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Exhibit R-2, RDT&E Budget Item Justification: PB 2012 Office of Secretary Of Defense **DATE:** February 2011

APPROPRIATION/BUDGET ACTIVITY				R-1 ITEM NOMENCLATURE							
0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 5: <i>Development & Demonstration (SDD)</i>				PE 0605027D8Z: <i>OUSD(C) IT Development Initiative</i>							
COST (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
Total Program Element	6.764	5.000	4.993	-	4.993	4.991	2.994	-	-	Continuing	Continuing
927: <i>Next Generation Resource Management System</i>	4.840	5.000	4.993	-	4.993	4.991	2.994	-	-	Continuing	Continuing
928: <i>Virtual Training Simulation</i>	1.924	-	-	-	-	-	-	-	-	Continuing	Continuing

A. Mission Description and Budget Item Justification

As the Department of Defense strategic, operational and tactical plans and objectives transforms the war fighter with new capabilities and doctrine, the budgeting and accountability of funds used to pursue the Department objectives will become more complicated and detailed for senior leader to make decisions with supporting rationale for the taxpayer. Incorporating information technology toward current and emerging business processes manifesting into a state-of-the art system of systems will result in increasing efficiencies, timely diagnostics, and reducing lifecycle costs to maintain, sustain and repair.

This initiative exploits emerging technology, processes, trends, capabilities, and techniques to incorporate state-of-the-art information technology enabling the ability, agility, and level of fidelity to collect, process, administrate and report resource management data and to automate business processes within a more robust analytical environment within the Office of the Under Secretary of Defense (Comptroller) OUSD(C).

B. Program Change Summary (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total
Previous President's Budget	5.000	5.000	5.000	-	5.000
Current President's Budget	6.764	5.000	4.993	-	4.993
Total Adjustments	1.764	-	-0.007	-	-0.007
• Congressional General Reductions		-			
• Congressional Directed Reductions		-			
• Congressional Rescissions	-0.039	-			
• Congressional Adds		-			
• Congressional Directed Transfers		-			
• Reprogrammings	1.803	-			
• SBIR/STTR Transfer	-	-			
• Economic Adjustments	-	-	-0.007	-	-0.007

Change Summary Explanation

Project 0928 - Virtual Training Simulation was added in the amount of \$1.924 during FY 2010 through a reprogramming action from O&M to fund development of a prototype of a virtual training simulation for users to understand and process transactions within the Enterprise Resource Planning (ERP) Procure to Pay Environment. This was more appropriately funded with RDT&E rather than O&M. This was an FY 2010 Challenge Fund project award to support development of the financial management workforce. Previous reprogrammings of -\$121 to Project 0927 resulted in total reprogrammings of \$1.805

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APPROPRIATION/BUDGET ACTIVITY				R-1 ITEM NOMENCLATURE				PROJECT			
0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 5: <i>Development & Demonstration (SDD)</i>				PE 0605027D8Z: <i>OUSD(C) IT Development Initiative</i>				927: <i>Next Generation Resource Management System</i>			
COST (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
927: <i>Next Generation Resource Management System</i>	4.840	5.000	4.993	-	4.993	4.991	2.994	-	-	Continuing	Continuing
Quantity of RDT&E Articles	1	3	1	0	1	1	1				

A. Mission Description and Budget Item Justification

The Department's budget focuses on institutionalizing and financing our capabilities to fight the wars we are in today and the scenarios we are most likely to face in the years ahead, while at the same time providing a hedge against other risks and contingencies. It also begins a fundamental overhaul of the DoD's approach to procurement, acquisition, and contracting. As such, the complex details of budgeting and tracking of funds become increasingly critical to senior leader decision making and to provide accountability to the taxpayer. Incorporating information technology toward current and emerging business processes manifesting into a state-of-the art system of systems will result in increasing efficiencies, timely diagnostics, and reducing lifecycle costs to maintain, sustain and repair.

Today, the Office of the Under Secretary of Defense Comptroller OUSD(C) and the Cost Analysis and Program Evaluation (CAPE) uses at least six distinct automated systems (Comptroller Information System (CIS), PBD Wizard, Program Resource Collection Process (PRCP), GWOT Resource Information Database (GRID)/ Supplemental Resource Collection Process (SRCP), Budget Exhibits Generator and Standard Data Collection System (SDCS) to formulate, justify, and execute DoD budgets. These six or more systems interact with at least several computer-based systems controlled by external organizations and agencies. These systems manage very similar financial information, yet each uses its own scheme for representing information. Much of the information managed by these systems is redundant. Cross-system data representations and redundancies make it difficult to exchange and to reconcile information. The capabilities provided by Comptroller systems, in some cases, fail to deliver services needed by its users, or fail to operate in ways that complement current and emerging business practices. They fail to give executives information in a comprehensible form, making it difficult to draw conclusions. Data disparities and functional redundancy make these systems more costly to keep than they need to be

There is a critical need for the development of a state-of-the-art information technology system to modernize and replace multiple, antiquated legacy systems and processes used to formulate, justify, present and defend the entire Department of Defense Budget in the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to meet Title 10 and Title 31 mission and reporting requirements. The Comptroller's plan for mitigating the deficiencies and capability gaps associated with current systems is development of the Next Generation Resource Management System.

This initiative exploits emerging technology, processes, trends, capabilities, and techniques to incorporate state-of-the-art information technology enabling the ability, agility, and level of fidelity to collect, process, administrate and report resource management data and to automate business processes within a more robust analytical environment within the Office of the Under Secretary of Defense (Comptroller) OUSD(C). Not funding this effort increases the risks of critical system failures delaying programming/budget formulation and reporting. Funded efforts will improve the timeliness of resource management reviews and decisions for senior leaders and Congress

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APPROPRIATION/BUDGET ACTIVITY 0400: <i>Research, Development, Test & Evaluation, Defense-Wide</i> BA 5: <i>Development & Demonstration (SDD)</i>	R-1 ITEM NOMENCLATURE PE 0605027D8Z: <i>OUSD(C) IT Development Initiative</i>	PROJECT 927: <i>Next Generation Resource Management System</i>	
B. Accomplishments/Planned Programs (\$ in Millions)		FY 2010	FY 2011
Title: Next Generation Resource Management System		4.840	5.000
Description: Plan, develop, test and evaluate the system components (i.e. unified database, expert system, cross domain security, enterprise service bus, applications, services) and supportability requirements in modernizing the budget formulation, programming execution and reporting capabilities for the Department of Defense. Activities will include, but not be limited to, the preparation all documentation required for Clinger-Cohen Compliance and acquisition regulations, developing requests for proposals, and oversight and management of contracts and deliverables.			4.993
FY 2010 Accomplishments: Conduct Analysis of Alternatives (AoA)- 4QFY10-2QFY11 Request of Proposal – 3QFY10 Contractor has initiated the review and are documenting current and emerging business processes and requirements via interviews with all levels of staff. Product will incorporate recommended business alternatives as well as additional analytical capabilities and assessment of suggested strategies, ways and means to program, budget and report DoD funds with greatly enhanced effectiveness and efficiency. The resultant AoA will recommend a business processes, validated by staff, will form a solid foundation for conducting market research in FY 11 to assess optimal means to exploit emerging technology, processes, trends, capabilities and techniques to incorporate state-of-the-art capabilities in the information technology industry.			
FY 2011 Plans: Conduct Market Investigation - 3QFY11-4QFY11 Develop Acquisition Documentation and Request of Proposal - 2-3QFY11 Contract Award - 3QFY11 for three prototypes for demonstration and testing Expectation by end of FY11 is to down select from three prototypes to a Single Integrator to finish preliminary component and system design and demonstrate a complete operational system that includes a unified data warehouse, user friendly business logic architecture for programming and budgeting capabilities, analytics and reports, an expert knowledge-based system incorporating user friendly language interface, cross-domain security capability, and design and demonstration of high quality immersive graphical user interface that promotes learning and productivity.			
FY 2012 Plans: Upgrades and Enhancements - 1-4QFY12			

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B. Accomplishments/Planned Programs (\$ in Millions)		FY 2010	FY 2011
Expection by after FY12 to verfiy operational system and to program for upgrades and enhancements.			
Accomplishments/Planned Programs Subtotals		4.840	5.000
C. Other Program Funding Summary (\$ in Millions)			
N/A			
D. Acquisition Strategy			
Competive AoA Contract 4QFY10-2QFY11			
Competitive contract for single integrator for design, development, test and evaluation for first two increments resulting in initial operating capability. Market Investigation (3 prototypes): 3QFY11 - 4QFY11 Downselect to preliminary design: 1-4QFY12 Verification proposed system: 1-4QFY13 Final upgrades: 1-4QFY14			
Once infrastructure in place, competitive contracts in the out years for individual services/applications.			
E. Performance Metrics			
N/A			

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APPROPRIATION/BUDGET ACTIVITY 0400: Research, Development, Test & Evaluation, Defense-Wide BA 5: Development & Demonstration (SDD)				R-1 ITEM NOMENCLATURE PE 0605027D8Z: OUSD(C) IT Development Initiative				PROJECT 928: Virtual Training Simulation			
COST (\$ in Millions)	FY 2010	FY 2011	FY 2012 Base	FY 2012 OCO	FY 2012 Total	FY 2013	FY 2014	FY 2015	FY 2016	Cost To Complete	Total Cost
928: Virtual Training Simulation	1.924	-	-	-	-	-	-	-	-	Continuing	Continuing
Quantity of RDT&E Articles											
A. Mission Description and Budget Item Justification											
<p>\$1.924 million is being used to develop an interactive virtual learning appropach to teach financial management professionals analytical, decision-making, communication, customer service and financial skills. The Enterprise Resource Planning Training simulator (ERPTS) will present a real-world, application-oriented training experience that increases employees' applicable skills and encourages building multiple competencies to include business analytical and financial management. The ERPTS will provide students with knowledge and understanding needed in the Enterprise Resource Planning (ERP) environment.</p>											
B. Accomplishments/Planned Programs (\$ in Millions)									FY 2010	FY 2011	FY 2012
<p>Title: Virtual Training Simulation</p> <p>Description: For development of a prototype of a virtual training simulation for users to understand and process transactions within the Enterprise Resource Planning (ERP) Procure to Pay Environment. This was an FY 2010 Challenge Fund project award to support development of the financial management workforce.</p> <p>FY 2010 Accomplishments: The project design began in FY 2010. The learning approach was devised as well as plans to include three scenarios reflecting ERP Procurement to Pay issues.</p> <p>FY 2011 Plans: Project development will begin in FY 2011. The learning approach will be tested in FY 2011 and will assess systems integration, systems qualifications, functional validation, and systems acceptance test.</p>									1.924	-	-
Accomplishments/Planned Programs Subtotals									1.924	-	-
C. Other Program Funding Summary (\$ in Millions)											
N/A											
D. Acquisition Strategy											
To develop the system, the Defense Finance and Accounting Service will partner with Navy Underwater Warfare Center in Newport, Rhode island, which has extensive virtual world development experience.											
E. Performance Metrics											
Not applicable.											

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