Working Capital Fund Accounting Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 04	Business Management Redesign/e-Biz	250.0	500.0	750.0	750.0
FY 04	Defense Industrial Financial Management System	1,000.0	0.0	1,000.0	1,000.0
FY 04	Material Financial Control System	1,000.0	-1,000.0	0.0	0.0
FY 04	Standard Material Accounting System	164.4	-164.4	0.0	0.0
FY 04	Military Sealift Command Financial Mgmt System	931.6	0.0	931.6	931.6
FY 04	Defense Working Capital Accounting System	500.0	0.0	500.0	500.0
	TOTAL	3,846.0	-664.4	3,181.6	3,181.6

The reduction in capital funds is the result of completion of development phases for Material Financial Control System (MFCS) and Standard Material Accounting System (SMAS) as these systems transition into a deployed and operational environment. The Defense Working Capital Accounting System (DWAS), Standard Material Accounting System (SMAS), and Defense Industrial Financial Management System (DIFMS) require changes resulting from regulatory mandates and priority operational needs. BMR/e-Biz will complete implementation of all phases by end of 2004. BMR/e-Biz should incorporate all necessary accounting and current infrastructure functionality to support DFAS and other customers. Military Sealift Command Financial Management System requirements should incorporate changes necessary for the core financial accountability requirements such as interfaces to DCAS and DCMS, automated conversion of foreign currency and automatic generation of interfund reporting.

### 2. General Accounting Fund Systems Migratory Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 04	Defense Joint Accounting System	0.0	0.0	0.0	0.0
FY 04	Defense Cash Accounting System	5,106.0	889.1	5,995.1	5,995.1
FY 04	Defense Departmental Reporting System	1,652.0	508.9	2,160.9	2,160.9
FY 04	General Accounting & Finance System - Reengr	1,647.5	0.0	1,647.5	1,647.5
FY 04	Standard Accounting & Reporting System	2,375.0	0.0	2,375.0	2,375.0
FY 04	Standard Accounting Budgeting & Reporting System	300.0	0.0	300.0	300.0
FY 04	Operational Data Store	2,800.0	-500.0	2,300.0	2,300.0
	TOTAL	13,880.5	898.0	14,778.5	14,778.5

The General Accounting systems' changes are attributed to refinement of deployment costs for the migratory efforts while addressing the full requirements of the mission and DFAS customers. The Defense Cash Accountability System and Defense Departmental Reporting System will reach full operating capability in 2004. General Accounting and Finance System – Reengineer funding will support regulatory changes and refinement of

priority mission requirements. Standard Accounting and Reporting System changes are centered on core accounting and fund distribution functionality. Plans to re-engineer STARS will not be accomplished upon final configuration of the Financial Management Modernization effort. STARS changes will reflect legislative and regulatory requirements to their core accounting functionality. The Operational Data Store will continue to develop interfaces with Army legacy accounting and finance systems and develop improved processing of data and performance metrics for the Army.

### 3. Disbursing Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 04	Defense Standard Disbursing System	3,500.0	-3,500.0	0.0	0.0
FY 04	Deployable Disbursing System	1,927.0	136.4	2,063.4	2,063.4
	TOTAL	5,427.0	-3,363.6	2,063.4	2,063.4

Defense Standard Disbursing System has been suspended. The Deployable Disbursing System incorporate new interfaces for accountability and changes identified during fielding of the system. DDS has been deployment in late 2002 with anticipated full operating capability by end of 2004.

### 4. Military Pay Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 04	MilPay Systems Transition Program Office	6,628.2	-50.0	6,578.2	6,578.2
FY 04	Defense MilPay Office	1,619.0	694.9	2,313.8	2,313.8
FY 04	Employee/Member Self Service System	1,600.0	250.0	1,850.0	1,850.0
FY 04	Defense Joint Military Pay System - Active	4,195.0	0.0	4,195.0	4,195.0
FY 04	Defense Joint Military Pay System - Reserve	2,367.5	0.0	2,367.5	2,367.5
FY 04	Marine Corp Total Force System	11,357.3	-940.0	10,417.3	10,417.3
FY 04	Defense Retiree & Annuitant Pay System	1,800.0	0.0	1,800.0	1,800.0
	TOTAL	29,567.0	-45.1	29,521.9	29,521.9

Due to slippage of DIMHRS- Pay Module, Defense Joint Military Pay System has continued developing of legislative and regulatory requirements such as calculations to Basic Allowance of Housing and Service Debts due to Serviceperson's Group Life Insurance. The funding reflects priority requirements of the Military Services. Requirements with manual workarounds have been evaluated and provide high return-on-investments. Marine Corps Total Force System increases are contributed to modularization and expansion of the various military pay table upgrades and updates to functionality associated with pay ready computation on demand. MCTFS priority requirements, such as mid-month LES statements, will be accomplished thereby provide military personnel with their mid-month pay information and assist the Military Services in identifying timely expenditure data. Employee/Member Self Service System (EMSS) (now known as MyPay) will incorporate improvements to the current electronic processes for access customization and security and notification of W2 and other key electronic employee information. EMSS (MyPay) will provide for more interactive question/answer capability, which should reduce the manual support requirements. The changes for DFAS Corporate Database and DFAS Corporate Warehouse will support the continued vendor pay implementations as well as the continued requirements for deployments of DCAS, DDRS and other key migratory accounting systems. Electronic Commerce supports the modification of new and revised standard ANSI X-12 EDI transactions and effort to expand end-to-end and one-source data entry solutions. Electronic Document Management will maintain its current operations and will use central design activity (CDA) maintenance funding until vendor pay implementations are complete.

## 5. Other Systems Migration Strategy

FY	Initiative	Approved		Current	
		Project	Reprogs	Proj Cost	Proj Cost
FY 04	Integrated Garnishment System	400.0	538.0	938.0	938.0
FY 04	Automated Time Attendance & Production System	1,464.9	-304.6	1,160.3	1,160.3
FY 04	Defense Civilian Pay System	8,969.1	-2,228.1	6,741.0	6,741.0
FY 04	Defense Debt Mgmt System	685.0	0.0	685.0	685.0
FY 04	Garnishment Support System	500.0	0.0	500.0	500.0
FY 04	Integrated Accounting Payable System	200.0	1,045.0	1,245.0	1,245.0
FY 04	Mechanization of Contract Administration Support	5,000.0	0.0	5,000.0	5,000.0
FY 04	Computerized Accounting Pay System	0.0	472.3	472.3	472.3
FY 04	Transportation Global Edit Table	0.0	255.0	255.0	255.0
FY 04	Electronic Commerce/Electronic Data Interchange	692.0	940.0	1,632.0	1,632.0
FY 04	DFAS Corporate Database	10,184.0	-8,850.0	1,334.0	1,334.0
FY 04	DFAS Corporate Warehouse	6,753.0	-3,914.1	2,838.9	2,838.9
TOTAL		34,848.0	-12,046.5	22,801.5	22,801.5

The change from the dual contract/vendor pay strategy has impacted other DFAS corporate infrastructure systems such as DCD. USD (C) has provided funding for MOCAS to replace the cancelled DPPS program. Automated Time Attendance and Production System increase supports changes in legislative requirements and interfaces to DCPS related to data structure and transmission. Defense Civilian Pay System will maintain its current level of operations with only changes due to legislative and mandatory initiatives to include the requirements of the DoD National Security Personnel System; changes to the Senior Executive Service pay and Performance Award legislation; changes to automate the handling of Health Benefits indebtedness for activated Reservists; annual tax changes; commercial tax computation package replacement; retroactive pay increase for 2004; and additional requirements to accomplish the payment for DoD Medical professionals. Enhancements for the Integrated Accounts Payable System will support the EC/EDI refinements of contract and contract modification data with Standard Procurement System (SPS). DFAS Enterprise Portal enhancements, PowerTrack, and Defense Military Office front-end processing for DJMS changes comprise the office automation funding. EPortal enhancements, such as wider range of communication and collaboration tools, will be acquired in a phased approach to increased information access. DMO changes support legislative requirements for military pay operations to ensure timely and accurate data for the military pay systems. Edit functionality and interfaces between DFAS systems, DISA exchanges and shipper systems are the key development actions for PowerTrack. Interfaces, communications software and other corporate infrastructure software is provided by ELAN funding which is required to upgrade and replace out-dated operating and application software. The ELAN requirements will be refreshed and replaced on a phased approach. The funding for security support upgrades and improvements to the DFAS Corporate Information Infrastructure where the latest technology in network scanning software, packet sniffers, buffer overflows and other intrusion detection and monitoring software will be installed to achieve optimum protection and surveillance of DFAS data and systems. Security requirements are also phased to take advantage of latest technology and only replace out-dated software while maintaining a secure environment. Garnishment System will automate the payroll file locator to eliminate costly manual alternatives. The GARN funding will also support the KIDS 1<sup>st</sup> program initiatives by increasing state enforcement agency connectivity to directly submit wage-withholding orders via Internet to GARN for validation and processing.

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2005**

**FY 2004 FINANCIAL OPERATIONS BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

The increase was driven by a planned replacement strategy for the aging infrastructure and the need to maintain an appropriate protection of DFAS systems and data. DFAS Corporate Infrastructure phased upgrade to the backbone Gigabit processing capability and replacement of routers; backbone/communication servers are essential to maintain the operations and communication of DFAS. Security upgrades and replacement equipment for DFAS Corporate Infrastructure will focus on firewalls. The Electronic Document Management requires funding to replace and upgrade the backbone processing capability. The essential replacements are for routers, backbone/communication servers. DFAS plans to invest adequate security hardware while replacing the out of date and aging security protection. The vendor pay system deployments will be completed and fully operational. The Private Branch Exchange funding support acquisition for a lease-to-own option that ends this fiscal year.

**Minor Construction**

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current	Proj Cost
FY 05	Minor Construction	927.0	0.0	927.0		927.0

The increase for Minor Construction program will support Orlando force protection perimeter upgrades, renovations to Columbus facilities and other infrastructure replacements such as heating/air conditioning equipment and plumbing upgrades.

## Software Development and Modification (SW DEVMOD)

### 1. Defense Working Capital Fund Accounting Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 05	Business Management Redesign/e-Biz	250.0	0.0	250.0	250.0
FY 05	Defense Industrial Financial Mgmt System	1,000.0	0.0	1,000.0	1,000.0
FY 05	Defense Working Capital Accounting System	975.6	0.0	975.6	975.6
FY 05	Material Financial Control System	1,500.0	-1,500.0	0.0	0.0
FY 05	Standard Material Accounting System	205.1	-205.1	0.0	0.0
	TOTAL	3,930.7	-1,705.1	2,225.6	2,225.6

The reduction in capital funds is the result of completing the development phases for the key DWCF accounting systems as the systems transition into a deployed and operational environment. The DWCF migratory accounting systems are fully operational. BMR/e-Biz, Standard Material Accounting System (SMAS), Material Financial Control System (MFCS) and Defense Industrial Financial Management System (DIFMS) will require changes resulting from regulatory core accounting refinements or priority mission needs. Changes that are related to the DFAS Corporate Information Infrastructure (DCII) and other software development would be assessed to ensure Financial Management Modernization criteria are met.

### 2. General Accounting Fund Systems Migratory Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 05	Defense Cash Accounting System	2,206.0	3,261.4	5,467.4	5,467.4
FY 05	Defense Departmental Reporting System	800.0	0.0	800.0	800.0
FY 05	General Accounting & Finance System - Reengr	1,424.7	0.0	1,424.7	1,424.7
FY 05	Standard Accounting & Reporting System	3,000.0	-500.0	2,500.0	2,500.0
FY 05	Standard Accounting Budgeting & Reporting System	300.0	0.0	300.0	300.0
FY 05	Program & Budget Accounting System-Fund Distribution	500.0	0.0	500.0	500.0
FY 05	Operational Data Store	1,300.0	0.0	1,300.0	1,300.0
	TOTAL	9,530.7	2,761.4	12,292.1	12,292.1

The General Accounting systems' changes are attributed to refinement of deployment costs for migratory efforts while addressing the full requirements of the mission and DFAS customers. The Defense Cash Accountability System and Defense Departmental Reporting System will be fully operational and other regulatory and criteria mission needs are planned for FY 2005. General Accounting and Finance System – Reengineer will also have reached FOC. Standard Accounting and Reporting System changes are centered on core accounting and expansion of customer operating base. The Operational Data Store will continue to develop interfaces with Army legacy accounting and finance systems and develop improved processing of data and maintain performance metrics for the Army. Program and Budget Accounting System – Fund Distribution anticipate changes due to fund code standardization and expanded requirements to support DoD. Changes that are related to the DFAS Corporate Information Infrastructure (DCII) and other software development would be assessed to ensure that Financial Management Modernization criteria are met.

### 3. Disbursing Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 05	Defense Standard Disbursing System	1,000.0	-1,000.0	0.0	0.0
FY 05	Deployable Disbursing System	1,927.0	0.0	1,927.0	1,927.0
	TOTAL	2,927.0	-1,000.0	1,927.0	1,927.0

Defense Standard Disbursing System has currently been suspended. The Deployable Disbursing System should be fully deployed to the Army and we will continue to concentrate on other Service requirements for a deployable disbursing system.

### 4. Military Pay Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 05	MilPay Sysems Transition Program	5,782.0	-50.0	5,732.0	5,732.0
FY 05	Defense MilPay Office Employee/Member Self Service	1,408.1	-1,408.1	0.0	0.0
FY 05	System (MyPay)	725.0	525.0	1,250.0	1,250.0
FY 05	Marine Corps Total Force System	0.0	5,290.8	5,290.8	5,290.8
FY 05	Defense Retiree & Annuitant Pay	1,858.0	0.0	1,858.0	1,858.0
	TOTAL	9,773.2	4,357.7	14,130.8	14,130.8

Defense Joint Military Pay Systems and Marine Corps Total Force System will not require capital funding due to the planned deployment of Defense Integrated Military Human Resource System in late 2005. Defense Integrated Military Human Resource System – Pay Module in conjunction with the other DIMHRS modules will start replacement of the current Service Personnel/Pay systems. The funding supports deployment identified changes and legislative changes which will be levied on DIMHRS – PM during deployment. Employee/Member Self Service System (EMSS – now known as MyPay) will incorporate improvements to expansion the electronic processes to current manual/hard copy inquiry or mailing initiatives. With the use of the Internet, EMSS will develop and implement improved notification and update capabilities for the employee/member.

5. Other Systems Migration Strategy

FY	Initiative	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost
FY 05	Integrated Garnishment System	200.0	0.0	200.0	200.0
FY 05	Automated Time Attendance	1,586.3	-595.5	990.8	990.8
FY 05	Defense Civilian Pay System	9,392.7	-9,392.7	0.0	0.0
FY 05	Defense Debt Mgmt System	720.0	0.0	720.0	720.0
FY 05	Garnishment Support System	450.0	0.0	450.0	450.0
FY 05	Global Edit Table	0.0	125.0	125.0	125.0
FY 05	Vendor Pay Inquiry System	0.0	0.0	0.0	0.0
	Electronic Commerce/Electronic				
FY 05	Data Interchange	633.0	0.0	633.0	633.0
FY 05	DFAS Corporate Database	12,349.0	-11,924.0	425.0	425.0
FY 05	DFAS Corporate Warehouse	5,568.0	-4,668.0	900.0	900.0
	TOTAL	30,899.0	-26,455.2	4,443.8	4,443.8

Automated Time Attendance and Production System funds are tied to the regulatory and legislative changes required by Defense Civilian Pay System. Defense Civilian Pay System will no longer require funding since it will be in Brown Out phase due to planned replacement with integrated personnel/pay system. Garnishment System will automate the interfaces with migratory pay wage withholdings and accounting systems. The GARN funding will also support the KIDS 1<sup>st</sup> program initiatives by increasing state enforcement agency connectivity to directly submit wage-withholding orders via Internet to GARNS for validation and processing. The changes for DFAS Corporate Database and DFAS Corporate Warehouse will support continued system deployment strategies of other initiatives such as DIMHRS-DPM and other key migratory accounting systems to the DCII environment. Electronic Commerce supports the upgrades and modification of new and revised standard ANSI X-12 EDI transactions that interface with DISA translation exchanges and the DCII. Electronic Document Management will maintain its current operations and will use central design activity (CDA) maintenance funding. EDM improvements will be assessed in conjunction with overall DFAS needs and the FMMP criteria.

**FISCAL YEAR (FY) 2005 PRESIDENT'S BUDGET**  
**DEFENSE FINANCE AND ACCOUNTING SERVICE**  
**CAPITAL BUDGET EXHIBITS**  
**INFORMATION SERVICES BUSINESS AREA**

EXHIBIT FUND 9-a  
DWCF ACTIVITY CAPITAL INVESTMENT SUMMARY

EXHIBIT FUND 9-b  
ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION  
Automated Data Processing Equipment

EXHIBIT FUND 9-c  
CAPITAL BUDGET EXECUTION

**Activity Capital Investment Summary**  
**Component: Defense Finance and Accounting Service**  
**Activity: Information Services**  
**Date: February 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2002		FY 2003		FY 2004		FY 2005	
		Quantity	Total Costs						
	Non-ADP Equipment>\$100K - Replacement - Productivity - New Mission - Environment		0.0		0.0		0.0		0.0
	<b>ADPE and Telecommunications Equipment</b>		.6		0.8		1.0		0.5
	- Computer Equipment		.6		0.8		1.0		0.5
	- Computer Software								
	- Telecommunications								
	- Other								
	Software Development - Internally Developed - Externally Developed		0.0		0.0		0.0		0.0
	Minor Construction		0.0		0.0		0.0		0.0
	TOTAL*		.6		0.8		1.0		0.5
	<b>Total Capital Outlays</b>		.6		0.8		1.0		0.5
	<b>Total Depreciation Expenses</b>		2.8		2.2		1.7		1.5

(\*Totals in this exhibit conflict with totals in the CIS database. We are working to resolve the difference.)

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (In Thousands)							A. Fiscal Year (FY) 2005 President's Budget					
B. <u>Component/ Activity/ Date:</u> Defense Finance and Accounting Service February 2004			C. <u>Line No. &amp; Item Description:</u> Information Services - Automated Data Processing Equipment (ADPE) > \$100,000				D. <u>Activity Identification</u> DFAS					
Element of Cost	FY 02			FY 03			FY 04			FY 05		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ELAN			551			750			1,044			462
<b>Narrative Justification:</b>  The FY 2003, through FY 2005 funds provide essential replacement and upgrades to existing equipment to support our design/management mission. Examples of equipment to be procured include software products and tools in support of the Information Services Mission. Specifically included in the budget request are funding for mid-tier platform upgrades, DFAS Corporate Information Infrastructure Support (DCII) and developer tools.												

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2003**

**FY 2004 INFORMATION SERVICES BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
03	None				

**Equipment - ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
03	Enterprise LAN	750	0	750	750
	<b>TOTAL</b>	<b>750</b>	<b>0</b>	<b>750</b>	<b>750</b>

Capital funding for the Information Services business area will provide essential replacement and upgrades to existing equipment to support their design/management mission. Examples of equipment to be procured include software products and tools in support of the Information Services Mission. Specifically included in the budget request are funding for mid-tier platform upgrades, DFAS Corporate Information Infrastructure Support (DCII) and developer tools.

**Minor Construction**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
03	Minor Construction	0	0	0	0

**Software Development and Modification (SW DEVMOD)**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
03	None	0	0	0	0
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2004**

**FY 2004 INFORMATION SERVICES BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
04	None				

**Equipment - ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
04	Enterprise LAN	1,044	0	1,044	1,044
	<b>TOTAL</b>	<b>1,044</b>	<b>0</b>	<b>1,044</b>	<b>1,044</b>

Capital funding for the Information Services business area will provide essential replacement and upgrades to existing equipment to support their design/management mission. Examples of equipment to be procured include software products and tools in support of the Information Services Mission. Specifically included in the budget request are funding for mid-tier platform upgrades, DFAS Corporate Information Infrastructure Support (DCII) and developer tools.

**Minor Construction**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
04	Minor Construction	0	0	0	0

**Software Development and Modification (SW DEVMOD)**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
04	None	0	0	0	0
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**ACTIVITY GROUP: DWCF**

**FY 2005**

**FY 2004 INFORMATION SERVICES BUDGET ESTIMATE  
(\$000)**

**Projection on the Fiscal Year (FY) 2005 President's Budget**

**Equipment except ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
05	None				

**Equipment - ADPE and TELECOM**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
05	Enterprise LAN	462	0	462	462
	<b>TOTAL</b>	<b>462</b>	<b>0</b>	<b>462</b>	<b>462</b>

Capital funding for the Information Services business area will provide essential replacement and upgrades to existing equipment to support their design/management mission. Examples of equipment to be procured include software products and tools in support of the Information Services Mission. Specifically included in the budget request are funding for mid-tier platform upgrades, DFAS Corporate Information Infrastructure Support (DCII) and developer tools.

**Minor Construction**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
05	Minor Construction	0	0	0	0

**Software Development and Modification (SW DEVMOD)**

<u>FY</u>	<u>Initiative</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>
05	None	0	0	0	0
	<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Activity Group Capital Investment Summary**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
<b>1</b>	<b>Equipment</b>						
<b>1.1</b>	<b>Replacement Equipment</b>						
1.1.1	Facilities Montgomery UPS	1	\$1.400	1	\$3.000	0	\$0.000
1.1.2	Facilities Oklahoma City Pumps & Towers	1	\$1.300	0	\$0.000	0	\$0.000
1.1.3	Facilities \$.500 to \$.999	6	\$2.857	0	\$0.000	1	\$0.630
1.1.4	Facilities \$.100 to \$.499	9	\$1.768	0	\$0.000	1	\$0.370
1.1.5	Montgomery Switchgear (Replacement)	1	\$1.400	0	\$0.000	0	\$0.000
<b>1.2</b>	<b>New Mission</b>						
1.2.1	Facilities \$.100 to \$.499	1	\$0.305	0	\$0.000	0	\$0.000
1.2.2	Facilities Assured Computing	1	\$11.000	0	\$0.000	0	\$0.000
<b>2</b>	<b>ADPE &amp; Telecom</b>						
<b>2.1</b>	<b>ADPE &amp; Telecom</b>						
2.1.1	Comm. - Enterprise Edge Switch Devices	0	\$0.000	1	\$1.600	0	\$0.000
2.1.2	Comm. - Enterprise Network Mgmt. Infrast	1	\$1.125	1	\$2.000	1	\$4.000
2.1.3	Comm. - \$.500 - \$.999	2	\$1.735	1	\$0.900	0	\$0.000
2.1.4	Comm. - \$.100 - \$.499	1	\$0.640	0	\$0.000	0	\$0.000
2.1.5	Server - Dayton EDW	1	\$8.164	1	\$13.595	1	\$8.190
2.1.6	Server - Enterprise CHCS II	1	\$7.964	1	\$5.962	1	\$3.000
2.1.7	Server - Enterprise DFAS DCAS/DIFMS	1	\$3.500	0	\$0.000	0	\$0.000
2.1.8	Server - Enterprise Infrastructure	1	\$8.400	1	\$3.000	1	\$5.000
2.1.9	Server - Enterprise MHS	0	\$0.000	1	\$4.403	0	\$0.000
2.1.10	Server - Enterprise Partitionable Server	1	\$2.000	1	\$2.500	0	\$0.000
2.1.11	Server - Montgomery AF/IL Enterprise	0	\$0.000	1	\$1.500	0	\$0.000
2.1.12	Server - Montgomery IMDS	1	\$5.240	1	\$2.280	1	\$10.040
2.1.13	Server - Montgomery IWIMS	1	\$2.380	1	\$1.000	1	\$1.500
2.1.14	Server - Ogden DCII	1	\$3.943	0	\$0.000	1	\$1.200
2.1.15	Server - Ogden DCPS	1	\$2.600	0	\$0.000	0	\$0.000
2.1.16	Server - Ogden GAFS-R	1	\$2.600	0	\$0.000	0	\$0.000

**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**Feburary 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
<b>2</b>	<b>ADPE &amp; Telecom</b>						
<b>2.1</b>	<b>ADPE &amp; Telecom</b>						
2.1.17	Server - Ogden OLRV	1	\$4.450	1	\$2.441	1	\$1.800
2.1.18	Server - Oklahoma City Depot Maintenance	0	\$0.000	1	\$1.056	1	\$1.057
2.1.19	Server - Oklahoma City ILS-S	1	\$4.245	0	\$0.000	1	\$1.488
2.1.20	Server - \$.500 - \$.999	6	\$4.820	1	\$0.500	2	\$1.450
2.1.21	Server - \$.100 - \$.499	12	\$3.844	3	\$0.763	8	\$2.775
2.1.22	MVS - Enterprise Mainframe Infra Upgrade	1	\$6.000	0	\$0.000	0	\$0.000
2.1.23	MVS - Enterprise Z900 Processors	0	\$0.000	1	\$6.000	1	\$5.000
2.1.24	MVS - \$.500 - \$.999	0	\$0.000	1	\$0.500	0	\$0.000
2.1.25	MVS - \$.100 - \$.499	2	\$0.860	0	\$0.000	0	\$0.000
2.1.26	Storage - Enterprise Infra.	1	\$2.500	1	\$4.300	1	\$6.000
2.1.27	Storage - Enterprise Tech. Refresh	1	\$3.000	1	\$3.100	0	\$0.000
2.1.28	Executive Software - Enterprise SOE	0	\$0.000	0	\$0.000	0	\$0.000
2.1.29	Customer Svcs. Mgmt. - \$.100 - \$.499	0	\$0.000	2	\$0.500	0	\$0.000
2.1.30	Enterprise Systems Mgmt	1	\$2.300	1	\$2.300	1	\$2.000
2.1.31	Enterprise Systems Mgmt - \$.500 - \$.999	1	\$0.500	0	\$0.000	1	\$0.500
2.1.32	Transformation - OS/390 Consolidation	1	\$28.000	0	\$0.000	0	\$0.000
2.1.33	Transformation (SMC)	0	\$0.000	1	\$4.000	0	\$0.000
2.1.34	Server DFAS Server Plus	1	\$4.000	0	\$0.000	0	\$0.000
2.1.35	Enterprise SOE Software	1	\$4.500	1	\$5.500	1	\$4.000
	<b>Total</b>	<b>64</b>	<b>\$139.340</b>	<b>27</b>	<b>\$72.700</b>	<b>27</b>	<b>\$60.000</b>
	<b>Total Capital Outlays</b>		\$57.400		\$90.000		\$105.000
	<b>Total Depreciation Expense</b>		\$33.712		\$69.394		\$96.100

**Activity Group Capital Investment Summary**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
<b>1</b>	<b>ADPE &amp; Telecom</b>						
<b>1.1</b>	<b>ADPE &amp; Telecom</b>						
1.1.1	Timing and Synchronization	1	\$9.810	0	\$0.000	1	\$4.500
1.1.2	VTC DVS-II	0	\$0.000	1	\$13.800	0	\$0.000
1.1.3	Router Deployment	1	\$14.915	0	\$0.000	0	\$0.000
1.1.4	Conus Multi Function Switches	1	\$32.900	1	\$40.000	1	\$18.700
1.1.5	HITS Multi Function Switches	1	\$21.000	1	\$9.842	1	\$4.428
1.1.6	IP Core Network Expansion	1	\$1.000	1	\$1.000	0	\$0.000
1.1.7	DSN-E Italy Signaling System Seven	0	\$0.000	0	\$0.000	1	\$2.720
1.1.8	Digital Compression Multiplex Equipment	0	\$0.000	0	\$0.000	1	\$9.750
1.1.9	Enterprise Business Modernization	0	\$0.000	0	\$0.000	1	\$2.500
<b>2</b>	<b>Software</b>						
<b>2.1</b>	<b>Internally Developed Software</b>						
2.1.1	DISN Billing Application	0	\$0.000	1	\$1.600	0	\$0.000
<b>2.2</b>	<b>Externally Developed Software</b>						
2.2.1	DISN Billing Application	0	\$0.000	1	\$1.750	1	\$1.000
2.2.2	Enterprise Business Modernization	0	\$0.000	0	\$0.000	1	\$7.000
2.2.3	Automated Workflow	0	\$0.000	1	\$4.025	1	\$0.693
2.2.4	Telecom Services Management	0	\$0.000	1	\$0.150	0	\$0.000
<b>3</b>	<b>Minor Construction</b>						
<b>3.1</b>	<b>Minor Construction</b>						
3.1.1	Parking Lot Construction	1	\$0.290	0	\$0.000	0	\$0.000
3.1.2	Renovation of Education Wing in Bldg	0	\$0.000	2	\$0.750	0	\$0.000

**Activity Group Capital Investment Summary**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
**(Dollars in Millions)**

Line No.	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
<b>3</b>	<b>Minor Construction</b>						
<b>3.1</b>	<b>Minor Construction</b>						
3.1.3	SWA RNOSC	1	\$0.520	0	\$0.000	0	\$0.000
	<b>Total</b>	<b>7</b>	<b>\$80.435</b>	<b>10</b>	<b>\$71.710</b>	<b>10</b>	<b>\$51.595</b>
<b>Total Capital Outlays</b>				\$9.315		\$88.000	\$41.000
<b>Total Depreciation Expense</b>				\$17.839		\$22.856	\$38.612

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.1 Facilities Montgomery UPS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Facilities Montgomery UPS	1	\$1,400.00	\$1,400.00	1	\$3,000.00	\$3,000.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$1,400.00</b>	<b>\$1,400.00</b>	<b>1</b>	<b>\$3,000.00</b>	<b>\$3,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

Existing equipment is several years old. Replacement will improve 7/24 operations and ensure better control and monitoring.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.2 Facilities Oklahoma City Pumps & Towers**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Facilities Oklahoma City Pumps &	1	\$1,300.00	\$1,300.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$1,300.00</b>	<b>\$1,300.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

Existing equipment is several years old. Replacement will reduce operational and maintenance costs. New equipment will also ensure better control and monitoring with the new Building Automation System.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.3 Facilities Oklahoma City UPS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Facilities Oklahoma City UPS	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

Existing equipment is several years old. Replacement will improve 7/24 operations and ensure better control and monitoring with the new Building Automation System.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.4 Facilities \$.500 to \$.999**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Facilities \$.500 to \$.999	6	\$476.17	\$2,857.02	0	\$0.00	\$0.00	1	\$630.00	\$630.00
<b>Total</b>	<b>6</b>	<b>\$476.17</b>	<b>\$2,857.02</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$630.00</b>	<b>\$630.00</b>

The ongoing need for facilities support has been repeatedly recognized. DISA has done an in-depth review of the DECC facilities and is taking proactive steps to ensure continued operations, with first priority given to the five mainframe processing sites. The DECCs continue to need mission critical facility equipment and systems that support their processing capability. Equipment that has surpassed its practical life could fail at any time, resulting in cessation of computer operations until expensive emergency equipment could be acquired. Planned projects include mechanical controls, environmental, generators and enclosures, Uninterruptable Power Supply (UPS) upgrades and batteries, security access, chillers, boilers, roof repairs, electrical repair, fire suppression, raised floor, and other projects as needed.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.5 Facilities \$.100 to \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Facilities \$.100 to \$.499	9	\$196.44	\$1,767.96	0	\$0.00	\$0.00	1	\$370.00	\$370.00
<b>Total</b>	<b>9</b>	<b>\$196.44</b>	<b>\$1,767.96</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$370.00</b>	<b>\$370.00</b>

The ongoing need for facilities support has been repeatedly recognized. DISA has done an in-depth review of the DECC facilities and is taking proactive steps to ensure continued operations, with first priority given to the five mainframe processing sites. The DECCs continue to need mission critical facility equipment and systems that support their processing capability. Equipment that has surpassed its practical life could fail at any time, resulting in cessation of computer operations until expensive emergency equipment could be acquired. Planned projects include mechanical controls, environmental, generators and enclosures, Uninterruptable Power Supply (UPS) upgrades and batteries, security access, chillers, boilers, roof repairs, electrical repair, fire suppression, raised floor, and other projects as needed.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.6 Montgomery Switchgear (Replacement)**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Montgomery Switchgear	1	\$1,400.00	\$1,400.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$1,400.00</b>	<b>\$1,400.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

Existing equipment is several years old. Replacement will improve 7/24 operations and ensure better control and monitoring.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.2.1 Facilities \$.100 to \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Facilities \$.100 to \$.499	1	\$305.00	\$305.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$305.00</b>	<b>\$305.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The ongoing need for facilities support has been repeatedly recognized. DISA has done an in-depth review of the DECC facilities and is taking proactive steps to ensure continued operations, with first priority given to the five mainframe processing sites. The DECCs continue to need mission critical facility equipment and systems that support their processing capability. Equipment that has surpassed its practical life could fail at any time, resulting in cessation of computer operations until expensive emergency equipment could be acquired. Planned projects include mechanical controls, environmental, generators and enclosures, Uninterruptable Power Supply (UPS) upgrades and batteries, security access, chillers, boilers, roof repairs, electrical repair, fire suppression, raised floor, and other projects as needed.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.2.2 Facilities Assured Computing**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>Quantity</b>	<b>FY 2003</b>		<b>FY 2004</b>			<b>FY 2005</b>		
		<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Facilities Assured Computing	1	\$11,000.00	\$11,000.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$11,000.00</b>	<b>\$11,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

In today's Assured Computing world, downtime is unacceptable. To allow for preventative maintenance and repair or replacement of the critical facility support equipment, we must develop designs that will enable us to take these systems down transparently to our customers. The designs and follow-on projects will allow us to split critical electrical and mechanical loads so that we can configure these loads into an A-side and a B-side. This will not only allow us to switch loads transparently to affect repairs, but also to have a backup system in case of an unexpected failure of one of these systems. UPS systems at DISA Computing Services sites have reached their useful lives as determined by our office and verified by an independent study. These systems must be redesigned and replaced to meet our 7x24 configurations and to ensure our mission of Assured Computing.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.1 Comm. - Enterprise Edge Switch Devices**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Comm. - Enterprise Edge Switch	0	\$0.00	\$0.00	1	\$1,600.00	\$1,600.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,600.00</b>	<b>\$1,600.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This is a planned infrastructure upgrade of edge switches to ensure we do not extend the end of life too far past the three-year cycle. This ensures high availability of our communications network and eliminates single points of failure. With workload consolidation, there is a requirement to provide a separate network to facilitate management/trouble shooting by administrative and technical personnel. The Out-of-Bank Network will be totally separate from NIPRNET and will only allow access from specific IP address space not shown on any routing tables.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.2 Comm. - Enterprise Network Mgmt. Infrast**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		Quantity	FY 2004		Quantity	FY 2005	
		Unit Cost	Total Cost		Unit Cost	Total Cost		Unit Cost	Total Cost
Comm. - Enterprise Network Mgmt.	1	\$1,125.00	\$1,125.00	1	\$2,000.00	\$2,000.00	1	\$4,000.00	\$4,000.00
<b>Total</b>	<b>1</b>	<b>\$1,125.00</b>	<b>\$1,125.00</b>	<b>1</b>	<b>\$2,000.00</b>	<b>\$2,000.00</b>	<b>1</b>	<b>\$4,000.00</b>	<b>\$4,000.00</b>

With workload consolidation, there is a requirement to provide a separate network to facilitate management/trouble shooting by administrative and technical personnel. The Out-of-Bank Network will be totally separate from NIPRNET and will only allow access from specific IP address space not shown on any routing tables.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.3 Comm. - \$.500 - \$.999**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Comm. - \$.500 - \$.999	2	\$867.50	\$1,735.00	1	\$900.00	\$900.00	0	\$0.00	\$0.00
<b>Total</b>	<b>2</b>	<b>\$867.50</b>	<b>\$1,735.00</b>	<b>1</b>	<b>\$900.00</b>	<b>\$900.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

In Fiscal Years 2003, 2004, and 2005, there are requirements to replace portions of the Communications Infrastructure within DISA Computing Services Computing centers. This hardware is nearing the end of its effective life cycle. Additional communications capability is needed to support constantly growing bandwidth and throughput requirements. Hardware upgrades and/or replacements will consist of premise routers, vlan switches, and various network security devices mandated by DISA instruction. In accordance with OSD mandate, CSD is also constantly eliminating critical single points of failure for its computing environment.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.4 Comm. - \$.100 - \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Comm. - \$.100 - \$.499	1	\$640.00	\$640.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$640.00</b>	<b>\$640.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

In Fiscal Years 2003, 2004, and 2005, there are requirements to replace portions of the Communications Infrastructure within DISA Computing Services Computing centers. This hardware is nearing the end of its effective life cycle. Additional communications capability is needed to support constantly growing bandwidth and throughput requirements. Hardware upgrades and/or replacements will consist of premise routers, vlan switches, and various network security devices mandated by DISA instruction. In accordance with OSD mandate, CSD is also constantly eliminating critical single points of failure for its computing environment.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.5 Server - Dayton EDW**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Dayton EDW	1	\$8,164.00	\$8,164.00	1	\$13,595.00	\$13,595.00	1	\$8,190.00	\$8,190.00
<b>Total</b>	<b>1</b>	<b>\$8,164.00</b>	<b>\$8,164.00</b>	<b>1</b>	<b>\$13,595.00</b>	<b>\$13,595.00</b>	<b>1</b>	<b>\$8,190.00</b>	<b>\$8,190.00</b>

The current EDW equipment is located in the Litton/PRC facility in a business park a few miles from Wright-Patterson AFB. This equipment consists of a development environment using a NCR 4700 and a NCR 5250 Teradata computer designed for data warehousing to use a proof-of-concept production environment. The EDW PMO wants to have the EDW production hardware located in more secure government facilities rather than being located in contractor facilities. AFMC wants to create a decision support system by pulling data from several other AFMC systems. AFMC wants to incorporate data from other production systems into EDW. Consequently, the EDW PMO wants a larger, more robust production environment. There will be nine separate contractual actions associated with this requirement. Most of the costs are associated with acquiring and upgrading the standard maintenance warranty for a 4-node NCR WorldMark 5255 system.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.6 Server - Enterprise CHCS II**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Enterprise CHCS II	1	\$7,964.00	\$7,964.00	1	\$5,962.00	\$5,962.00	1	\$3,000.00	\$3,000.00
<b>Total</b>	<b>1</b>	<b>\$7,964.00</b>	<b>\$7,964.00</b>	<b>1</b>	<b>\$5,962.00</b>	<b>\$5,962.00</b>	<b>1</b>	<b>\$3,000.00</b>	<b>\$3,000.00</b>

The Composite Health Care System will provide a seamless, merged, enterprise-wide repository of medical and dental health data that will support the health care delivery processes and clinical business functions throughout the Military Health System (MHS). CHCS provides three fundamental capabilities - an enterprise-wide, industry standards-based Clinical Data Repository; a seamlessly integrated clinical Graphical User Interface; and migration architecture. CHCS will facilitate the worldwide delivery of health care, will assist clinicians in making health care decisions, and will support leaders in making operational and resource allocation decisions.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.7 Server - Enterprise DFAS DCAS/DIFMS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Enterprise DFAS	1	\$3,500.00	\$3,500.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$3,500.00</b>	<b>\$3,500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The object of the Defense Finance and Accounting Service (DFAS) Server Plus Consolidation project is to further reduce DISA operating costs by consolidating DFAS mid-tier server plus applications now running at ten DISA sites. This will be accomplished by identifying DFAS applications by site. The preliminary analysis of the DFAS servers and application workload consisted of site surveys, identifying "like" workload at each site, and recommending a timeline for completion of consolidations, and the formal execution of the migration plan. Based on the preliminary analysis, the DISA CS team developed a DFAS Server Plus baseline and a cost estimate of required server equipment that had to be purchased. In support of the DISA Transformation goals, DISA CS will be consolidating DFAS Service Plus into fewer sites.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.8 Server - Enterprise Infrastructure**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		Quantity	FY 2004		Quantity	FY 2005	
		Unit Cost	Total Cost		Unit Cost	Total Cost		Unit Cost	Total Cost
Server - Enterprise Infrastructure	1	\$8,400.00	\$8,400.00	1	\$3,000.00	\$3,000.00	1	\$5,000.00	\$5,000.00
<b>Total</b>	<b>1</b>	<b>\$8,400.00</b>	<b>\$8,400.00</b>	<b>1</b>	<b>\$3,000.00</b>	<b>\$3,000.00</b>	<b>1</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>

DISA Server Line of Business has identified the need for enterprise wide server upgrades. Many of the servers that are currently supporting customer workload are aging to the point where the manufacturer will no longer support them. Many of the sites across DISA have server inventories that are the result of periodic, unrelated, and individual acquisitions, each targeted at fulfilling the requirements of a single application or a small group of applications. Customers have sometime allowed DISA to fund the equipment and other times have made the purchases themselves directly with the vendor. The cost of any single server has for the most part been wholly included in the cost of supporting an individual application. The method of billing customers has been aligned with the physical boundaries of one server per application per customer. The number of servers has thus grown gradually over time. The size of the servers range from the low end to the high end (the high end of about two years ago) and the ages range from already unsupported to the next to most recent models available, with many falling in the "soon to be unsupported" range.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.9 Server - Enterprise MHS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Enterprise MHS	0	\$0.00	\$0.00	1	\$4,403.00	\$4,403.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$4,403.00</b>	<b>\$4,403.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The Composite Health Care System will provide a seamless, merged, enterprise-wide repository of medical and dental health data that will support the health care delivery processes and clinical business functions throughout the Military Health System (MHS). CHCS provides three fundamental capabilities - an enterprise-wide, industry standards-based Clinical Data Repository; a seamlessly integrated clinical Graphical User Interface; and migration architecture. CHCS will facilitate the worldwide delivery of health care, will assist clinicians in making health care decisions, and will support leaders in making operational and resource allocation decisions.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.10 Server - Enterprise Partitionable Server**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Enterprise Partitionable	1	\$2,000.00	\$2,000.00	1	\$2,500.00	\$2,500.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$2,000.00</b>	<b>\$2,000.00</b>	<b>1</b>	<b>\$2,500.00</b>	<b>\$2,500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The Enterprise (Server Line of Business) is faced with the challenge of replacing the servers before they lose support, while at the same time keeping the customers costs down. If servers without vendor support continue to be utilized, the sites will have difficulty meeting their SLA uptime requirements. Replacing a group of servers at one time with a super (partitionable) server provides an opportunity to achieve cost savings through consolidation and sharing of resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.11 Server - Montgomery AF/IL Enterprise**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Server - Montgomery AF/IL	0	\$0.00	\$0.00	1	\$1,500.00	\$1,500.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,500.00</b>	<b>\$1,500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative will be an investment in the server computing infrastructure. DISA's server responsibility continue to expand; most new computer vendors are introducing new systems with significant performance increases every 18 to 24 months. The price/performance ratio of these newer systems has been steadily improving. This situation places DISA Computing Services at a significant risk of not fully recovering the capital costs of older systems. Customers can be expected to target these newer systems for their new requirements and also request rehosting of older applications to take advantage of their lower overall cost. Standardization and optimization of server systems will greatly improve DISA's operational environment. The newer technologies will provide increased capacity and improved scalability, thereby creating a more flexible, reliable, and efficient operational environment. This in turn will allow DISA Computing Services to be more responsible to customer needs and better utilize existing resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.12 Server - Montgomery IMDS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>Quantity</b>	<b>FY 2003</b>		<b>FY 2004</b>			<b>FY 2005</b>		
		<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Server - Montgomery IMDS	1	\$5,240.00	\$5,240.00	1	\$2,280.00	\$2,280.00	1	\$10,040.00	\$10,040.00
<b>Total</b>	<b>1</b>	<b>\$5,240.00</b>	<b>\$5,240.00</b>	<b>1</b>	<b>\$2,280.00</b>	<b>\$2,280.00</b>	<b>1</b>	<b>\$10,040.00</b>	<b>\$10,040.00</b>

The hardware solution in this initiative supports the initial requirements of the Integrated Maintenance Data System (IMDS) to modernize the Core Automated Maintenance System (CAMS). The legacy CAMS development is currently supported at DECC-Detachment Montgomery on ClearPath mainframes with production processes at DECCs Oklahoma City and Ogden. The customer's IMDS architecture must be compliant with the GCSS-AF Integration Framework which is based on a SUN Solaris Architecture. The production hardware is required by December 2003 with follow-on production requirements in FY04 and FY05.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.13 Server - Montgomery IWIMS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Montgomery IWIMS	1	\$2,380.00	\$2,380.00	1	\$1,000.00	\$1,000.00	1	\$1,500.00	\$1,500.00
<b>Total</b>	<b>1</b>	<b>\$2,380.00</b>	<b>\$2,380.00</b>	<b>1</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>	<b>1</b>	<b>\$1,500.00</b>	<b>\$1,500.00</b>

Interim Work Information Management Systems (IWIMS)/Automated Civil Engineer System (ACES) provides the MAJCOM and Base Civil Engineer (CE) with real time data input and output capabilities. The civil engineer uses this system to make day to day decisions required to effectively manage resource allocations through the work planning, scheduling, tracking, and execution required to support wartime and peacetime readiness, deployment, facility requirements/utilization, and major construction.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.14 Server - Ogden DCII**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Ogden DCII	1	\$3,943.00	\$3,943.00	0	\$0.00	\$0.00	1	\$1,200.00	\$1,200.00
<b>Total</b>	<b>1</b>	<b>\$3,943.00</b>	<b>\$3,943.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,200.00</b>	<b>\$1,200.00</b>

DFAS is the primary finance and accounting agency for DoD. They are pursuing an initiative to consolidate all of their finance and accounting systems under a program called DCII. They have reduced the original 324 applications to 83 applications, with a final goal of 30 or fewer applications by FY2005. DFAS has partnered with DISA in bringing this effort to fruition. DISA plans to help DFAS achieve their goal by utilizing multiple aspects of the "Assured Computing" concept. This concept requires improved test and acceptance methodologies, enhanced operational support, and modernized continuity of operations concepts. The continuity of operations concept for the DCII initiative is to provide mirrored sites at DECCs Ogden and Columbus, either of which can be called to service should circumstances dictate.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.15 Server - Ogden DCPS**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Ogden DCPS	1	\$2,600.00	\$2,600.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$2,600.00</b>	<b>\$2,600.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative will be an investment in the server computing infrastructure. DISA's server responsibility continue to expand; most new computer vendors are introducing new systems with significant performance increases every 18 to 24 months. The price/performance ratio of these newer systems has been steadily improving. This situation places DISA Computing Services at a significant risk of not fully recovering the capital costs of older systems. Customers can be expected to target these newer systems for their new requirements and also request rehosting of older applications in order to take advantage of their lower overall cost. Standardization and optimization of server systems will greatly improve DISA's operational environment. The newer technologies will provide increased capacity and improved scalability, thereby creating a more flexible, reliable, and efficient operational environment. This in turn will allow DISA Computing Services to be more responsive to customer needs and better utilize existing resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.16 Server - Ogden GAFS-R**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Server - Ogden GAFS-R	1	\$2,600.00	\$2,600.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$2,600.00</b>	<b>\$2,600.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative will be an investment in the server computing infrastructure. DISA's server responsibility continue to expand; most new computer vendors are introducing new systems with significant performance increases every 18 to 24 months. The price/performance ratio of these newer systems has been steadily improving. This situation places DISA Computing Services at a significant risk of not fully recovering the capital costs of older systems. Customers can be expected to target these newer systems for their new requirements and also request rehosting of older applications in order to take advantage of their lower overall cost. Standardization and optimization of server systems will greatly improve DISA's operational environment. The newer technologies will provide increased capacity and improved scalability, thereby creating a more flexible, reliable, and efficient operational environment. This in turn will allow DISA Computing Services to be more responsible to customer needs and better utilize existing resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.17 Server - Ogden OLRV**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Oklahoma City Depot	1	\$4,450.00	\$4,450.00	1	\$2,441.00	\$2,441.00	1	\$1,800.00	\$1,800.00
<b>Total</b>	<b>1</b>	<b>\$4,450.00</b>	<b>\$4,450.00</b>	<b>1</b>	<b>\$2,441.00</b>	<b>\$2,441.00</b>	<b>1</b>	<b>\$1,800.00</b>	<b>\$1,800.00</b>

On-Line Report Viewing (OLRV) is a DFAS initiative to provide improved access and capabilities to the DFAS financial community, by using the commercial off the shelf software product, Report.Web, to process and display legacy mainframe financial data. The project is designed to improve the viewing, distribution, and printing of financial data reports as well as allow for data modeling. A timely replacement of the leased equipment and purchased infrastructure is critical to the success of this highly visible DFAS project and will ensure a consistently high level of availability, service and support to a worldwide user base of over 15,000 users.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.18 Server - Oklahoma City Depot Maintenance**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Oklahoma City Depot	0	\$0.00	\$0.00	1	\$1,056.00	\$1,056.00	1	\$1,057.00	\$1,057.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,056.00</b>	<b>\$1,056.00</b>	<b>1</b>	<b>\$1,057.00</b>	<b>\$1,057.00</b>

The Depot Maintenance systems are a powerful suite of "application" providing depot maintenance (DM) users and decision makers the tools to repair, overhaul, and maintain aircraft and equipment at the three Air Logistics Centers. The DM suite is comprised of 30 individual systems and five of them have been identified as part of the DM modernization effort. The five systems are G097, G005M, G004L, E046B, and G337. These systems will share a common standard data base architecture called Data Depot. Each of these systems will provide the electronic recording of transaction to bring them under CFO compliance. Their web enabling will allow them to become part of the Air Force Portal initiative. The reduction of interfaces will make the transaction more efficient and the single site solution is intended to save money. Depot Maintenance is part of a larger strategy by AFMC to improve legacy systems, improve configuration management, reduce costs and comply with current Air Force initiatives. DISA has been supporting the Depot Maintenance effort since 1997. The current requirement is a departure from their previous multiple site implementation.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.19 Server - Oklahoma City ILS-S**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - Oklahoma City ILS-S	1	\$4,245.00	\$4,245.00	0	\$0.00	\$0.00	1	\$1,488.00	\$1,488.00
<b>Total</b>	<b>1</b>	<b>\$4,245.00</b>	<b>\$4,245.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,488.00</b>	<b>\$1,488.00</b>

The hardware and software solutions support Increment "I" of the modernized Standard Base Supply System (SBSS). The legacy SBSS currently processes at DECC Oklahoma City and Ogden on ClearPath mainframes. The modernized system is called Integrated Logistics System - Supply (ILS-S). The customer stipulated the final architecture must be compliant with the GCSS-AF Integration Framework which is based on a SUN Solaris Architecture.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.20 Server - \$.500 - \$.999**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - \$.500 - \$.999	6	\$803.33	\$4,819.98	1	\$500.00	\$500.00	2	\$725.00	\$1,450.00
<b>Total</b>	<b>6</b>	<b>\$803.33</b>	<b>\$4,819.98</b>	<b>1</b>	<b>\$500.00</b>	<b>\$500.00</b>	<b>2</b>	<b>\$725.00</b>	<b>\$1,450.00</b>

This initiative will be an investment in the server computing infrastructure. DISA's server responsibility continue to expand; most new computer vendors are introducing new systems with significant performance increases every 18 to 24 months. The price/performance ratio of these newer systems has been steadily improving. This situation places DISA Computing Services at a significant risk of not fully recovering the capital costs of older systems. Customers can be expected to target these newer systems for their new requirements and also request rehosting of older applications in order to take advantage of their lower overall cost. Standardization and optimization of server systems will greatly improve DISA's operational environment. The newer technologies will provide increased capacity and improved scalability, thereby creating a more flexible, reliable, and efficient operational environment. This in turn will allow DISA Computing Services to be more responsible to customer needs and better utilize existing resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.21 Server - \$.100 - \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Server - \$.100 - \$.499	12	\$320.33	\$3,843.96	3	\$254.34	\$763.02	8	\$346.88	\$2,775.04
<b>Total</b>	<b>12</b>	<b>\$320.33</b>	<b>\$3,843.96</b>	<b>3</b>	<b>\$254.34</b>	<b>\$763.02</b>	<b>8</b>	<b>\$346.88</b>	<b>\$2,775.04</b>

This initiative will be an investment in the server computing infrastructure. DISA's server responsibility continue to expand; most new computer vendors are introducing new systems with significant performance increases every 18 to 24 months. The price/performance ratio of these newer systems has been steadily improving. This situation places DISA Computing Services at a significant risk of not fully recovering the capital costs of older systems. Customers can be expected to target these newer systems for their new requirements and also request rehosting of older applications to take advantage of their lower overall cost. Standardization and optimization of server systems will greatly improve DISA's operational environment. The newer technologies will provide increased capacity and improved scalability, thereby creating a more flexible, reliable, and efficient operational environment. This in turn will allow DISA Computing Services to be more responsible to customer needs and better utilize existing resources.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.22 MVS - Enterprise Mainframe Infra Upgrade**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
MVS - Enterprise Mainframe Infra	1	\$6,000.00	\$6,000.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$6,000.00</b>	<b>\$6,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative replaces the older technology in the infrastructure with current technology to provide a reduction in re-occurring cost associated with maintenance and environmental cost. Included with the mainframe upgrades are the necessary upgrades to coupling facilities and sysplex timers for joining computing complex into PLEXES to achieve software cost reduction via PSLC software benefits.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.23 MVS - Enterprise Z900 Processors**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
MVS - Enterprise Z900 Processors	0	\$0.00	\$0.00	1	\$6,000.00	\$6,000.00	1	\$5,000.00	\$5,000.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$6,000.00</b>	<b>\$6,000.00</b>	<b>1</b>	<b>\$5,000.00</b>	<b>\$5,000.00</b>

The older technology in the infrastructure will be replaced with current technology to provide a reduction in recurring cost associated with mainframe and environmentals. Included with the processors are the necessary upgrades to coupling facilities and sysplex timers for joining computer complexes together.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.24 MVS - \$.500 - \$.999**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
MVS - \$.500 - \$.999	0	\$0.00	\$0.00	1	\$500.00	\$500.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$500.00</b>	<b>\$500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative replaces first generation CMOS technology with current generation CMOS technology. The replacement will be done over a two-year period. This replacement will result in a cost-effective way of doing business due to the drop in cost per MIP and reduced maintenance and environmental costs. The replacements will be at St. Louis, Columbus, and Oklahoma City in FY04.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.25 MVS - \$.100 - \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
MVS - \$.100 - \$.499	2	\$430.00	\$860.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>2</b>	<b>\$430.00</b>	<b>\$860.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This initiative replaces first generation CMOS technology with current generation CMOS technology. The replacement will be done over a two-year period. This replacement will result in a cost-effective way of doing business due to the drop in cost per MIP and reduced maintenance and environmental costs.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.26 Storage - Enterprise Infra.**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Storage - Enterprise Infra.	1	\$2,500.00	\$2,500.00	1	\$4,300.00	\$4,300.00	1	\$6,000.00	\$6,000.00
<b>Total</b>	<b>1</b>	<b>\$2,500.00</b>	<b>\$2,500.00</b>	<b>1</b>	<b>\$4,300.00</b>	<b>\$4,300.00</b>	<b>1</b>	<b>\$6,000.00</b>	<b>\$6,000.00</b>

This initiative will upgrade hardware at all sites to make use of existing infrastructure components. These funds will enable CS to introduce an enterprise Storage Area Network (SAN) management solution into the SOE environment that would go across multiple platforms to enable an enterprise solution for storage.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.27 Storage - Enterprise Tech. Refresh**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>Quantity</b>	<b>FY 2003</b>		<b>FY 2004</b>			<b>FY 2005</b>		
		<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Storage - Enterprise Tech. Refresh	1	\$3,000.00	\$3,000.00	1	\$3,100.00	\$3,100.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$3,000.00</b>	<b>\$3,000.00</b>	<b>1</b>	<b>\$3,100.00</b>	<b>\$3,100.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

These funds are required to upgrade storage capacity at all sites through the addition of new disk/tape drives, or upgrades to existing equipment and to replace approximately 20 TB of older, fully depreciated storage devices. This effort will continue the storage replacement/refreshment modernization effort from the preceeding year.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.28 Executive Software - Enterprise SOE**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>Quantity</b>	<b>FY 2003</b>		<b>FY 2004</b>			<b>FY 2005</b>		
		<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Executive Software - Enterprise	0	\$0.00	\$0.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.29 Customer Svcs. Mgmt. - \$.100 - \$.499**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Customer Svcs. Mgmt. - \$.100 -	0	\$0.00	\$0.00	2	\$250.00	\$500.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>2</b>	<b>\$250.00</b>	<b>\$500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

CSM improvement initiatives are critical to increasing our Help Desk Agents (HDAs) efficiency and effectiveness and improving customer service. Initiatives will provide consistent, assured, reliable, and predictable responses to DISA's customers by building upon and redefining the existing Help Desk infrastructure and exploiting emerging technologies. The performance contract between DISA and the Defense Management Council (DMC) requires an annual customer satisfaction survey of computer systems users. Customer comments included in the recently completed FY01 DISA Gartner Group Customer Satisfaction Survey have been analyzed. Improvements to address customer concerns have been included in this capital investment strategy. Progress over the past year has been made in the core areas of HDA accessibility, availability, responsiveness, and expertise. This initiative provides for continued improvement and implementation of standards across the agency.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.30 Enterprise Systems Mgmt**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Enterprise Systems Mgmt	1	\$2,300.00	\$2,300.00	1	\$2,300.00	\$2,300.00	1	\$2,000.00	\$2,000.00
<b>Total</b>	<b>1</b>	<b>\$2,300.00</b>	<b>\$2,300.00</b>	<b>1</b>	<b>\$2,300.00</b>	<b>\$2,300.00</b>	<b>1</b>	<b>\$2,000.00</b>	<b>\$2,000.00</b>

DISA Computing Services is proposing to centralize and standardize the management of infrastructure systems, making it possible to improve the ratio of systems analysts to servers to a figure more comparable with industry standards, making DISA Computing Services more competitive. This ESM architecture supports the Transformation Initiative by improving IT support, reducing cost, and emphasizing integration of multiple diverse systems into a standardized infrastructure with centrally managed resources. Standardization and configuration control alone will help improve performance and system availability by reducing the number of people making changes to the various systems and easing the burden of troubleshooting.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.31 Enterprise Systems Mgmt - \$.500 - \$.999**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Enterprise Systems Mgmt - \$.500 -	1	\$500.00	\$500.00	0	\$0.00	\$0.00	1	\$500.00	\$500.00
<b>Total</b>	<b>1</b>	<b>\$500.00</b>	<b>\$500.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$500.00</b>	<b>\$500.00</b>

DISA Computing Services is proposing to centralize and standardize the management of infrastructure systems, making it possible to improve the ratio of systems analysts to servers to a figure more comparable with industry standards, making DISA Computing Services more competitive. This ESM architecture supports the Transformation Initiative by improving IT support, reducing cost, and emphasizing integration of multiple diverse systems into a standardized infrastructure with centrally managed resources. Standardization and configuration control alone will help improve performance and system availability by reducing the number of people making changes to the various systems and easing the burden of troubleshooting.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.32 Transformation - OS/390 Consolidation**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>Quantity</b>	<b>FY 2003</b>		<b>FY 2004</b>			<b>FY 2005</b>		
		<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Transformation - OS/390	1	\$28,000.00	\$28,000.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$28,000.00</b>	<b>\$28,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The object of the OS/390 Consolidation project is to reduce the OS/390 operating cost by consolidating DISA Computing Services (CS) OS/390 host operating sites currently running at five Defense Enterprise Computing Centers (DECCs). This will be accomplished by proper planning, such as identifying OS/390 workload requirements by customer and site, conducting site surveys, identifying "like" workload at each site, and recommending a timeline for completion of consolidations, and the formal execution of the migration plan. In support of the DISA Transformation goals, DISA CS will be consolidating OS/390 workload from five CS to fewer sites.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.33 Transformation (SMC)**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Transformation (SMC)	0	\$0.00	\$0.00	1	\$4,000.00	\$4,000.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$4,000.00</b>	<b>\$4,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The object of the OS/390 Consolidation project is to reduce the OS/390 operating cost by consolidating DISA Computing Services (CS) OS/390 host operating sites currently running at five Defense Enterprise Computing Centers (DECCs). This will be accomplished by proper planning, such as identifying OS/390 workload requirements by customer and site, conducting site surveys, identifying "like" workload at each site, and recommending a timeline for completion of consolidations, and the formal execution of the migration plan. In support of the DISA Transformation goals, DISA CS will be consolidating OS/390 workload from five CS to fewer sites.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.34 Server DFAS Server Plus**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Server DFAS Server Plus	1	\$4,000.00	\$4,000.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$4,000.00</b>	<b>\$4,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The object of the Defense Finance and Accounting Service (DFAS) Server Plus Consolidation project is to further reduce DISA operating costs by consolidating DFAS mid-tier server plus applications now running at ten DISA sites. This will be accomplished by identifying DFAS applications by site. The preliminary analysis of the DFAS servers and application workload consisted of site surveys, identifying "like" workload at each site, and recommending a timeline for completion of consolidations, and the formal execution of the migration plan. Based on the preliminary analysis, the DISA CS team developed a DFAS Server Plus baseline and a cost estimate of required server equipment that had to be purchased. In support of the DISA Transformation goals, DISA CS will be consolidating DFAS Service Plus into fewer sites.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 2.1.35 Enterprise SOE Software**

**B. CS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
Enterprise SOE Software	1	\$4,500.00	\$4,500.00	1	\$5,500.00	\$5,500.00	1	\$4,000.00	\$4,000.00
<b>Total</b>	<b>1</b>	<b>\$4,500.00</b>	<b>\$4,500.00</b>	<b>1</b>	<b>\$5,500.00</b>	<b>\$5,500.00</b>	<b>1</b>	<b>\$4,000.00</b>	<b>\$4,000.00</b>

Standardization of the IBM, IBM-compatible and distributed operating environment will provide for increased interoperability, more future rate reductions were predicated on reducing costs by standardizing products and eliminating functionally equivalent products. Progress has been made standardizing the base operating system and some of the core service software, but much remains to be done. This initiative provides for continued acquisition and implementation of standard executive software.

**Activity Group Capital Investment Justification**  
(\$ in thousands)

**A. President's Budget**

**C. 1.1.1 Timing and Synchronization**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		FY 2004			FY 2005		
		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Timing and Synchronization	1	\$9,810.00	\$9,810.00	0	\$0.00	\$0.00	1	\$4,500.00	\$4,500.00
<b>Total</b>	<b>1</b>	<b>\$9,810.00</b>	<b>\$9,810.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$4,500.00</b>	<b>\$4,500.00</b>

The DISN Timing & Synchronization modernization initiative seeks to improve the reliability of the DISN networks and permit the efficiencies of network optimization by providing consistent digital clock to digital telecommunications systems. Today's environment consists of a mixture of outdated analog and digital clocking providing synchronization to an all "digital" network. The deployment of newer digital technology within DISN has established an operational need for consistent and common timing and synchronization via a digital clock electronic pulse generated at a constant predetermined rate (Stratum 1) throughout the DISN. This commonality requires standardization on a base of modern T&S standardized methodologies and related supporting modern equipment. The T&S project will modify the existing operational T&S O&M non-standard site equipment through: (1) modification in some cases to meet the standard using installed equipment base; (2) upgrade in some cases, as required; or (3) total replacement of the existing outdated T&S site equipment. This modernization/standardization effort is anticipated to be required at a minimum of 136 of 565 sites located throughout the CONUS and OCONUS. Furthermore, the current plan to optimize the DISN by placing all traffic onto an ATM and SONET infrastructure requires upgraded timing at all major DoD sites in the CONUS. The DISN consolidation thus requires the technological modernization of T&S resources at MILDEP and Defense Agency sites, which are planned to interoperate with the DISN National Network. The original project was approved in total of \$14.668M (FY 2002 \$4.858M and FY2003 \$9.810M). The project has identified required funding in FY2005 of \$4.5M to finish the last 40 sites.

(\$ in thousands)

**C. 1.1.2 VTC DVS-II**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
VTC DVS-II	0	\$0.00	\$0.00	1	\$13,800.00	\$13,800.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$13,800.00</b>	<b>\$13,800.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

DVS-II is an effort to replace the current DVS-G contract and provide global connectivity through IP Transport. This Alternative encompasses creating the web-based room reservation system, EMS development, creation of a new CONUS east coast hub (replacing the currently owned vendor facility), the creation of a network control center (NOC) (and inclusion of costs for the related manning of the NOC), and technology refreshment. In addition, the VTC Program office must budget for contract transition costs that will provide for dual operations, Test and Evaluation, and other related transition costs. This technical solution will also include providing for the projected usage growth in VTC services. Hub augmentation and consolidation is required to provide for this growth. Towards that end, two new CONUS hubs are scheduled to replace the existing three hubs, with one hub on the east coast and another hub on the west coast. The result of hub augmentation as currently contemplated, is to provide services that go beyond those offered under the current DVS-G contract.

New hub functions are to include H.323 IP video conferencing, On-demand conferencing, audio add-on, faster set-up times, increased levels of service, hub tech in conference call, and open ended scheduling. Currently, the engineering plan assumes that the two CONUS hubs will be situated on the east and west coast. The Pacific hub is assumed to remain in Oahu, Hawaii with the Europe hub at Patch Barracks, Vaihingen, Germany. The investment costs required for the hubs are planned for FY04 in order to begin the contract transitioning. Additionally, an experimental hub prototype will be created in the NEAF capable of supporting H.320, H.323, H.321 Asynchronous Transfer Mode (ATM), audio conferencing, web access control, and other capabilities through the utilization of existing equipment and technology insertion. To accomplish this the DVS-II will need \$13.8M in FY2004 Capital Authority.

**C. 1.1.3 Router Deployment**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Router Deployment	1	\$14,915.00	\$14,915.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$14,915.00</b>	<b>\$14,915.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

Increasing traffic on the NIPRNet, SIPRNet, and GSR networks has created a need for new routers. The NIPRNet and SIPRNet are will possibly be designated as Command and Control systems. The redundancy of router ports for access and tandem trunks is being increased for reliability. The collective effect is a need for new access lines, inter-router trunks and routers. Router selection is a long series of engineering decisions driven by local conditions. But as the scale of the service continues to rise, economics and technology dictate the use of larger devices. Routers have had a long service life on the IP networks. Those bought after about 1995 are still in use. Only recently has a need arisen to begin a general replacement because growth of the operating system is making the smallest of them unusable. The technology in the current products is compatible with expected increases in circuit bandwidth for the foreseeable future, so buying them incurs little risk of obsolescence in the near term.

The purchase of 55 model 7513 and 21 model 7600 routers, produced by Cisco Systems, Inc., requires \$15M in DWCF funding in FY2003. This figure includes the \$553K installation fee. The routers will let the networks expand by roughly 600 access lines. The Model 7513 is a large access router, sometimes called an edge router. It can be configured to terminate several dozen circuits at speeds up to OC-12 (620 Mb/sec). Most installed access routers are now Model 7507 which are similar to the 7513, but with a terminating capacity of about half that of the 7513. The price of the 7507 is usually around \$90K and the 7513 are around \$180K. The 7513 have many benefits; these include redundant processor boards and power supplies, certification for use in the DISN when it becomes a Command and Control system, and lower space and power needs. The 7507, by contrast, have similar capacity, but it uses smaller routers and more addressable memory to accommodate a larger software load. Due to these limitations, some deployed 7507s cannot use the latest operating system.

**C. 1.1.4 Conus Multi Function Switches**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	Quantity	FY 2003		Quantity	FY 2004		Quantity	FY 2005	
		Unit Cost	Total Cost		Unit Cost	Total Cost		Unit Cost	Total Cost
Conus Multi Function Switches	1	\$32,900.00	\$32,900.00	1	\$40,000.00	\$40,000.00	1	\$18,700.00	\$18,700.00
<b>Total</b>	<b>1</b>	<b>\$40,200.00</b>	<b>\$40,200.00</b>	<b>1</b>	<b>\$40,000.00</b>	<b>\$40,000.00</b>	<b>1</b>	<b>\$18,700.00</b>	<b>\$18,700.00</b>

Purchase and upgrade twelve Continental United States (CONUS) Military Department End Office Switches to Defense Switched Network (DSN) Multifunction switches to replace the current MCI WorldCom leased switches that are part of the MCI bandwidth manager (BWM) contract that ends in Aug. 2005. The CONUS portion of the DSN backbone is currently provided by lease through MCI WorldCom. The current lease is in option year 4 of 6 option years awarded with the original contract with the final option year ending August 2005. The expiration of this contract affords the opportunity to evaluate alternatives to provide current service levels, improve survivability and position the CONUS network to accommodate migration to Voice over Packet (VoP) technology once Joint Interoperability Test Command (JITC) certified and DSN Designated Approval Authority (DAA) accredited. Government facility locations allow for greater security and increased government control will reduce programmatic risk.

**C. 1.1.5 HITS Multi Function Switches**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
HITS Multi Function Switches	1	\$21,000.00	\$21,000.00	1	\$9,842.00	\$9,842.00	1	\$4,428.00	\$4,428.00
<b>Total</b>	<b>1</b>	<b>\$21,000.00</b>	<b>\$21,000.00</b>	<b>1</b>	<b>\$9,842.00</b>	<b>\$9,842.00</b>	<b>1</b>	<b>\$4,428.00</b>	<b>\$4,428.00</b>

HITS offers a full range of local, long distance and on-base voice, video, data and transmission end to end services for the Military Departments (MILDEPs) in the Hawaiian Islands over the operational continuum of peace, emergency and war. It provides critical interfaces to the global DISN, the DSN, and the DRSN networks, as well as to tactical systems and allied forces. HITS services are currently provided by a lease services contract with AT&T. A business case analysis conducted by the HITS Follow On Working Group resulted in a recommendation to the Pacific Senior Communicators to purchase the in-place telephony switches and compete the remaining HITS services to include operations & maintenance (O&M) of the switches. Capital funding in the amount of \$21,000,000 in FY 2003 is required. This funding will be used to purchase the current switches from AT&T.

AT&T has entered into negotiations for the potential sale of the HITS infrastructure to the government at the end of the option periods, February 2004, February 2006 or February 2007. Recent negotiations led to an offer by AT&T to sell the HITS switches to the government in FY 2003 for \$21,000,000 --which is approximately \$7,500,000 less than its \$28,500,000 proposal for a Feb. 2006 purchase. An additional \$9.842M in DWCF capital is needed in FY2004, and \$4.428M in FY2005. These funds will allow the HITS project to complete the transition from the current HITS contract to the approved Hybrid alternative, which provides for government ownership and reuse of the current HITS infrastructure in place.

**C. 1.1.6 IP Core Network Expansion**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	Quantity	FY 2003		Quantity	FY 2004		Quantity	FY 2005	
		Unit Cost	Total Cost		Unit Cost	Total Cost		Unit Cost	Total Cost
IP Core Network Expansion	1	\$1,000.00	\$1,000.00	1	\$1,000.00	\$1,000.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>	<b>1</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The Internet Protocol (IP) Core Network Operations Expansion calls for provision of the hardware required to support network management capability at DISA CONUS and DISA PAC. This network management capability will serve Community of Interest customers. A contractor currently performs these network management functions. They will be transferred to DISA in a time-phased manner. The transition will achieve several benefits. First, to enhance the effectiveness of span of control for daily operations and systems administrative support, it will utilize the Fault, Configuration, Accounting, Performance, and Security management model (FCAPS) skill that reside in DISA's operations centers. Second, it will lead to further synergies and efficiencies. Third, it will meet physical security requirements. Fourth, it will take advantage of the IP expertise that already exists in the Regional Network Operations and Security Centers (RNOSCs).

**C. 1.1.7 DSN-E Italy Signaling System Seven**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
DSN-E Italy Signaling System Seven	0	\$0.00	\$0.00	0	\$0.00	\$0.00	1	\$2,720.00	\$2,720.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$2,720.00</b>	<b>\$2,720.00</b>

The DSN was originally configured utilizing Channel Associated Signaling (CAS) trunks. CAS trunks use the selected voice bearer channel to setup and tear down individual calls. As the use of ISDN for video, data, and secure voice calls proliferated, a limitation of CAS signaling became apparent. CAS trunks do not allow true 64 Kbps connections since the bandwidth is limited to 56 Kbps because of the need to accommodate in-band signaling. To provide a true 64 Kbps ISDN connection, as required by Secure Telephone Equipment devices for example, SS7 must be used between telephone switching nodes. The European Theater DSN SS7 implementation consists of three phases determined by geographic location: United Kingdom, Germany, and Italy. Phase 1 installation of an STP pair in the United Kingdom at RAF Mildenhall and RAF Croughton has been completed. DSN calls within the UK traverse the SS7 Network. Phase 2 installation actions are currently in progress at Ramstein AB and Vaihingen (Patch Barracks), and integration of these STPs with the UK network is forthcoming. This summary covers the early stages of Phase 3 of this project: the planned purchase and installation of STPs at Capodichino and Aviano AB, Italy.

**C. 1.1.8 Digital Compression Multiplex Equipment**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Digital Compression Multiplex Equipment	0	\$0.00	\$0.00	0	\$0.00	\$0.00	1	\$9,750.00	\$9,750.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$9,750.00</b>	<b>\$9,750.00</b>

The major cost element to operate the DSN program in the Europe and Pacific Theaters is expensive transmission. To cut down on these costs the DSN program has implemented compression equipment. The Digital Compression Multiplexing Equipment project is designed to replace the existing Trans-coder devices that are no longer supported by the manufacturer. The new equipment will provide functionality similar to the existing trans-coder equipment. The Capital Authority requirement will also provide procurement and fielding of compression equipment on selected DSN trunks for improved grade of service (GOS) and better bandwidth management to meet CJCSI 6215B objectives. Once installed the new equipment will improve the surge capacity capabilities for short notice increases in virtual Inter-Switched Trunks (ISTs) without increasing the actual number of ISTs by using spare capacity available through voice compression.

**C. 1.1.9 Enterprise Business Modernization**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Enterprise Business Modernization	0	\$0.00	\$0.00	0	\$0.00	\$0.00	1	\$2,500.00	\$2,500.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$2,500.00</b>	<b>\$2,500.00</b>

DISA-AQ/DITCO is a defense working capital fund operation that provides contracting and related financial services for a wide variety of government customers. In fiscal year (FY) 02, the organization administered close to one million contracting actions and 2.3 million financial transactions. Revenue for FY02 was \$2.2 billion. For the period of 1 Oct 02 through 31 July 03, we have administered over 781,000 contract actions and 1.8 million financial transactions. Revenue for the same period was \$2.2 billion, the same as the entire last FY. In order to support the DISA acquisition and financial management mission in an efficient and effective manner; DISA-AQ/DITCO manages, operates, and in many cases, has developed, a group of complex software applications that over time have independently evolved into disparate systems. AQ/DITCO developed a project plan with the consultation of the MITRE Corporation to implement an AQ enterprise architecture framework as a method to document, design, and transition to an enhanced business. The project objectives are:

- Identify an operational to-be architecture that includes: mission; business functions and processes; information flows; software; hardware; communications; systems environments; and as-is baseline.
- Identify, develop, acquire, test and deploy systems and processes that conform to the to-be architecture.
- Plan, budget and implement a formal enterprise architecture function and organization. The strategy between now and the first quarter of FY05 (the point at which capital asset money is required) involves working with the DOD BMMP, Acquisition Governance Board (AGB) and Joint Acquisition eBusiness Oversight Board (JAEBOB) to ensure any "To-Be" solutions selected are consistent with the direction of DoD and the federal government as a whole. Upon receipt of capital asset funding in the 1st quarter of FY 05, we will move into the implementation phase to include: - 1st quarter FY 05 - Purchase necessary hardware and COTS software licenses. Complete the first release of integrating the COTS products selected with the corporate applications.
- During the remainder of FY 05 and through the first quarter of FY 07, the integration team would field quarterly releases.

AQ/DITCO functions support DISA's management of the GIG and degradation or loss of capability places critical communications and missions at risk. Mission degradation due to system failure is highly probable as a result of aging, unsupported and poorly integrated software solution. There are several tangible and intangible benefits this project will realize: a reduction in the number of systems and integration of the remaining systems will result in the elimination of data re-entry and reduction in the number of user ID's and passwords; Integration of the systems will also result in improved accuracy of information, improved visibility of requirements processed through the system and ability to pull management reports in a timely manner; Replacing the current "green screen" systems with modern state-of-the-art COTS products will reduce the six month to one year learning curve required to use the existing systems and further result in improved job satisfaction, increased productivity and the ability to service additional customers.

**C. 2.1.1 DISN Billing Application**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
DISN Billing Application	0	\$0.00	\$0.00	1	\$393.40	\$393.40	1	\$304.30	\$304.30
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$393.40</b>	<b>\$393.40</b>	<b>1</b>	<b>\$304.30</b>	<b>\$304.30</b>

Based on a process with support systems developed in the 1970's, the current DISA telecommunications customer billing process is complex, fragmented, manual (in some key process areas), multi-disciplined and no longer meets all of DISA's or its customer's needs. In addition, the supporting systems do not generate metrics needed to analyze the billing process, measure performance, and identify areas for improvement. Furthermore, neither internal nor external customers have adequate visibility of billing data to accurately project telecommunications costs and revenue for program management, financial reporting, rate development, budget development, and execution purposes. The proposed customer billing application will create summary billing CSAs, update the Contracting On-line Procurements System (COPS), provide performance metrics and web-based views. The application will pull appropriate DISN program billing data and information from existing information systems and data sources and correctly apply the applicable DISN rate(s) to create the Summary CSA record, freeing up DITCO billing analysts' time to focus more on customer service.

Additionally, the new tool will alleviate many of the billing computation errors that have arisen from incorrectly applied DISN rates. Performance metrics provide a systematic means to proactively manage the customer billing and finance processes. The performance metrics package is structured to provide DITCO managers with fact-based information regarding the performance and condition of DITCO customer billing and finance processes. The web-based customized data screens for each type of user, provides a method to reduce billing cycle lead times, increase clarity and accessibility of billing information, and increase billing accuracy. The impact of not making investment is \$1,664,680, over a period of four years. Additionally, due to lack of timely information and visibility of in-process orders, DISA customers have identified non-value cost of \$31 million pertaining to overlapping service bills.

**C. 2.2.1 DISN Billing Application**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

<b>Element of Cost</b>	<b>FY 2003</b>			<b>FY 2004</b>			<b>FY 2005</b>		
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Total Cost</b>
DISN Billing Application	0	\$0.00	\$0.00	1	\$1,750.00	\$1,750.00	1	\$1,000.00	\$1,000.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$1,750.00</b>	<b>\$1,750.00</b>	<b>1</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>

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Additionally, the new tool will alleviate many of the billing computation errors that have arisen from incorrectly applied DISN rates. Performance metrics provide a systematic means to proactively manage the customer billing and finance processes. The performance metrics package is structured to provide DITCO managers with fact-based information regarding the performance and condition of DITCO customer billing and finance processes. The web-based customized data screens for each type of user, provides a method to reduce billing cycle lead times, increase clarity and accessibility of billing information, and increase billing accuracy. The impact of not making investment is \$1,664,680, over a period of four years. Additionally, due to lack of timely information and visibility of in-process orders, DISA customers have identified non-value cost of \$31 million pertaining to overlapping service bills.

**C. 2.2.2 Enterprise Business Modernization**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Enterprise Business Modernization	0	\$0.00	\$0.00	0	\$0.00	\$0.00	1	\$7,000.00	\$7,000.00
<b>Total</b>	<b>1</b>	<b>\$640.00</b>	<b>\$640.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

DISA-AQ/DITCO is a defense working capital fund operation that provides contracting and related financial services for a wide variety of government customers. In fiscal year (FY) 02, the organization administered close to one million contracting actions and 2.3 million financial transactions. Revenue for FY02 was \$2.2 billion. For the period of 1 Oct 02 through 31 July 03, we have administered over 781,000 contract actions and 1.8 million financial transactions. Revenue for the same period was \$2.2 billion, the same as the entire last FY. In order to support the DISA acquisition and financial management mission in an efficient and effective manner; DISA-AQ/DITCO manages, operates, and in many cases, has developed, a group of complex software applications that over time have independently evolved into disparate systems. AQ/DITCO developed a project plan with the consultation of the MITRE Corporation to implement an AQ enterprise architecture framework as a method to document, design, and transition to an enhanced business. The project objectives are:

- Identify an operational to-be architecture that includes: mission; business functions and processes; information flows; software; hardware; communications; systems environments; and as-is baseline.
- Identify, develop, acquire, test and deploy systems and processes that conform to the to-be architecture.
- Plan, budget and implement a formal enterprise architecture function and organization. The strategy between now and the first quarter of FY05 (the point at which capital asset money is required) involves working with the DOD BMMP, Acquisition Governance Board (AGB) and Joint Acquisition eBusiness Oversight Board (JAEBOB) to ensure any "To-Be" solutions selected are consistent with the direction of DoD and the federal government as a whole. Upon receipt of capital asset funding in the 1st quarter of FY 05, we will move into the implementation phase to include: - 1st quarter FY 05 - Purchase necessary hardware and COTS software licenses. Complete the first release of integrating the COTS products selected with the corporate applications.
- During the remainder of FY 05 and through the first quarter of FY 07, the integration team would field quarterly releases.

AQ/DITCO functions support DISA's management of the GIG and degradation or loss of capability places critical communications and missions at risk. Mission degradation due to system failure is highly probable as a result of aging, unsupported and poorly integrated software solution. There are several tangible and intangible benefits this project will realize: a reduction in the number of systems and integration of the remaining systems will result in the elimination of data re-entry and reduction in the number of user ID's and passwords; Integration of the systems will also result in improved accuracy of information, improved visibility of requirements processed through the system and ability to pull management reports in a timely manner; Replacing the current "green screen" systems with modern state-of-the-art COTS products will reduce the six month to one year learning curve required to use the existing systems and further result in improved job satisfaction, increased productivity and the ability to service additional customers.

**C. 2.2.3 Automated Workflow**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Automated Workflow	0	\$0.00	\$0.00	1	\$4,025.00	\$4,025.00	1	\$693.00	\$693.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$4,025.00</b>	<b>\$4,025.00</b>	<b>1</b>	<b>\$693.00</b>	<b>\$693.00</b>

The proposed Automated Workflow Management (AWM) system will provide DISA managers and leadership with the ability to monitor/manage the provisioning subprocesses down to the individual order. It will establish a capability to measure service delivery performance and to compare the measurements against the target elapsed times for both the entire process and for individual steps. The AWM system will automate the day-to-day management and escalation of individual orders, resulting in a smoother, more consistent execution of the service delivery process. It will also provide the metrics senior management requires to make informed business decisions and to develop process improvements.

**C. 2.2.4 Telecom Services Management**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Telecom Services Management	0	\$0.00	\$0.00	1	\$150.00	\$150.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>1</b>	<b>\$150.00</b>	<b>\$150.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

This software development project allows the DISA Direct Order Entry (DDOE) system to check for a valid line of accounting (LOA) before accepting a new order and beginning the provisioning process. Currently, DDOE only checks for an active project designator code (PDC). Every PDC must have a current LOA attached to it in order to allow DISA to bill for services. Each year, the LOA's expire at the end of fiscal year and must be reestablished with the new year's funding authorization. Because the PDC stays active, the DDOE system currently can not tell if there is any means to bill the customer for the requested services. This glitch in the system allows DISA to process unfunded orders without being aware that there is no current funding authorization to back the order until the billing system is notified of the action at the end of the provisioning process. While most orders are ultimately funded, there remain some that are not, causing DISA to incur unbillable costs during the provisioning process. An additional benefit of the proposed LOA validation process is that existing services billed to the same PDC will also have their funding fields updated with the new LOA, enabling DISA to continue billing for those existing services rather than accruing large accounts receivable that can take months to clear out.

**C. 3.1.1 Parking Lot Construction**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Parking Lot Construction	1	\$290.00	\$290.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$290.00</b>	<b>\$290.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

The Base is scheduled to demolish Building 3190 and its associated parking lot in late FY 03/early FY 04 thus, forcing the DISA CONUS to relocate 80 of its employees currently housed in Building 3190 to other office space. Also, in late FY 04, the Education Center, currently located in Building 3189 is scheduled to relocate to another facility on SAFB. This will free up necessary space in Building 3189 to relocate the 80 displaced employees in Building 3190. With the demolition of Building 3190, the Base will also be demolishing the parking lot adjacent to this building. Since the 80 individuals currently residing in Building 3190 utilize this parking lot, as do some Building 3189 employees, this will result in a significant loss of parking space in and around Building 3189. In addition, the DISA CONUS anticipates an increase of approximately 150 people by FY03. There are approximately 250 employees currently working in Building 3189. With the increase in new missions and the move of 80 individuals from Building 3190, the DISA CONUS estimates needing parking space for 480 individuals. At present, the DISA CONUS has two authorized parking lots, which accommodate a total of 31 and 70 spaces each, a shortfall of 379 spaces from the estimated requirement of 480. Base Civil Engineering estimates the cost of additional parking space for the DISA CONUS at \$117,000 for soil remediation/concrete removal and \$158,000 for parking lot construction, \$15,000 for curbing, a total of \$275,000. With the planned removal of the parking lot adjacent to Building 3190, there are no other parking lots within a reasonable distance from Building 3189. The impact of not having the additional parking spaces constructed will result in approximately 379 people having no place to park. Also, a limited number of people will be parking on and destroying the grassy areas surrounding Building 3189, which will result in the issuance of parking tickets by the Base Police.

**C. 3.1.2 Renovation of Education Wing in Bldg**

**D. Defense Information Systems Agency**

**B. TSEAS/January 2004**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Renovation of Education Wing in Bldg	0	\$0.00	\$0.00	2	\$375.00	\$750.00	0	\$0.00	\$0.00
<b>Total</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>2</b>	<b>\$375.00</b>	<b>\$750.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

As a result of the Scott AF Base decision to relocate the Education Center from Building 3189 to another facility on Base in late FY 04, DISA CONUS anticipates securing this empty space to house its employees currently located in Building 3190. We had planned for known growth in FY02/03 but with recent changes to mission requirements DISA CONUS still requires more space. With the significant increases in mission and manning anticipated at the DISA CONUS over the next two years, as planned by HQ DISA, obtaining this additional office space in Building 3189 is still not sufficient to meet the organization's physical space requirements. In order to secure the additional office space required, the DISA CONUS plans to enclose the space between two more sets of wings within the existing Building 3189 infrastructure. The enclosure of these wings, will add approximately 8,000 square feet to the existing facility. Estimating this cost based on the current enclosure project, it is estimated that two more enclosures could be designed and constructed with a total cost of \$750,000.00. Without the funding to support this requirement, approximately 75 people would need to be located in another facility, causing degradation of mission integrity as direct, face-to-face contact would be missing, thus seriously impacting mission capability. It is not an option to leave these personnel in building 3190 because of the decaying condition of that building. The reason for relocating missions to the CONUS-RNOSC in the first place was to gain cohesiveness and direct oversight. There would also be an impact on the Base, as they would not be able to move DISA CONUS employees out of Building 3190 and demolish the condemned building as scheduled.

**C. 3.1.3 SWA RNOSC**

**B. TSEAS/January 2004**

**D. Defense Information Systems Agency**

Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWA RNOSC	1	\$520.00	\$520.00	0	\$0.00	\$0.00	0	\$0.00	\$0.00
<b>Total</b>	<b>1</b>	<b>\$520.00</b>	<b>\$520.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>	<b>\$0.00</b>

During current operations efforts in South West Asia (SWA) it was recognized that relocation to a new site for the Regional Network Operations Service Center (RNOSC) would better satisfy DISA and Naval Support Activity (NSA) Bahrain requirements. The revised project is expected to provide approximately 3,000 square feet of useable workspace. However, existing tenants must be relocated after Navy-funded construction projects are completed within the next six months. NSA Bahrain Public Works Directorate estimates these project funds can be obligated in the second quarter of FY2004.

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2003	Facilities Mech. Chillers, Pumps, Towers	0.000	0.000	0.000	0.000	0.000	
	Facilities Montgomery UPS	2.500	0.000	2.500	1.400	1.100	Re-programming
	Facilities Oklahoma City Pumps & Towers	1.300	0.000	1.300	1.300	0.000	
	Facilities \$.500 to \$.999	3.580	0.000	3.580	2.857	0.723	Re-programming
	Facilities \$.100 to \$.499	1.345	0.000	1.345	1.768	(0.423)	Re-programming
	Facilities Oklahoma City CRAC	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.500 to \$.999	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.305	0.000	0.305	0.305	0.000	
	Facilities Assured Computing	11.000	0.000	11.000	11.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise Edge Switch Devices	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise Network Mgmt. Infrast	1.200	0.000	1.200	1.125	0.075	Re-programming
	Comm. - Enterprise Routers	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise VLAN	0.000	0.000	0.000	0.000	0.000	
	Comm. - \$.500 - \$.999	1.600	0.000	1.600	1.735	(0.135)	Re-programming
	Comm. - \$.100 - \$.499	0.700	0.000	0.700	0.640	0.060	Re-programming
	Server - Columbus BMR	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton EDW	12.300	0.000	12.300	8.164	4.136	Re-programming
	Server - Enterprise CHCS II	12.555	0.000	12.555	7.964	4.591	Re-programming
	Server - Enterprise DFAS DCAS/DIFMS	3.500	0.000	3.500	3.500	0.000	
	Server - Enterprise DIHMRS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise ERMS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise Infrastructure	6.000	0.000	6.000	8.400	(2.400)	Re-programming
	Server - Enterprise MHS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise Partitionable Server	0.000	0.000	0.000	2.000	(2.000)	Re-programming
	Server - Europe Servers	1.750	0.000	1.750	0.000	1.750	Re-programming
	Server - Montgomery AF/IL Enterprise	0.000	0.000	0.000	0.000	0.000	
	Server - Montgomery IMDS	1.240	0.000	1.240	5.240	(4.000)	Re-programming
	Server - Montgomery IWIMS	1.000	0.000	1.000	2.380	(1.380)	Re-programming
	Server - Ogden DCII	2.243	0.000	2.243	3.943	(1.700)	Re-programming

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
<b>FY 2003</b>	Server - Ogden DCPS	2.600	0.000	2.600	2.600	0.000	
	Server - Ogden GAFS-R	2.600	0.000	2.600	2.600	0.000	
	Server - Ogden OLRV	2.450	0.000	2.450	4.450	(2.000)	Re-programming
	Server - Oklahoma City Depot Maintenance	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City DMAPS	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City GCSS	10.000	0.000	10.000	0.000	10.000	Re-programming
	Server - Oklahoma City ILS-S	3.245	0.000	3.245	4.245	(1.000)	Re-programming
	Server - \$.500 - \$.999	2.667	0.000	2.667	4.820	(2.153)	Re-programming
	Server - \$.100 - \$.499	0.000	0.000	0.000	3.844	(3.844)	Re-programming
	MVS - Enterprise Mainframe Infra Upgrade	6.000	0.000	6.000	6.000	0.000	
	MVS - Enterprise Z900 Processors	0.000	0.000	0.000	0.000	0.000	
	MVS - \$.500 - \$.999	0.560	0.000	0.560	0.000	0.560	Re-programming
	MVS - \$.100 - \$.499	0.300	0.000	0.300	0.860	(0.560)	Re-programming
	Storage - Enterprise Infra.	2.400	0.000	2.400	2.500	(0.100)	Re-programming
	Storage - Enterprise SMS	0.000	0.000	0.000	0.000	0.000	
	Storage - Enterprise Tech. Refresh	3.100	0.000	3.100	3.000	0.100	Re-programming
	Storage - Oklahoma City SAN	0.000	0.000	0.000	0.000	0.000	
	Storage - St. Louis VTS	0.000	0.000	0.000	0.000	0.000	
	Storage - Unisys Tape	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Executive Software - Enterprise SOE	4.500	0.000	4.500	0.000	4.500	Re-programming
	Executive Software - File Transfer	0.000	0.000	0.000	0.000	0.000	
	Executive Software Licensing	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. Enterprise Achitect	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.100 - \$.499	0.500	0.000	0.500	0.000	0.500	Re-programming
	Electronic Commerce. - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Enterprise Systems Mgmt	2.300	0.000	2.300	2.300	0.000	

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
<b>FY 2003</b>	Transformation - OS/390 Consolidation	28.000	0.000	28.000	28.000	0.000	
	Transformation (Server) DFAS Server Plus	4.000	0.000	4.000	0.000	4.000	Re-programming
	Transformation (SMC)	0.000	0.000	0.000	0.000	0.000	
	Communications - Enterprise COIN GIG-E	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton SCS	0.000	0.000	0.000	0.000	0.000	
	Montgomery Switchgear (Replacement)	0.000	0.000	0.000	1.400	(1.400)	Re-programming
	Enterprise Systems Mgmt - \$.500 - \$.999	0.000	0.000	0.000	0.500	(0.500)	Re-programming
	Server DFAS Server Plus	0.000	0.000	0.000	4.000	(4.000)	Re-programming
	Enterprise SOE Software	0.000	0.000	0.000	4.500	(4.500)	Re-programming
	<b>Total FY 2003</b>				<b>139.340</b>		

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: CS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2004	Facilities Mech. Chillers, Pumps, Towers	0.000	0.000	0.000	0.000	0.000	
	Facilities Montgomery UPS	0.000	0.000	0.000	3.000	(3.000)	Re-programming
	Facilities Oklahoma City Pumps & Towers	0.000	0.000	0.000	0.000	0.000	
	Facilities Oklahoma City UPS	3.000	0.000	3.000	0.000	3.000	Re-programming
	Facilities \$.500 to \$.999	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities Oklahoma City CRAC	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.500 to \$.999	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities Assured Computing	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise Edge Switch Devices	1.600	0.000	1.600	1.600	0.000	
	Comm. - Enterprise Network Mgmt. Infrast	2.000	0.000	2.000	2.000	0.000	
	Comm. - Enterprise Routers	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise VLAN	0.000	0.000	0.000	0.000	0.000	
	Comm. - \$.500 - \$.999	0.900	0.000	0.900	0.900	0.000	
	Comm. - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Server - Columbus BMR	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton EDW	13.595	0.000	13.595	13.595	0.000	
	Server - Enterprise CHCS II	5.962	0.000	5.962	5.962	0.000	
	Server - Enterprise DFAS DCAS/DIFMS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise DIHMRS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise ERMS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise Infrastructure	3.000	0.000	3.000	3.000	0.000	
	Server - Enterprise MHS	4.403	0.000	4.403	4.403	0.000	
	Server - Enterprise Partitionable Server	2.500	0.000	2.500	2.500	0.000	
	Server - Europe Servers	0.000	0.000	0.000	0.000	0.000	
	Server - Montgomery AF/IL Enterprise	1.500	0.000	1.500	1.500	0.000	
	Server - Montgomery IMDS	2.280	0.000	2.280	2.280	0.000	
	Server - Montgomery IWIMS	1.000	0.000	1.000	1.000	0.000	
	Server - Ogden DCII	0.000	0.000	0.000	0.000	0.000	

**Component: Defense Information Systems Agency**

**Activity Group: CS**

**February 2004**

**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2004	Server - Ogden DCPS	0.000	0.000	0.000	0.000	0.000	
	Server - Ogden GAFS-R	0.000	0.000	0.000	0.000	0.000	
	Server - Ogden OLRV	2.441	0.000	2.441	2.441	0.000	
	Server - Oklahoma City Depot Maintenance	1.056	0.000	1.056	1.056	0.000	
	Server - Oklahoma City DMAPS	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City GCSS	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City ILS-S	0.000	0.000	0.000	0.000	0.000	
	Server - \$.500 - \$.999	0.500	0.000	0.500	0.500	0.000	
	Server - \$.100 - \$.499	0.763	0.000	0.763	0.763	0.000	
	MVS - Enterprise Mainframe Infra Upgrade	0.000	0.000	0.000	0.000	0.000	
	MVS - Enterprise Z900 Processors	6.000	0.000	6.000	6.000	0.000	
	MVS - \$.500 - \$.999	0.500	0.000	0.500	0.500	0.000	
	MVS - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Storage - Enterprise Infra.	4.300	0.000	4.300	4.300	0.000	
	Storage - Enterprise SMS	0.000	0.000	0.000	0.000	0.000	
	Storage - Enterprise Tech. Refresh	3.100	0.000	3.100	3.100	0.000	
	Storage - Oklahoma City SAN	0.000	0.000	0.000	0.000	0.000	
	Storage - St. Louis VTS	0.000	0.000	0.000	0.000	0.000	
	Storage - Unisys Tape	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Executive Software - Enterprise SOE	5.500	0.000	5.500	0.000		5.500 Re-programming
	Executive Software - File Transfer	0.000	0.000	0.000	0.000	0.000	
	Executive Software Licensing	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. Enterprise Architect	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.100 - \$.499	0.500	0.000	0.500	0.500	0.000	
	Electronic Commerce. - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Enterprise Systems Mgmt	2.300	0.000	2.300	2.300	0.000	
	Transformation - OS/390 Consolidation	0.000	0.000	0.000	0.000	0.000	

**Capital Budget Execution**

**Component: Defense Information Systems Agency**

Activity Group: CS

February 2004

(Dollars in Millions)

Projects on the FY 2004 President's Budget

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2004	Transformation (Server) DFAS Server Plus	0.000	0.000	0.000	0.000	0.000	
	Transformation (SMC)	4.000	0.000	4.000	4.000	0.000	
	Communications - Enterprise COIN GIG-E	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton SCS	0.000	0.000	0.000	0.000	0.000	
	Enterprise SOE Software	0.000	0.000	0.000	5.500	(5.500)	Re-programming
	<b>Total FY 2004</b>				<b>72.700</b>		

**January 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2005	Facilities Mech. Chillers, Pumps, Towers	4.000	0.000	4.000	0.000	4.000	Re-programming
	Facilities Montgomery UPS	0.000	0.000	0.000	0.000	0.000	
	Facilities Oklahoma City Pumps & Towers	0.000	0.000	0.000	0.000	0.000	
	Facilities Oklahoma City UPS	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.500 to \$.999	0.630	0.000	0.630	0.630	0.000	
	Facilities \$.100 to \$.499	0.370	0.000	0.370	0.370	0.000	
	Facilities Oklahoma City CRAC	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.500 to \$.999	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Facilities Assured Computing	0.000	0.000	0.000	0.000	0.000	
	Facilities \$.100 to \$.499	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise Edge Switch Devices	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise Network Mgmt. Infrast	4.000	0.000	4.000	4.000	0.000	
	Comm. - Enterprise Routers	0.000	0.000	0.000	0.000	0.000	
	Comm. - Enterprise VLAN	0.000	0.000	0.000	0.000	0.000	
	Comm. - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Comm. - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Server - Columbus BMR	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton EDW	8.190	0.000	8.190	8.190	0.000	
	Server - Enterprise CHCS II	3.000	0.000	3.000	3.000	0.000	
	Server - Enterprise DFAS DCAS/DIFMS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise DIHMRS	2.000	0.000	2.000	0.000	2.000	Re-programming
	Server - Enterprise ERMS	2.225	0.000	2.225	0.000	2.225	Re-programming
	Server - Enterprise Infrastructure	5.000	0.000	5.000	5.000	0.000	
	Server - Enterprise MHS	0.000	0.000	0.000	0.000	0.000	
	Server - Enterprise Partitionable Server	0.000	0.000	0.000	0.000	0.000	
	Server - Europe Servers	0.000	0.000	0.000	0.000	0.000	
	Server - Montgomery AF/IL Enterprise	0.000	0.000	0.000	0.000	0.000	
	Server - Montgomery IMDS	10.040	0.000	10.040	10.040	0.000	
	Server - Montgomery IWIMS	1.500	0.000	1.500	1.500	0.000	
	Server - Ogden DCII	1.200	0.000	1.200	1.200	0.000	

(Dollars in Millions)

Projects on the FY 2004 President's Budget

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2005	Server - Ogden DCPS	0.000	0.000	0.000	0.000	0.000	
	Server - Ogden GAFS-R	0.000	0.000	0.000	0.000	0.000	
	Server - Ogden OLRV	1.800	0.000	1.800	1.800	0.000	
	Server - Oklahoma City Depot Maintenance	1.057	0.000	1.057	1.057	0.000	
	Server - Oklahoma City DMAPS	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City GCSS	0.000	0.000	0.000	0.000	0.000	
	Server - Oklahoma City ILS-S	1.488	0.000	1.488	1.488	0.000	
	Server - \$.500 - \$.999	0.000	0.000	0.000	1.450	(1.450)	Re-programming
	Server - \$.100 - \$.499	0.000	0.000	0.000	2.775	(2.775)	Re-programming
	MVS - Enterprise Mainframe Infra Upgrade	0.000	0.000	0.000	0.000	0.000	
	MVS - Enterprise Z900 Processors	5.000	0.000	5.000	5.000	0.000	
	MVS - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	MVS - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Storage - Enterprise Infra.	6.000	0.000	6.000	6.000	0.000	
	Storage - Enterprise SMS	0.000	0.000	0.000	0.000	0.000	
	Storage - Enterprise Tech. Refresh	0.000	0.000	0.000	0.000	0.000	
	Storage - Oklahoma City SAN	0.000	0.000	0.000	0.000	0.000	
	Storage - St. Louis VTS	0.000	0.000	0.000	0.000	0.000	
	Storage - Unisys Tape	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Storage - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Executive Software - Enterprise SOE	4.000	0.000	4.000	0.000	4.000	Re-programming
	Executive Software - File Transfer	0.000	0.000	0.000	0.000	0.000	
	Executive Software Licensing	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Executive Software - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. Enterprise Architect	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.500 - \$.999	0.000	0.000	0.000	0.000	0.000	
	Customer Svcs. Mgmt. - \$.100 - \$.499	0.500	0.000	0.500	0.000	0.500	Re-programming
	Electronic Commerce. - \$.100 - \$.499	0.000	0.000	0.000	0.000	0.000	
	Enterprise Systems Mgmt	2.000	0.000	2.000	2.000	0.000	
	Transformation - OS/390 Consolidation	0.000	0.000	0.000	0.000	0.000	

Projects on the FY 2004 President's Budget

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
FY 2005	Transformation (Server) DFAS Server Plus	0.000	0.000	0.000	0.000	0.000	
	Transformation (SMC)	0.000	0.000	0.000	0.000	0.000	
	Communications - Enterprise COIN GIG-E	0.000	0.000	0.000	0.000	0.000	
	Server - Dayton SCS	0.000	0.000	0.000	0.000	0.000	
	Enterprise Systems Mgmt - \$.500 - \$.999	0.000	0.000	0.000	0.500	(0.500)	Re-programming
	Enterprise SOE Software	0.000	0.000	0.000	4.000	(4.000)	Re-programming
<b>Total FY 2005</b>					<b>60.000</b>		

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
<b>FY 2003</b>	Timing and Synchronization	9.825	(0.015)	9.810	9.810	0.000	Reprogram to cover Parking Lot
	ESONET Equipments	0.000	0.000	0.000	0.000	0.000	
	West PAC VTC Hub	2.745	0.000	2.745	0.000	2.745	No AOB received from OSD
	VTC DVS-II	0.000	0.000	0.000	0.000	0.000	
	SONET/ESONET Transition	3.065	0.000	3.065	0.000	3.065	No AOB received from OSD
	Router Deployment	15.010	0.000	15.010	14.915	0.095	
	Conus Multi Function Switches	40.200	0.000	40.200	32.900	0.000	
	HITS Multi Function Switches	21.000	0.000	21.000	21.000	0.000	Net Management Funded
	IP Core Network Expansion	18.343	0.000	18.343	1.000	17.343	
	ATM Switch Replacement	0.875	0.000	0.875	0.000	0.875	No AOB received from OSD
	ATM Cell MUX Pairs	5.250	0.000	5.250	0.000	5.250	No AOB received from OSD
	Parking Lot Construction	0.275	0.015	0.290	0.290	0.000	Reprogram from Timing and Synch
	Enclosure of Building Wing	0.000	0.000	0.000	0.000	0.000	
	Renovation of Education Wing in Bldg	0.000	0.000	0.000	0.000	0.000	
	SWA RNOSC	0.000	0.000	0.000	0.520	(0.520)	Relocation efforts
	<b>Total FY 2003</b>				<b>80.435</b>		

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
<b>FY 2004</b>	Timing and Synchronization	1.000	0.000	1.000	0.000	1.000	Funding moved to FY05
	ESONET Equipments	0.000	0.000	0.000	0.000	0.000	
	West PAC VTC Hub	0.000	0.000	0.000	0.000	0.000	
	VTC DVS-II	13.698	0.000	13.698	13.800	(0.102)	Requirements increase
	SONET/ESONET Transition	0.000	0.000	0.000	0.000	0.000	
	Router Deployment	15.010	0.000	15.010	0.000	15.010	Project canceled
	Conus Multi Function Switches	49.900	0.000	49.900	40.000	9.900	
	HITS Multi Function Switches	0.300	0.000	0.300	9.842	(9.542)	Requirements increase
	IP Core Network Expansion	3.960	0.000	3.960	1.000	2.960	Net Management funded
	ATM Switch Replacement	0.875	0.000	0.875	0.000	0.875	Project canceled
	ATM Cell MUX Pairs	1.500	0.000	1.500	0.000	1.500	Project canceled
	Parking Lot Construction	0.000	0.000	0.000	0.000	0.000	
	Enclosure of Building Wing	0.000	0.000	0.000	0.000	0.000	
	Renovation of Education Wing in Bldg	0.975	0.000	0.975	0.750	0.225	Requirements decrease
	DISN Billing Application - Internal Dev	0.000	0.000	0.000	0.393	(0.393)	Internal efficiencies
	DISN Billing Application - External Dev	0.000	0.000	0.000	1.750	(1.750)	External efficiencies
	Automated Workflow	0.000	0.000	0.000	4.025	(4.025)	External efficiencies
	Telecom Services Management	0.000	0.000	0.000	0.150	(0.150)	External efficiencies
<b>Total FY 2004</b>					<b>71.710</b>		

**Capital Budget Execution**  
**Component: Defense Information Systems Agency**  
**Activity Group: TSEAS**  
**February 2004**  
**(Dollars in Millions)**

**Projects on the FY 2004 President's Budget**

<u>FY</u>	<u>Approved Project</u>	<u>2004 PB</u>	<u>Reprogrammings</u>	<u>Approved Proj. Cost</u>	<u>Current Proj. Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
<b>FY 2005</b>	Timing and Synchronization	1.000	0.000	1.000	4.500	(3.500)	Cost increases
	ESONET Equipments	0.000	0.000	0.000	0.000	0.000	
	West PAC VTC Hub	0.000	0.000	0.000	0.000	0.000	
	VTC DVS-II	0.000	0.000	0.000	0.000	0.000	
	SONET/ESONET Transition	0.000	0.000	0.000	0.000	0.000	
	Router Deployment	15.010	0.000	15.010	0.000	15.010	Project canceled
	Conus Multi Function Switches	5.800	0.000	5.800	18.700	(12.900)	Project canceled
	HITS Multi Function Switches	9.700	0.000	9.700	4.428	5.272	Part of requirement moved to FY04
	IP Core Network Expansion	0.000	0.000	0.000	0.000	0.000	
	ATM Switch Replacement	0.875	0.000	0.875	0.000	0.875	Project canceled
	ATM Cell MUX Pairs	1.500	0.000	1.500	0.000	1.500	Project canceled
	Parking Lot Construction	0.000	0.000	0.000	0.000	0.000	
	Enclosure of Building Wing	0.000	0.000	0.000	0.000	0.000	
	Renovation of Education Wing in Bldg	0.000	0.000	0.000	0.000	0.000	
	DSN-E Italy Signaling System Seven	0.000	0.000	0.000	2.720	(2.720)	Customer driven requirement
	Digital Compression Multiplex Equipment	0.000	0.000	0.000	9.750	(9.750)	Cost efficiencies
	Enterprise Business Modernization - ADPE	0.000	0.000	0.000	2.500	(2.500)	Customer driven requirement
	DISN Billing Application - Internal Dev	0.000	0.000	0.000	0.304	(0.304)	Internal efficiencies
	DISN Billing Application - External Dev	0.000	0.000	0.000	1.000	(1.000)	External efficiencies
	Enterprise Business Modernization - Ext Dev	0.000	0.000	0.000	7.000	(7.000)	External efficiencies
	Automated Workflow	0.000	0.000	0.000	0.693	(0.693)	External efficiencies
<b>Total FY 2005</b>					<b>51.595</b>		

**DEFENSE SECURITY SERVICE**  
**Defense-Wide Working Capital Fund**  
**Supply Management Activity Group**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Activity Group Capital Investment Summary**  
(Dollars in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
REP 000 PRD 000 NEW 000	EQUIPMENT (Non ADP/T) \$0.1 to \$0.499 Replacement Productivity New Mission						
REP 100 PRD 100 NEW 100	EQUIPMENT (Non ADP/T) \$0.5 to \$0.999 Replacement Productivity New Mission						
REP 200 PRD 200 NEW 200	EQUIPMENT (Non ADP/T) \$1.0 and Over Replacement Productivity New Mission						
	<u>TOTAL EQUIPMENT (Non ADP/T)</u>	0	0.0	0	0.0	0	0.0
ADP 000 ADP 100 ADP 200	ADP/T EQUIPMENT \$0.1 To \$0.499 ADP/T EQUIPMENT \$0.5 To \$0.999 ADP/T EQUIPMENT \$1.0 and Over						
	<u>TOTAL EQUIPMENT (ADP/T)</u>	0	0.0	0	0.0	0	0.0
SWD 000 SWD 100 SWD 200	SOFTWARE DEVELOPMENT \$0.1 To \$0.499 SOFTWARE DEVELOPMENT \$0.5 To \$0.999 SOFTWARE DEVELOPMENT \$1.0 and Over		13.5				
	<u>TOTAL SOFTWARE DEVELOPMENT</u>		13.5		0.0		0.0
RPM 000	<u>MINOR CONSTRUCTION</u>						
	<u>TOTAL AGENCY CAPITAL INVESTMENTS</u>	0	13.5	0	0.0	0	0.0
	Total Capital Outlays		11.6		6.5		0.0
	Total Depreciation Expense		13.2		12.4		2.1

DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION										A.
HARDWARE/SOFTWARE										FY 2005
(Dollars in Thousands)										
B. Department of Defense			C. Line No				Item Description			D. Activity ID
DEFENSE SECURITY SERVICE			SWD 200				Case Control Management System Modifications			
Element of Cost	FY 2003			FY 2004			FY 2005			
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	
CCMS Modifications	1	13,456	13,456	0	0	0	0	0	0	
	1	13,456	13,456	0	0	0	0	0	0	

Narrative Justification:

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The CCMS was the core management system for the execution of the National Industrial Security Program and the overarching Personnel Security Investigation program within DSS. When the decisions were made in FY 2003 to divest the PSI mission from DSS and to transfer it to the Office of Personnel Management, there were significant modifications to the CCMS system required to support the separation of the NISP function, implementation of near term e-commerce/e-government programs, the adaptation of processes to the incoming DoD Information System for Security under development with USAF program management, and the closeout of the PSI mission (along with the archiving of all PSI records on CCMS.) The CCMS modification program supports these essential activities.

**b. ANTICIPATED BENEFITS:** These modifications support the transfer of the PSI mission to OPM, separate operation of the remaining security missions and future integration of with the DoD Information System for Security that is under development in the USAF.

**c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** DSS will be unable to complete the transformation that was approved in FY 2003.

**d. ECONOMIC ANALYSIS PERFORMED?** Yes. Limited EA was performed to assess best approach to meet the requirements driven by the DSS transformation, transfer of PSI mission to OPM and implementation of e-government initiatives.

<b>DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION</b> <b>SOFTWARE</b> <b>(Dollars in Thousands)</b>	<b>A.</b> FY 2004-2005 Biennial Budget Estimates
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<b>B.</b> Department of Defense DEFENSE SECURITY SERVICE	<b>C.</b> Line No    Item Description 0003            CCMS IS Configuration Mgmt. Support	<b>D.</b> Activity ID
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Element of Cost	FY 2002			FY 2003			* FY 2004			* FY 2005		
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost
Configuration Mgmt Support	1	1,014	1,014									
	1	1,014	1,014	0	0	0				0	0	0

**Narrative Justification:**

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The DSS enterprise applications (CCMS IS, DCII, etc.) support the processing of personnel security investigations and industrial security information. The initial fielding of the applications provided limited support for processing investigations. Due to the high volume of work and business process improvements, routine sustainment programming to implement system improvements and changes is required. During summer 1999, DSS was criticized by two review teams for not exercising sound Configuration Management (CM) and configuration control of the CCMS system development, integration, and implementation.

**b. ANTICIPATED BENEFITS:** During FY01, DSS and the Air Force Program Management Office (PMO) jointly developed a CCMS IS Configuration Management Plan upon which all CCMS CM activities will be based. In FY 2002, the PMO will complete the establishment of the Rational configuration tool suite to be fully integrated with the Rational requirements, development, and test tools, and will use this tool set to provide configuration control of CCMS IS components in all phases of development and implementation. The PMO will also establish a separate database using the same CM tools to support DSS CM of all its other non-CCMS IT systems. The goal is to establish a tool suite and sound CM practices that DSS can continue to utilize after the PMO completes it's P3I work in FY 2004.

**c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** If this joint CM task is not completed, DSS will lack the knowledge and skills to continue to apply the sound configuration management processes and tools introduced to support the P3I work.

**d. ECONOMIC ANALYSIS PERFORMED?** Yes. The proposed modifications were examined by an independent Air Force "Red Team" and an independent contractor hired by the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD/C3I) in 1999. Additionally, DSS has continued those assessments in 2000 and 2001. The DODIG recently (Oct 2001) reviewed DSS progress to date, and stated " DSS is correcting and improving the CCMS and has implemented a logical plan for its future replacement. Further, as a result of baselining the CCMS, DSS is pursuing product improvements that will change the capabilities of the System and extend its useful life."

\* Due to the organizational transformation as directed by the Deputy Secretary of Defense the Defense Security Service will be removed from

<b>DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION</b> <b>SOFTWARE</b> <b>(Dollars in Thousands)</b>	<b>A.</b> FY 2004-2005 Biennial Budget Estimates
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<b>B.</b> Department of Defense DEFENSE SECURITY SERVICE	<b>C. Line No</b> 0003	<b>Item Description</b> CCMS IS Testing	<b>D. Activity ID</b>
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Element of Cost	FY 2002			FY 2003			* FY 2004			* FY 2005		
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost
Testing	1	1,267	1,267									
	1	1,267	1,267	0	0	0				0	0	0

Narrative Justification:

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The DSS enterprise applications (CCMS IS, DCII, etc.) support the processing of personnel security investigations and industrial security information. The initial fielding of the applications provided limited support for processing investigations.

**b. ANTICIPATED BENEFITS:** In accordance with the Carnegie Mellon Software Capability Model (CMM) precepts, CMM Level III software developers must establish a formal unit and integration testing program that is integral to the development process. This insures that all code delivered to the government is fully tested against an established set of functional requirements prior to delivery to the government, resulting in high quality products and less test effort on the part of the government after delivery. This funding provides labor and expertise for setting up the required test environment.

**c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** If this test environment is not established, lower quality software delivered and longer test, fix, and regression testing cycles will result, which will delay implementation of much needed system improvements.

**d. ECONOMIC ANALYSIS PERFORMED?** Yes. The proposed modifications were examined by an independent Air Force "Red Team" and an independent contractor hired by the ASD/C3I in 1999. Additionally, DSS has continued those assessments in 2000 and 2001. The DODIG recently (Oct 2001) reviewed DSS progress to date, and stated " DSS is correcting and improving the CCMS and have implemented a logical plan for its future replacement. Further, as a result of baselining the CCMS, DSS is pursuing product improvements that will change the capabilities of the System and extend its useful life."

\* Due to the organizational transformation as directed by the Deputy Secretary of Defense the Defense Security Service will be removed from the Defense Working Capital Fund in FY 2004 and beyond.

<b>DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION</b> <b>SOFTWARE</b> <b>(Dollars in Thousands)</b>	<b>A.</b> FY 2004-2005 Biennial Budget Estimates
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<b>B.</b> Department of Defense DEFENSE SECURITY SERVICE	<b>C.</b> Line No    Item Description 0003            CCMS IS APPLICATION Enhancements	<b>D.</b> Activity ID
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Element of Cost	FY 2002			FY 2003			* FY 2004			* FY 2005		
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost
Other Enhancement Items	1	3,491	3,491									
	0	0	0	0	0	0				0	0	0

**Narrative Justification:**

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The DSS enterprise applications (CCMS IS, DCII, etc.) support the processing of personnel security investigations and industrial security information. The initial fielding of the applications provided limited support for processing investigations.

**b. ANTICIPATED BENEFITS:** Provides an improved Facilities Database application to support the Industrial Security functions within DSS. Also includes new and improved interfaces with JPAS, as mandated by C3I.

**c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Without the JPAS interfaces planned for FY 2002, JPAS may not be able to meet the IOC date projected in early CY 2002. Without the improvements to the Facilities Database, DSS will find it difficult to meet production goals set for Industrial Security.

**d. ECONOMIC ANALYSIS PERFORMED?** Yes. The proposed modifications were examined by an independent Air Force "Red Team" and an independent contractor hired by the ASD/C3I in 1999. Additionally, DSS has continued those assessments in 2000 and 2001. The DODIG recently (Oct 2001) reviewed DSS progress to date, and stated " DSS is...correcting and improving the CCMS and has implemented a logical plan for its future replacement. Further, as a result of baselining the CCMS, DSS is pursuing product improvements that will change the capabilities of the System and extend its useful life."

\* Due to the organizational transformation as directed by the Deputy Secretary of Defense the Defense Security Service will be removed from the Defense Working Capital Fund in FY 2004 and beyond.

<b>DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION</b> <b>SOFTWARE</b> <b>(Dollars in Thousands)</b>	<b>A.</b> FY 2004-2005 Biennial Budget Estimates
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<b>B.</b> Department of Defense DEFENSE SECURITY SERVICE	<b>C. Line No</b> <b>Item Description</b> 0003 <b>CCMS IS External Interfaces</b>	<b>D. Activity ID</b>
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Element of Cost	FY 2002			FY 2003			* FY 2004			* FY 2005		
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost
Upgrade External Interfaces				1	3,172	3,172						
	0	0	0	1	3,172	3,172				0	0	0

**Narrative Justification:**

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The DSS enterprise applications (CCMS IS, Defense Clearance and Investigations Index (DCII), etc.) support the processing of personnel security investigations and industrial security information. The initial fielding of the applications provided limited support for processing investigations. Due to the high volume of work and business process improvements, routine sustainment programming to implement system improvements and changes is required. In the area of external interfaces, most are classified as "send and forget," with no reliable feedback that data was accurately transmitted and imported by the receiving system. This is a major contributor to CCMS data integrity problems.

**b. ANTICIPATED BENEFITS:** Most of the CCMS IS external interfaces are based on old data transmission technology (i.e., File Transfer Protocol (FTP), "sneakernet," FEDEX deliveries of tapes, etc.). The goal is to modernize as many interfaces as possible in order to make data exchanges more timely, secure, and reliable via system to system data transfer.

**c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** CCMS IS will continue to experience less than optimal data export transmissions to receiving agencies (FBI, CIA, etc.) and similar problems with data coming in from these agencies. This has a negative impact on DSS productivity due to redirection of effort to validate data accuracy as it is exported from and imported into the CCMS IS.

**d. ECONOMIC ANALYSIS PERFORMED?** Yes. The proposed modifications were examined by an independent Air Force "Red Team" and an independent contractor hired by the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD/C3I) in 1999. Additionally, DSS has continued those assessments in 2000 and 2001. The DODIG recently (Oct 2001) reviewed DSS progress to date, and stated " DSS is correcting and improving the CCMS and have implemented a logical plan for its future replacement. Further as a result of baselining the CCMS, DSS is pursuing product improvements that will change the capabilities of the System and extend its useful life."

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<b>DEFENSE SECURITY SERVICE CAPITAL INVESTMENT JUSTIFICATION</b> <b>Hardware/Software</b> <b>(Dollars in Thousands)</b>	<b>A.</b> FY 2004-2005 Biennial Budget Estimates
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<b>B.</b> Department of Defense DEFENSE SECURITY SERVICE	<b>C.</b> Line No    Item Description CCMS IS SW Development	<b>D.</b> Activity ID
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Element of Cost	FY 2002			FY 2003			* FY 2004			* FY 2005		
	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost	Quan	U/C	Tot Cost
Sustainment Programing/Rational Int DCII (Web-based)	1	0.230	0.653	1	3,965	3,965						0
National Industrial Security System (NISS) (BEGIN DEVELOPMENT)			0.000	1	5,551	5,551						0
EPSQ (WEB-based; Final Phase)			0.000	1	1,586	1,586						0
<b>TOTAL</b>	<b>1</b>		<b>0.653</b>	<b>3</b>		<b>11,102</b>				<b>0</b>		<b>0</b>

**a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** DCII: The DCII web-based system will be developed in FY 2003. The original system is a client server application that was built on 1980's technology. The current client-server environment does not allow for a simple upgrade because of the widely distributed population that requires synchronizing distribution and installation of software. Additionally, there are a number of data integrity issues with the current system. This is a result of many years of non-standardized maintenance and lack of integration amongst the other applications within the CCMS IS.

**National Industrial Security System (NISS):** The Industrial Security Program (ISP) is currently made up of mini databases located in various elements within the DoD. With the information widely disbursed and not integrated, informed decisions are difficult without extensive manpower and coordination efforts.

**EPSQ:** The EPSQ web-based system will be completed in FY 2003. The current system is a 16-bit, DOS-based, stand-alone application. Additionally, some operating systems (i.e., Windows XP, Windows ME) are incompatible with this application. The user community of over one million have described the EPSQ as "not user-friendly and time consuming."

**b. ANTICIPATED BENEFITS:** DCII: The new system will provide the DoD customer with a user-friendly web technology, allowing them to run reports and queries from their desktops. This web-based system also eliminates a need to distribute the software, and streamlines the implementation process.

**NISS:** The NISS will encompass all these separate stovepiped applications into one system that will ensure the rapid and comprehensive exchange of information across the DoD--with regard to Industrial Security.

**EPSQ:** The new system will ensure a user-friendly application allowing a speedy unencumbered completion of their questionnaire. This web-based application will also eliminate the need to distribute the software by streamlining the implementation process.

**c. ECONOMIC ANALYSIS PERFORMED?** No. All proposed items have been examined to determine their potential benefit to the agency.

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