

Defense Contract Management Agency
Fiscal Year (FY) 2005 Budget Estimates

Exhibit R-2, RDT&E Budget Item Justification						Date: February 2004	
APPROPRIATION/BUDGET ACTIVITY: 0400/05				R-1 ITEM 92 NOMENCLATURE Standard Procurement System (SPS): 0605015			
COST (\$ in Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Total PE Cost	10.482	5.140	6.690	5.154	4.596	3.703	3.903
0001 Standard Procurement System	10.482	5.140	6.690	5.154	4.596	3.703	3.903

A. Mission Description and Budget Item Justification

DoD initiated the Standard Procurement System (SPS) in 1994 to enhance readiness and support to warfighters through standardization and optimization of procurement systems and activities. SPS is currently supporting over 22,800 users in the field and is the only standard business system in DoD. The program is designed to: enable compliance with Acquisition Reform, align with expanded DoD goals and missions, and replace legacy systems with a single standard procurement system. During fiscal year 2003, operational procurement professionals relied on SPS to complete more than 600 thousand contract actions totaling over 41 billion dollars.

The SPS is fully aligned with the following President's Management Agenda (PMA) initiatives:

- (1) Strategic Management of Human Capital - The SPS supports this initiative through its web-accessible Knowledge Base that shares information throughout the DoD's procurement community. In addition, the SPS contains an extensive on-line help feature that provides step-by-step guidance in using the software for both functional users and system administrators. It also contains an easily accessible Reference Library with links to a wide variety of procurement reference materials (regulations, manuals, policy documents) via web sites. Further, the system provides access to local procedures and policy guides which can be tailored for each location.
- (2) Competitive Sourcing - The SPS supports this agenda by utilizing a commercial software application as the basis for its automated system. When the concept of the standard procurement system began, it was envisioned that the target system would utilize the "best of the breed" from Government-owned and operated migration systems. A model of Procurement was constructed in 1992 and was used to aid in the selection of migration systems. Later, the Procurement Corporate Information Management Council determined that a commercial industry product should be acquired and then modified to meet the Department of Defense needs.

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A. Mission Description and Budget Item Justification (Continued)

- (3) Improved Financial Performance - The Standard Procurement System (SPS) is listed as a critical feeder system in the DoD Financial Management Improvement Plan. As such, the SPS automates the capture of contractual obligations and, through interfaces with DoD financial systems, provides improved visibility for funds tracking and enables more rapid release of excess funds. The single data entry and shared standard data reduces the opportunity for error in matching disbursements with obligations. The re-engineered reporting processes for the Federal Procurement Data System enables acceleration of end-of-year reporting and provides greater visibility into DoD obligations, enabling more informed operational decisions.
- (4) Expanded Electronic Government - The SPS supports this strategic goal by sharing information more quickly and conveniently between DoD contracting activities and financial systems. The benefits of this data sharing allow industry and citizens to process contracts and payments more rapidly and with reduced data entry errors. The SPS provides automated creation of contracts and grants and the electronic sharing of obligation data with DoD's financial systems. Invoices can be paid faster and excess funds are available to the Government more quickly. In addition, contract reconciliation requires fewer resources than prior manual processes. All of this helps cut Government operating costs and provides citizens and Congress with easier access to contracting information. Further, the next major software release being developed, version 4.2 Increment 3, will provide web-based access for all SPS users. SPS was awarded the 2003 Grace Hopper Government Technology Leadership Award for "Leadership in the innovative application of information technology that breaks down barriers between offices, agencies and departments, or between federal, state and local governments".

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Exhibit R-2, RDT&E Budget Item Justification (Continued)

Date: February 2004

B. Program Change Summary:

	<u>FY 03</u>	<u>FY 04</u>	<u>FY05</u>
Previous President's Budget	7.716	5.195	4.200
Current BES/President's Budget	10.482	5.140	6.690
Total Adjustments	+2.766	-.055	+2.490
Congressional Program Reductions		-.055	
Congressional Rescissions			
Congressional Increases			
Inflation Adjustment			-.010
Inflation Savings			
Below Threshold Reprogramming	+2.775		
Agency Realignment	-.009		
Programmatic Adjustment			+2.500

In FY 2003, a below threshold reprogramming of \$2.775 million was required for RDT&E to fund version 4.2 Increment 3 development. Version 4.2 Increment 3 will increase system performance, enhance functional capabilities, maximize modular solution sets, and expand integration among the logistics, procurement, and financial communities of the DoD using web-based technology. Version 4.2 Increment 3 successfully completed the Business Management Modernization Program (BMMP) approval process in October 2003 and was placed under contract.

Funding supports development and testing of service releases in support of archiving, ERPs, contingency contracting, security, data integrity, foreign currency, scalability, server consolidation, commitment identification number (CIN), funds validation and mandatory, statutory and regulatory direction - specifically Federal Procurement Data System (FPDS) mandated changes. The magnitude of these efforts resulting in future software changes is expected to be significant; therefore software changes are budgeted in RDT&E. Increment 3 presents significant architecture changes in support of the Services/Agencies server consolidation initiatives as well as BMMP objectives. As a result, extensive testing is required utilizing a three-tiered testing approach to ensure the software meets requirements. This testing approach is discussed below on the R-3.

C. Other Program Funding Summary: Displayed on R-2a

D. Acquisition Strategy: Displayed on R-2a

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Exhibit R-2a, RDT&E Budget Item Justification					Date: February 2004		
APPROPRIATION/BUDGET ACTIVITY: 0400/05				R-1 ITEM 92 NOMENCLATURE Standard Procurement System (SPS): 0605015			
COST (In Millions)	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
0001 Standard Procurement System	10.482	5.140	6.690	5.154	4.596	3.703	3.903
RDT&E Articles Quantity*	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Exhibit R-2a, RDT&E Budget Item Justification

Date: February 2004

A. Mission Description & Budget Item Justification: (Provide a project overview)

The Standard Procurement System (SPS) is based on modification of a commercial off-the-shelf software application. The software is modified to support DoD requirements not met by the initial commercial product (i.e. requirements prompted by the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS)). The SPS follows a spiral development approach, increasing the performance envelope of the existing system incrementally until the objective system is achieved. The SPS is predicated upon 299 functional requirements identified by a DoD inter-service functional requirements team in 1995. RDT&E funds support efforts related to the development, testing, and integration of these functional requirements.

B. Accomplishments/Planned Program:

Accomplishment	FY 03	FY 04	FY05
Standard Procurement System	10.482	5.140	6.690
SPS Product (PD2)/ Integrity Tool/ Enterprise Adapter/Data Mapping/SPS-I	6.805	1.100	2.182
Testing (JITC, IV&V, SAT, LSVT)	1.356	1.110	1.205
Service Releases/FPDS Engine Updates/Technology Insertions	1.741	2.200	2.558
Technical Support	.580	.730	.745
RDT&E Articles Quantity*	N/A	N/A	N/A

The Government officially accepted SPS version 4.2 Increment 1 on 20 June 2002 and promptly began deployments on 24 June 2002. This version was delivered to the Government on schedule and within cost. As of December 2003, Version 4.2 Increment 1 was deployed to 10,047 users and will be deployed to an additional 4,820 Air Force users.

The Version 4.2 Increment 2 Procurement Desktop Defense (PD2) software application will be integrated with an Enterprise Adapter and Integrity Tool. Testing for PD2 Version 4.2 Increment 2 Service Release 1 (SR01) was completed, and the software was conditionally accepted. Acceptance issues found in Version 4.2 Increment 2 will be delivered with Version 4.2 Increment 2 SR02. Government testing on Version 1.9.1 of the Adapter was completed, and the interim product was conditionally accepted. Acceptance issues for Version 1.9.1 of the Adapter will be corrected in Version 1.9.2. Version 4.2 Increment 2 was deployed to 1,741 users and will be deployed to an additional 27,446 users.

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Exhibit R-2a, RDT&E Budget Item Justification (Continued)								Date: February 2004	
B. Accomplishments/Planned Program: Continued									
Version 4.2 Increment 3 will increase system performance, enhance functional capabilities, maximize modular solution sets, and expand integration among the logistics, procurement, and financial communities of the DoD using web-based technology. Version 4.2 Increment 3 successfully completed the Business Management Modernization Program (BMMP) approval process in October 2003 and was placed under contract.									
C. Other Program Funding Summary:									
	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>Total Complete</u>	<u>Cost</u>
Total Procurement Funds:	3.621	3.781	13.645	8.594	9.455	3.284	3.430	N/A	N/A
Total O&M Funds:	9.927	9.387	12.790	14.306	14.479	13.748	14.334	N/A	N/A
D. Acquisition Strategy:									
The Standard Procurement System (SPS) has an Acquisition Strategy prepared 24 March 1997 by the Defense Procurement Corporate Information Management (CIM) Systems Center in accordance with DoD 5000.2-R. There is an Acquisition Plan for version 4.2 Increment 3, dated August 2003.									
E. Major Performers:									
American Management Systems (AMS) is the prime contractor for the SPS Program efforts. AMS is located in Fairfax, Virginia and is engaged in the development, testing, deployment, training, and integration efforts of the SPS Program. AMS was awarded a Firm Fixed Price contract in August 1996. Other contributors include Rainbow Systems and ETI for EDI Data Mapping.									

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Exhibit R-3 Cost Analysis								Date: February 2004				
APPROPRIATION/BUDGET ACTIVITY: 0400/05				Standard Procurement System (SPS): 0605015			Standard Procurement System					
Cost Categories	Contract Method & Type	Performing Activity & Location	FY 03 Cost	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	FY 06 Cost	FY 06 Award Date	Cost to Complete	Total Cost	Target Value of Contract
Product Development												
SPS Product (PD2)/ Integrity Tool/ Enterprise Adapter/Data Mapping	FFP & T&M	Various	6.805	1.100	QTR 1	2.182	QTR 1/2			N/A	N/A	N/A
Service Releases/FPDS Engine Updates/ Technology Insertions	FFP	AMS Fairfax, VA	1.741	2.200	QTR 1/2	2.558	QTR 1/2			N/A	N/A	N/A
<p>Remarks: The Program has negotiated substantial configuration management changes under its delivery orders for version 4.2 increments 1 and 2 and is continuing this protocol with Version 4.2 Increment 3. Each delivery order has set forth performance-based payments based upon achievement of specific events or accomplishments that are defined and valued in advance by the Government and the contractor. These changes have provided an enhanced technical and schedule focus. Version 4.2 Increment 3 will continue to use the proven process implemented with Version 4.2 Increment 1 and continued with Version 4.2 Increment 2. An incremental development strategy will be used during the development of Version 4.2 Increment 3. This incremental development will include interim build(s) and one final build. The result will be total package fielding approach once the final build has been accepted by the SPS JPMO. During the development process, the Government has inserted decision points (go/no go) at build review period prior to payment authorization. These decisions are based on demonstrated acceptable performance in accordance with the contract requirements.</p>												

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Exhibit R-3 Cost Analysis (Continued)												
Cost Categories	Contract Method & Type	Performing Activity & Location	FY 03 Cost	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	FY 06 Cost	FY 06 Award Date	Cost to Complete	Total Cost	Target Value of Contract
Support Costs	Various	Various	.580	.730	Various	.745	Various			N/A	N/A	N/A
Remarks: Key to the program's well being is continued configuration management and compliance with DoD 5000 regulations.												
Cost Categories	Contract Method & Type	Performing Activity & Location	FY 03 Cost	FY 04 Cost	FY 04 Award Date	FY 05 Cost	FY 05 Award Date	FY 06 Cost	FY 06 Award Date	Cost to Complete	Total Cost	Target Value of Contract
Test & Evaluation	Various	Various	1.356	1.110	Various	1.205	Various			N/A	N/A	N/A
Remarks: The Government has instituted a three-tier testing approach that involves observation of the contractor's own testing processes in its first phase (Validation). Here the Government observes whether or not the developer has followed a repeatable process and whether the SPS Joint Requirements Board (JRB) and the developer jointly-approved test scripts are accurate and effective in determining whether requirements are met. In the second phase, System Acceptance Testing, the Government performs its own testing against the jointly-approved test scripts, vendor documentation, on-line help, SPS Technical Working Group designated hardware and software platforms, and installation software. Payments are tied to whether or not the software satisfactorily passed the test scripts and that no priority 1 or 2 system deficiency reports exist based upon the IEEE/EIA 12207(replaces MIL-STD-498) criteria. In the third phase, the Government performs its end-to-end testing to verify the software in an operational environment, against functional business processes, and to determine software effectiveness, and suitability. Results at each phase of testing are vetted through scoring conferences using the IEEE/EIA 12207 criteria to assess the severity of needed software fixes. Configuration management is maintained on all functional solutions, functional designs, test scripts, audit results and product deliverables.												

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Exhibit R-4, Schedule Profile						Date: February 2004																									
APPROPRIATION/BUDGET ACTIVITY: 0400/05				Standard Procurement System (SPS): 0605015				Standard Procurement System																							
Event Name	FY03				FY04				FY05				FY06				FY07				FY08				FY09						
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
v4.2.1 Deployment																															
(1) v4.2.1 SR03 Deployment Complete							▲																								
(2) v4.2.2 Adapter Complete					▲																										
v4.2.2 SR02 Deployment																															
(3) v4.2.2 Deployment Complete								▲																							
(4) v4.2.3 Contract Award					▲																										
(5) v4.2.3 Builds 1, 2, & 3 Verification							▲																								
v4.2.3 Build 4 Development																															
v4.2.3 Build 5 Development																															
v4.2.3 Build 6 Development																															
(6) v4.2.3 Delivery														▲																	
v4.2.3 System Acceptance Testing														■																	
(7) v4.2.3 Accepted															▲																
v4.2.3 Deployment																															
(8) v4.2.3 Total Operational Capability																							▲								

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Exhibit R-4a, Schedule Profile			Date: February 2004				
APPROPRIATION/BUDGET ACTIVITY: 0400/05	Standard Procurement System (SPS): 0605015		Standard Procurement System				
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
V4.2.1 Deployment	1Q-3Q04						
V4.2.1 SR03 Deployment Complete		3Q04					
V4.2.2 Adapter Complete		2Q04					
V4.2.2 SR02 Deployment		2Q-1Q05					
V4.2.2 Deployment Complete			1Q05				
V4.2.3 Contract Award		1Q04					
V4.2.3 Builds 1, 2, 3 Verification		3Q04					
V4.2.3 Build 4 Development		1Q-2Q05					
V4.2.3 Build 5 Development		3Q-4Q05					
V4.2.3 Build 6 Development			2Q-2Q06				
V4.2.3 Delivery				2Q06			
V4.2.3 System Acceptance Testing				2Q-3Q06			
V4.2.3 Accepted				3Q06			
V4.2.3 Deployment				3Q-4Q06			
V4.2.3 Total Operational Capability					1Q07		