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Exhibit R-2, RDT&E Budget Item Justification: PB 2024 Defense Logistics Agency **Date:** March 2023

Appropriation/Budget Activity 0400: Research, Development, Test & Evaluation, Defense-Wide / BA 5: System Development & Demonstration (SDD)	R-1 Program Element (Number/Name) PE 0605080S / Defense Agencies Initiative (DAI) - Financial System
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COST (\$ in Millions)	Prior Years	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total	FY 2025	FY 2026	FY 2027	FY 2028	Cost To Complete	Total Cost
Total Program Element	225.964	31.136	23.171	32.629	-	32.629	32.524	32.358	32.798	33.560	Continuing	Continuing
01: Defense Agencies Initiative - Financial System	225.964	31.136	23.171	32.629	-	32.629	32.524	32.358	32.798	33.560	Continuing	Continuing

Program MDAP/MAIS Code:
Project MDAP/MAIS Code(s): 0491

A. Mission Description and Budget Item Justification

The Defense Agencies Initiative (DAI) program, a Category I Defense Business System, is an Enterprise Resource Planning (ERP) based program that was originally created to solve Defense Agency financial management problems through standard end-to-end business processes delivered by commercial off-the-shelf (COTS) software. DAI's mission is to provide an auditable, Chief Financial Officer (CFO) Act compliant business environment for the Defense customer organizations with accurate, timely, and authoritative financial data. DAI supports continued development and fielding of its current Increment 3 baseline. Previous funding for DAI Increments 1 and 2 were documented in the Defense Enterprise Business Systems program element 50605070S00. Increment 3 will deliver new financial capabilities including Defense Working Capital Fund (DWCF) and Re-Sale accounting plus a major application upgrade.

B. Program Change Summary (\$ in Millions)	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024 Base</u>	<u>FY 2024 OCO</u>	<u>FY 2024 Total</u>
Previous President's Budget	32.254	23.171	25.719	-	25.719
Current President's Budget	31.136	23.171	32.629	-	32.629
Total Adjustments	-1.118	0.000	6.910	-	6.910
• Congressional General Reductions	-	-			
• Congressional Directed Reductions	-	-			
• Congressional Rescissions	-	-			
• Congressional Adds	-	-			
• Congressional Directed Transfers	-	-			
• Reprogrammings	-	-			
• SBIR/STTR Transfer	-1.118	-			
• Program Increase	-	-	6.749	-	6.749
• Non-Labor Inflation	-	-	0.161	-	0.161

Change Summary Explanation

Program Increase FY 2024: Migrates DAI to a secure cloud hosting, boot the scale and scope of DAI's infrastructure to support the United States (U.S.) Marine Corps (USMC) and Naval Special Warfare (NSW) system requirements; and provide specialized audit services to DAI customers.

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Exhibit R-2A, RDT&E Project Justification: PB 2024 Defense Logistics Agency										Date: March 2023		
Appropriation/Budget Activity 0400 / 5					R-1 Program Element (Number/Name) PE 0605080S / <i>Defense Agencies Initiative (DAI) - Financial System</i>				Project (Number/Name) 01 / <i>Defense Agencies Initiative - Financial System</i>			
COST (\$ in Millions)	Prior Years	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total	FY 2025	FY 2026	FY 2027	FY 2028	Cost To Complete	Total Cost
01: <i>Defense Agencies Initiative - Financial System</i>	225.964	31.136	23.171	32.629	-	32.629	32.524	32.358	32.798	33.560	Continuing	Continuing
Quantity of RDT&E Articles	-	-	-	-	-	-	-	-	-	-		
Project MDAP/MAIS Code: 0491												

A. Mission Description and Budget Item Justification

DAI mission is to deliver an auditable, CFO Act compliant business environment for Defense customer organizations providing accurate, timely, authoritative financial data supporting the DoD goal of standardizing financial management practices, improving financial decision support, and supporting audit readiness. DAI has replaced multiple non-compliant financial management systems supporting diverse operational functions and the warfighter in decision-making and financial reporting. DAI currently provides the capability to produce timely, auditable reports as noted in four consecutive annual unmodified System and Organization Controls report (SOC-1).

The primary goal is to deploy a standardized system solution to improve overall financial management and comply with BEA, Standard Financial Information Structure (SFIS)/Standard Line of Accounting (SLOA), and Office of Federal Financial Management (OFFM) requirements. Common business functions within budget execution include the Department’s BEA End to End (E2E) business processes: Cost Management; Budget to Report (B2R); Procure to Pay (P2P) with enhancements facilitating SFIS/SLOA and DoD procurement data standards and direct Treasury disbursing; Acquire to Retire (A2R) (real property lifecycle accounting only); Hire to Retire (H2R) (Time and Labor reporting and absence management only); Order to Cash (O2C); Proposal to Reward (P2R) (Grants financial management and accounting only; and a phased implementation of Governance, Risk, and Compliance (GCR) capabilities supporting audit readiness). Future Defense Working Capital Fund accounting, and Re-Sale Accounting (for Defense Commissary Agency (DeCA).

The DAI program modernizes the Defense Agencies’ financial management processes by streamlining financial management capabilities, addressing financial reporting material weaknesses, and supporting financial statement auditability for the majority of agencies, field activities and non-Service organizations across the DoD. DAI supports a transformation of budget, finance, and accounting processes across participating defense agencies to help improve the quality of financial information, supporting financial auditability and decision-making. The DAI business solution, once fully implemented, will provide a near real-time, web-based system from a “.mil” environment of integrated business processes that will enable in excess of 84,000 Defense Agency financial managers, program managers, auditors, and Defense Finance and Accounting Service (DFAS) representatives to make sound financial business decisions.

The DAI implementation approach deploys a standardized system solution that is consistent with requirements in the Federal Financial Management Improvement Act (FFMIA) and the DoD Business Enterprise Architecture (BEA), while leveraging the out-of-the-box capabilities of the selected Commercial-Off-the-Shelf (COTS) product, Oracle e-Business Suite (EBS), Release 12.2.8 (R12). DAI implemented an Oracle Office of Management and Budget Financial Systems Integration Office (FSIO) qualified COTS financial management business solution with common business processes and data standards. The Program Management Office (PMO) will not develop any objects that are included in core COTS software or services (i.e. vendor data from Federal authoritative sources).

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DAI supports the FY22-26 Department of Defense Financial Management Strategy. Strategic Goal 2, Optimize taxpayer dollars for the highest value outcomes; Strategic Goal 3, Increases the integrity of financial results; Strategic Goal 4, Simplify and optimize our end-to-end business environment; and Strategic Goal 5, Empower data-driven, fiscally informed decision making.

DAI is currently implemented at 26 Defense organizations and the Office of the Under Secretary of Defense, Comptroller (OUSD(C)). The program office is also responsible for operational sustainment of the system. Funds are required for additional government and contractor support, licenses, maintenance, and hardware to accomplish the remaining capability developments and organizational implementations. From 2017- 2022 DAI received unmodified audit opinions with no comments.

The benefits of DAI are:

- Labor efficiencies (entering data once) and shared across all business processes (modules), workflows and lifecycle in a modern system;
- Reduction in contractor support;
- Financial visibility (Access to real-time financial data transactions);
- Enabling agility and resilience in execution (No silos – anyone/anywhere can backfill and work continues);
- Retiring legacy systems;
- Shared common business processes and employment of Federal/DoD Enterprise data standards (i.e., SFIS, SLOA, Procurement Data Standard (PDS) and Procurement Request Data Standard (PRDS)); and United States Standard General Ledger (USSGL) Chart of Accounts to resolve DoD material weaknesses and deficiencies.
- Reducing reliance on custom Reports, Interfaces, Conversions, Extensions, Forms and Workflows by leveraging application upgrades
- Enhanced Internal controls to ensure accurate data, regulatory compliance and ensuring segregation of duties
- Significantly reduced data reconciliation requirements; and
- Enhanced analysis and decision support capabilities.

The DAI PMO also provides system integration services that include: acquisition/financial management, project management; configuration management; developing required Reports, Interfaces, Conversions, Extensions, Forms and Workflows (RICE-FW) objects; testing (cyber security, integration, functional, performance, conversion, user acceptance, operational); training (train the trainer/change management preparing the users for the cross functional skills and awareness needed to perform well with an integrated enterprise resource planning system); system deployment; data conversion; information assurance; database administration; as well as studies, coordination/analysis support.

DLA Acquisition (J7) serves as the DAI Milestone Decision Authority (MDA), and DLA Information Operations (J6) provides the Program Executive Officer (PEO), program manager, and PMO staff. The DAI PMO relies on J7 for most contracting support. Defense Information Systems Agency (DISA) data centers provide production, test and development, as well as Continuity of Operations (COOP) hosting, and the Joint Interoperability Test Command (JITC) provides interoperability and performance testing. The DAI PMO serves as systems integrator.

B. Accomplishments/Planned Programs (\$ in Millions)	FY 2022	FY 2023	FY 2024
Title: Defense Agencies Initiative (DAI) - Financial System	31.136	23.171	32.629

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2022	FY 2023	FY 2024
<p>Description: In FY 2022, the DAI PMO accomplished:</p> <ul style="list-style-type: none"> • Deployed in 29 organizations at over 4,500 locations worldwide, including 117K personnel and over 90K active users. • Six consecutive Unmodified Opinions for the FY22 DAI Statement on Standards for Attestation Engagements (SSAE) 18 Audit from auditors Ernst and Young at the FY22 DLA SSAE-18 Exit Conference (best outcome). • Deployment of Release 4 to over 72K current users on 11 October. • Deploying full financial capability to the United States Marine Corps (USMC) on 8 November. • Development of necessary work instructions and training materials. • Supporting the DoD RMF process to support actions included in the Authorizing Official's (AO) required Plan of Actions and Milestones including an independent FISCAM Test of Design/Test of Effectiveness to result in an AO decision to award an Authority to Operate. • Continued maturity the GRC capabilities by expanding Enterprise controls: Configuration, Access, Prevention & Transactions supporting audit findings, recommendations & CAPs. • Maintaining technical operations including: application of DISA Security Technical Implementation Guides, hardware & software currency for servers operating systems, middleware & applications including patches; overseeing internal processes within the Data Center enclaves; & the daily operation of several interfaces with external systems leveraging DLA Defense Automated Addressing System (DAAS), as well as established Federal Enterprise system web services. • Obtaining an interim Interoperability Certification or an Authority to Connect to the DoD Global Information Grid. • Conducting regular adversarial assessments, Risk Management Framework (RMF) continuous monitoring including code scans, and a Cooperative Vulnerability and Penetration Assessment. • Transition to the Cloud Hosting: On 9 Dec 2021 the DAI Functional Sponsor, OUSD(C) signed a decision memo directing the migration of DAI hosting from DISA Data Centers to a commercial cloud hosting solution by October 2023. This migration is expected to increase scalability of DAI for future customer expansion and improve system performance. • The DAI PMO partnering with the Office of Under Secretary of Defense (OUSD), Comptroller's Robotic Process Automation (RPA) Team, and DAI user organizations to develop automations for many routine financial management entries - reducing clicks and process deviations among users. These automations have increased data quality and decreased process errors, thereby increasing DAI's auditability, reducing the number of Help Desk tickets received, and freeing DAI PMO sustainment resources to work on higher-value tasks. • Developing Twenty-two (22) additional attended and unattended automations that are currently in development or User Acceptance Testing. <p>FY 2023 Plans: In FY 2023, DAI PMO will:</p> <ul style="list-style-type: none"> • Deploy Release 5 to the existing customer organization, along with DFAS and NSWC. 			

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B. Accomplishments/Planned Programs (\$ in Millions)	FY 2022	FY 2023	FY 2024
<ul style="list-style-type: none"> • Develop Release 6 to deploy to customer organizations in Oct 2023. • Conduct pre-deployment planning and BPR, Inc 3 Rel 6 Organization mocks and SE technical reviews. • Support 29 organizations as they undergo audit by helping them with answering auditor RFIs and helping them locate required artifacts to maintain consistency of approach with all that use DAI. • Maintain Application User Licenses to support additional users and increased data storage costs based on application data growth. • Conduct a service provider, independent audit, SSAE-18, and support DLA Audit Readiness Office in developing an assertion package supporting DLA SOC 1 and resolve any identified NFRs. • have DISA data centers maintain all the operations software and hardware in the suite. DAI PMO will use data centers' SSAE 18 SOC 1 Report as the basis for its input for the annual DLA SOC 1 Report. Support development of some cloud hosting activities in preparation for migration. • Conduct BEA compliance assessment against the current version (v11.2 for compliance) document results in the Department's assessment portal and conduct BPR for newly joining agencies. • Resolve critical software errors and critical statutory/regulatory enhancements that affect operations and incorporate changes identified during BPR, BEA compliance assessment and the Audit generated corrective action plans. • Support RMF process maintaining activity to support actions included in the AO's required POA&M to maintain the ATO. • Expand the use of RPA scripts to increase speed of data entry, ensuring data accuracy from data entry through the entire requisition life cycle. • Continue on-going efforts to support departmental efforts for ICAM access control intuitive. • Support the OSD Initiatives including MyTravel and G-Invoicing. <p>FY 2024 Plans: During FY 2024, DAI will transition the application from an on-premise DISA hosted environment to a commercial cloud hosting environment which will provide improved system performance and enable cost-effective scalability to respond to future potential customer growth. For FY 2024 and beyond DAI will also continue to develop and deploy Departmental initiatives to include G-Invoicing, MyTravel Implementation, Travel Payment Gateway, and Identity Credential Access Management (ICAM).</p> <p>FY 2023 to FY 2024 Increase/Decrease Statement: The increase from FY 2023 to FY 2024 is due to DAI Cloud Hosting Migration implementation. Additional funds were received for system development and deployment support in the following areas: major development, new interfaces, requirements management, configuration management, new user training, and performance testing.</p>			
Accomplishments/Planned Programs Subtotals	31.136	23.171	32.629

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C. Other Program Funding Summary (\$ in Millions)

N/A

Remarks

D. Acquisition Strategy

DAI is developed and implemented using an evolutionary/incremental strategy including major annual software releases to accommodate upgrades as required by changes to the Department's BEA including new laws, regulations and policies as governed by its Functional Sponsor.

DAI Increments 1 and 2 are in sustainment. When Increment 3, Release 1 went live in October 2018, it subsumed Increment 2; therefore, only one DAI production baseline exists at any point in time.

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Exhibit R-3, RDT&E Project Cost Analysis: PB 2024 Defense Logistics Agency **Date:** March 2023

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Product Development (\$ in Millions)				FY 2022		FY 2023		FY 2024 Base		FY 2024 OCO		FY 2024 Total	Cost To Complete	Total Cost	Target Value of Contract
Cost Category Item	Contract Method & Type	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost			
DAI Application Development Support Services	C/CPFF	Application Development support to DAI : Virginia	-	19.876	Mar 2022	18.474	Mar 2023	27.629	Mar 2024	-		27.629	Continuing	Continuing	-
Requirements Management (RM) Support	MIPR	DISA : Fort Meade, MD	1.790	0.378	Oct 2021	0.389	Oct 2023	-		-		-	Continuing	Continuing	Continuing
DCPDS/DAI Interface File Changes	MIPR	DLA Finance : Fort Belvoir, VA	0.053	0.193	Feb 2022	-		-		-		-	Continuing	Continuing	Continuing
Prior Year Contracts	Option/ Various	MULTI : MULTI	192.275	0.000		-		-		-		-	-	-	N/A
Subtotal			194.118	20.447		18.863		27.629		-		27.629	Continuing	Continuing	N/A

Remarks
 Prior Year Contracts include: Global Model Infrastructure C/FFP CACI: Chantilly, VA \$20.594 million; Global Model Implementation C/FFP CACI: Chantilly, VA \$39.580 million; Global Model Compliance C/FFP CACI: Chantilly, VA \$41.422 million; Global Model P2P C/FFP IBM: Bethesda, MD \$32.018 million; Global Model A2R C/CPFF CACI Inc Federal: Chantilly, VA \$18.845 million; DAI Data Conversion Support Option/FFP Terathink: Reston, VA \$2.857 million; Oracle Time & Labor Software License and Maintenance C/FP Mythics, Inc: Virginia Beach, VA \$1.020 million; Global Model CAD C/CPFF CSC: Falls Church, VA \$3.205 million; Jaws Professional Licenses C/FFP Immix: McLean, VA \$0.017 million; Oracle Advanced Compression Licenses \$1.622 million; Oracle Contract Lifecycle Management Licenses C/FFP Mythics Inc: Virginia Beach, VA \$7.408 million; Oracle Licenses MIPR DISA: Pensacola, FL \$5.446 million; Kurzweil 5000 508 Assistive Tech Licenses C/FFP Envision Technology Inc: Bethesda, MD \$0.008 million; Dragon Naturally Speaking 508 C/FFP Red River Computer Co: Claremont, NH \$0.007 million; DISA/DITCO Delinquent Balance MIPR DISA DITCO: Scott AFB, IL \$0.017 million; and DBTA Section 1553 MIPR DFAS: Columbus, OH \$0.377 million.

Support (\$ in Millions)				FY 2022		FY 2023		FY 2024 Base		FY 2024 OCO		FY 2024 Total	Cost To Complete	Total Cost	Target Value of Contract
Cost Category Item	Contract Method & Type	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost			
Estimated SBIR/STTR:	TBD	TBD : TBD	4.365	1.118	Jun 2022	0.817	Jun 2023	-		-		-	Continuing	Continuing	Continuing
Subtotal			4.365	1.118		0.817		-		-		-	Continuing	Continuing	N/A

Remarks
 SIBR/SITTR Tax is taken off the topline

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Exhibit R-3, RDT&E Project Cost Analysis: PB 2024 Defense Logistics Agency											Date: March 2023				
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Test and Evaluation (\$ in Millions)				FY 2022		FY 2023		FY 2024 Base		FY 2024 OCO		FY 2024 Total	Cost To Complete	Total Cost	Target Value of Contract
Cost Category Item	Contract Method & Type	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost			
DISA Hosting: Test and Development	MIPR	DISA : Pensacola, FL	18.077	6.773	Oct 2021	3.000	Oct 2022	4.000	Oct 2023	-		4.000	Continuing	Continuing	Continuing
Interoperability	MIPR	JITC : Fort Meade, MD	4.400	1.226	Oct 2021	0.079	Oct 2022	0.200	Oct 2023	-		0.200	Continuing	Continuing	Continuing
Performance and Regression Testing	MIPR	JITC : Fort Huachuca, AZ	4.580	1.422	Oct 2021	0.412	Oct 2022	0.800	Oct 2023	-		0.800	Continuing	Continuing	Continuing
DCPS Testing	MIPR	DFAS : Indianapolis, IN	0.424	0.150	Oct 2021	-		-		-		-	Continuing	Continuing	Continuing
Subtotal			27.481	9.571		3.491		5.000		-		5.000	Continuing	Continuing	N/A

Remarks
Previous MIPR actions: Operational Test and Evaluation, \$4.742

	Prior Years	FY 2022	FY 2023	FY 2024 Base	FY 2024 OCO	FY 2024 Total	Cost To Complete	Total Cost	Target Value of Contract
Project Cost Totals	225.964	31.136	23.171	32.629	-	32.629	Continuing	Continuing	N/A

Remarks

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Exhibit R-4A, RDT&E Schedule Details: PB 2024 Defense Logistics Agency		Date: March 2023
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Schedule Details

Events by Sub Project	Start		End	
	Quarter	Year	Quarter	Year
<i>Defense Agencies Initiative (DAI)</i>				
DAI - - See schedule exhibit for more details	1	2018	4	2025