DEVELOPMENT AND IMPLEMENTATION OF A JOINT AMMUNITION SYSTEM

Report No. D-2001-014

December 6, 2000

Office of the Inspector General
Department of Defense

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited
Additional Copies

To obtain additional copies of this audit report, visit the Inspector General, DoD Home Page at www.dodig.osd.mil or contact the Secondary Reports Distribution Unit of the Audit Followup and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Audit Followup and Technical Support Directorate at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2885

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@dodig.osd.mil; or by writing to the Defense Hotline, The Pentagon, Washington, DC 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

CAIMS
Conventional Ammunition Integrated Management System
JAMSS
Joint Ammunition Management Standard System
JLSC
Joint Logistics Systems Center
OM&S
Operating Materials and Supplies
December 6, 2000

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE
(LOGISTICS AND MATERIEL READINESS)

SUBJECT: Audit Report on Development and Implementation of a Joint Ammunition
System (Report No. D-2001-014)

We are providing this audit report for review and comment. We considered
management comments on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD
Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are
required.

We appreciate the courtesies extended to the audit staff. Questions on the audit
should be directed to Mr. James L. Kornides at (614) 751-1400, extension 11,
(jkornides@dodig.osd.mil) or Mr. John K. Issel at (614) 751-1400, extension 12,
(jissel@dodig.osd.mil). See Appendix B for the report distribution. The audit team
members are listed on the inside back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing
Office of the Inspector General, DoD

Report No. D-2001-014
(Project No. D2000FJ-0069.004)

December 6, 2000

Development and Implementation of a Joint Ammunition System

Executive Summary

Introduction. The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) needed to consider information in this report before rendering a decision on the development of a joint ammunition system. This audit was completed as part of our responsibilities for auditing the DoD financial statements. DoD ammunition represents more than half (53 percent) of the operating materials and supplies that reported on its consolidated balance sheet. The total ammunition value accounted for in the FY 1999 DoD Agency-wide financial statements was $36.7 billion.

This report discusses DoD efforts to develop and implement a single joint standardized ammunition system to report conventional ammunition for logistics and financial purposes. The former Joint Logistics Systems Center began efforts to develop a standard ammunition management system in FY 1992. DoD transferred responsibility for continued development of the system to the Air Force and its Joint Ammunition System Program Office in January 1996.

Objectives. The overall objective of our audit was to determine the appropriateness of policies and regulations governing accounting for DoD operating materials and supplies. For this part of the audit, we evaluated DoD efforts to develop a new joint standardized ammunition system, the Joint Ammunition Management Standard System, to report conventional ammunition as part of operating materials and supplies. As part of the audit, we were to assess the internal control structure as it pertained to operating materials and supplies. We did not assess the adequacy of DoD controls over accounting and reporting for operating materials and supplies because this report only addresses the decision on the development of a new joint ammunition management system. This project was originally announced under Project No. 0FJ-2103.

Results. DoD spent 8 years and $41.3 million developing a new system for the logistical and financial reporting of the ammunition inventory. Despite those efforts, DoD did not produce a working system or even have one near completion. During the audit, DoD suspended work on the most recent development effort, the Joint Ammunition Management Standard System, and began considering other alternatives. However, DoD personnel were not adequately considering an existing Navy system, the
Conventional Ammunition Integrated Management System, as one of the alternatives. Navy personnel indicated that they completed some improvements to the Conventional Ammunition Integrated Management System in July 2000 and with limited modification the Conventional Ammunition Integrated Management System would be capable of satisfying the financial and operational visibility needs of DoD. If DoD continues to develop a new joint ammunition reporting system, it will spend an estimated $70.7 million through FY 2005 that could otherwise be avoided. Also, in the interim years, DoD would have to use multiple ammunition systems that are not in compliance with Federal financial accounting standards. Additionally, DoD would lack a system that can provide total asset visibility over ammunition. See Finding section for a discussion of audit results and potential monetary benefits.

**Summary of Recommendations.** We recommend that the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) reconsider the Conventional Ammunition Integrated Management System as a fourth alternative for the DoD-wide joint standard ammunition system and provide funding needed to make the improved Conventional Ammunition Integrated Management System compliant with Federal financial reporting requirements.

**Management Comments.** The Principal Assistant Deputy Under Secretary of Defense (Logistics and Materiel Readiness) partially concurred with the recommendations. He stated it is possible that the Navy’s Conventional Ammunition Integrated Management System could be the Department’s enterprise-wide solution for conventional ammunition logistical and financial purposes. However, before any additional investments are made in any solution, the mission objective must be examined in the context of the DoD Chief Information Officer’s portfolio management process and in accordance with the Clinger Cohen Act. The examination is necessitated by changes since the program was initiated. Once a determination is made about the mission objective, an examination of outsourcing and business process engineering will be conducted. He stated that before recommending and proceeding with any DoD “enterprise-wide” solution, the Joint Ordinance Commander’s Group is conducting an analysis to determine if any requirements for a joint system exist. See the Finding section of the report for a discussion of management comments and the Management Comments section for the complete text of the comments.

**Audit Response.** The Principal Assistant Deputy Under Secretary of Defense (Logistics and Materiel Readiness) comments were responsive. We believe the proposed actions should result in the best solution for financial and logistic reporting of ammunition.
Table of Contents

Executive Summary i

Introduction

Background 1
Objectives 2

Finding

Joint Ammunition System 3

Appendixes

A. Audit Process
   Scope and Methodology 9
B. Report Distribution 11

Management Comments

Deputy Under Secretary of Defense (Logistics and Materiel Readiness) 13
Background

DoD reports ammunition in the Operating Materials and Supplies (OM&S) account in the Inventory and Related Property, Net line item of its consolidated balance sheet. Ammunition comprises a material portion of OM&S for DoD. The total reported ammunition for FY 1999, $36.7 billion, represented 53 percent of the $69.1 billion of OM&S presented on the FY 1999 DoD General Fund Financial Statements. The following table shows the value of ammunition reported in the OM&S account on the FY 1999 DoD General Fund Financial Statements.

<table>
<thead>
<tr>
<th>Military Department</th>
<th>Ammunition Value</th>
<th>OM&amp;S Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>$18.9</td>
<td>$18.9</td>
</tr>
<tr>
<td>Navy</td>
<td>10.5</td>
<td>29.3</td>
</tr>
<tr>
<td>Air Force</td>
<td>7.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Total</td>
<td>$36.7</td>
<td>$69.1</td>
</tr>
</tbody>
</table>

The audit was performed in support of Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994. This is the third report resulting from our audit of DoD financial reporting of the ammunition portion of OM&S. The first and second reports discuss the reporting of Army and Navy ammunition. This report addresses the ongoing efforts of DoD to develop and implement a new joint standard ammunition system.

Standardized Systems. In 1989, DoD conducted a Defense Management Review based on the dramatically changing DoD environment that included reduced forces and budget constraints. The Defense Management Review reported that DoD logistics systems were dependent upon numerous systems to automate the logistics process functions. Furthermore, each DoD Component was using different systems to accomplish the same function, resulting in significant duplication. Thus, Defense Management Report Decisions, in conjunction with the Corporate Information Management Initiative, required the DoD logistics community to consolidate and streamline operations to achieve specific cost-saving targets and to standardize, improve, and integrate logistics business processes.

To accomplish that task, the Joint Logistics Systems Center (JLSC) was organized in FY 1992. The Military Departments began working with the JLSC management to jointly standardize systems. Specifically, the JLSC served as a central agent responsible for managing the design, development, and implementation of automated information systems for DoD-wide depot maintenance, supply management, and ammunition. JLSC received nearly
$2 billion from FY 1992 through FY 1998 to standardize logistics business practices and develop standard information systems, including an ammunition system. In October 1997, primarily because of limited success in the development of those DoD-wide systems, action was initiated to dissolve the JLSC. At that time, the JLSC had incurred an estimated $500 million in costs for various joint system developments that had been canceled and would not be used.

**Standardized Ammunition System.** JLSC began efforts to develop a standard ammunition management system in FY 1992. In January 1996, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) directed that JLSC no longer be responsible for the development of the new joint ammunition system, and that the Air Force assume those responsibilities. The authority for program content, program approval, and program direction remained with the Office of the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) while the executive agent was the Air Force. The Air Force Joint Ammunition System Program Office assumed responsibility for all ongoing efforts to develop a joint ammunition system.

**Objectives**

The overall objective of our audit was to determine the appropriateness of policies and regulations governing accounting for DoD OM&S. For this part of the audit, we evaluated DoD efforts to develop a new joint standardized ammunition system, the Joint Ammunition Management Standard System (JAMSS), to report conventional ammunition as part of OM&S. As part of the audit we were to assess the internal control structure as it pertained to OM&S. We did not address the adequacy of DoD controls over accounting and reporting for OM&S because this report only addresses the decision on the development of a new joint ammunition management system. See Appendix A for a discussion of the scope and methodology.
Joint Ammunition System

DoD spent 8 years and $41.3 million developing a new system for the logistical and financial reporting of the ammunition inventory. Despite those efforts, DoD did not produce a working system or even have one near completion. During the audit, DoD suspended work on the most recent development effort, the Joint Ammunition Management Standard System (JAMSS), and began considering other alternatives. However, DoD personnel were not adequately considering an existing Navy system, the Conventional Ammunition Integrated Management System (CAIMS), as one of the alternatives because in May 2000, they determined that the Navy system would not satisfy requirements and would not be accepted by the Army and the Air Force. Navy personnel indicated that they completed some improvements to the CAIMS in July 2000, and with limited modification CAIMS would be capable of satisfying the financial and operational visibility needs of DoD. If DoD continues to develop a new joint ammunition reporting system, it will spend an estimated $70.7 million through FY 2005 that could otherwise be avoided. Also, in the interim years, the DoD would have to use multiple ammunition systems not in compliance with Federal financial accounting standards. Additionally, DoD would lack a system that can provide total asset visibility over ammunition.

History of Joint System Developments

Although it invested 8 years and $41.3 million developing a new joint ammunition reporting system, DoD had not produced a working system, and the effort was not near completion.

JLSC efforts in the development of the ammunition system ended as of December 1995 after incurring about $4.5 million in costs. In October 1996, the Air Force Joint Ammunition System Program Office received approval to discontinue previous JLSC efforts to adopt an existing ammunition system for use throughout DoD and to begin development of an entirely new joint standard ammunition system.

As of March 2000, an additional $36.8 million in costs had been incurred to develop JAMSS, the new joint standard ammunition system. The money was spent for software development, contractor support, and commercial-off-the-shelf equipment. The estimated initial fielding date for a single DoD-wide ammunition system slipped from the JLSC initial estimate of January 1995 to January 2003 and projected to cost an additional $70.7 million through FY 2005 to complete implementation and fielding.
Changes to Ammunition System Development Plans

In March 2000, DoD suspended work on development of the JAMSS and began considering other alternatives for the development of a standard system. The alternatives under consideration focused on development of a new system rather than adapting an existing operational system to satisfy the requirement.

The Air Force Program Executive Officer for Logistics Information Systems oversees the Joint Ammunition System Program Office. In March 2000, he suspended continued development of the JAMSS because the Military Departments could not agree on standard processes for managing ammunition. Also, he stated that an assessment would be conducted to validate the requirements of a joint ammunition system and to identify alternatives to meet the requirements. After an assessment was completed in May 2000, the Air Force Program Executive Officer for Logistics Information Systems advised us that he was considering the following three alternatives:

- discontinue any future development for a new joint ammunition management system and continue use of current Military Department ammunition systems,
- continue with current JAMSS development efforts, or
- interface all current Military Department ammunition systems together and ultimately develop another totally new system that would incorporate the best business practices of each.

At the time of the audit, no decision had been made as to which alternative would be used. Each alternative being considered contained risks or high costs. Also, the alternatives did not include using an existing Navy system, the CAIMS.

Risk of Alternatives

The risk is significant that none of the proposed alternatives would result in the timely development and implementation of an ammunition reporting system that is compliant with the Chief Financial Officers Act, and any alternative could result in significant additional costs.

- Continuing the use of Military Department existing ammunition management systems, which are not Chief Financial Officers Act compliant, would result in the inappropriate financial reporting of ammunition. Existing systems cannot capture the historic cost of
ammunition and would not permit the use of the preferred consumption method of accounting for ammunition.

- Continuing with JAMSS development would cost an additional $70.7 million, and it may not necessarily result in a fielded system.

- The estimated cost to interface Military Department ammunition systems had not been determined by the time of this audit. Because the alternative entails the development of a totally new system, we believe those costs would be significant. Also, there is a high risk that the system would not be developed on schedule and that it would require additional modification when fielded.

Existing Ammunition System

The DoD alternatives did not include use of an existing operational ammunition reporting system. Specifically, DoD personnel were not considering an existing Navy system, the CAIMS, as an alternative. Earlier, in May 2000, DoD personnel indicated that the Navy system would not satisfy requirements and would not be accepted by the Army and the Air Force.

During the suspension of additional development of the JAMSS, the Air Force Joint Ammunition System Program Office again evaluated CAIMS for use as the DoD-wide ammunition system. The CAIMS evaluation resulted in a rating of "partially met" or "exceed" on 14 of the 16 categories assessed. The two categories that CAIMS did not meet were maintaining maintenance plans and providing information on product acceptance.

After the evaluation, the Program Office concluded that portions of CAIMS are viable candidates for possible integration into a joint solution. Additionally, the Program Office stated that the methodology the Navy used to improve its system could be used to develop a joint ammunition management system. However, the Program Office decided not to attempt to adapt the system for use as the single DoD-wide ammunition system.

When we asked the Program Executive Officer for Logistics Information Systems why the office did not decide to adapt CAIMS for DoD-wide use, he said that CAIMS was not selected primarily because it did not contain certain key data such as maintenance and product information. Also, the Program Executive Officer stated that he did not believe that the other Military Departments (the Army and the Air Force) would be willing to use the system because they were not involved in its development.
Improvements to CAIMS

Improvements to CAIMS were completed in July 2000, and Navy personnel indicated that with other limited modifications, the CAIMS would be capable of satisfying the needs of the DoD ammunition community.

In November 1993, when JLSC was responsible for developing a joint DoD-wide ammunition system, it chose CAIMS as the best ammunition system among the Military Departments. The JLSC attempted to redesign CAIMS for use as the joint standard ammunition system. However, because CAIMS had a mainframe database structure with little flexibility, JLSC believed that incorporating the system throughout DoD would be difficult.

The Air Force Joint Ammunition System Program Office decided in October 1996 not to use CAIMS as the standard DoD-wide ammunition system. Since that time, the Navy made significant improvements to the system. By the end of July 2000, the Navy will have spent an additional $2.8 million on improvements to the CAIMS that give it more flexibility and utility. The improvements include taking the system from a mainframe database structure to an open system environment or relational environment. The improvements allow for greater flexibility to interface with existing Military Department systems. Navy personnel believe that CAIMS could interface with existing systems that provide maintenance and product information and therefore could be capable of meeting the 16 requirements for a standard DoD system.

The purposes of the improvements were to lower the annual maintenance costs of the system and to provide any potential user of the ammunition system with greater functionality and capability. Navy personnel performed a detailed analysis of the improved CAIMS using criteria outlined in the “Guide to Federal Requirements for Financial Management Systems.” From that review, the Navy estimates that it would take approximately $300,000 and 8 months to make CAIMS compliant with the Chief Financial Officers Act and would result in a system that provides more accurate ammunition data for financial statement reporting purposes.

DoD should reconsider adapting an existing and nearly compliant system rather than incur additional costs to develop another new ammunition system or upgrade the existing Army and Air Force systems. Additionally, DoD should provide funding to upgrade the Navy system to make it compliant with Government reporting requirements.
Lack of a Joint Ammunition System

Because of the unsuccessful development of JAMSS, DoD continued to use multiple ammunition systems for financial reporting purposes that are not in compliance with Federal financial reporting requirements. Additionally, DoD still lacked total asset visibility of ammunition.

Federal Financial Policy on Valuation. The Military Departments were not attempting to redesign their existing systems to make them compliant with Government financial reporting requirements. They were awaiting a new joint system. As a result, they were using systems that did not capture or report ammunition at historic cost, a requirement specified by the Statement of Federal Financial Accounting Standards No. 3, “Accounting for Inventory and Related Property, Net,” October 27, 1993.

Total Asset Visibility. In the absence of a joint ammunition system, DoD also lacked total asset visibility of ammunition. Total asset visibility is a single focused visibility of all assets within the area of operations, en route, and pending shipment. Total asset visibility is needed to improve ammunition management and provide timely, efficient, and effective support to national-level decisionmakers, warfighting commanders in chief, and ammunition managers.

Summary

Although DoD spent 8 years and $41.3 million to develop and implement a new system to manage and report ammunition balances, DoD had yet to produce a working system. During that time, the fielding date for the new system slipped from January 1995 to January 2003. In its attempt to develop a new joint standard ammunition system, JAMSS, DoD encountered problems. As a result, DoD management began to review other alternatives for an ammunition system that is compliant with Federal financial requirements and provides total asset visibility. If DoD decides to continue development of JAMSS, it will spend another estimated $70.7 million. Other alternatives that DoD personnel are considering will not result in timely fielding of a much needed joint ammunition system. CAIMS provides DoD with the most viable alternative that will result in a compliant fielded system in the fastest possible time at modest costs. Also, using CAIMS will result in a potential monetary benefit of $70.7 million (Air Force Research, Development, Test, and Evaluation, account 5703600) currently programmed for the continued development of JAMSS. There will be some offsetting costs to implement CAIMS in the Army and the Air Force, but these costs have not been determined to date. Consequently, DoD should reconsider CAIMS as an alternative for the DoD standard ammunition system instead of developing another new ammunition system.
Recommendations, Management Comments, and Audit Response

We recommend that Deputy Under Secretary of Defense (Logistics and Materiel Readiness):

1. Reconsider the Conventional Ammunition Integrated Management System as the fourth alternative for the DoD-wide joint standard ammunition system.

2. Provide the estimated $300,000 of funding needed to make the Conventional Ammunition Integrated Management System compliant with Federal financial reporting requirements.

Principal Assistant Deputy Under Secretary of Defense (Logistics and Materiel Readiness) Comments. The Principal Assistant Deputy Under Secretary of Defense (Logistics and Materiel Readiness) partially concurred with the recommendations. He stated it is possible that the Conventional Ammunition Integrated Management System could be the Department’s enterprise-wide solution for conventional ammunition logistical and financial purposes. However, before any additional investments are made in any solution, the mission objective must be examined in the context of the DoD Chief Information Officer’s portfolio management process and in accordance with the Clinger Cohen Act. The examination is necessitated by changes since the program was initiated, including changes in the logistics policy and strategic objectives and DoD policy on standard systems (that is, standard systems are no longer required). Once a determination is made about the mission objective, an examination of outsourcing and business process engineering will be conducted. Before reengineering and recommending and proceeding with any DoD “enterprise-wide” solution, he stated that the Department must first determine if the process needs to be changed before information system changes are made. He stated that the Joint Ordinance Commander’s Group is conducting an analysis to determine what if any joint system requirements exist. He indicated he expects the assessment to be completed by March 31, 2001.

Audit Response. The Principal Assistant Deputy Under Secretary of Defense (Logistics and Materiel Readiness) comments met the intent of our recommendations. We believe the proposed actions should result in the best solution for financial and logistic reporting of ammunition. The amount of monetary benefits to be achieved by reconsidering these matters can be addressed after the analytical and decision making processes are completed.
Appendix A. Audit Process

Scope and Methodology

To fulfill our responsibilities under Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994, we performed audit work necessary to determine the status of DoD efforts to develop and implement a single joint ammunition system for reporting ammunition in OM&S on the General Fund financial statements. We examined $41.3 million in development expenditures. We also reviewed the economic analysis used to justify the development costs, memorandums approving the development, and budget data used to show the forecasted costs of the development.

We performed the audit by making inquiries of personnel from the Offices of the Under Secretary of Defense (Comptroller), Deputy Under Secretary of Defense (Logistics and Materiel Readiness), the Navy Ammunition Logistics Center, and the Air Force Joint Ammunition System Program Office. This financial-related audit was conducted from February through July 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. The results of this audit did not rely on computer-processed data.

No prior coverage has been conducted on the development of a joint ammunition management standard system during the last 5 years.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD, the Office of the Deputy Under Secretary of Defense (Logistics and Materiel Readiness), the General Accounting Office, the Navy, and the Air Force. Further details are available on request.

DoD-Wide Corporate-Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to the achievement of the following goal, subordinate performance goal, and performance measures:

- **FY 2001 DoD Corporate-Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs and reengineer the Department to achieve a 21st century infrastructure. (01-DoD-2)

- **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. (01-DoD-2.5)
• **FY 2001 Performance Measure 2.5.1:** Reduce the number of noncompliant accounting and finance systems. *(01-DoD-2.5.1.)*

**DoD Functional Area Reform Goals.** Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following financial management functional area objective and goal:

• **Financial Management Functional Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers’ Financial Integrity Act. *(FM-5.3)*

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in the Department of Defense. This report provides coverage of the financial management and logistics high-risk area.
Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
  Deputy Under Secretary of Defense (Logistics and Materiel Readiness)
Under Secretary of Defense (Comptroller/Chief Financial Officer)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Acquisition)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Non-Defense Federal Organizations

Office of Management and Budget
Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
MEMORANDUM FOR DOD INSPECTOR GENERAL

THROUGH: Director, Acquisition Resources and Analysis

SUBJECT: Audit Report on Development and Implementation of a Joint Ammunition System (Project No. D00001-0099-004) (Formerly Project No. OF-1-2103)

The purpose of this memorandum is to advise you that we partially concur with your recommendation the Deputy Under Secretary of Defense (Logistics) consider the U.S. Navy’s Conventional Ammunition Management System (CAIMS) as an alternative to the Joint Ammunition Management Standard System (JAMSS) for a DoD-wide joint standard ammunition system. It is “possible” CAIMS could be the Department’s enterprise-wide solution for conventional ammunition logistical and financial purposes.

However, before additional investments are made in any JAMSS material solution, its mission objective must be examined. This examination is necessitated by changes, since the program was initiated, in (1) logistics policy and strategic objectives, and (2) DoD policy on standard systems (i.e., standard systems are no longer required). Furthermore, this review will be performed in the context of the DoD Chief Information Officer’s portfolio management process and in accordance with the Clinger-Cohen Act. The Act requires that, once it has been determined to be a DoD mission, outsourcing is considered and business process reengineering is conducted prior to making information technology (IT) investments. Applying the same hierarchy to the IT investment itself, Commercial-Off-The-Shelf (COTS) software should be the preferred method for Joint Financial Management Improvement Program (JFMIP) compliance. Use of COTS software can speed process improvement and adoption of commercial practices and reduce system lifecycle costs. The JFMIP strongly advocates the use of JFMIP-certified COTS products.

Regarding the business process reengineering required by Clinger-Cohen, the Department must first determine if the process needs to be changed before we execute information system changes. This reengineering requires an up-to-date mission needs analysis and an operational architecture for ammunition management. Consequently, the Joint Ordinance Commander’s Group (JOCC) is conducting this analysis to determine what, if any, joint requirements exist, and to be able to answer the aforementioned concerns before recommending and proceeding with any DoD “enterprise-wide” solution. We currently expect this assessment to be completed by March 31, 2001.
We appreciate the opportunity to respond to this audit. For further information, my Project Officers are LtCol Daniel A. Russell, ODUSD (L&M) Supply Chain Integration and LTC Catherine Moore, ODUSD (L&M) Logistics System Modernization at (703) 695-2207 or (703) 697-8718 respectively.

Allen W. Beckett
Principal Assistant Deputy
Under Secretary of Defense
(Logistics and Materiel Readiness)
Audit Team Members

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector, DoD, who contributed to the report are listed below.

F. Jay Lane  
Salvatore Guli  
James L. Kornides  
John K. Issel  
Melanie S. Steel  
Eric T. Thacker
INTERNET DOCUMENT INFORMATION FORM

A. Report Title: Development and Implementation of A Joint Ammunition System

B. DATE Report Downloaded From the Internet: 12/20/00

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

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: ___VM___ Preparation Date 12/20/00

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