Defense Business System Improvements Carry Contractor Opportunities

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In recent years, increases in requested funding for defense information technology has been attributed to modernization efforts and improving transparency through expanding IT reporting. Unclassified business systems accounts for approximately $7 billion in requested funding annually. Although spending for some of business system efforts is declining, like enterprise resource planning (ERP) implementation, these investment continue to hold significant strategic value.

The Defense Department Inspector General identified six ERP systems as key to achieving auditability goals for 2014 and 2017. Review of changes to the lifecycle costs and schedules for these systems found that delays and cost overruns continue to pose risks to DoD's ability achieve these auditability goals.

In particular the Defense Agencies Initiate (DAI) program from the Defense Logistics Agency aims to improve the accuracy and reliability of financial data across the Defense agencies by overhauling budget, finance, and accounting operations and deploying a standardized system solution. To date, DLA has awarded 46 contracts and/or task orders for DAI. Nearly half of these were task orders that were primarily awarded through Encore II. A quarter of the contract awards were through IT Schedule 70 competitions. The remainder of the awards was through standalone contracts. Half a dozen of these incumbent contracts are due to expire by the end of September 2016. Several of the opportunities identified during the first half of FY2014 are linked to support services.

Major efforts like DAI often encounter numerous challenges throughout development. In a report released in April 2013, the Defense Department's Inspector General found that, "the Defense Agencies Initiative Program Office spent $193 million from FY 2007 to FY 2012 without ensuring that the system fulfilled capabilities needed to generate reliable financial data." Essentially, the program was funded for several years without making sure the major goal of the effort would be met.

Performance pitfalls linked to schedule delays, cost overruns, and other issues have fuelled efforts to improve program oversight and transparency. As increased auditability and transparency support greater scrutiny, these completing these improvements will fuel pockets of opportunity for contractors down the road. Following implementation of its major ERP systems, DoD is likely to target additional efficiencies across business systems through possible cloud migration and analytics. In the meantime, however, budget pressure and oversight requirements continue to stretch program timelines further into the future.

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