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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
WEDNESDAY, MARCH 23, 1983

STATEMENT OF

WALTON H. SHELEY, JR., DIRECTOR

MISSION ANALYSIS AND SYSTEMS ACQUISITION DIVISION

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ON

DEPARTMENT OF DEFENSE ACQUISITION ISSUES

120890

Mr. Chairman and Members:

I am pleased to be here today to discuss GAO's efforts in the weapon systems development and acquisition area. I will discuss the cost and cost growth of major programs; issues from studies of major weapon programs we recently forwarded to the Congress; studies we are doing in the area of cost estimating, joint service programs, and test and evaluation in systems acquisition; two of Defense's acquisition Improvement initiatives--amendment of Cost Accounting Standard 409 and multiyear contracting; and Executive Order 12352 outlining the President's mandate for procurement reform.

COST AND COST GROWTH

Each year, for the past several years, we have issued a report on the financial status of major defense and civil acquisitions. For our forthcoming status report, agencies supplied data on 443 active civil and defense acquisitions with a total estimated cost at completion of $832 billion. Preliminary analysis of the data shows that, depending on when one begins to measure, the cost growth for these major acquisitions ranges between $434 billion and $370 billion. The difference depends on whether you measure from initial estimates that the Congress used to base its first approval or

from more refined estimates made after a project has been better defined.

As of September 30, 1982, 271 active civil acquisitions, including Corps of Engineers civil works, were in existence. These acquisitions' total estimated cost was $100.6 billion. Cost growth for the civil acquisitions, where comparable data was supplied, was $35.2 billion, about 57 percent over the refined estimates.

The Department of Defense (DOD) supplied data on 172 acquisitions having a total estimated cost of $731.7 billion or about 88 percent of all federal acquisitions. These acquisitions had a cost growth of $386.9 billion, about 170 percent, over their initial estimates or $335.6 billion, about 114 percent, over their refined estimates.

Of the 172 defense acquisitions, DOD reported data on 47 weapon systems, costing $457 billion, to the Congress via Selected Acquisition Reports (SAR). They reported that, as of September 30, 1982, these systems increased $281 billion, or about 160 percent, over their refined estimates.
DOD supplied data on 72 non SAR weapon systems which have a total estimated cost at completion of $183 billion. These

systems increased $54 billion, about 46 percent, over refined estimates.

We have repeatedly said that the cause of cost growth in federal acquisitions is a complex problem involving economics, budget priority decisions, political decisions, and program and project management policies and practices. Factors accounting for cost growth are generally interrelated and will vary in importance depending on the type of acquisition being analyzed. Some cost growth is beyond the control of management. The most pronounced has been inflation which has accounted for about one-third historically. Recent cost growth, or more correctly in this case increases in costs, have been due to the administration's efforts to build up defense capabilities, by increasing the number of aircraft, missiles, and so forth, over that originally planned. To illustrate, during fiscal year 1982, the total estimated cost of 38 of the acquisitions reported on the Selected Acquisition Reports increased $125 billion due principally to quantity increases.

Historically, cost growth has been a much discussed yet persistent problem. Hundreds of studies have been done, still, I feel a good deal of cost growth could be avoided. The failure to develop reliable estimates results in cost

growth that is built-in, that is, cost growth that could have been avoided if more time, attention, and realism was used in developing estimates. All too often optimistic estimates are used to gain approval for acquisitions. Once a decision is made on the basis of faulty estimates, it may take years before real costs surface. During the intervening years, the Congress and agency management are trying to make informed decisions about initiating, continuing, modifying, and canceling projects.

At your request, Mr. Chairman, we initiated a study of DOD's cost estimating process. I plan to discuss the status of that work later on in my statement.

ISSUES FROM REVIEWS OF SELECTED WEAPON SYSTEMS

Each year we select some 20 to 25 individual weapon systems for a detailed review. If appropriate, we prepare reports on these systems and furnish them to the Congress.

Many of these reports are classified and for several years now we have issued a report which summarizes, in an unclassified form, the issues in our reports. Since these systems are in various stages of the acquisition process and the categories are interdependent, an issue may become more or

less serious over time depending on how and when DOD chooses to address it. I would like to discuss some of the major issues we have found in our reviews this past year. Attachment I identifies the systems we examined and the issues discussed in each report.

We identified six programs that have operational or performance limitations which questions the capability of the system to function as designed or expected in its threat environment. For example, we reported that the Wide Area Anti-armor Cluster Munition will not give the Air Force the capability it needs, will not perform as required, and is little or no better than munitions in the existing inventory.

Hand in hand with the operational or performance limitations is the question of operational requirements--those approved characteristics considered necessary for the system to meet a needed capability. These requirements are often modified or changed as directed by development results, changes in the environment, threat, and so forth. We have questioned some aspects of the operational requirements in six of our reviews. For example, we reported that:

--DOD did not evaluate the Antisatellite Weapon System's current air-launched minature vehicle's performance against the current Joint Chief of Staff's antisatellite requirements.

--The acquisition of the Over-the-Horizon Backscatter radar system as now planned is questionable, considering the threat described in intelligence reports and the alternatives which exist, such as planned future development of tactical warning systems and the use of existing airborne warning systems.

In four programs, we found problems with logistic support and reliability, maintainability, and availability. These issues, if not corrected, will affect the readiness, mission capability, and sustainability of a weapon system. Often these areas are not given sufficient attention in the development and testing of a system and therefore become major problems when the system is fielded. For example:

--Sophisticated and unproven field maintenance test sets for the Sergeant York should be tested under the stressful conditions that may be encountered before new maintenance concepts are formulated.

--Improvements to the Patriot's maintenance software are needed before the system can be adequately supported in the field.

An issue we have been looking at more closely in the past several years is affordability--is there sufficient fiscal resources to effectively and efficiently support the weapon system acquisitions. Increasing, incomplete, or uncertain program costs raise questions concerning the continued availability of program funds and could, in some instances, disrupt planned procurements. Nine of the weapon programs presented have experienced cost increases which raise the question of whether sufficient funds will be made available to procure enough quantities to meet force level requirements. Some examples are:

--The Army Helicopter Improvement Program has doubled in cost and additional increases can be anticipated since its capabilities have not been demonstrated and because of program uncertainties.

--The Patriot cost has nearly doubled in the last two years and some of the same factors are still present, making further cost increases likely and therefore available funding may not be sufficient to maintain the planned procurement schedule.

--The DDG-51 destroyer has increased in cost to the point where the Chief of Naval Operations has said that it is not affordable and is not a lower cost alternative to the CG-47 as the Navy had intended.

Tests are conducted during all phases of the acquisition cycle. We identified five systems in which we questioned the adequacy of the testing. Insufficient testing can adversely affect the systems' effectiveness, cost, or availability for deployment. For example:

--Government reliability, maintainability, and availability testing on the Sergeant York was canceled because the prototype was deemed unsuitable for testing, and the testing will not be done until production is underway.

--The accelerated test program for the Light Armored Vehicle program did not provide sufficient reliability, maintainability, availability, and durability testing before the production contractor was to be selected.

The subject of testing is a serious concern and draws almost as much attention as the cost growth issue. It has been the

subject of numerous studies over the past 10 to 15 years, including many by GAO. We currently have several reviews underway that address this concern which I will discuss later.

The last issue area I will discuss is program management. In reviews on four programs, we have questioned planning, organizing, controlling, and evaluating the use of resources, that is, ongoing actions which are necessary to field an effective and supportable system. For example:

--On the positive side, the AH-64 and Hellfire programs have benefited from the close attention of the Under Secretary of the Army, particularly through his efforts to contain cost growth and to oversee areas of production uncertainties.

--On the other hand, the acquisition strategy for the Sergeant York places greater priority on adhering to the schedule than to correcting some serious system performance problems.

--The validation phase schedule for Advanced Medium Range Air-to-Air Missile proved to be unrealistic and the full-scale development schedule seems to be no less ambitious.

COST ESTIMATING

As I mentioned earlier Mr. Chairman, we initiated, at your request, a study of DOD's cost estimating and reporting procedures for major weapon systems. We have selected seven weapon systems in different stages of the acquisition cycle to serve as case studies for this review. We are looking at the entire cost estimating process from the development of the estimate, through the use of the estimate, to the final reporting of the estimate to the Congress. The target date for our report to you is about mid-summer.

At this time, we have a number of issues that we are attempting to develop but have not yet reached a final conclusion. For example, preliminary indications are:

--Program cost estimates are not used as a tool to establish cost discipline on major weapon system programs.

--Estimates are force fitted to conform to the President's budget or what is considered the "official program" cost.

--Costs are excluded from the estimates provided to the Congress by reporting less units than they actually intend to buy; excluding related costs, such as aircraft simulator and facility costs; and not considering many of the major contributors to cost growth such as system design changes, production rate changes, and funding perturbations.

--Program office estimates are often based on contractor estimates that are frequently overly optimistic.

--Independent cost estimates are often as inaccurate as the program office estimate they are supposed to verify.

TEST AND EVALUATION

I will now discuss the test and evaluation of major weapon systems. Test and evaluation is conducted throughout the acquisition process to identify and reduce development risks and to ensure that a weapon system will perform as intended. The results are used by DOD decisionmakers and the Congress in managing and overseeing the development and acquisition process. The increasing sophistication and capabilities of DOD's new weapon systems have made effective

testing even more critical to ensuring that weapons achieve specified performance levels.

Because of the importance of test and evaluation, GAO has conducted, beginning in the early 1970s, numerous reviews of DOD's test and evaluation process. Many changes and improvements have been effected, but there is always room for improvement. In addition, care must be taken that past gains are not lost. I would like to discuss three examples of our current assignments covering various aspects of test and evaluation. They are

--the adequacy of test resources in certain areas,

--the Army's use of test and evaluation data, and

--the effectiveness of DOD test and evaluation in relation to current acquisition initiatives.

In our review of test resources we examined, electronic warfare threat simulators and aerial targets. Although the services have made significant improvments in other test resource areas, such as range instrumentation, problems in planning, organization, priority and funding levels, and intelligence support have led to severe shortages in

electronic warfare threat simulators and aerial targets. These resources are critical to effective test and evaluation of the air defense systems of all three services. As a result of the shortages, DOD is fielding weapon systems without sufficient knowledge of their ability to survive in combat. Field commanders are operating weapons with unknown and perhaps dangerous limitations. This was underscored by the Secretary of Defense in his fiscal year 1984 report to the Congress. He cited the lack of an aerial target to represent the supersonic low-altitude and antiship missile threat for test and evaluation as a major problem area. Without a suitable target, weapon effectiveness in that area remains unknown.

We recognize that totally realistic operational environments cannot be achieved without going to war; our concern here is that tests be as realistic as possible. Without test resources that adequately replicate the threat, the true performance capabilities of weapon systems will not be proven and significant risks may go unexposed until deployment and actual use.

We are making several recommendations to the Secretary of Defense that will, if implemented, strengthen the quality and usefulness of test planning, overcome the organizational

issues, improve the priority and funding issues, and better identify the problems involved in providing adequate intelligence support to the test and evaluation community.

In our review of Army test and evaluation agencies, we are concentrating on how their contribution can be enhanced through more comprehensive operational evaluations. We are finding in our review that evaluators of test results are not adequately addressing the impact of fielding a system with the shortcomings found in testing. We believe that better integration and focus of the many Army test and analysis agencies could set the stage for providing adequate operational evaluators.

Finally, we plan to initiate an assignment concerning the effectiveness of current test and evaluation being performed on weapon systems in light of the recent DOD initiatives to improve the weapons acquisition process. Our concern is that required test and evaluation may be reduced because of the desire by DOD and others to shorten the time it takes for a weapon system to be developed, produced, and deployed.

REVIEW OF THE TRANSITION OF WEAPON SYSTEMS INTO PRODUCTION

In October 1981, the Comptroller General testified before this Committee on a report we had just completed on the procurement profiles of 14 major Army weapon systems. Our analysis showed a clear pattern of production cost increases in those systems in production long enough to deliver units to the field. We believe that the cost growth attendant to beginning production goes beyond cost estimating problems. Consequently, we have begun a DOD-wide review to identify the root causes behind production startup problems.

We are looking at six major weapon systems, two from each service--the Army's Black Hawk helicopter and Copperhead projectile, the Navy's HARM and Tomahawk missiles, and the Air Force's Air-Launched Cruise Missile and F-16 aircraft. We are getting early indications that production startup problems, such as high-labor hours, excessive rework, and longer machining times can, in large part, be traced to the adequacy of production planning efforts while the systems were still in development. It would seem that for systems to have a smoother transition into production, production planning must begin early in engineering development, producibility efforts must go beyond studies into actual hardware, and high-

technology processes and inspection equipment required by high-technology items must be developed in parallel with the end item. These factors become more critical when the technology involved is more complex and the contractors involved are less experienced.

Ultimately, we would like to be able to make specific recommendations directed at the basic problems associated with making the transition to production rather than at external symptoms such as cost growth and schedule slippage. We plan to complete the fieldwork on this review by the summer and hope to issue a report in early fall.

JOINT SYSTEM ACQUISITION

Mr. Chairman, you expressed interest in our review of joint system acquisitions by the military services in a letter to the Comptroller General last March.

Many joint programs have been directed by the Congress and the Secretary of Defense over the past 20 years or so (the services seldom get together on their own). The intent has been to curb duplicative systems by joint development, joint procurement, and joint logistics and support; in other words, collaboration through the entire acquisition process. The

idea is attractive but joint major system programs have been extremely difficult to carry out.

What the Congress and Defense Secretaries have wanted in ordering program mergers, we believe, is substantial commonality in fielded systems, reasonably satisfied participating services, and real visible savings.

Some successes in standardizing on component parts and in interservice buying of finished systems have been made. Notably, the Air Force was directed to buy the Navy's F-4 aircraft and the Sparrow and Sidewinder missiles, and these procurements worked out well. But our review of joint acquisitions, that is, joint development and procurement, has indicated no successes so far. Most eventually split up into single-service programs. There is no penalty if a service elects to drop out of a partnership.

The findings of our review, now nearly complete, parallel those mentioned in your letter to the Comptroller General. Some mergers have been ill-timed, or in retrospect, ill-chosen. The services are wary of joint ventures and their outcomes and are reluctant to participate. There are basic interservice differences which are difficult to overcome.

Each service with its individuality, traditions, and unique combat experience believes sincerely that its concept of a new aircraft or missile will be best for the Nation and mission and is strongly against compromise. There are also marked differences in service doctrine, operation, logistics, and procedures which tend to diversify system designs. Many of these interservice differences may be hard to fault individually. The trouble is that there is no "military court of appeals" to rule on conflicting doctrinal and requirements claims, or for that matter, to recommend diversity if that is the more prudent military course.

When joint acquisitions are ordered, the number one problem is getting agreement on joint requirements, especially difficult when doctrinal differences are high. Agreement is still more elusive when one of the systems is well into development with a "hardened" design, contracts in place, and a constituency formed. The second service can exert very little leverage for its more immature concept. Eventually, a service is likely to withdraw from such a venture.

We believe that joint programs can work out if (1) essential service doctrines will not be unduly compromised, (2) the programs are not too far down the development road at merger time, (3) military effectiveness will not be unduly lessened,

(4) the possibilities of savings are persuasive, and (5) there is conspicious support by the Congress, the Office of the Secretary of Defense, and the Joint Chiefs of Staff.

We also believe that there is a better likelihood for success under the following:

--One way to encourage the joint acquisition strategy would be to deny funds to services which seek to withdraw from approved joint programs and pursue their own individual designs.

--Another way would be to capitalize on productive interservice rivalry by encouraging the prospective service partners to compete their rival system concepts in early development and collaborate on completing the best choice.

DEFENSE ACQUISITION IMPROVEMENT PROGRAM

In 1981 DOD adopted a comprehensive plan to implement some 32 specific management initiatives directed toward reducing costs, stabilizing acquisition time, and improving the overall acquisition process. The January 1982 status

report on implementing the initiatives was excellent; however, the July 1982 report was not as comprehensive. Another report is planned for April or May 1983. DOD has stated that its efforts this year are directed toward working level implementation. We have been and will continue to monitor their progress.

I will discuss today two of the initiatives--efforts to amend Cost Accounting Standard 409 and multiyear contracting.

Initiative number 5 which encourages defense contractors to invest in capital assets and to increase productivity is of special concern to GAO. It sets forth eight actions, each of which is designed to provide increased profits and/or increased cash flow for defense contractors. Each of these suggested actions involves a significant element in the procurement system. We believe that it is necessary that each be more precisely defined before further work on implementing the actions is performed. This added definition is necessary to quantify what effect each proposed action might have on the defense budget. DOD's failure to quantify any of the eight recommended actions raises serious questions. We are especially concerned with the potential cost impact to the federal budget if all eight actions were to be implemented simultaneously.

Part of this initiative is to seek amendment or repeal of Cost Accounting Standard 409, "Depreciation of Tangible Capital Assets," to permit more rapid capital equipment depreciation and to recognize replacement depreciation costs. In testimony before your Committee on October 21, 1981, we expressed concerns regarding this initiative. After that time, we undertook a study to determine what the cost impact might be to the federal budget if it was implemented. The preliminary phase of our study has been completed. In that phase, we obtained actual depreciation data from seven contractor segments. It is estimated that if it is implemented fully as set forth in the document published by DOD on September 7, 1981, it could have a significant effect on the federal budget. Since conditions similar to those we examined at seven contractor segments exist at over 1,100 other contractor segments, the industry-wide effect of implementing this initiative could be prohibitive. To establish a defense industry-wide dollar impact, we are obtaining depreciation data from a large number of defense contractors. We believe this data will allow us to draw more definite conclusions as to the total effect implementing this part of initiative 5 could have on the federal budget.

Our preliminary studies of this area have confirmed the statements we have previously made to the Committee that Cost Accounting Standard 409 is closely interrelated to Cost Accounting Standard 414, "Cost of Money as an Element of the Cost of Facilities Capital," and the DOD profit policy. An amendment to Cost Accounting Standard 409, without corresponding review of these interrelated regulations and Cost Accounting Standards, should be avoided. GAO will continue to assess the cost impact of this initiative by considering related Cost Accounting Standards, procurement regulations, and DOD profit policy.

GAO has long maintained that multiyear contracting, initiative Number 3, can be a viable acquisition method for reducing defense procurement costs, and we encouraged passage of Public Law 97-86 which enhanced DOD's multiyear contracting authority. We believe that multiyear contracting could increase competition by allowing potential suppliers to write off up-front costs (e.g., start up, new equipment, etc.) over a larger production run, as well as provide a more stable business base from which more orderly production planning and execution could flow. Also, our studies of non major weapon system multiyear contracts showed that savings do in fact exist when multiyear contracting is combined with competition. We maintain, however, that multiyear contracting

for major weapon systems is a separate issue and have cautioned that DOD proceed slowly until we understand all of its subtleties.

We believe the $36 billion that DOD has thus far proposed to the Congress for major weapon system multiyear contracting is not consistent with our caution. For example, DOD's fiscal year 1984 request of about $23 billion for seven major weapon systems represents a four-fold increase over its fiscal year 1982 requests, the first year under the expanded authority. The first executed major weapon systems contract is only in the first year of its 3-year production period and the second proposed major fiscal year 1982 multiyear contract--for the F-16 aircraft--had not been signed when the fiscal year 1984 proposals were made.

GAO's April 29, and September 13, 1982, analyses of DOD's projects proposed for multiyear contracting in fiscal year 1983 raised a number of concerns about (1) the accuracy and validity of the cost savings estimates and whether savings are commensurate with risks, (2) the application of the criteria for identifying programs most suitable for multiyear contracting, and (3) the effects of multiyear contracting on DOD and overall government budgets and whether the Congress' budgeting flexibility is being unduly restricted due to the use of multiyear contracting.

One change in the enhanced authority, which has a significant impact on the claimed savings under multiyear contracting, is the opportunity for DOD contractors to buy materials and produce in economic order quantities. To achieve these savings, it is necessary to spend significant sums of money earlier under the multiyear contracts than would have been the case under annual contracts.

DOD claims the projected difference in total obligational authority required for annual contracts and the multiyear contract is a savings. We disagree. DOD's claimed total obligational savings does not reflect the cost of borrowing associated with accelerated expenditure of funds under multiyear contracting. This is not a DOD budget cost but it is a real cost to the government. The difference between expenditures under the multiyear and annual contract methods must be discounted to present value to determine the savings.

When GAO discounted the 11 proposed fiscal year 1983 multiyear contract candidates, DOD's claimed savings of $657.9 million, representing an 8.6 percent savings over annual contracting, was reduced to a potential savings of $177.8 million, or 2.3 percent. Another more difficult savings offset to quantify is the cost of deferred tax revenues for

those contractors using the completed contract method of accounting. This practice allows deferral of payment of Federal Income Taxes for longer periods of time under a multiyear contract than would be available under successive annual contracts. Quantification of the effect of deferred taxes would require specific knowledge of the contractors total business which is not readily available.

Another major issue we had with the fiscal year 1983 projected savings is that they were all based upon budgetary estimates and not firm contractor proposals. We believe that adequately evaluated contractor proposals under both contracting methods is the minimum required to achieve a reasonable level of confidence in projected savings.

DOD has been directed by the House Appropriations Committee, Subcommittee on Defense, to obtain cost proposals both on a multiyear contract basis and on an annual contract basis with option prices for successive years on quantities comparable to those in the multiyear proposal. We believe such data, objectively evaluated, would provide a reasonable basis for projecting savings. However, it would not disclose the offset to savings for lost Federal Income Tax revenues for multiyear contracts awarded to contractors using the completed contract method of accounting.

The fiscal year 1984 B-1B multiyear contract proposal is of particular concern because this is a concurrent development and production program. The first of the 100 planned weapon systems has yet to be delivered. In September 1982, we reported that the projected cost savings were based on a methodology we considered very unreliable, and that discounting had not been used to consider the time value of money. We also questioned whether two criteria of Public Law 97-86, design stability and degree of cost confidence, could be met since the B-1B weapon system is barely into production and firm contractor cost proposals on annual and multiyear contract basis had not been obtained. There has been high congressional interest in the B-1B weapon system and we recommend continued attention. GAO is in the process of obtaining from the Air Force the detailed support as to how the Air Force met the legislative criteria for the multibillion dollar proposal for the system's multiyear contracts.

We are also concerned that while we are focusing on the issue of the potential of individual candidates for multiyear contracting that we may loose sight of the cumulative inflexibility that is being built into outyear DOD expenditure budgets. Attachment II to this testimony displays the cumulative impact to future DOD expenditure budgets as a result of the multiyear procurement currently proposed by DOD.

We believe this should be emphasized because it is the expenditure budget that must be primarily looked at to curb deficits in the short run. If it becomes necessary to slow down or stretch out major weapon systems under a multiyear contract, it will reopen the terms and conditions of the contract and we are faced with a very complex restructuring of the contract for the convenience of the government. This may also be looked upon as the program stability issue. If expenditures must be cut, do we destabilize a few larger programs or many smaller ones? Multiyear contracts could exacerbate the decision.

GAO intends to closely monitor DOD's efforts to use multiyear contracting on major weapon systems and, at the request of the Chairmen, Subcommittee on Defense, House Appropriations Committee and Senate Appropriations Committee, is currently assessing the proposed fiscal year 1984 candidates and is conducting an in-depth case study of the Blackhawk helicopter airframe multiyear contract.

EXECUTIVE ORDER 12352

Before closing, I would like to discuss the most recent procurement reform initiative affecting DOD--Executive Order

12352, dated March 1982. It mandates that each agency (1) simplify the procurement process, (2) develop a professional work force, (3) increase competition, and (4) perhaps most important of all, strengthen management of the entire system. Except for one aspect of this Executive order, its implementation is still in the design stage. The one aspect which is supposed to be operational is the establishment in each agency of a Procurement Executive with the responsibilities and accountability for developing and operating agency procurement systems. While the Office of the Secretary of Defense did appoint such a Procurement Executive some eight months ago, it has not chartered this Executive with the responsibilities contained in the Executive order and in a model which the Office of Management and Budget suggested to agencies. As a consequence, neither that Office nor the military services have the management structure and responsibilities in place to effect the reforms or to be held accountable.

The effect of Executive Order 12352 is that each agency head has a presidential mandate to reform its procurement systems. The Executive order charges the Office of Management and Budget and the Office of Federal Procurement Policy jointly with the agency heads to provide the leadership, policy guidance, and coordination necessary to achieve this

reform. Formerly, senior procurement officials of the agencies were preoccupied with policy and regulatory-making duties and not overall system concerns, such as an overly complicated procurement process or an underdeveloped work force or limited competition. Under the Executive order, each agency head is expected to charter a Procurement Executive to deal with complete system responsibilities.

An interagency task group was charged with developing a Procurement Executive model charter. The charter identifies the appropriate placement of the Procurement Executives, sets out primary duties and responsibilities, and lists those system-level functions appropriate for delegation. The charter was sanctioned by the executive committee on which DOD is represented. The Director, Office of Management and Budget, sent this model charter to the heads of the executive agencies requesting that it be adopted directly, or with modification, but stipulating that the agency's charter must remain consistent with the purpose and scope of the Executive order.

DOD responded to the Executive order with a June 30, 1982, letter to the Deputy Director, Office of Management and Budget, stating that the Under Secretary of Defense for Research and Engineering is the Procurement Executive for DOD.

DOD's response to the model charter is that the responsibilities to be delegated to the Procurement Executive are included in existing DOD directives. However, the directives referred to by DOD were prepared for other purposes and do not contain the clear mandates of the Executive order or the responsibilities set forth in the model charter. We believe DOD should publish a comprehensive charter for its Procurement Executive so that his role and responsibilities will be clear to everyone.

Further, absent a clear charter containing the central features of the Executive order's mandates, the Procurement Executive is a title without substance.

Finally, a new DOD charter is required to simplify the delegation process. One key aspect of the Executive order and the model charter is that the authority and responsibility of the Procurement Executive at agency level be delegated to lower levels within the agency. The purpose of this is to achieve reforms at the lower levels in organizations where the operations take place and the real management is done. The present collection of "delegations" of authority to the DOD Procurement Executive do not lend themselves well to delegation to the lower levels. A new charter would be both an effective vehicle for providing a single focus for procurement authority, but also for the delegation of this

authority and strengthening of procurement officials at operating levels.

Mr. Chairman, this concludes my prepared statement, I would be pleased to respond to any questions you or the other members of the Committee may have.

ISSUES ASSOCIATED WITH SELECTED MAJOR WEAPON SYSTEM PROGRAMS

	SYSTEM EFFECTIVENESS					PROGRAM ACQUISITION									
	OPERATIONAL PERFORMANCE LIMITATIONS	LOGISTICS SUPPORT	OPERATIONAL REQUIREMENTS	RELIABILITY MAINTAINABILITY AVAILABILITY	FORCE LEVEL REQUIREMENTS	AFFORDABILITY	TECHNICAL RISK	COST EFFECTIVENESS	INCOMPLETE DATA REPORTING	ADEQUACY OF TESTING	PROGRAM MANAGEMENT	PROGRAM CONCURRENCY	TIMELINESS	PRODUCTION READINESS
ARMY PROGRAMS															
AH-64 HELICOPTER/HELLFIRE MISSILE		•			•	•						•		•
SGT. YORK (DIVAD)		•								•	•			
ARMY HELICOPTER IMPROVEMENT PROGRAM	•					•	•							
PATRIOT	•	•				•				•	•			
STINGER POST	•													•
NAVY PROGRAMS															
RAPIDLY DEPLOYABLE SURVEILLANCE SYSTEM	•					•	•	•			•			
S-3A				•	•									
CG-47 CRUISER AND DDG-51 DESTROYER	•		•			•				•				
AIR FORCE PROGRAMS															
ANTISATELLITE PROGRAM			•			•		•						
OVER-THE-HORIZON BACKSCATTER RADAR SYSTEM			•					○				•		
WIDE AREA ANTIARMOR MUNITIONS	•		•			•	•							
JOINT PROGRAMS															
ADVANCED MEDIUM RANGE AIR TO AIR MISSILE			•			•			•	•	•	•		
LIGHT ARMORED VEHICLE			•		•	•			•	•			•	

ATTACHMENT II

ATTACHMENT II

CUMULATIVE IMPACT OF DOD'S PROPOSED MAJOR WEAPON SYSTEM MULTIYEAR CONTRACTS ON OUT-YEAR EXPENDITURE BUDGETS

Fiscal year	82	83	84	85	86	87	88	89	To complete
	(millions)								
1982	$548	$ 838	$ 1,144	$1,067	$ 834	$ 307	$ 211	$ 239	$ 75
1983	26	613	981	1,639	1,889	1,194	893	755	512
Cumulative	574	1,451	2,125	2,706	2,723	1,501	1,104	994	587
1984	-	314	1,902	3,829	5,169	5,261	3,446	1,639	1,005
Cumulative	$574	$1,765	$4,027	$6,535	$7,892	$6,762	$4,550	$2,633	$1,592

Source: FY 1984 DOD Justification Packages for Multiyear Candidates. FY 1982 and 1983 Multiyear Candidates' Expenditure Streams obtained at the August 4, 1982, House Appropriations Committee, Subcommittee on Defense Hearings.