

Information Services Budget Activity Group:

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

DFAS's Information Services Budget Activity operates at seven geographical sites located in Denver, Colorado; Kansas City, Kansas; 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:

<u>Personnel</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Civilian End Strength	1,238	1,247	1,241
Civilian Workyears	1,205	1,251	1,245
Military End Strength	64	77	77
Total Costs \$M	\$236.0	\$203.2	\$205.7

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 ISO's work effort is provided by contract support.

FY 2001 President's Budget to FY 2001 Current Estimate:

The workload change identified in this submission supports the DFAS migration strategy and represents a decrease from the FY 2001 President's Budget. This decrease, from that envisioned in the President's Budget, in contractor cost is partially offset by a General and Administrative savings. The small growth in cost reimbursable portion of this submission supports the Defense Joint Accounting System (DJAS) deployments.

FY 2001 Current Estimate to FY 2002:

Customer demand for Direct Billable Hour support will decrease slightly in FY 2002. Decreases in our contractor augmentation and a relatively minor decrease in our in-house workforce offset this workload decrease. Additionally, reductions in DJAS deployment support decreases in our contractor augmentation. These factors combine to reduce the total cost authority of the Budget Activity.

Costs by Output Category:

	(\$ in Millions)		
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Direct Billable Hours	\$169.8	\$157.5	\$171.3
Support To Others	\$66.2	\$45.7	\$34.4
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Total Costs	\$236.0	\$203.2	\$205.7

The Direct Billable Hours output reflects all costs required to perform software development and maintenance. The output is based on 1650 hours per direct in-house workyear and 1800 hours per contract support 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 as well as, defining and implementing 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:

	(\$ in Millions)		
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Direct Billable Hours	3.0	2.7	2.7

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.

Operating Results:

	(\$ in Millions)		
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Revenue	\$226.9	\$196.3	\$209.9
Costs	\$236.0	\$203.2	\$205.7
Net Operating Results (NOR)	(\$9.1)	(\$6.9)	\$ 4.2
PY AOR Adjustment	\$6.8	\$2.7	(\$4.2)
Current AOR	(\$2.3)	(\$4.2)	\$0
Direct Billable Hour Unit Cost Rate	\$56.57	\$59.11	\$62.50
Direct Billable Hour Billing Rate	\$53.64	\$56.53	\$61.22
Composite Rate Change (%)		5%	8%

Economies and Efficiencies:

The Information Services budget activity has several ongoing initiatives to standardize, modernize, and reduce costs in the software development process. The Activity's Software Process Improvement (SPI) 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 are projected to offset some on the increase in contract support costs.

The Activity's Managing Application Performance program is a joint effort with the DISA to lower processing costs and to improve the performance of DFAS financial applications software. The program ensures that efficiency and responsiveness are built into applications as they are developed and continues to monitor system performance in production by instituting performance checkpoints.

A long-term efficiency, the DFAS Corporate Repository that is a portion of the DFAS Corporate Information Infrastructure (DCII), will enhance the Activity's ability to share software code and objects. As additional DFAS systems migrate to the DCII environment the cost of both development and maintenance will decline.

FY 2002 President's Budget
Changes in the Costs of Operation
Defense Finance and Accounting Service
Information Services
June 2001
(Dollars in Millions)

	Expenses
FY 2000 Actual	\$236.0
FY 2001 Estimated in President's Budget:	\$207.3
Estimated Impact in FY 2001 of Actual FY 2000 Experience:	\$0.0
Program Changes:	
Decrease in Customer Orders	\$-10.5
DISA	\$-.8
Increase in Contractor Hourly Cost	\$7.2
FY 2001 Current Estimate:	\$203.2
Pricing Adjustments:	
FY 2001 Pay Raise	
Military Personnel	\$0.1
Civilian Personnel	\$2.4
Other Price Changes	\$1.5
Productivity Initiatives and Other Efficiencies:	
Software Repository & Developer Tools	(\$1.4)
Program Changes:	
FY 2002 Estimate:	\$205.7

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FY 2002 President's Budget
Source of Revenue
Defense Finance and Accounting Service
Information Services
June 2001
(Dollars in Millions)

	FY 2000	FY 2001	FY 2002
New Orders			
Orders From DoD Components:			
Air Force, O&M	\$0.1	\$0.2	\$0.1
Navy, O&M	\$3.0	\$0.5	\$0.6
Marine Corps, O&M	\$6.7	\$8.3	\$11.1
Orders From Other Fund Business Areas:			
Defense Agencies	\$198.9	\$176.3	\$181.3
Air Force, DWCF	\$4.5	\$7.7	\$8.3
Navy, DWCF	\$6.7	\$9.1	\$10.3
Total DoD:	\$219.9	\$202.1	\$211.7
Other Orders:	\$0.0	\$0.0	\$0.0
Total New Orders	\$219.9	\$202.1	\$211.7
Total Gross Orders:	\$281.4	\$256.6	\$266.5
Funded Carry-Over	\$54.5	\$54.8	\$56.6
Total Gross Sales	\$226.9	\$196.3	\$209.9

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FY 2002 President's Budget
Revenue and Expenses
Defense Finance and Accounting Service
Information Services
June 2001
(Dollars in Millions)

<u>Revenue</u>	FY 2000	FY 2001	FY 2002
Gross Sales			
Operations	220.0	192.1	207.1
Capital Surcharge			
Depreciation Exc Maj Const	6.9	4.2	2.8
Other Income			
Refunds/Discounts(-)			
Total Income:	226.9	196.3	209.9
<u>Expenses</u>			
Cost of Material Sold from Inventory (DeCA)			
Salaries and Wages:			
Military Personnel Comp & Bene	2.2	2.3	2.7
Civilian Personnel Comp & Bene	88.6	94.4	97.4
Travel & Transportation of Personnel	2.4	3.0	2.9
Materials & Supplies (Internal Operations)	1.5	1.6	1.5
Equipment	1.1	1.3	1.2
Other Purchases from Revolving Funds	14.3	12.2	12.4
Transportation of Things	0.1	0.1	
Depreciation – Capital	6.9	4.2	2.8
Printing and Reproduction	0.3	0.5	0.4
Advisory and Assistance Service			
Rent, Comm, Utilities, & Misc Charges	2.6	2.7	2.7
Other Purchased Services	116.0	80.9	81.7
Total Expenses	236.0	203.2	205.7
Operating Result	-9.1	-6.9	4.2
Less Capital Surcharge Reservation			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR/AOR			
Net Operating Result	-9.1	-6.9	4.2
Other Changes Affecting AOR			
Prior Year	6.8	2.7	-4.2
Accumulated Operating Results	-2.3	-4.2	0

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