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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

DEFENSE DIVISION

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Lieutenant General F. J. Sackton
Comptroller of the Army

Dear General Sackton:

The General Accounting Office has made a survey of an Army Resource Management System (RMS) project at the Army Infantry Center, Fort Benning, Georgia. Our primary purpose in undertaking the survey was to obtain an understanding of the Army's proposed Resource Management System in order to be better prepared to carry out our responsibility for review and approval of accounting systems should formal approval be requested by the Department of Defense (DOD) for any accounting system evolving from RMS.

It is our understanding that resource management systems are to include all procedures for collecting and processing recurring quantitative information that relates to resources and is for the use of management. Based on the initial requirements and basic policies prescribed by DOD for improvement in resource management throughout the department, the Army prepared a manual to explain how the required procedures could be installed and used at class I installations. More specifically, the manual furnished procedural guidance designed to improve and fully integrate programming, budgeting, accounting, and management information.

The content of the manual is reflected by the titles of the chapters: program and budget guidance, program management, budget management, accounting and data management, and performance measurement and analysis. The chapter on accounting and data management was designed to provide the advance guidance needed for carrying out those accounting and reporting requirements identified as Project PRIME planned for implementation on July 1, 1967. Although full implementation of Project PRIME was deferred, the accounting procedures in the Army manual were tested in fiscal year 1968 by Sixth U. S. Army, and portions of these procedures are being applied Army-wide during the current fiscal year. The Army recognized that the remaining procedures were incomplete, requiring further development and improvement prior to implementation. Responsibility for overcoming these voids and fulfilling the need for a more complete and workable manual was assigned to the U. S. Continental Army Command (USCONARC).

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Establishment of Army RMS Task Force and objectives

To plan and direct the required developmental work and tests, USCONARC organized a Task Force of nine officers under the direct supervision of the Chief of Staff at Fort Benning, a Third U. S. Army installation. In the absence of contractual assistance originally planned, the Task Force was increased to 13 officers.

The objectives established for the Fort Benning project placed maximum emphasis on the development of an effective system of program management (the process of planning and evaluating the use of resources to accomplish assigned tasks) since this area offers great potential. These objectives were addressed to the broad RMS concepts and involved, to varying degrees, all chapters of the manual to the exclusion of those procedures being developed and tested by Sixth U. S. Army. Responsibility was placed on the Fort Benning management and data processing personnel for performing the necessary tests and evaluating the proposed procedures. The coordination to assure compatibility between the procedures for programming, budgeting and performance measurement being developed and tested at Fort Benning and those for accounting and data management developed by Sixth U. S. Army was limited and further work will be required by the Army before finalizing its RMS manual.

More need for timely and more effective program and budget guidance

Because of the importance of guidance from higher headquarters in program and budget preparation, the initial Task Force objective was to review both the timing and adequacy of guidance received by installations under the existing system and to evaluate the proposed procedures for program and budget guidance. The Task Force found that upon receipt of guidance from higher headquarters, the available time to develop, publish, and submit the annual installation budget was usually less than a month and some activities had less than a week in which to prepare their portions of the budget. The Task Force concluded that this was insufficient time for proper review and analysis.

The great number of budget changes each year, particularly during the fourth quarter, was attributed largely by the Task Force to the failure of higher headquarters to be responsive to funding requirements of the installation, since large amounts of funds were not distributed to the installation until near the end of the year rather than during the year as needs arose. The guidance was often incomplete, and at times there was no apparent relationship between financial guidance and program or workload guidance. During the tests, installation staff members repeatedly cited the lack of program and budget guidance from higher headquarters as an obvious deterrent to the systematic programming and financial planning processes envisioned under RMS.

The review made by the Task Force indicated that the currently proposed procedures, if followed, would provide timely and adequate guidance for installation program and budget formulation purposes. Further, the Department of the Army, cognizant of deficiencies in guidance, has initiated several projects designed to improve program and budget guidance to subordinate commands. It is evident that these projects are crucial in the successful implementation of RMS and warrant maximum emphasis.

Development and test of procedures for programming and budgeting

The development and test of program formulation procedures stressing the increased use of quantitative program data and the integration of programming and budgeting and readiness of tactical units was carried out installation-wide at Fort Benning in three steps. These steps, each about three months in duration, included (1) formulation of a proposed operating program for the third and fourth quarters of fiscal year 1968, (2) comparison of the program prepared for the third quarter with actual performance or output, and (3) formulation of a proposed installation operating program and budget for fiscal year 1969. Included in steps (1) and (3) were tests of the procedures.

The required program formulation procedures involved the determination of mission requirements in quantitative terms, constraints limiting accomplishment of these requirements, and selection of appropriate alternatives. All activities were required to search for meaningful performance or workload indicators and to determine the validity and utility of quantitative program data as a basis for their programming actions.

As a first step toward the ultimate RMS goal of programming for and charging to each organizational unit 100 percent of all its measurable expenses, units and activities prepared programs of their requirements for (1) military personnel, (2) use of motor pool vehicles, and (3) services of installation support maintenance shops. Initial test procedures required the translation of projected motor pool and installation support maintenance requirements into workloads and the personnel resources needed in these areas.

A detailed comparison was made of projected maintenance and motor pool requirements for one quarter with actual use of these two support services. Despite the paucity of usable historical performance and cost data, the need for more specific program guidance from higher headquarters, and the newness of RMS techniques, the comparison indicated, and we concur, that the use of programs prepared by benefiting activities on the basis of quantitative projections is feasible. Once implemented, we believe RMS can greatly facilitate the gathering of data needed for establishing the necessary cost and performance standards.

Information gained in the first two steps was used in accomplishing the third and most comprehensive step, formulation of a proposed installation operating program and budget for fiscal year 1969. Projected requirements for personnel, use of motor pool vehicles, and services of support maintenance shops were translated into the required personnel and material resources. The conversion of these resources into service charges to be budgeted for by benefiting activities and into internal budgetary data for use by the two support activities concerned was then accomplished by using predetermined cost factors. Major support-type activities were required to prepare their programs and develop their own budgets. Tactical-type units prepared only their operating programs, and the installation headquarters staff was given responsibility for converting those operating programs into financial terms for budgetary purposes.

To assist activities in developing their programs, the Task Force pioneered the development of an installation plan of operation, a single-source document in which all essential planning information is gathered. In effect, this document is designed to provide guidance to installation activities in much the same manner as needed guidance is received by the installation from higher headquarters. It includes narrative guidance, specific objectives and tasks to be accomplished, unit personnel and equipment projections, and guidance in the form of training requirements and priorities to be observed. While tests of the plan revealed a need for refinement and for greater accuracy in projecting personnel, equipment, and status of readiness, the plan was considered to be a useful planning tool and conveyed an awareness to units of the interrelationship between missions, programs, and resources. In our opinion its use is consistent with the long range goal of attaining greater readiness capability from available resources at an installation and is essential to the effective execution of RMS procedures requiring closer coordination between all staff elements.

In developing and testing program formulation procedures, the Task Force attempted to determine the needs of management at the various organizational levels and to simplify and adapt the procedures to existing information systems. Since the services of military personnel, motor pool, and maintenance shops had previously been provided "free" to benefiting activities, it was necessary to provide new forms and procedures with which to relate the planned use of these resources, both quantitatively and financially, to the benefiting activities. Discussed below are some observations and conclusions, both ours and those of some of the responsible installation officials, resulting from tests of these procedures.

1. Programming and budgeting for military personnel

In projecting personnel strengths for individual units and activities for fiscal year 1969, particularly at this training oriented

installation with a high turnover of personnel, incomplete guidance from higher headquarters, discussed previously, reduced the quality of the installation plan of operation intended for use in assisting activities to estimate their personnel composition and cost. The lack of realistic information on such matters as nonproductive time and procedures for reconciling borrowed and loaned military labor among activities created some problems. Also projections of military personnel for units were not useful in those cases where the involved personnel performed services for other activities which were to be charged for their services. This situation usually prevails in units whose personnel are used primarily in administrative activities at training oriented installations.

Continued effort is required to obtain solutions to such problems. The attention that is being focused on finding solutions for accounting purposes should lead to the necessary solutions for program and budget formulation purposes. Progress is being made in these areas.

Some levels of Army command have been reluctant to accept the concept of control through budgeting and accounting for total costs, including the cost of military personnel. Arguments against this budget concept are based on the premise that (1) local commanders have no control over the assignment of military personnel to their installations, (2) the requirement for an offsetting reduction in operation and maintenance obligation authority, known as the reducibility feature, when military personnel costs exceed the installation's approved operating budget, is unrealistic and burdensome, and (3) the costing of military personnel assigned to tactical units is of little or no management benefit.

This reluctance is understandable in view of the highly centralized control over such matters as the assignment, promotion, and career development of military personnel and their treatment in the past as "free" resources. Adherence to such a concept is not in keeping with RMS concepts for improving management for a number of reasons, some of which follow.

The Fort Benning operating budget for fiscal year 1969 using proposed R&S procedures revealed that (1) 69 percent of the total operating costs were composed of military personnel costs and (2) the services of military personnel are significant in virtually all installation elements. To hold commanders and managers responsible for only the remaining 31 percent of their operating costs is a questionable practice at best. The need for budgeting and accounting for military personnel costs may be illustrated by the fact that in the Fort Benning motor pool the higher cost-per-hour for military labor than for civilian labor was generally neither known, nor suspected, by managers prior to the tests of R&S procedures. Also as a result of obtaining total

maintenance costs during tests of RMS procedures at a Sixth U. S. Army installation, it was found that the cost to repair some low cost items may often exceed their replacement cost.

It is doubtful whether many managers in Government or business have complete control over such matters as the assignment and development of personnel in their activities. There is little doubt, however, that a complete knowledge of total costs for these resources is fundamental to the fostering of cost consciousness and the making of informed management decisions, particularly in the choice of alternatives. While the reducibility feature could impair the flexibility desired in managing resources, it should not, as long as there is no significant or unrealistic mismatching of funds made available to installations by higher headquarters. We believe that failure to include military personnel as a resource to be managed in the best possible manner would be completely incompatible with the basic RMS concepts or with acceptable business management practices.

2. Programming and budgeting for motor pool services

No significant difficulties were experienced in programming and budgeting for motor pool resources on the basis of miles of use projected by the user activities. The necessary charges to cover the costs of motor pool operations, maintenance, drivers (both civilian and military), and overhead were computed for users on the basis of locally developed standard rates per mile for drivers and for each vehicle of a specific category.

It was found that this method, however, would neither assess low mileage users their fair share of costs, nor encourage them to return vehicles to the motor pool when not in use. Conversely, users such as dependent schools (funded by the Department of Health, Education and Welfare) which average over twice the motor pool norm for miles per driver hour would be over-budgeted. To provide for more accurate budgeting, procedures were revised so that driver costs will be programmed and budgeted on the basis of driver hours. Also, the Task Force is recommending that consideration be given to another alternative whereby users would program and be charged for vehicles on the basis of hours of use where such an approach would encourage more efficient utilization. The results of the Sixth Army test will, however, in all probability dictate the manner in which programming and budgeting for motor pool services will be accomplished.

In addition to more efficient utilization of vehicles and the providing of cost information needed by managers of benefiting activities for improving management of their resources, other benefits to be realized by charging users for the costs of services were illustrated during the tests of program and budget procedures for the motor pool. In programming for the distribution of total motor

pool costs to users, it became apparent that the military family housing activity had not been bearing its proper share of such costs. Correction of this condition resulted in more accurate accounting and in allocation of charges to the proper appropriation account.

3. Programming and budgeting for installation maintenance services

It was originally planned for activities to program for equipment maintenance requirements on the basis of their equipment usage projected in terms of such measurements as miles, rounds fired, and hours. Tests of the proposed procedures revealed difficulty in projecting equipment usage because of the lack of historical usage data and inexperience associated with a high personnel turnover. While additional record-keeping and experience could overcome this difficulty, a more serious problem was recognized. Unlike the direct relationship between costs and usage for motor pool vehicles, there was no established relationship between equipment usage and the maintenance shop operating costs expressed in terms of items processed, the standard unit of measure for all maintenance activities.

Initial efforts to convert the quantitative equipment usage projections into maintenance workload data proved to be somewhat cumbersome and inconclusive. This conversion procedure failed to take into account other factors affecting maintenance, such as condition of the equipment, qualifications of the operators, and terrain, or environmental/climatic conditions under which the equipment was used.

In view of these problems, the Task Force is studying the feasibility of alternative procedures for possible inclusion in the manual. These include (1) projection, by activities, of the number of items in each equipment category to be submitted to the maintenance shops and (2) projection on the basis of equipment densities. The main features of the first alternative, which it is believed will be substantiated by results of study, are that existing information systems can be used to aid the benefiting activity in making more accurate projections of its maintenance requirements, translate the projected requirements into maintenance resources, and greatly reduce the paperwork and uncertainties of the conversion process.

In order to meet management needs, the programming, budgeting, and accounting for maintenance is to be done by individual equipment categories. The proposed procedures are integrated with the Army's Production, Planning and Control (PP&C) system which, with minor revision and add-on programs, will provide the necessary maintenance data on personnel hours and costs, parts costs, and overhead costs. The procedures were found to be feasible through actual tests at Fort Benning. In studies currently being made that could affect the PP&C system, the requirements for future implementation of RMS maintenance procedures should be kept in mind.

Procedures for performance measurement and analysis

Closely integrated with program formulation and execution are proposed procedures for performance measurement and analysis. The ultimate objectives of performance measurement and analysis are to provide the commander and his managers at any point in time with an evaluation of the resources being used in relation to the tasks being performed, the impact created by changes in resources, and the effectiveness and efficiency with which available resources are being managed. The advantages of prompt identification of potential problem areas and of causes of shortfalls are obvious.

In keeping with these objectives, detailed procedures and forms have been prepared and are now being tested by several activities at Fort Benning. Although hampered by incomplete program and budget guidance from higher headquarters and by the lack of fully developed standards as guidelines, the initial test results have been encouraging. With further improvements in these procedures as a result of current tests, their expanded application will facilitate the gathering of data needed in establishing standards required for RMS implementation.

Accomplishment of other objectives

The Task Force designed and developed automatic data processing concepts to facilitate integrating quantitative data with budgeting, accounting, management information, and reporting requirements for motor pool and support maintenance services. Mechanized procedures were prepared for these concepts and were tested in the preparation of the desired program and budget data for motor pool and support maintenance operations. These procedures were used to convert workloads into resource requirements (men and materials), distribute the costs to users, and provide data considered useful in managing the two service activities, while retaining the integrity of funds appropriated for military personnel and for operation and maintenance. While both the conversion factors and the mechanized procedures require further refinement, the Task Force has accomplished a great deal of the necessary groundwork.

The use of a standardized integrated system for data management will minimize the workload of RMS requirements and eventually facilitate a reduction in manpower resources consumed by the multitude of existing reporting systems. (Recurring reports at Fort Benning require about 250 thousand man-hours annually). Although the Task Force was successful in identifying some excessive budget data to be eliminated and recommended some changes in reports so as to coordinate funding with workload data and make the reports more useful, it was able to make little progress in the reduction of reporting

requirements. Any significant reduction in installation reporting will probably be feasible only after an integrated RMS system for data management becomes operational.

Throughout the tests, the Task Force studied existing staff responsibilities in order to relate these responsibilities to any staff realignment expected to result from changes in procedures under RMS. Implementation is expected to require a few additional personnel, further training of all involved personnel, and the superimposing of additional requirements on existing procedures during the shakedown period, but no significant staff changes or reorganizations are indicated.

* * * * *

In planning the Fort Benning project, the Army realized that many of the procedures were undeveloped or completely untried, and that the assigned objectives were ambitious for the assigned time frame. However, the urgent need was recognized for improving reliability of projected requirements, providing rational justification for obtaining resources, matching resources with work accomplished, and encouraging and motivating management toward the attainment of greater readiness capability from available resources.

Without the use of additional resources, practicable methods were sought and procedures were developed and tested for integrating programming, budgeting, accounting, and reporting. Closer coordination of all staff sections and increased involvement of all activities was obtained in preparing an RMS operating program and budget for fiscal year 1969. As evidence of the worthiness of RMS concepts and procedures, commanders expressed the opinion that their personnel acquired a much greater awareness of the resources provided to them through their participation in the tests. More important, the project provided basic research necessary for the preparation of a proposed installation resource management procedural manual now being compiled.

Since the start of the Fort Benning project, practically all of the Army and Department of Defense staff members responsible for its establishment have moved to other positions. As a result, the Task Force has experienced considerable difficulty in obtaining needed guidance and definitive responses to its recommendations. A concerted effort on the part of higher headquarters will be required for the improvement of program and budget guidance, the encouragement of installations to develop useful cost and performance data, and the refinement of RMS procedures by consolidating into a revised RMS procedural manual the results obtained from both the Fort Benning project and the Sixth U. S. Army tests.

We believe the benefits to be realized from a positive approach toward an improved integrated management system through the use of RMS procedures deserves positive recognition and continued encouragement.

Copies of this letter are being sent today to the Assistant Secretary of Defense (Comptroller) and the Assistant Secretary of the Army (Financial Management).

Sincerely yours,

A handwritten signature in cursive script that reads "Daniel Borth". The signature is written in dark ink and is positioned above the typed name and title.

Daniel Borth
Associate Director