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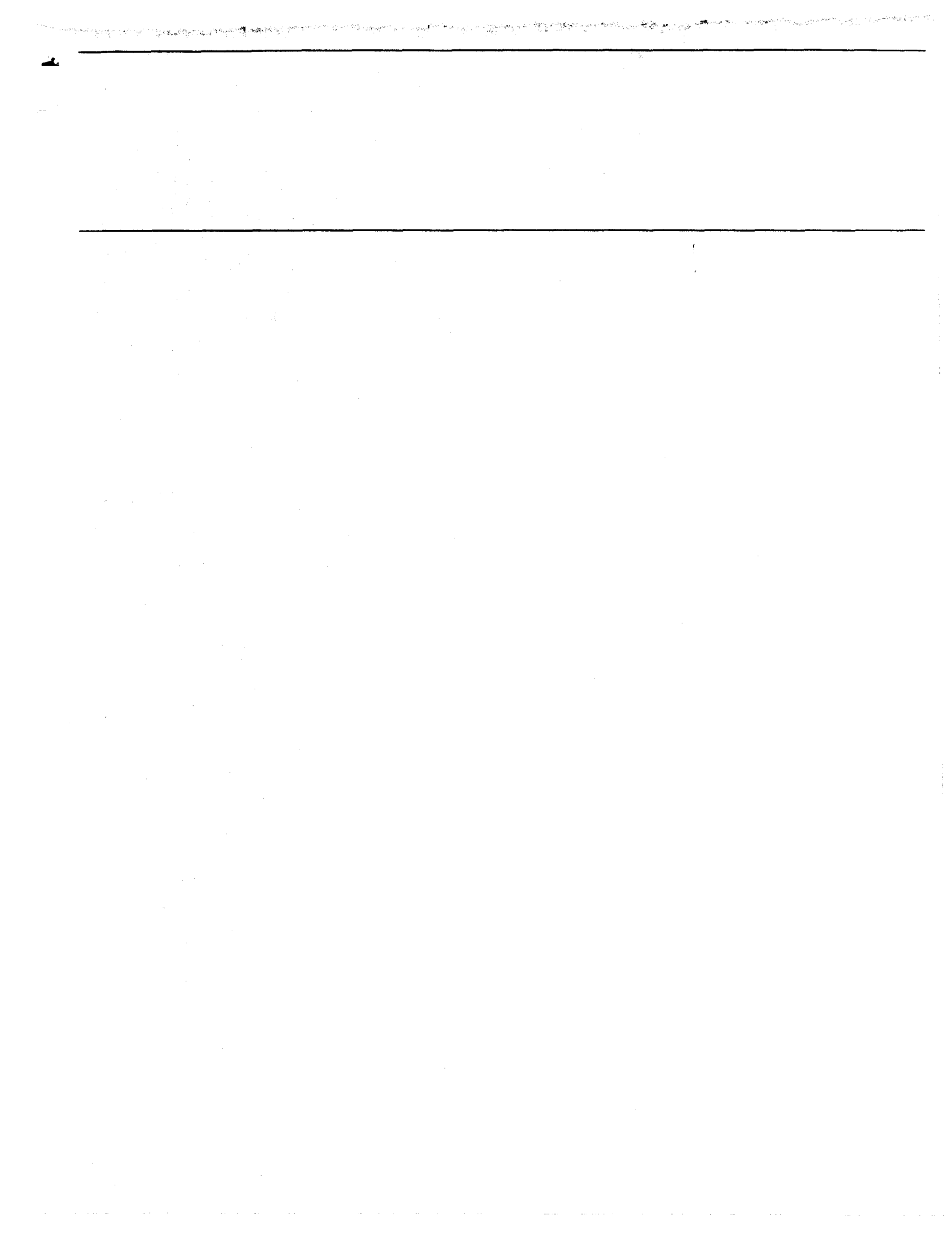
Report to the Chairman, Subcommittee on
Investigations, Committee on Armed
Services, House of Representatives

June 1989

**ACQUISITION
REFORM**

**Military Departments'
Response to the
Reorganization Act**







United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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June 1, 1989

The Honorable Nicholas Mavroules
Chairman, Subcommittee on
Investigations
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This report responds to the February 10, 1988, request from the former Chairman, Subcommittee on Investigations, Committee on Armed Services, the Honorable Bill Nichols, that we review each military department's reorganization of its acquisition management structure to assess whether the reorganization satisfied the requirements and objectives of the Reorganization Act and the effect on civilian control.

As arranged with your office, we plan no further distribution of this report until 30 days from its issue date, unless you release its contents earlier. At that time, we will send copies to interested committees and other Members of Congress; the Secretaries of Defense, the Army, Navy, and Air Force; and the Director of the Office of Management and Budget. We will also make copies available to other parties upon request.

This report was prepared under the direction of Louis J. Rodrigues, Director, Logistics Issues. Other major contributors are listed in appendix II.

Sincerely yours,

A handwritten signature in cursive script that reads 'Frank C. Conahan'.

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

In response to the Goldwater-Nichols Department of Defense (DOD) Reorganization Act of 1986, the military departments reorganized their headquarters acquisition management structures. This reorganization was intended to strengthen civilian control over the acquisition process and reduce layering and duplication within the headquarters.

The Chairman, Subcommittee on Investigations, House Committee on Armed Services, asked GAO to assess (1) whether the reorganizations satisfied the requirements and objectives of the act, (2) the roles of the military staffs in the acquisition process, and (3) the changes in the civilian/military balance within the acquisition organizations.

Background

A primary purpose of the Reorganization Act was to strengthen civilian control over functions that are either civilian in nature or key to effective civilian control. The act required the military departments to designate a single office or entity in each secretariat to conduct acquisition functions to eliminate the parallel or duplicate acquisition offices that had existed in both the secretariats and the services' chief of staff organizations.

Results in Brief

The Reorganization Act is succeeding in its goal of strengthening civilian control. Secretariat officials are now responsible for most acquisition functions. Their day-to-day involvement in the conduct of the acquisition function has increased, particularly in the Army and the Air Force. However, the extent of independent program expertise residing within the secretariats remains a concern in all three military departments because it is a significant element of strengthening civilian control.

GAO is concerned that the Air Force and Navy reorganizations do not comply with the requirements of the act to designate a single office or other entity in the secretariat to conduct the acquisition function. In both military departments, acquisition functions are not conducted by a single office or entity. Two assistant secretaries participate in acquisition functions in the Air Force. The Navy organization assigns the acquisition responsibility to the under secretary and two assistant secretaries.

Career civilians hold senior leadership positions in the Army and Navy acquisition secretariats. In the Air Force, military officers dominate the leadership positions in the acquisition secretariat.

GAO's Analysis

Army Reorganization

The Army undertook the most extensive restructuring of its headquarters acquisition activities, integrating the functions and staff from the former secretariat and Army Staff acquisition organizations into a new office headed by the under secretary of the Army. As a result of the reorganization, the acquisition management structure of the Army has changed significantly. The Army Acquisition Executive is now supported by a staff of 421, including the Office of the Assistant Secretary for Research, Development and Acquisition, compared to 37 prior to the reorganization. Senior leadership positions are filled by a mix of career civilians and military officers.

As part of its reorganization, the Army eliminated the Department of the Army systems coordinators, who served as the Army headquarters focal points for coordinating all actions for specific weapon system programs. Some of these coordination functions have, at times, been assumed by personnel in the chief of staff organization. GAO is concerned that this may ultimately result in program expertise migrating to the chief of staff organization, which would detract from the Reorganization Act's objective of strengthening civilian control. GAO believes that the organizational structure supporting the service secretary should ensure that the secretary has direct access to information needed to exercise control over the acquisition organization.

Air Force Reorganization

The Air Force merged the chief of staff acquisition office with the secretariat acquisition office and designated the assistant secretary as the head of this structure. The assistant secretary oversees a staff of 320, as compared to 38 in the previous secretariat acquisition organization. Military officers dominate the leadership positions in the reorganized structure.

Responsibility for certain acquisition functions was assigned to the assistant secretary for readiness support rather than the secretariat acquisition organization. GAO believes that assigning some acquisition functions to another assistant secretary does not comply with the requirements of the act to create a single office or entity within the secretariat.

The Air Force headquarters focal points for coordinating actions on programs are called program element monitors. The reorganization resulted in the transfer of these program element monitors from the chief of staff organization to the acquisition secretariat. However, program element monitors for logistics and communications programs remain in the chief of staff organization, which limits the Secretary's direct access to information for these programs.

Navy Reorganization

The Navy made less extensive changes, although more substantial realignments were made at the Marine Corps headquarters. The under secretary of the Navy was appointed the Navy Acquisition Executive. The assistant secretaries for research, engineering and systems and shipbuilding and logistics also share significant acquisition responsibilities.

The major organizational change taken in response to title V was the transfer of staff from the chief of naval operations research and development office to the staff of the assistant secretary for research, engineering and systems. However, a planned staff restructuring of the assistant secretary's office to accommodate this was still in process at the time of GAO's review. As a result of this transfer, the acquisition secretariat staff was to be augmented by 64, bringing the total to 342 staff. Civilians dominate the leadership positions in the acquisition organization.

GAO believes that the Navy's reorganized structure does not consolidate acquisition authority into one office or entity because it assigns acquisition responsibilities to the under secretary and the two assistant secretaries. In GAO's view, title V does not authorize more than one office in the civilian secretariat to participate in the acquisition function.

Program coordinators on the chief of naval operations staff serve as the headquarters focal points for programs and interact with secretariat as well as chief of naval operations staff. GAO is concerned that the program expertise resides on the chief of naval operations staff, which detracts from the goal of strengthening civilian control over the acquisition process.

The Marine Corps made substantial realignments as a result of the Reorganization Act, most notably creating a new Research, Development and Acquisition Command outside of Marine Corps headquarters. A small number of staff is expected to be transferred to the Navy secretariat

acquisition organization. The transfer will bring the Marine Corps organization into compliance with the requirements of the Reorganization Act.

Recommendations

GAO recommends that

- the Secretaries of the Navy and Air Force take actions to bring their organizations into compliance with the single office requirements of title V, and
- the Secretaries of the Army, Navy, and Air Force take actions to ensure that a sufficient level of program expertise resides within the acquisition secretariat.

Agency Comments

DOD stated that GAO's report raises significant policy issues regarding compliance with the Reorganization Act (see app. I). However, because a presidentially directed defense management review is currently underway, DOD believes a comprehensive response to this report would be premature. DOD said it will provide a detailed response to the final report when it is likely that the management review will be at or near completion. DOD also stated that GAO's findings and recommendations were receiving the highest level of review in the services and the Office of the Secretary of Defense.

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Abbreviations

CNO	Chief of Naval Operations
DOD	Department of Defense
GAO	General Accounting Office

Introduction

In recent years there has been considerable discussion about the defense acquisition structure and process. This discussion has concerned the military departments' effectiveness in facilitating the research and development, testing and evaluation, and production of required military systems, equipment items, and materiel. Numerous defense acquisition reviews have resulted in reports and legislation addressing aspects of defense acquisition and recommending various actions designed to improve the process. A key piece of legislation addressing the defense acquisition process is the Goldwater-Nichols Department of Defense (DOD) Reorganization Act of 1986 (P.L. 99-433), which required a reorganization of the military departments' acquisition function as well as research and development.

Defense Reorganization Act and the Concept of Civilian Control

The Reorganization Act is said to be the most far-reaching legislation affecting DOD's organization since the Defense Reorganization Act of 1958. Two of the major purposes of the 1986 act were to (1) strengthen civilian authority and (2) improve the military advice provided to the President, National Security Council, and Secretary of Defense. Title V of the Reorganization Act required the military departments to designate a single office or other entity in each secretariat to conduct the acquisition function.¹ Prior to the act, the services often had offices in both the secretariat and the military staff organizations that had responsibilities for the headquarters management of this function. The act sought to eliminate parallel or duplicate organizations that might have existed in the service secretariats and military staff offices. Furthermore, the Congress sought to strengthen civilian control by placing the single acquisition office in the secretariats.

Additionally, title V of the Reorganization Act established similar requirements for the research and development function, which is generally regarded as part of the acquisition function. Although this function is also to be the sole responsibility of an office or entity in the secretariat, the service secretaries can assign responsibility to the military chiefs for those aspects of research and development concerning military requirements and test and evaluation.

¹Title V required a single office or other entity in each secretariat for seven functions: acquisition, comptroller (financial management), auditing, information management, inspector general, legislative affairs, and public affairs. These functions are considered to be civilian in nature or key to effective civilian control. Reorganization of the financial management function is discussed in *Financial Management: Military Departments' Response to the Reorganization Act* (GAO/NSIAD-89-49, Feb. 9, 1989).

Reorganization Act Changes Structure Supporting Service Secretariats

The Reorganization Act sought to change the structure that supports service secretaries. Under secretaries and assistant secretaries who are charged with oversight of key defense functions and activities continue to support the secretaries. Before the reorganization, a small staff of primarily civilians helped assistant secretaries in their oversight role. However, title V essentially called for the merger of this staff with the much larger staffs that reported to the services' principal military leaders (the chiefs of staff in the Army and Air Force, the chief of naval operations, and the commandant of the Marine Corps) and who were responsible for functional program execution—the day-to-day management of the acquisition, financial, and other functions specified in the act.

Title V required that each of the secretaries (1) have sole responsibility for these functions within the secretariat, (2) establish or designate a single office or entity in each secretariat to conduct the specified functions, and (3) prescribe the relationships of each office responsible for the specified functions to the service chiefs and ensure that the office provides the chiefs the support they need to perform their duties and responsibilities. Title V also stated that the respective military headquarters offices may provide advice or assistance to the service chiefs with respect to the seven covered functions or may otherwise participate in carrying out a function under the direction of the office in the secretariat assigned responsibility for that function. The services were to have completed the reorganizations by March 28, 1987, and provided a report to the Congress on the actions taken to implement the required changes by April 27, 1987.

Civilian Control and the Role of Career Civilians

The principle of civilian control over the military is reflected in the Constitution, which establishes the President as the Commander in Chief of the Armed Forces and provides that the Congress raise armies, declare war, and control appropriations. This emphasis on civilian control is embodied in legislation that requires that many of the key offices in DOD and the military services be filled by civilian personnel appointed by the President and confirmed by the Senate. Thus, the key elements of civilian control include the Congress, the President, the Secretary of Defense, and the service secretaries, as well as the under secretaries and assistant secretaries that support these officials.

Legislation does not, however, establish that civilians head all key offices in the Office of the Secretary of Defense and the offices of the services secretaries. Neither does such legislation specify the ratio of

professional civilian to military personnel who serve in each element of these offices.

Since the Reorganization Act of 1958, the military departments evolved into two main offices—the offices of the service secretary and the chief of staff. The role of the secretariat was essentially to exercise civilian control by establishing broad policy and exercising oversight of the activities of the military staff (i.e., the staffs of the service chiefs) and the various service commands and agencies.

Traditionally, the military acquisition staffs (1) formulated policy and acquisition program proposals based on military expertise for review and approval by the secretariat and (2) translated the broad policy decisions of the civilian leadership into specific directives for the services' field activities to implement. The military headquarters acquisition staffs also had normally executed the services' overall acquisition program. In contrast, the acquisition secretariats were comprised primarily of career civilians.

Overview of Defense Acquisition

The acquisition mission of DOD is to contract for and oversee the development and production of weapon systems, other equipment items, and services required to accomplish approved military goals and objectives. Weapon systems, the major products of the defense industry, generally refer to such technically complex items as aircraft, missiles, ships, and tanks.

The acquisition of a weapon system may be considered a three-stage process—development, including planning, research, testing and evaluation; production, including quality control and manufacturing; and support, including acquiring replenishment spares and other equipment and equipment modifications. DOD describes the acquisition process as proceeding through a series of management decision points as a system proceeds from a specific requirement to concept exploration, demonstration and validation, full-scale development, production, and finally, deployment and support.

Accomplishing this process requires involvement of various DOD offices, such as the Office of the Secretary of Defense, the service headquarters, major command headquarters, major subordinate commands, individual laboratories, and other supporting activities, as well as tens of thousands of prime contractors and hundreds of thousands of suppliers and subcontractors.

Recent Initiatives Restructuring Defense Acquisition

The Reorganization Act came at a time of ongoing reform and change in the acquisition process. Many of these reforms emanated from the President's Blue Ribbon Commission on Defense Management (the Packard Commission). The Reorganization Act was seen as complementing the Commission's recommendations.

DOD implemented the Packard Commission recommendations in DOD Directive 5000.1, dated September 1, 1987. This directive established the position of Service Acquisition Executive, with the authority, responsibility, and accountability for acquisition program management and execution. It further directed that the military departments establish a streamlined acquisition structure for major defense acquisition programs. This streamlined acquisition structure was to be three-tiered, as recommended by the Packard Commission, with program managers reporting to the program executive officers, who report directly to and receive direction from the Service Acquisition Executive. It also specified that each Service Acquisition Executive would also serve as the Senior Procurement Executive.

The position of Senior Procurement Executive was created in 1983, when Congress amended the Office of Federal Procurement Policy Act to strengthen the federal government's procurement system. The amendments (41 U.S.C. 414(3)) specified that the Senior Procurement Executive "shall be responsible for the management direction" of the agency's procurement system, "including implementation of the unique procurement policies, regulations, and standards of the executive agency."

Subsequent legislation assigned certain responsibilities to the Senior Procurement Executive. Under 10 U.S.C. 2304(f)(1)(B)(iii), the approval of the Senior Procurement Executive is required for justifications for other than competitive procedures for contracts exceeding \$10 million. Also, for selected acquisition programs (known as defense enterprise programs), the Congress required that DOD use the three-tier management structure recommended by the Packard Commission (10 U.S.C. 2436(c)). This legislation required that these program executive officers report to the Senior Procurement Executive. As noted above, DOD Directive 5000.1 provided that the Senior Procurement Executive would also serve as the Service Acquisition Executive.

Objectives, Scope, and Methodology

The objectives of our review were to determine the status of the military services' acquisition reorganization initiatives and to assess whether the restructuring of the acquisition management function in the departments' headquarters meets the requirements and objectives of the Reorganization Act, including the objective of strengthening civilian control. We also reviewed the (1) differences in the approaches adopted by military departments in their acquisition reorganization, including their approach to the three-tier management system recommended by the Packard Commission, (2) current role of military staffs in the acquisition function, and (3) changes in the civilian/military balance within the acquisition organizations.

For purposes of this review, we used the broad definition of acquisition included in the Federal Acquisition Regulation and in DOD acquisition regulations. The scope of activities we examined at the service headquarters using this concept included the formulation of research and development and procurement programs and budgets, including communications and computer equipment, and other support equipment.

The Reorganization Act included language defining research and development as a separate function and specified that the service secretaries could assign the military staff those aspects of research and development that relate to military requirements and test and evaluation. Additionally, the Conference Report said that even though acquisition is an appropriate secretariat-level function, logistics, which it defined as supplying, servicing, and maintaining, should be conducted by the military staffs. For the purposes of our review, we treated research and development and procurement-related logistics activities as part of acquisition.² Research and development is usually regarded as part of acquisition, and the act's requirements for the acquisition and research and development functions are similar.

We reviewed the legislative history of the act and the departments' implementing instructions and activities and discussed the ongoing implementation with responsible military and civilian participants. To understand the operations of the offices involved, we met with civilian and military officials who held senior-level positions before and after the reorganization. To assess the impact on civilian control, we looked at changes in the day-to-day involvement of the under secretaries and

²Procurement-related logistics refers to acquisition of material that includes ammunition and support equipment funded with the Other Procurement Appropriations 1 and 3 accounts (e.g., cranes, forklifts, trucks, generators, helmets, and tents) and supervising supportability and sustainability of weapon systems.

assistant secretaries (when designated the Service Acquisition Executive) in the acquisition process as well as the extent to which program expertise had been centralized in the acquisition secretariat. We also reviewed recent acquisition program milestone decisions for several weapon systems in each service to clarify the role of and to determine how the service acquisition organizations and other headquarters activities participated in this key acquisition management function. In addition, we obtained data on the civilian/military personnel composition of the acquisition management function, traced the information flow of routine headquarters paperwork, analyzed mission and function statements of the various activities, and obtained available documentation regarding the responsibilities of military and civilian employees within these organizations. Finally, we obtained legal opinions from each of the military departments regarding compliance with the requirements of the act.

We performed our work from April to October 1988 in accordance with generally accepted government auditing standards.

Army Has Made Significant Changes in Its Acquisition Management Structure

The Army has restructured its headquarters acquisition organizations, and designated the under secretary as the Army Acquisition Executive. The Offices of the Assistant Secretary for Research, Development and Acquisition and the former Army Staff¹ organization responsible for information systems form the Office of the Army Acquisition Executive. The three primary organizations who were responsible for acquisition management activities for most Army systems and equipment—one in the Army secretariat and two in the Army Staff—now form the new Office of the Assistant Secretary for Research, Development and Acquisition. The assistant secretary provides the primary staff support to the Army Acquisition Executive in conducting the acquisition function.

The primary goal of the Army's reorganization was to enhance civilian control in the acquisition organization. This goal was accomplished in several ways. First, the Army Acquisition Executive has direct management responsibility for the headquarters Army acquisition staff and is involved in day-to-day Army headquarters acquisition management activities. Second, career civilians now have key leadership roles within the reorganized secretariat for procurement, programming and budgeting, and program evaluation activities. Third, the Army established a three-tier acquisition management reporting chain headed by the Army Acquisition Executive that encompasses both major and nonmajor acquisition programs. Even though the reorganized Army acquisition secretariat is now in place, the effect of these changes is not fully known. For example, questions remain regarding the responsibilities and activities of the Army Materiel Command and its subordinate commodity commands. Additionally, the roles of some headquarters and program executive office staff have yet to be defined.

Overview of Army Acquisition

The Army acquisition function provides all the weapons, equipment, and other materiel required by Army forces. The Army estimates that the Army research and development and procurement budgets will be used for funding about 600 different programs. These programs include procuring new attack helicopters, modifying the Army's main battle tank, developing and procuring a new tactical air operations center, and assessing the health hazards of Army materiel systems.

The Army's principal buying activity is the Army Materiel Command with headquarters at Alexandria, Virginia. The Command includes six major subordinate commands referred to as commodity commands.

¹The Office of the Chief of Staff of the Army is referred to as the Army Staff.

Acquisition program offices within the commodity commands serve as the focal points for conducting the acquisition program.

Army Acquisition Structure Prior to Reorganization

Prior to the reorganization, Army headquarters acquisition management activities were conducted in the secretariat as well as in several military staff organizations. In the secretariat, the assistant secretary for research, development and acquisition and his staff of 36 were responsible for overseeing acquisition policy and management functions. The assistant secretary also served as the Army's acquisition executive and Senior Procurement Executive. The office was organized into three functional areas: acquisition, requirements and programs, and systems management, each headed by a deputy assistant secretary.

The deputy chief of staff for research, development and acquisition and his staff were responsible for executing the Army's overall acquisition program and serving as program advocates for Army systems in the development and defense of the Army budget. The office was organized into five functional directorates—systems evaluation and review, research and technology, combat support systems, weapon systems, and materiel plans and programs. The primary activities of the office were to (1) plan, program, and budget for acquisition of materiel and (2) manage research, development, test, and evaluation activities. Policies and procedures developed and coordinated by the Army Staff acquisition organization were forwarded to the secretariat acquisition organization for approval. Military officers comprised the majority of the technical and managerial staff in this Army Staff organization (139 officers and 98 civilians). Approximately 75 of the staff were Department of the Army systems coordinators, who functioned as the Army headquarters focal points for coordinating all actions for specific weapon system programs with other headquarters and Army field activities.

Other Army Staff and secretariat offices performed acquisition activities related to their functional areas. The Office of the Deputy Chief of Staff for Logistics was responsible for a key acquisition function—contracting. The contracting director managed and oversaw the Army's procurement activity and developed Army procurement policy for the approval of the assistant secretary for research, development and acquisition.

Acquisition-related activities for information management were performed by two separate organizations—one in the Army Staff and one

in the secretariat. The assistant chief of staff for information management was responsible for coordinating the life-cycle management of information systems hardware and served as the Army Staff proponent for research and development activities and projects in the Army's information systems mission area. The assistant secretary for financial management was responsible for acquisition policies and executive oversight related to information management technology and related services.

Reorganized Army Headquarters Integrates Acquisition Organizations

Army leadership established a commission in October 1986 under the Secretary of the Army and cochaired by the Assistant Secretary of the Army for Financial Management and the Comptroller of the Army. The commission developed a plan to incorporate legislative mandates and changes in DOD policy, as well as the streamlined three-tier management concept advocated by the Packard Commission. In February 1987, the commission presented a plan approved by the secretariat and Army Staff, and on March 27, 1987, the Secretary of the Army directed the Army to begin operating under the reorganization, effective March 30, 1987.

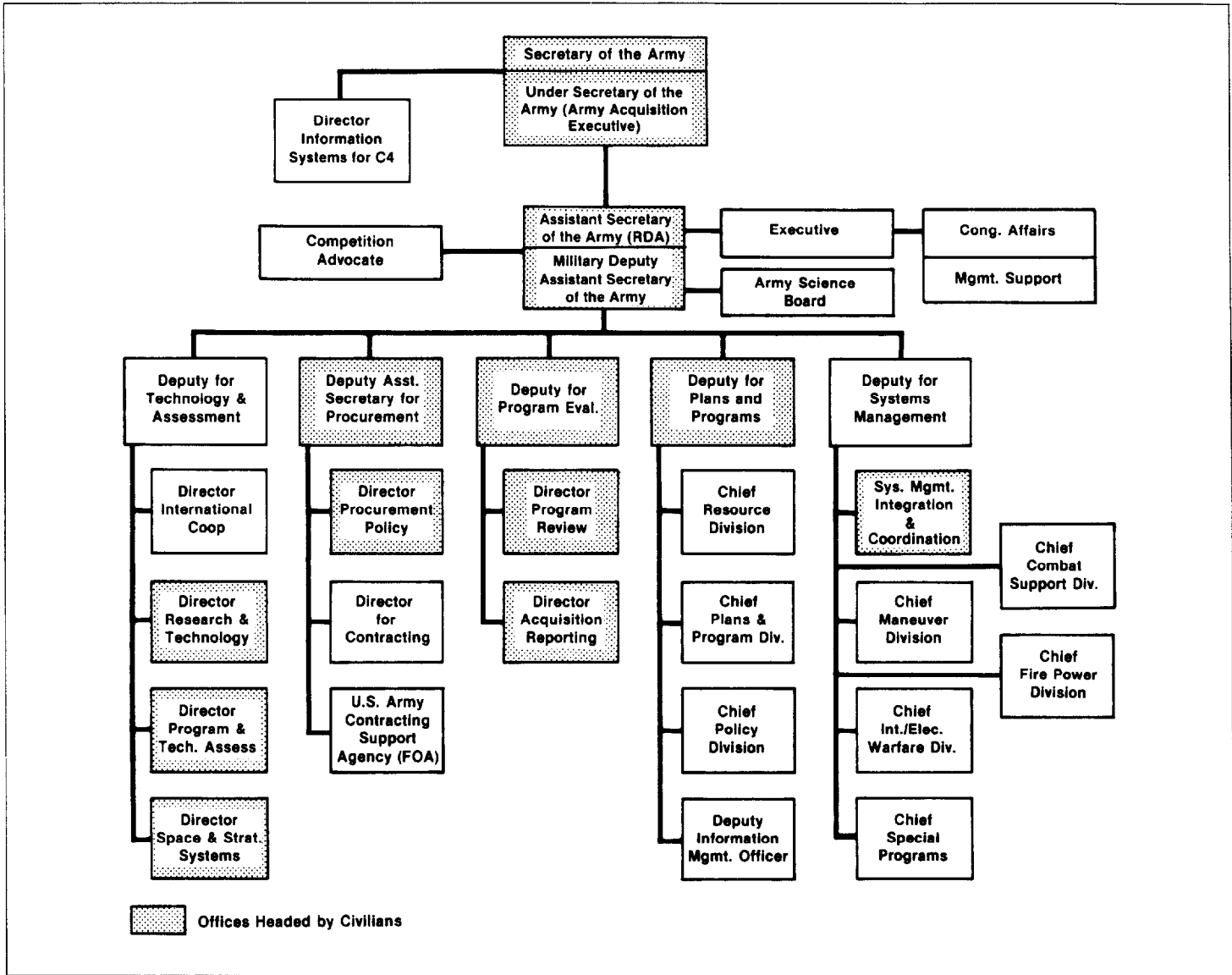
The under secretary of the Army, the Army Acquisition Executive, heads the reorganized acquisition structure. The Army Acquisition Executive manages a staff of 421² and, as shown in figure 2.1, is assisted in his acquisition activities by the assistant secretary for research, development and acquisition (who serves as the Deputy Army Acquisition Executive) and the director of information systems for command, control, communications and computers. The under secretary also serves as the Senior Procurement Executive.

The assistant secretary for research, development and acquisition and the staff of 272 supports the Army Acquisition Executive on matters of research and development, acquisition management policy and procedures, procurement policy and procedures, and competition advocacy. The office was formed by consolidating the former secretariat and Army Staff acquisition organizations and the deputy chief of staff for logistics contracting directorate. The Army disbanded the Army Staff acquisition organization and transferred most of its functions into the secretariat acquisition organization.

²This number is comprised of the following: the 273 staff in the Office of the Assistant Secretary for Research, Development and Acquisition, including the assistant secretary, and the 149 staff in the Office of the Director for Information Systems.

Chapter 2
 Army Has Made Significant Changes in Its
 Acquisition Management Structure

Figure 2.1: Army Acquisition Organization



The lieutenant general from the former military staff acquisition organization became the military deputy to the assistant secretary. He is responsible for running the secretariat acquisition organization in the assistant secretary's absence. However, because the law precludes a military officer from acting for the assistant secretary, he is not authorized to sign some documents (e.g., certain determinations or determinations

and findings required by statute to be executed or approved by the agency head). These documents are passed on to the next senior civilian in line—the deputy assistant secretary for procurement.

The military deputy's responsibilities include overseeing the daily execution of systems management activities, keeping the Army chief of staff informed about Army acquisition matters, and serving as the link between the secretariat acquisition organization and the Army Staff.

The director of information systems is responsible for the functions formerly performed by the assistant chief of staff for information management and the acquisition oversight functions of the assistant secretary for financial management. This newly created secretariat organization with a staff of 149 is headed by a lieutenant general who also serves as the Army's Senior Information Resources Management Official, a function formerly assigned to the assistant secretary of the Army for financial management. In response to the title V requirement that all acquisition activities be conducted by a single office or entity, the Secretary of the Army designated the office of the director of information systems as part of the Office of the Army Acquisition Executive. The staff in the director's office supports the Army Acquisition Executive in administering acquisition activities and programs for information systems. The office is responsible for coordinating the life-cycle management of and providing technical expertise on automated information systems and communications-related components of major weapon systems. These responsibilities include establishing policies and standards, developing plans and programs, and overseeing compliance for information management activities.

Office of the Assistant Secretary for Research, Development and Acquisition

The structure of the Office of the Assistant Secretary for Research, Development and Acquisition has changed significantly as a result of the reorganization. The assistant secretary, who serves as the Deputy Army Acquisition Executive, now has a staff of 272.³ The assistant secretary and his staff provide principal secretariat support to the Army Acquisition Executive in developing policies and standards for acquisition; procurement and contracting; technology base; program evaluation; and research, development, and acquisition planning and programming.

³This number includes the 210 staff in the Office of the Assistant Secretary for Research, Development and Acquisition, including the assistant secretary, and the 63 staff in the contracting field operating agency.

The assistant secretary is also responsible for overseeing weapon systems reliability and maintainability. As shown in figure 2.1, the Office of the Assistant Secretary for Research, Development and Acquisition is structured around five major offices:

1. The procurement office oversees the management and execution of Army contracting functions, including contract policy development, contract placement and administration, and contracting program evaluation, organizations and staffing. Sixty-three of the support staff have been transferred administratively to a separate field operating activity, which provides support to the procurement office.
2. The technology and assessment office directs and manages the Army's basic research and development activities, oversees space and strategic systems, and assesses the Army's technology base investment.
3. The program evaluation office formulates policy and establishes criteria for program evaluation, baseline development, and reporting procedures, and develops program executive officer charters.
4. The plans and programs office provides guidance to field activities on preparing, developing, and justifying annual budget and program estimates; develops Army Acquisition Executive policy; and monitors program and budget development through the Office of the Secretary of Defense and congressional hearings.
5. The systems management office oversees aviation, missiles, air defense, and ground combat systems. It coordinates programming and budgeting activities and milestone reviews for these systems.

Personnel Reductions at Headquarters

The Army's reorganization plan encompassed principles outlined in the act and the Packard Commission recommendations for establishing an acquisition management organization. These included eliminating duplication in acquisition-related functional areas and decentralizing functions and positions to agencies and commands outside of headquarters. For example, as part of the concept for establishing program executive offices, the plan proposed transferring acquisition authority and positions out to the field activities. In addition, the Army's reorganization plan proposed significant personnel cuts in the acquisition organization as a means of meeting the act's requirement that headquarters staff in

each of the military departments be reduced by 15 percent.⁴ In the Army, unlike the other military departments, most of the reduction was taken in the acquisition function since it was seen as complementing the decentralization plans.

By disbanding the Army Staff acquisition organization, 43 personnel spaces were abolished and the following spaces transferred:

- 149 spaces to the secretariat acquisition organization;
- 40 spaces to the program executive offices (30 for program executive office representatives and 10 for administrative staff);
- 22 spaces to the Army Budget Office;
- 6 spaces to the research, development and acquisition information systems agency, which is responsible for maintaining the database for the Research and Development and Procurement appropriations;
- approximately 50 spaces to the Army Materiel Command; and
- 3 spaces to the Army Staff logistics office.

The Army sought to decentralize functions and positions to agencies and commands outside of headquarters as part of its reorganization plan. However, we found that a number of the staff in the positions transferred outside headquarters continue to physically reside in the Army headquarters acquisition organization. For example, 30 of the technical staff assigned to the program executive offices, as well as 35 personnel in the contracting field operating agency, continue to work in Army headquarters. In addition, staff who have moved to outside activities continue to perform headquarters functions under the direction of headquarters personnel. For example, approximately 50 staff transferred to Army Materiel Command headquarters are dual-hatted to the assistant secretary for research, development and acquisition.

Offices Outside the Secretariat With Acquisition Activities

Offices outside the Army acquisition organization continue to perform acquisition functions. This is consistent with provisions of the Reorganization Act that (1) permit other headquarters offices to participate under the direction of the single office or entity and (2) in the case of research and development, permit responsibility for military requirements and test and evaluation to be assigned to the Office of the Chief of Staff.

⁴This 15-percent reduction applied to the headquarters as a whole and was not limited to the seven functions consolidated by the act.

Deputy Chief of Staff for Operations and Plans

The Office of the Deputy Chief of Staff for Operations and Plans continues to participate in acquisition-related activities. Since the reorganization, the Army Staff operations and plans office has taken on a greater coordinating role within the headquarters. Under the previous organization, Department of the Army systems coordinators, located within the former Army Staff research and development organization, functioned as the headquarters focal points for coordinating actions on specific weapon systems. As part of its approach to streamlining the acquisition process, the Army decided to eliminate the 75 positions and give greater responsibility for these functions to the newly created program executive offices and staff in the systems management office within the Office of the Assistant Secretary for Research, Development and Acquisition. The elimination of these positions also helped to absorb headquarters personnel reductions.

Although some of the coordination responsibilities were assigned to staff in the program executive offices and the systems management office, eliminating the systems coordinator positions created a void in the headquarters, and staff within the Army Staff plans and operations office (called systems integrators) have, at times, assumed the coordination role. Systems integrators act as the primary point of contact for requirements coordination and other user-oriented activities related to acquisition. However, they have also, at times, assumed responsibility for coordinating the budget documentation and gathering documentation for use in milestone reviews and acquisition decision-making boards.

Management of Support Items Moved to Army Materiel Command

As a result of disbanding the Army Staff acquisition organization, responsibility for research, development, and acquisition planning, programming and budgeting for certain items was transferred outside the headquarters acquisition organization. The functions of the former Army Staff ammunition division, which had responsibility for the Army's munitions accounts, and support systems division, which had responsibility for items financed by the Other Procurement Appropriations 1 and 3 accounts⁵ and related research and development accounts, were transferred to the Army Materiel Command. Army officials said that this transfer resulted from the Reorganization Act requirement to reduce headquarters personnel by 15 percent. Army officials said that

⁵Other Procurement 1 includes tactical and support vehicles (trucks and their major components); Other Procurement 3 includes other support equipment (generators, construction and materiel handling equipment, and medical and chemical defensive equipment).

because items financed by this account are low-dollar, commercial-type items developed by private industry, Army leadership felt that the Materiel Command could manage these items more efficiently than Army headquarters because it is already structured to manage the Army's industrial base. The Materiel Command's deputy chief of staff for development, engineering and acquisition, to whom the support services division reports, is dual-hatted, reporting to both the commander of the Army Materiel Command and the assistant secretary for research, development and acquisition.

Similarly, the deputy for ammunition also provides support to the assistant secretary for research, development and acquisition and the commander of the Materiel Command. The responsibilities of the Command's deputy chief of staff for ammunition include managing ammunition procurement, overseeing the planning and programming of conventional ammunition, and integrating ammunition logistics.

Although the former headquarters procurement-related logistics functions have been transferred to the Materiel Command, we believe this reorganization is consistent with the act's objectives since the reporting channel is through the assistant secretary for research, development and acquisition.

Implementation of the Three-Tier Program Management Chain

A key part of the secretariat's new management of the acquisition function was the implementation of the three-tier program management structure recommended by the Packard Commission. In this structure, the program managers report to the program executive officers, who report directly to the Army Acquisition Executive.

The Army organized approximately 106 programs under this management approach.⁶ Fifteen program executive officers and one program manager head the executive program offices, reporting directly to the Army Acquisition Executive, who also evaluates their performance. Unlike the other services, the Army program executive offices are newly created organizations that oversee programs that support related missions. For example, the program executive office for close combat vehicles oversees programs for tanks, armored personnel carriers, and similar tracked vehicles.

⁶Examples of nonexecutive programs include the following: for the research and development appropriation—test ranges (6.5 budget line), basic research (6.1 budget line), and laboratories; for the procurement appropriations—spares and ammunition.

The program manager and program executive offices have small staffs, and are located with and receive functional support from the commodity commands. This support includes contracting, engineering, personnel, technical requirements planning, security, automated data processing, and cost analysis. This matrix-management concept essentially has two separate reporting chains: one programmatic (program manager/program executive officer/Army Acquisition Executive) and the other functional (commodity command/major command/Army headquarters).

The Army termed this relationship as a “duality” because the program executive officers and the commodity commands need to function as one entity to serve the Army’s best interest. The commodity commands do not have supervisory authority over the program executive offices. Prior to the reorganization, the program managers had to go through the functional directorates in commodity commands for approval of their programs. In the reorganized structure, this layer has been eliminated.

The Army acquisition organization uses management tools within the three-tier structure to monitor costs and manage programs as they progress through various stages of the acquisition process. One of the tools used is a monthly program status report completed by the program manager and reviewed by the program executive officer, who forwards the report to the program evaluation office for review at a monthly meeting designed to bring system problems to the attention of acquisition officials. According to Army officials, programs comprising 70 to 80 percent of the Army’s research and development and procurement budgets are reviewed at this meeting, which is headed by the Deputy Army Acquisition Executive. Key secretariat and Army Staff officials also attend the meeting.

Delegations of Authority Demonstrate Influence of Streamlining

The three-tier program management structure has also changed the role of the Materiel Command in the contracting delegation chain. For example, in the former structure, the Materiel Command staffed and analyzed all acquisition plans and justification and approval documents before forwarding them to the Office of the Assistant Secretary for Research, Development and Acquisition. In the reorganized structure, program executive officers forward acquisition plans and justifications and approvals directly to the secretariat acquisition organization. However, according to Army officials, Materiel Command officials often participate in developing and preparing these documents. Also, prior to the reorganization the Materiel Command approved business clearance

memoranda.⁷ In the reorganized structure, business clearance memoranda are approved at the commodity command level, although Materiel Command headquarters continues to provide recommendations to the commodity commands on selected procurements. Thus, streamlining initiatives have reduced, but not eliminated, the Materiel Command's role in approving acquisition documents.

Compliance With Title V Requirements and Goals

The Army has reorganized its headquarters acquisition management structure, creating an organization which complies with the Reorganization Act's requirement that a single office or entity within the secretariat conduct the acquisition management function and the act's goal of increasing civilian control. The Army's General Counsel has stated that "by vesting ultimate responsibility for acquisition matters in the Secretariat Office of the Army Acquisition Executive, and removing from the Army Staff elements formerly involved in the conduct of acquisition, the Army has complied with Section 3014(c)(1)'s mandate." We believe that the Army headquarters reorganization has created a structure that has increased the Army Acquisition Executive's access to information as well as his participation in the process. We found that the Army Acquisition Executive is responsible for managing the headquarters acquisition staff and fully participates in acquisition management activities.

As a part of its headquarters reorganization, the Army eliminated the systems coordinators who were the focal points for the Army Staff's headquarters management of acquisition programs. These functions were reassigned to action officers in the secretariat and program executive officer staff. However, our analysis of headquarters activities indicates that assignment of these functions is not working as intended. For example, we found that eliminating the systems coordinators positions created a void at headquarters that has, at times, been filled by staff of the deputy chief of staff for operations and plans. With this staff performing some of these functions, the potential exists for the program-specific expertise to ultimately reside in the Army Staff organization rather than within the civilian acquisition secretariat. We believe this would detract from the Army's objective of strengthening civilian control. Army officials agreed with our concerns but believe it is too soon to tell if it is a real problem. They stated they plan to monitor the situation.

⁷The purpose of a business clearance memorandum is to document that (1) a proposed contractual action represents good business judgment and conforms to federal, DOD, and Army acquisition policies and (2) the price established is fair and reasonable.

Civilian Representation in Reorganized Acquisition Secretariat

According to Army officials, enhancing civilian control was the primary concern in the reorganization. The Army has basically achieved its objective with the reorganized structure. For example, the Army Acquisition Executive, a civilian presidential appointee, heads the organization that conducts the acquisition function. The assistant secretary for research, development and acquisition, the Deputy Army Acquisition Executive, is also a civilian presidential appointee. In addition, civilian leadership participates in the board structure that oversees program and budget development.

Civilian/Military Personnel Mix

The proportion of civilians in technical and managerial positions has increased from 44 percent in the former Army secretariat and Army Staff acquisition organizations combined to 54 percent in the current acquisition organization, as shown in table 2.1.

Table 2.1: Authorized Staffing Pre- and Post-Reorganization for Technical and Managerial Positions

	Civilians	Percent of total	Military	Percent of total	Total
Pre-reorganization ^a	114	44	146	56	260
Post-reorganization	182	54	158	46	340

^aFigures include staff in the former secretariat and Army Staff acquisition organizations.

Leadership Positions

Presidential appointees and career civilians hold key positions of authority in the reorganized structure. For example, three of the five major offices in the secretariat acquisition organization are headed by senior executive service civilians, and 58 percent of the technical and managerial staff report to them. As indicated in figure 2.1, the three offices with civilian heads include (1) the deputy for plans and programs, (2) the deputy assistant secretary for procurement, and (3) the deputy for program evaluation.

The civilian deputy for plans and programs holds a key position of authority in the reorganized acquisition organization—controlling one-third of the Army’s total budget. The deputy is responsible for acquisition program and budget execution, a function previously performed by three separate directorates in the former Army Staff acquisition organization. According to Army officials, because the Office of the Deputy for Plans and Programs controls program dollars and is independent of the systems management office, this office can be independent and objective in assessing overall Army research and development and procurement budget issues.

The contracting function in the current secretariat acquisition organization is also headed by a civilian and predominantly staffed by civilians (75 percent of the technical and managerial staff of the procurement office are civilians). The deputy assistant secretary for procurement is the highest ranking head of an office within the secretariat acquisition organization and is the only deputy assistant secretary. The execution of many of the procurement management functions was formerly the responsibility of an office under the deputy chief of staff for logistics on the Army Staff. The major general who headed this office now reports to the deputy assistant secretary.

The civilian deputy for program evaluation also holds a position of key authority. This position existed in the former secretariat acquisition organization, but no staff reported to the deputy. The primarily civilian staff of 13 (91 percent of the technical and managerial staff are civilians) is comprised largely of program analysts, engineers, and industrial specialists.

Civilian Staff Participates in Development of Acquisition Programming and Budget Decisions

The reorganization has resulted in increased civilian influence in the Army's board structure, a group outside the acquisition organization with responsibilities that include the development of programming and budget matters. For example, key secretariat and Army Staff officials now participate in the select committee, the Army's primary committee for reviewing, coordinating, integrating, and making recommendations to the Secretary of the Army on matters pertaining to programming, budget, and major policy. In the former structure, membership in the select committee was completely within the Army Staff.

Conclusions

The Army extensively restructured its headquarters acquisition activities. It designated the under secretary as the Service Acquisition Executive (and Senior Procurement Executive) and created a new entity, the Office of the Army Acquisition Executive. This structure provides the Army Acquisition Executive with increased oversight and control over the development of policy, procedures, and decisions on major programs. The assistant secretary for research, development and acquisition provides most of the staff support to the Army Acquisition Executive for carrying out the acquisition function.

By implementing the three-tier management approach recommended by the Packard Commission, the Army eliminated the system coordinator positions that, prior to the reorganization, served as the headquarters

Chapter 2
Army Has Made Significant Changes in Its
Acquisition Management Structure

focal points for specific weapon systems. This created a void in the headquarters that is sometimes filled by staff of the deputy chief of staff for operations and plans. As a result, the potential exists for the program-specific expertise to ultimately reside in the chief of staff organization rather than within the civilian acquisition secretariat, which would detract from civilian control. Even though Army officials agree that this is a legitimate concern, they believe it is too soon to tell if it is a real problem. They intend to monitor the situation and will take action if they see the role of the secretariat being diluted.

Air Force Acquisition Reorganization

The Air Force reorganized its headquarters acquisition management structure, merging the offices of the former deputy chief of staff for research, development and acquisition and the assistant secretary for acquisition and logistics into a new office for the assistant secretary for acquisition. This structure provides the assistant secretary with increased oversight and control over acquisition matters, such as developing policy and procedures and making key acquisition decisions on major Air Force programs. Some aspects of Air Force acquisition management pertaining to logistics and communications systems were not affected by the reorganization, including the acquisition roles of selected military staff organizations.

The reorganized Air Force acquisition structure is predominantly staffed with military officers. Career civilians did not play a key role in the former Air Staff¹ acquisition organization, and the former acquisition secretariat was a small, high-level group.

Overview of Air Force Acquisition

The Air Force has a research, development, and acquisition program whose fiscal year 1988 budget was almost \$44 billion, covering about 900 different programs. These programs range from developing and producing a new tactical fighter aircraft to buying fire-fighting equipment. To conduct these acquisition programs, the Air Force has a network of organizations throughout the United States, including three major buying commands (Air Force Systems Command, Air Force Logistics Command, and Air Force Communications Command) and numerous subordinate commands, laboratories, and field activities.

Air Force Headquarters Acquisition Structure Prior to Reorganization

When the Congress passed the Reorganization Act, the assistant secretary for research, development and logistics was the principal Air Force acquisition executive. The assistant secretary oversaw the formulation and execution of Air Force research, development, acquisition, logistics, and communications policies and programs. As the Air Force Acquisition Executive, the assistant secretary chaired the Air Force Systems Acquisition Review Council and was responsible to the Secretary of the Air Force for decisions relating to the acquisition of weapon systems.

As the Air Force Senior Procurement Executive, the assistant secretary was also responsible for prescribing and publishing Air Force procurement policies and procedures, making procurement determinations and

¹The Office of the Chief of Staff of the Air Force is referred to as the Air Staff.

decisions, and taking other actions with respect to Air Force purchases, contracts, leases, and sales agreements. The assistant secretary supervised a 38-person staff comprised mostly of civilians. According to former secretariat personnel, the staff served primarily in an oversight role, reviewing policy and positions developed by the military staff. The organization was divided into four deputy assistant secretaries: systems, space plans and policy, acquisition management, and logistics and communications.

Four senior civilians served as the assistant secretary's deputies on technical matters and focal points for systems-related information as it passed from the military staff to the assistant secretary. These "deputies for" reviewed key acquisition documents in their designated areas (e.g., the deputy for tactical warfare systems reviewed documentation for tactical programs). According to former assistant secretaries for acquisition, they acted as troubleshooters to ensure that the assistant secretary for research, development and logistics had a balanced perspective of issues that were developed by the military staff and presented for secretariat action.

The day-to-day operations of a large segment of the Air Force acquisition program were managed by the Air Force deputy chief of staff for research, development and acquisition and a staff of over 400 military and civilian personnel. This organization was comprised of five primary directorates: contracting and manufacturing policy; development and production; operational requirements; space systems and command, control, and communications; and program integration. This organization primarily (1) defined operational capabilities for aerospace systems and subsystems, (2) established policy, provided program guidance, and coordinated and issued program approvals for research, development, and systems equipment acquisitions, (3) prepared and coordinated Air Force research, development and acquisition plans, program and budget guidance, and (4) planned, directed, and supervised development and implementation of contracting and acquisition policies and procedures.

Although acquisition responsibilities of this Air Staff office were extensive and included policy development as well as program execution responsibility for about 430 Air Force programs, other military staff activities also were responsible for aspects of the Air Force acquisition program. These included the deputy chief of staff for logistics and engineering, who had responsibility for about 300 acquisition programs; the deputy chief of staff for plans and operations, who had responsibility for about 70 acquisition programs; and the assistant chief of staff for

command, control, communications and computer systems, who had responsibility for 67 programs.

Reorganization Combines Some Military Staff and Secretariat Organizations With Acquisition Secretariat

The reorganization merged the principal military staff acquisition organization, the deputy chief of staff for research, development and acquisition, with the Office of the Assistant Secretary for Acquisition and Logistics. This action consolidated the headquarters responsibility for the execution of 433 Air Force programs with overall acquisition policy and oversight. The new entity became the Office of the Assistant Secretary for Acquisition (see fig. 3.1). The assistant secretary for acquisition was designated the Air Force Acquisition Executive and Senior Procurement Executive.

Some parts of the former secretariat and the former Air Staff acquisition organizations did not become part of the combined organization, but were placed in other segments of the secretariat and chief of staff organizations. For example, nine personnel from the secretariat office responsible for various acquisition activities (including acquisition logistics, commercial and industrial activities, acquisition through foreign governments, and real estate acquisition) went to a new secretariat organization called the assistant secretary for readiness support. A few staff from the organization responsible for military requirements and operational test and evaluation moved to the Office of the Deputy Chief of Staff for Plans and Operations.

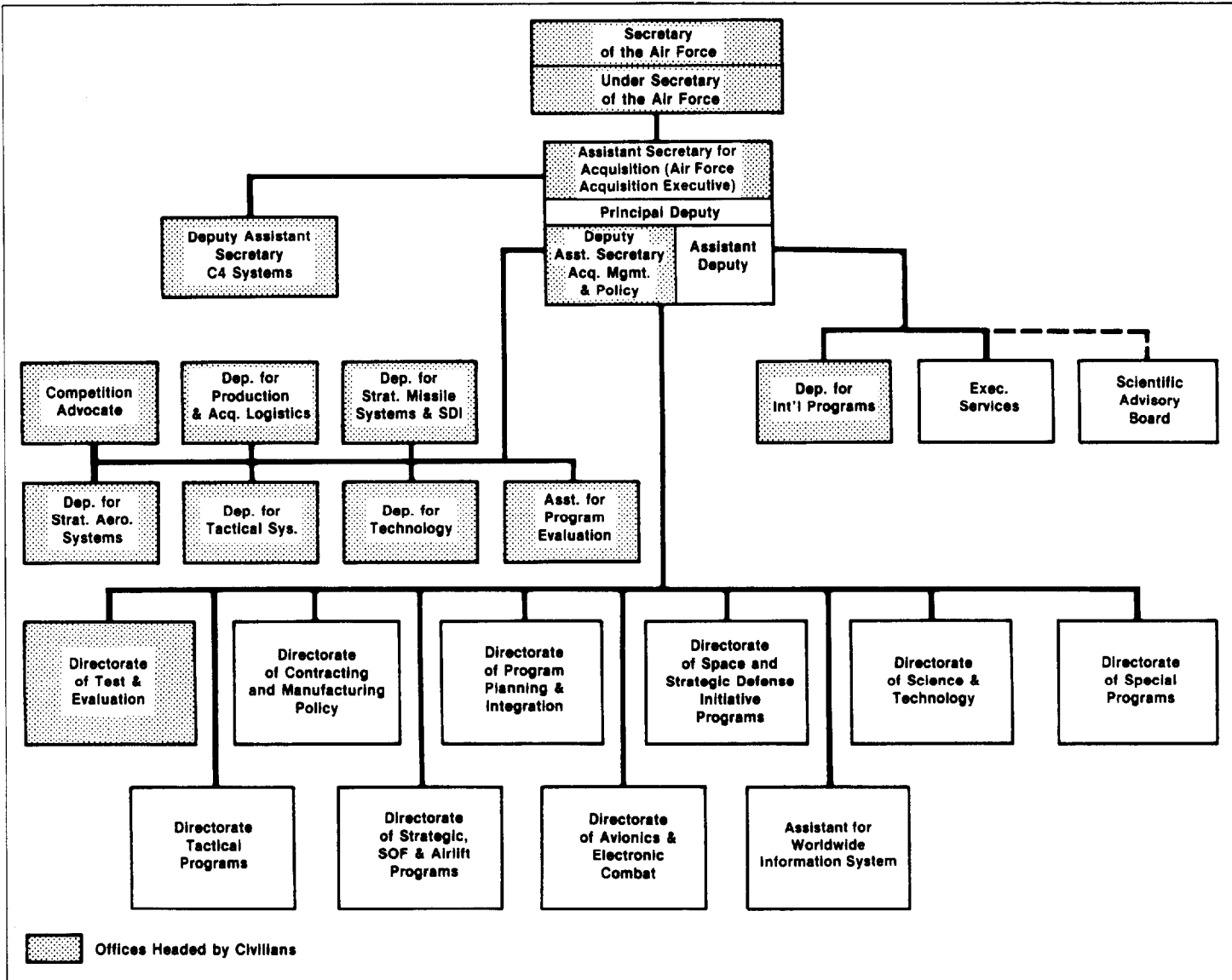
Additionally, the secretariat staff involved in the policy and oversight of the acquisition of information systems moved from the assistant secretary of the Air Force for financial management to the new Office of the Assistant Secretary of the Air Force for Acquisition.

Functions of the Reorganized Acquisition Secretariat

As the Air Force Acquisition Executive and Senior Procurement Executive, the assistant secretary for acquisition now manages a secretariat staff of 320 personnel, as opposed to the 38 staff members who comprised the previous secretariat acquisition organization. The assistant secretary is now not only responsible for acquisition policy and oversight, but also for managing the execution of 433 acquisition programs previously managed by the former deputy chief of staff for research, development and acquisition.

The Air Force Acquisition Executive is assisted by a lieutenant general who is the principal deputy, a senior executive service civilian official

Figure 3.1: Air Force Acquisition Organization



who is the deputy assistant secretary for acquisition management and policy, and a major general who is the assistant deputy. In the absence of the assistant secretary, no one acts for the assistant secretary. By law, a military officer cannot act for an assistant secretary.

The military principal deputy is dual-hatted and also serves as the director of the Air Force Scientific Advisory Board. In this capacity, the deputy reports to the Air Force chief of staff. The deputy also serves within the Air Force board structure, which is a series of councils, boards, committees and panels that serve in an advisory capacity for program and budget issues. Prior to the reorganization, the board structure was totally within the Air Staff.

As a result of the reorganization, the assistant secretary has greater control over the management of the acquisition process. According to secretariat officials, the assistant secretary now has greater personal involvement in the day-to-day management and direction of acquisition programs.

Key elements of the reorganized structure are discussed below.

Senior Civilian “Deputies For”

In the reorganized secretariat, the “deputies for,” who served as the assistant secretary’s deputies in the prior organization, are not as influential as before. For example, their review and signature is no longer obtained on key acquisition documents before being reviewed by the assistant secretary. Office procedures specify that information should be coordinated with these officials, but according to the “deputies for,” when sign-off is not required, the coordination frequently does not occur.

Secretariat officials told us the role of the “deputies for” has changed in the new organization. Generally, they are to be responsible for acquisition policy and program oversight. However, we found that policy development is the responsibility of one of the directorates headed by a military officer (program planning and integration), which has no reporting responsibilities to the civilian deputies. Furthermore, given the flow of information and day-to-day activities we observed, these officials are in a questionable position to perform the program oversight function. They appear to be away from the day-to-day functions and have little input to key systems-related activities. For example, until recently, they did not participate in the assistant secretary’s staff meetings and our review of the assistant secretary’s calendar revealed few instances when he met with these officials.

Deputy Assistant Secretary for
Command, Control,
Communications and Computer
Systems

The deputy assistant secretary for command, control, communications and computer systems, a political appointee to the senior executive service, oversees communication programs and formulates and develops program policy. Prior to the reorganization, this position was assigned to the assistant secretary for financial management. Although the program oversight function is in the acquisition secretariat, much of the responsibility for managing the execution of these systems remains the responsibility of the Air Staff through the assistant chief of staff for command, control, communications and computer systems. To accomplish these oversight responsibilities, the deputy assistant secretary has a staff of three, including one civilian.

Systems Directorates

About 54 percent of the staff in the new secretariat organization is assigned to six systems directorates that have headquarters management responsibilities, such as budget development and overseeing program execution, for Air Force acquisition programs. Each of the following mission areas has a directorate: space and strategic defense initiative; science and technology; special programs; tactical programs; strategic, special operations forces, and airlift; and avionics and electronic combat. The six directors of these organizations are general officers and the technical and managerial staff are predominantly military officers. One civilian director also supervises a two-person staff in reviewing test and evaluation issues for the secretariat.

The principal responsibilities of the systems directorates include the following: (1) defining characteristics for new systems, (2) analyzing proposed technical approaches to satisfying operational needs, (3) providing various types of technical support for overseeing the development and production of systems, (4) participating in headquarters programming and budget activities, and (5) responding to the Office of the Secretary of Defense or congressional inquiries about the assigned systems. The key participants in conducting these functions are the program element monitors who serve as the headquarters focal points for the assigned systems. According to Air Force officials, the program element monitors generally have an acquisition background, although some have an operational background.

Procurement Support Offices

In support of his function as the Air Force Senior Procurement Executive, the assistant secretary for acquisition is aided by the Office of the

Competition Advocate and the director of contracting and manufacturing policy. The competition advocate is a senior executive service civilian who supervises a staff of three civilians and is charged with promoting full and open competition when procuring property and services.

The general officer who serves as the director of contracting and manufacturing policy supervises a 50-person technical staff about evenly comprised of military and civilian personnel. The primary responsibilities of the directorate are to (1) oversee and direct the implementation of Air Force contracting and manufacturing policies and procedures, (2) prepare policies, plans, and implementing procedures for contract pricing, cost monitoring, and cost accounting standards, (3) review and process required procurement documents, such as acquisition plans, justifications and approvals, source selection delegations and plans, and second-source plans and waivers, (4) develop manufacturing policies and procedures for the industrial base, and (5) oversee military and civilian personnel issues affecting contracting personnel.

The headquarters Air Force staff performing the procurement oversight function is significantly smaller than the headquarters staff performing these activities in both the Army and Navy. Twenty-one percent of the Air Force secretariat's technical and managerial staff perform these functions compared with 30 percent in the Army and 58 percent in the Navy. According to Air Force secretariat personnel, much of the responsibility has been delegated to the major command headquarters (i.e., the Systems Command and the Logistics Command), which maintain significantly larger procurement review staffs.

Planning and Integration Directorate

A general officer heads the directorate of planning and integration and supervises an approximately equal number of civilian and military personnel. Directorate responsibilities include developing acquisition management policy directives; integrating current and future year research, development, and procurement budget accounts; processing reprogramming documentation for acquisition programs managed within the acquisition assistant secretary's office; and serving as the focal point for various acquisition documents, including the baseline report and program management directives. In addition, the director is the acquisition secretariat focal point for selected acquisition reports, which are managed in the Office of the Comptroller.

**Air Force Augments
Headquarters Personnel With
Contractor Personnel**

According to Air Force secretariat personnel, headquarters personnel ceilings have kept the number of staff below the level needed to conduct required acquisition management functions. The Air Force has delegated some functions to field activities. Additionally, a consulting firm handles many headquarters technical support tasks. For 1988, a consulting contract provided for about 170 staff years of contractor support, at a projected cost of \$20.4 million.

Although this consulting contract is not new, it has grown considerably in the past few years. Air Force officials said that the number of technical staff contracted for will grow from 150 in 1987 to 200 in 1989. This contract includes work for research and analysis studies of technical problems, analysis of proposed systems changes, and assistance in developing directives. Air Force officials noted that about 20 contractor personnel work in the Pentagon offices of the directorates requesting their technical assistance.

**Acquisition Functions
Performed by Other
Headquarters
Activities**

Although the assistant secretary serves as the Air Force Acquisition Executive and Senior Procurement Executive, other headquarters activities perform acquisition functions.

**Assistant Secretary for
Readiness Support**

Some acquisition functions previously performed within the pre-1987 acquisition secretariat moved to the newly formed Office of the Assistant Secretary of the Air Force for Readiness Support. This office is responsible for ensuring that supportability and sustainability requirements are considered and implemented throughout the system acquisition process. In the other military departments, oversight responsibility for this function is assigned to the acquisition secretariat.

Air Force officials from the secretariat acquisition organization noted that having acquisition logistics oversight and execution responsibility outside the acquisition secretariat may not provide the required balance of perspectives that the Air Force Acquisition Executive needs. Officials said that although a memorandum of understanding between the two secretariat organizations has been implemented, the current structure does not facilitate effective headquarters oversight of acquisition logistics matters, including various reliability, maintainability, and supportability concerns. They said that some additional transfers of

acquisition functions from the Office of the Assistant Secretary for Readiness Support to the secretariat acquisition organization are being considered. Officials from the readiness support office agreed that there were difficulties with the current arrangement and expressed concern over the need to carefully identify those functions that are appropriate for transfer.

Deputy Chief of Staff for Plans and Operations

The Office of the Deputy Chief of Staff for Plans and Operations, which is the headquarters focal point for requirements, is the office within the chief of staff organization with the greatest impact on Air Force acquisition programs. The Air Force defines the operational requirements process as beginning with operational needs and continuing throughout the acquisition process and the life of the system. Therefore, plans and operations action officers review programs and provide input for key acquisition matters.

During the reorganization, oversight of the requirements determination process shifted from the former Air Staff acquisition organization, which became part of the secretariat, to the plans and operations office. Now, the deputy director for operational requirements coordinates requirements documents with other Air Staff activities, as well as with the acquisition secretariat. These documents are updated before every major acquisition program review. Although the operations staff participates in monitoring acquisition activities, its role is to represent the user through all phases of development, production, and fielding.

Deputy Chief of Staff for Logistics and Engineering

The deputy chief of staff for logistics and engineering oversees almost 300 acquisition programs. According to logistics and engineering officials, retaining control over acquisition management of support systems and equipment is essential to ensuring that Air Force systems are adequately supported. They pointed out that contracting actions for this equipment requiring headquarters review must be processed through the contracting and manufacturing directorate of the acquisition secretariat. Additionally, the acquisition of spares has been singled out as an executive program that will result in more intensive secretariat review.

Most of the programs managed by the logistics and engineering office are the direct responsibility of the Air Force Logistics Command. In the fiscal year 1988 budget, the Air Force projected these acquisition programs cost almost \$9 billion. Acquisition programs managed by the logistics and engineering office include the procurement of munitions

and materiel and equipment funded with the Other Procurement Appropriations 1 and 3 account.² The logistics and engineering office is also responsible for acquisition programs to modify existing Air Force aircraft and missile systems, as well as managing the procurement of spare and repair parts.

The deputy chief of staff for logistics and engineering also serves as the Air Staff focal point for implementing the reliability and maintainability plan for weapon systems research, development, and acquisition. In this regard, the deputy works in conjunction with the acquisition secretariat. However, the Air Staff provides staff support and controls the deputy's efficiency report.

**Assistant Chief of Staff for
Command, Control,
Communications and
Computers**

The Office of the Assistant Chief of Staff for Command, Control, Communications and Computers is also responsible for headquarters management of certain acquisition programs. This office oversees the execution of 61 Air Force acquisition programs with 1989 procurement costs of about \$2 billion. These programs include communications security equipment, intelligence programs, electronics programs, special communications-electronics projects, and Air Force communications equipment.

The program managers for these systems are in the Air Force Communications Command and many of the programs are governed by DOD acquisition policy and review standards established for nontactical computers. A separate set of acquisition policy guidelines is governed by the DOD comptroller community for these acquisition programs.

**Chief of Staff's Review of
Acquisition Documents**

The Air Force chief of staff also reviews acquisition documents. Those items routed for the chief of staff's approval normally involve requirements matters. Other documents are routed to the chief of staff for coordination rather than approval. However, Air Force officials stated that the chief's concerns are normally addressed before the document proceeds to the assistant secretary.

²As discussed in chapter 2, in the Army, the assistant secretary for research, development and acquisition supervises these activities performed by staff at the Army Materiel Command.

Air Staff Role in Developing Acquisition Programming and Budget Decisions

The Air Staff also participates in the acquisition process through the board structure, which oversees program and budget development. Air Force documentation describes the board structure, comprised of a series of councils, boards, committees, and panels, as the corporate review body for the Air Force. Board structure elements serve in an advisory capacity for program and budget issues to the Secretary of the Air Force, chief of staff, and their designated subordinates who are the decision authorities. Prior to the reorganization, membership in the structure was completely within the Air Staff. Since the reorganization, membership now includes key military officers who became part of the secretariat.

Fifteen functional panels are the core of the board structure. They are chaired by colonels and comprised of about 15 officers who perform the “working level” review of program and budget issues. The panel chairs are primarily from the Air Staff programs and resources or plans and operations organizations, including those panels for tactical, strategic offense and defense, mobility, electronic combat, programs, and budgets. The space and basic research chairs are from the acquisition secretariat. The panels present the program and budget positions developed by them to the appropriate committee group for force structure, program review, operating budget review, or security assistance. The Air Staff Board and the Air Force Council subsequently review these recommendations.

Over the past 2 years, decisions to discontinue an acquisition program were almost always made by the board structure during programming and budget drills rather than by the acquisition community during system milestone reviews. According to Air Force officials, even though programs may have cost, schedule, performance, or supportability problems requiring action during the milestone review, there is a reluctance to terminate an ongoing program when there is still an operational requirement for the system. However, budget constraints force the board structure to make priority decisions that result in terminating such programs.

Since the board structure controls the distribution of research and development and procurement dollars, the acquisition structure is limited in its ability to control the execution of programs. Although the Air Force Acquisition Executive approves a program baseline based on an anticipated future level of funding, corporate board structure funding adjustments frequently require changes that eliminate or stretch out programs.

Implementation of Three-Tier Management Concept Limited to Programmatic Matters for 43 Systems

The Air Force has instituted the three-tier management chain recommended by the Packard Commission for 43 Air Force acquisition programs. For fiscal year 1988, the 43 executive programs represent about 52 percent of the Air Force's research and development and procurement budgets. Unlike the Army approach, the three-tier management concept adopted by the Air Force has not been applied to nonmajor acquisition programs.

The Air Force designated commanders of its major buying activities as the program executive officers, with program managers reporting to them. Under the Air Force concept, 3 of the 11 program executive officers are the commanders of the Air Force Systems Command, Logistics Command, and Communications Command, while 7 are the military commanders of the 5 Systems Command product divisions and 2 Logistics Command centers. The eleventh is the deputy chief of staff for technology and requirements planning.

To oversee the executive and, to some extent, nonexecutive programs, the Air Force Acquisition Executive has implemented a management system and designated the use of three management tools. The first tool—the program management directive—provides an overview of what is to be accomplished by the program and what is required of Air Force activities to accomplish it. They are signed by the military systems directors and implemented under the direction of the chief of staff. The second tool—the baseline—is a contract between the program manager, program executive officer, and the Air Force Acquisition Executive regarding program requirements, cost, schedule, performance, and other parameters. The third tool—the acquisition information system—provides periodic updates of the system status toward achieving the agreed upon goals.

The Air Force is not using its three-tier management chain for processing procurement-related documents, such as acquisition strategies, sole source justifications, and business clearances, or for developing its research and development and procurement budgets. These functions follow the traditional command chains that call for multiple reviews within the product division as well as at the Systems Command headquarters.

According to secretariat officials, the secretariat plans to improve oversight of acquisition programs outside the three-tier structure. They pointed out that program element monitors in the systems directorates

maintain continuous contact with program offices, providing the secretariat current information on an exception basis for approximately 400 of these programs for which the secretariat has execution responsibility.

Meeting the Requirements and Goals of the Reorganization Act

The Air Force has merged two of its principal acquisition activities, creating a secretariat organization headed by the assistant secretary for acquisition, who was designated both the Air Force Acquisition Executive and the Senior Procurement Executive. The acquisition secretariat is responsible for developing acquisition and contracting policy, coordinating and directing program evaluation decision meetings for major weapons programs, and overseeing the execution of the 433 acquisition programs for which the former deputy chief of staff for research, development and acquisition was responsible.

The assistant secretary for readiness support has responsibility for certain acquisition activities. Since this role constitutes acquisition responsibilities in a second office within the secretariat, we believe it does not comply with the act's requirement that a single office or entity in the secretariat be assigned responsibility for the acquisition function. The act includes a provision that

"the vesting in the Office of the Secretary of the Air Force of the responsibility for conduct of a function . . . does not preclude other elements of the executive part of the Department of the Air Force (including the Air Staff) from providing advice or assistance to the Chief of Staff or otherwise participating in that function . . . under the direction of the office assigned responsibility for that function in the Office of the Secretary of the Air Force."

This provision allows other elements of the headquarters, outside the Office of the Secretary, to participate in the functions but not other parts of the Office of the Secretary (outside the single office).

Air Force officials have indicated that the transfer of these acquisition-related functions to the Office of the Assistant Secretary for Acquisition is being considered, although the Air Force General Counsel stated that the current organization complies with the act's requirements because the assistant secretary for acquisition maintains the leadership role.

Oversight of certain other acquisition activities has been retained in the Air Staff under the deputy chief of staff for logistics and engineering and the assistant chief of staff for command, control, communications and computers. These programs are generally executed by two buying

commands—the Air Force Logistics Command and the Air Force Communications Command—and include programs financed by the Other Procurement Appropriation. We believe this is permissible under the Reorganization Act’s provisions allowing other headquarters elements, including the Office of the Chief of Staff, to participate in the acquisition function under the direction of the single office. Nevertheless, officials in the secretariat acquisition organization indicated that civilian oversight would be strengthened by transferring some of these functions to the secretariat.

Civilian Representation in the Reorganized Acquisition Secretariat

There are no established requirements or goals for civilian representation in the acquisition secretariat, except the requirement that the assistant secretary be a civilian presidential appointee. Within the current Air Force headquarters acquisition structure, civilians comprise a smaller proportion of the staff than is found in the other services’ acquisition structures and few civilians are in leadership positions.

Civilian/Military Personnel Mix

The reduction of 110 military technical and managerial personnel from the former Air Staff acquisition organization resulted in slightly decreasing the ratio of military to civilians in the combined acquisition secretariat. As shown in table 3.1, the percentage of civilian technical and managerial personnel increased from 21 to 26 percent.

Table 3.1: Authorized Staffing Pre- and Post-Reorganization for Technical and Managerial Positions

	Civilians	Percent of total	Military	Percent of total	Total
Pre-reorganization	77	21	288	79	365
Post-reorganization	67	26	188	74	255

Leadership Positions

Civilians are in selected leadership positions in the Air Force acquisition organization. The deputy assistant secretary for acquisition management and policy, a career civilian, holds the second highest leadership position. Also, the deputy assistant secretary for command, control, communications and computers, a political appointee, has oversight responsibility for management information and control systems. Other senior executives include the competition advocate, a position held by a general officer under the previous Air Staff acquisition organization; the deputies for technology, tactical systems, strategic aerospace systems, international programs, and strategic missile systems and strategic

defense initiative (a political appointee); the director for test and evaluation, who is the only civilian director, and the associate director in the directorate of contracting and manufacturing. A civilian also serves as the assistant for program evaluation. Most of these officials, however, are in nonsupervisory positions. General officers head eight of the nine directorates and about 90 percent of the secretariat staff report through them.

Furthermore, the current organization appears to have resulted in lessening the participation of the "deputies for," who held key roles in the prior acquisition structure. Secretariat officials agreed that the "deputies for" are less influential since the military staff who monitor day-to-day acquisition system activities now report to the assistant secretary. There was consistent agreement among those officials we interviewed that there is a need to better utilize the talents of the "deputies for," but there was little consensus how this could be accomplished.

Integration of Secretariat and Military Staff Personnel

Even though staffs from the former secretariat and Air Staff organizations merged, there has been almost no integration of the previous Air Force secretariat and military staffs. The core of the former secretariat organization was the senior executive service civilian "deputies for" who functioned as independent evaluators, providing a professional perspective on program issues. According to Air Force officials, the Air Force considered such options as making these individuals directors or deputy directors of the systems directorates during the reorganization planning, but they were not adopted. Secretariat officials noted the Air Force has been reluctant to require senior executive service civilians to report to military directors and to assign military staff to the civilians.

Conclusions

The reorganization has expanded the secretariat organization, which allows for greater secretariat involvement in the direction of acquisition programs. Nevertheless, the assignment of acquisition functions to the assistant secretary for readiness does not fully comply with the requirements of the act. Furthermore, as discussed in chapter 5, the Air Force may want to examine whether secretariat oversight over logistics programs should be strengthened.

Recommendation

To bring the Air Force into compliance, we recommend that the Secretary of the Air Force transfer responsibility for acquisition activities now assigned to the assistant secretary for readiness to the assistant secretary for acquisition.

Navy Acquisition Reorganization

The Navy designated the under secretary of the Navy as the Navy Acquisition Executive while continuing to assign acquisition responsibilities to both assistant secretaries. The major structural change in the Navy acquisition organization was the transfer of the research and development positions and functions from the Office of the Chief of Naval Operations (CNO) to the Office of the Assistant Secretary of the Navy for Research, Engineering and Systems. The transfer of spaces was completed in July 1988; however, the integration of the functions into the secretariat has yet to be completed.

The Navy responded to the act by transferring all management of research and development into the secretariat and delegating responsibility for military requirements and operational test and evaluation to the CNO. In addition, the Navy implemented the three-tier acquisition management chain headed by the Navy Acquisition Executive. Prior to the act, the Navy had implemented DOD initiatives to streamline the decision-making process and decentralize acquisition management.

Questions remain as to whether dividing acquisition responsibilities among the under secretary and the two assistant secretaries satisfies the requirements of the act to consolidate acquisition authority into one office or entity. However, Navy officials assert that the act permits the assistant secretaries to participate in the acquisition function under the direction of the Navy Acquisition Executive. We believe that this interpretation is incorrect and that the Navy's organization does not comply with the requirement of the act that a single office or entity in the secretariat be assigned responsibility for the acquisition function.

CNO staff continue to participate in acquisition-related activities. For example, program coordinators in the warfare offices often serve as headquarters focal points for programs and interact with secretariat staff, development offices, and CNO staff. Thus, the Navy Acquisition Executive must depend more on CNO staff than the Army and Air Force Acquisition Executives must depend on their chief of staff organizations for program status information.

The Marine Corps made extensive changes to its internal acquisition management structure, removing almost all acquisition activities from the service headquarters and transferring them to a newly established field activity.

Overview of Navy Acquisition

The Navy's weapon systems acquisition programs include such items as aircraft, ships, submarines, missiles, and spare parts. The Navy's fiscal year 1988 budget for the research and development and procurement accounts were about \$9 billion and \$37 billion, respectively.

The principal buying activities are the systems commands, which are responsible for acquisition for future forces and logistics support for fleet readiness. Systems commands are separated into areas called "platforms" and include commands for air, sea, space, supply, facilities, and strategic programs. Each command has offices for providing support that include design, acquisition, contracting, engineering policy, and life-cycle support. These commands are generally large organizations with a headquarters and field activities.

Navy Acquisition Structure Prior to Passage of the Reorganization Act

Prior to the Reorganization Act, the Navy initiated significant organizational reforms resulting from DOD leadership initiatives beginning in 1980 and issued in 1981. These initiatives included (1) reducing the cost of acquiring a weapon system, (2) increasing the efficiency of the DOD acquisition process, and (3) and shortening the length of time to develop and acquire a weapon system. In 1985, to streamline the acquisition decision-making process, the Navy disbanded the Naval Material Command and distributed its authority to the five systems commands. The secretariat also assumed a greater role in supervising the contracting function.

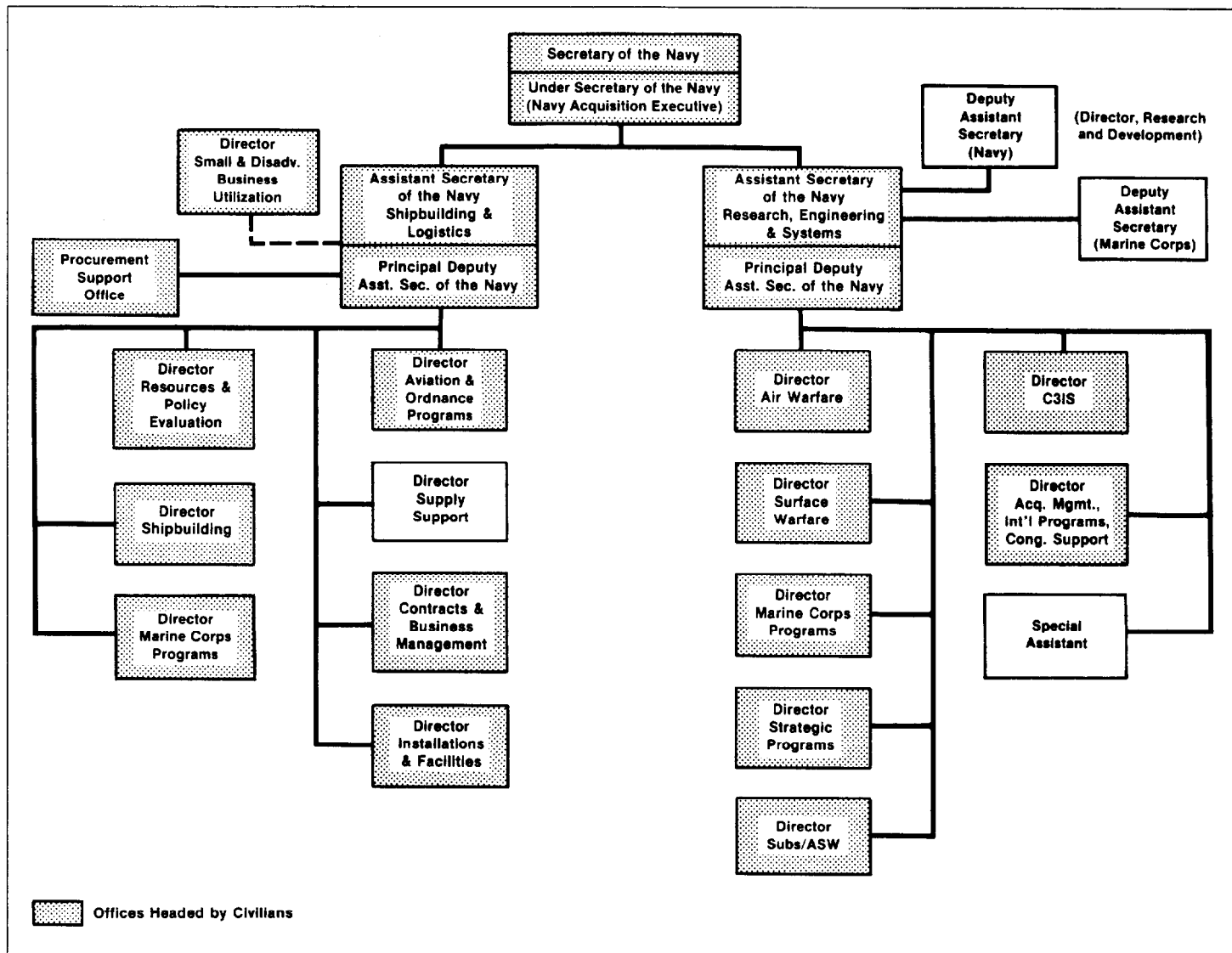
Because of these reforms, the changes made in the acquisition structure in response to the act were not as drastic for the Navy as for the Air Force and Army, which transferred the research, development, and acquisition functions from the military staffs to the secretariat. However, the Navy streamlined and restructured selected areas in response to the act.

Secretariat Acquisition Organization

The under secretary of the Navy is the Navy Acquisition Executive. As shown in figure 4.1, two assistant secretaries—the assistant secretary for research, engineering and systems and the assistant secretary for shipbuilding and logistics—also have significant acquisition responsibilities.

The assistant secretary for research, engineering and systems is responsible to the Secretary of the Navy for all matters related to research, development, engineering, and test and evaluation efforts, except for

Figure 4.1: Navy Acquisition Organization



shipbuilding programs. The assistant secretary for shipbuilding and logistics oversees all shipbuilding programs, as well as all other Navy acquisition programs from full-scale production. This individual also serves as the Navy's Senior Procurement Executive.

The major organizational change that occurred as a result of the act was the transfer of the CNO research and development staff to the secretariat.

Assistant Secretary for Research, Engineering and Systems

The assistant secretary for research, engineering and systems, with a staff of 114,¹ has broad responsibilities that include (1) administering the research and development appropriation, (2) managing the technology base, (3) formulating major program decisions, (4) overseeing Navy test and evaluation, and (5) establishing policy and negotiating foreign program initiatives. Also, the assistant secretary for research, engineering and systems is responsible to the Navy Acquisition Executive for all aspects of acquisition programs up to full-scale production, including related policy and administrative matters, with the exception of ship building programs. A civilian serves as the principal deputy assistant secretary for research, engineering and systems. Prior to the reorganization, the assistant secretary was supported by a professional staff of 53, including a civilian deputy.

As shown in figure 4.1, the Office of the Assistant Secretary of the Navy for Research, Engineering and Systems is currently organized into seven directorates: air warfare; surface warfare; strategic programs; submarine/anti-submarine warfare programs; command, control, communications, intelligence, and space; acquisition management and international programs; and Marine Corps programs.

Research and Development Office Transferred but Not Integrated Into Secretariat Acquisition Organization

To implement the act's requirement that the secretariat have sole responsibility for the research and development function, the Navy transferred personnel from the research and development office in the CNO organization to the Office of the Assistant Secretary of the Navy for Research, Engineering and Systems. The director of the research and development office, a vice admiral, serves as a deputy to the assistant secretary of the Navy for research, engineering and systems. Responsibilities of the office include coordinating research and development requirements, monitoring programs, and reviewing test and evaluation plans. Sixty-four billets assigned to this office were transferred to the secretariat in July 1988, bringing the total for the Office of the Assistant Secretary for Research, Engineering and Systems to 115 staff.

The director of the research and development office is dual-hatted to the assistant secretary. Although his primary reporting relationship is to the assistant secretary, he also reports to the CNO on matters pertaining

¹This figure includes 64 staff who recently transferred from the Office of the Chief of Naval Operations.

to requirements and test and evaluation. Thirty-two staff, called development coordinators, are responsible for accomplishing all approved research and development actions for the life of the project.

The staff and functions of the research and development office have not been integrated into the secretariat organization. However, according to Navy officials, the Department has identified all required functions to be transferred to the secretariat and is considering a plan to integrate this staff with the staff previously assigned to the assistant secretary. Navy officials said that delays in accomplishing this transfer have occurred as a result of (1) changes in Navy leadership, both at the secretary and assistant secretary levels, (2) questions surrounding reporting relationships—specifically, whether the director will report directly to the assistant secretary or report through the civilian principal deputy, and (3) changes in the Navy's plan to reorganize the Office of the Assistant Secretary for Research, Engineering and Systems. The Navy at one time planned to append the CNO research and development office to the Office of the Assistant Secretary for Research, Engineering and Systems. Plans currently under discussion call for integrating the two staffs of these organizations. The transfer and integration of the research and development staff into the secretariat should enhance secretariat expertise and oversight since the number of secretariat staff coordinating requirements and monitoring programs will be significantly increased.

Prior to the transfer to the secretariat, the mission of the staff of the research and development office was to carry out responsibilities of the CNO and to assist the assistant secretary for research, engineering and systems in directing and managing acquisition programs funded with the Navy research and development appropriation. Responsibilities for test and evaluation, research and development requirements, and technology assessment remain with the CNO staff.

Assistant Secretary of the Navy for Shipbuilding and Logistics

The assistant secretary for shipbuilding and logistics, with a staff of 218, is responsible for all stages of ship design for the shipbuilding program and the management of all acquisition programs following the full-scale production decision. The assistant secretary is also responsible for integrating shipboard components, subsystems, combat systems, and life-cycle support and serves as the Navy Senior Procurement Executive. He is assisted in his duties by a civilian principal deputy. Responsibilities of the assistant secretary and staff include review and approval of business strategy, including contractual policy, and procuring logistics and life-cycle support items.

The Office of the Assistant Secretary of the Navy for Shipbuilding and Logistics is organized into seven offices: (1) air and ordnance programs, (2) supply support, (3) contracts and business management, (4) installations and facilities, (5) resources and policy evaluation, (6) shipbuilding, and (7) Marine Corps programs.

The director of the small and disadvantaged business utilization office, a civilian with a staff of four, advises and reports directly to the Secretary of the Navy and the assistant secretary on small business, minority business, and labor surplus area policy matters. Responsibilities of the staff include developing small business regulations to apply Navy resources and opportunities and to ensure the development of small enterprise.

The principal deputy to the assistant secretary also serves as the director of the procurement support office, a field activity. The procurement support office is organized into 8 offices with a total personnel strength of 177 staff. This office evolved as a result of disbanding the Navy Material Command in 1985 to provide support for developing DOD acquisition policies and programs and to create a clear delineation between those functions that support procurement policy with those that implement it within the Office of the Assistant Secretary for Shipbuilding and Logistics.

Activities of the procurement support office include business clearance approval, contract legal reviews, contract reporting, and acquisition plan approval. Procurements with a dollar value of \$50 million or more must be processed through the procurement office and approved by the assistant secretary.

Other Secretariat Offices With Acquisition Activities

In response to the act's requirement for the secretariat to be solely responsible for information management, the Navy created the Office of Information Resource Management, which has responsibility for managing the acquisition of automated data processing equipment. This office reports to the assistant secretary for financial management. Information resource management purchases are for routine administrative and business applications, such as payroll, finance, and personnel management. Computer resources for weapons, command and control, intelligence, and tactical or strategic systems are acquired as part of the total weapons packages managed by the Navy's regular acquisition process and overseen by the two assistant secretaries.

CNO Continues to Participate in Acquisition Activities

The CNO continues to play an important role in the acquisition function. His overall mission is to supervise and command all functions and activities of the operating forces of the Navy and assigned shore activities, including the systems commands. His primary concern is to determine what capabilities are of most value, while the systems commands are concerned with how to achieve the capabilities. His responsibilities include (1) establishing operational requirements, upon which acquisition programs are based, (2) preparing and reviewing acquisition program documentation to ensure proper program definition and structure, (3) directing operational test and evaluation to support decisions, and (4) providing input to decisions at the appropriate review forums.

Prior to the reorganization, eight warfare offices, called program sponsors, oversaw weapon systems from their conception through development, introduction into the fleet, and retirement from the operating forces. In the reorganized structure, the offices, headed by five deputy and three assistant CNOs, continue to perform the same responsibilities they held prior to the reorganization, including (1) developing requirements, (2) determining the resources needed for supporting the individual mission areas, and (3) coordinating program-related information for assigned weapon systems. The program sponsors provide direction and funds to the systems commands, who are responsible for program execution. A staff of military officers in the warfare offices, called program coordinators, serves as the link between the program sponsors and the program managers within the systems commands and is responsible for keeping both apprised of each other's needs.

Navy documents as well as officials we interviewed characterize the program coordinators as the headquarters focal points for the system for which they are assigned. For example, one document describes the program coordinators as the link between the program sponsors and the program managers and further defines the responsibility of the program coordinator as including

- serving as the focal point for the program manager for all contacts within the CNO and as the focal point for the program sponsor for all contacts with the systems commands,
- coordinating other related areas, such as military manpower requirements, military construction, training, and integrated logistics support,
- coordinating changes to the decision coordinating papers,
- monitoring program progress,
- assisting in the preparation and presentation of proposed program actions to a higher authority, and

- assisting in the coordination of programming documents and budget data as required by the resource sponsor.

Further, secretariat staff stated that they normally contact the program coordinators to obtain information on programs.

Other officials described the program coordinator's role as one oriented toward requirements and budget coordination. For example, some program managers stated that they deal directly with the secretariat on programmatic matters and with the program coordinators on requirements issues. Nevertheless, they stated that they interact more frequently with the program coordinator than with secretariat staff.

We believe that having the program coordinators serve as the headquarters focal points is undesirable for two reasons. First, it suggests a more proactive role for the CNO staff than was intended by the Packard Commission. Second, with the program coordinator serving as the headquarters focal point, the program expertise resides principally with the CNO staff, which detracts from the goal of strengthening civilian control over the acquisition process.

Marine Corps Acquisition Management

Acquisition management of Marine Corps programs is somewhat different in three respects from that of the other three services. First, a major portion of Marine Corps systems are handled within the Navy acquisition community. Marine Corps aircraft systems are funded by the Navy Aircraft Procurement appropriation and acquired through the Naval Air Systems Command. As shown in table 4.1, Navy-managed procurement programs total \$3.0 billion compared to \$1.3 billion for Marine Corps-managed procurement programs. The Marine Corps' aviation interests are represented within the CNO staff by a 3-star general who serves as the assistant deputy CNO for marine aviation and also as the Marine Corps deputy chief of staff for aviation.

Table 4.1: Comparison of Marine Corps Acquisition Programs Managed by Marine Corps to Marine Corps Programs Managed by Navy

	Fiscal year 1988 appropriation
Navy-managed Marine Corps programs	
Research, Development, Test and Evaluation, Navy	\$ 198,000,000
Aircraft Procurement, Navy	2,965,400,000
Total	\$3,163,400,000
Marine Corps-managed programs	
Procurement, Marine Corps	\$ 1,295,600,000
Operations and Maintenance, Marine Corps	1,819,200,000
Operations and Maintenance, Marine Corps Reserves	69,500,000
Total	\$3,184,300,000

Second, the Marine Corps has traditionally purchased much of its ground combat, communications, and electronic systems, and aircraft support from other services. In fiscal year 1988, less than 13 percent of the Marine Corps' \$1.3 billion procurement appropriation was used for systems acquired through Marine Corps-managed program offices. Sixty-seven percent of the funding was used for acquiring Army-managed systems, such as tanks, although the Marine Corps also acquired communications and electronic equipment through the Space and Naval Warfare Systems Command.

Third, the Navy acquisition secretariat is responsible for overseeing Marine Corps acquisition programs. The commander of the Marine Corps Research, Development and Acquisition Command serves as a deputy to the assistant secretary of the Navy for research, engineering and systems and represents Marine Corps interests in the Navy acquisition secretariat. He is responsible to the assistant secretary for all Marine Corps acquisition programs under the cognizance of the assistant secretary. He does not, however, have a designated position within the Office of the Assistant Secretary for Shipbuilding and Logistics. The commander also serves as the Marine Corps' only program executive officer, and in this capacity he is responsible to the Navy Acquisition Executive.

Marine Corps Acquisition Structure Prior to Passage of the Reorganization Act

Prior to the recent Marine Corps headquarters reorganization, acquisition responsibilities were divided among several headquarters activities. The Office of the Deputy Chief of Staff for Research, Development and Studies was responsible for acquisition matters for ground combat systems from program initiation until the systems were ready for production. The Office of the Deputy Chief of Staff for Installations and Logistics became the acquisition focal point during the production and deployment stages and throughout the remainder of the system's life cycle. Another Marine Corps headquarters office involved in the acquisition process was the Office of the Director, Command, Control, Communications and Computer Systems Division. The Marine Corps did not have an acquisition staff in the Navy secretariat prior to the passage of the act.

Marine Corps Acquisition Management Centralized in Newly Formed Acquisition Command

To improve analysis of force structure and materiel requirements and responsiveness to the needs of operating forces, the Marine Corps established two new military commands and consolidated and streamlined acquisition management activities within these commands. Most of the acquisition functions previously conducted by several different departments and divisions in Marine Corps headquarters were centralized into the newly formed Marine Corps Research, Development and Acquisition Command. The Office of the Deputy Chief of Staff for Research, Development and Studies was eliminated and most of the staff in the office were transferred to the new command. Also, the deputy chief of staff was designated commanding general of the Research, Development and Acquisition Command and functions as the Marine Corps' principal acquisition executive. He has the authority, responsibility, and accountability for all Marine Corps ground combat acquisition programs in the new structure and is dual-hatted as deputy assistant secretary of the Navy for research, engineering and systems.

The Navy is still in the process of finalizing the transfer of seven personnel who served as coordinators in the former Office of the Deputy Chief of Staff for Research, Development and Studies. The Marine Corps recommended to the Navy secretariat that these personnel be transferred to the Office of the Assistant Secretary for Research, Engineering and Systems to support the deputy assistant secretary in overseeing Navy secretariat review of Marine Corps programs. Navy officials told us that this transfer will be made as part of the reorganization of the assistant secretary's office.

Most of the tactical acquisition functions performed by over 300 military and civilian personnel in departments of Marine Corps headquarters were transferred to the new command. The largest personnel transfer (approximately 260 staff) was made from the headquarters installation and logistics department. However, certain acquisition functions remain in the installations and logistics department, including the acquisition of centrally procured nontactical goods and services, such as recruitment advertising and administrative data processing equipment. Additionally, acquisition of aviation systems continues to be performed through Navy management channels just as it was prior to the reorganization.

Another major change brought about by the Marine Corps headquarters reorganization was the concept for determining requirements and developing the plan and budget for acquisition programs. The Combat Development Command, the second newly created command, assumed the mission for identifying requirements for new Marine Corps systems and equipment and other key requirements responsibilities, including the development of operational concepts, plans, and doctrine. The Command now identifies needs for new systems and serves as program sponsor for acquisition programs during the development of Marine Corps program plans and budgets. By transferring the acquisition program sponsor functions from departments and divisions in Marine Corps headquarters to the Combat Development Command, the Marine Corps eliminated the process by which every acquisition program is reviewed and approved by individual program sponsors within Marine Corps headquarters.

Navy Implements Three-Tier Management System

In implementing the Packard Commission recommendations, the Navy designated the commanders of the systems commands, including the new Marine Corps command, as the program executive officers. These seven officers manage major programs in their area of responsibility and report directly to the Navy Acquisition Executive. The structure is geared for the program managers of the major acquisition programs to report to and receive programmatic direction from the program executive officers. However, managers also work closely with the staff in the secretariat acquisition organization and contractors depending upon the stage of the program. Navy officials said that the program managers generally interact on a day-to-day basis with the program coordinators on the CNO staff.

Prior to implementing the three-tier structure, Navy regulations allowed for a layer of review by the CNO between the systems commands and

secretariat. The program sponsors on the CNO staff would lead the reviews.² However, these additional layers of review were eliminated by implementing the three-tier management concept for programmatic decisions.

Meeting the Act's Requirements and Objectives

The Navy designated the Office of the Under Secretary as the single office responsible for all Navy acquisition matters. According to the Navy, the assistant secretaries assist the under secretary and are thus, consistent with the act, participating in the function under his direction.

We do not believe the Navy's organizational structure complies with the act's requirement that a single office or entity in the secretariat be assigned responsibility for the acquisition function. The Navy has assigned significant acquisition responsibilities to the under secretary as well as the two assistant secretaries. The assistant secretary for shipbuilding and logistics is responsible for the shipbuilding program and all acquisition production and support functions for the Navy and Marine Corps. He also acts as the Navy's Senior Procurement Executive. The assistant secretary for research, engineering and systems is responsible for all departmental acquisition programs up to full-scale production, except for shipbuilding. Thus, unlike the Army's Office of the Army Acquisition Executive, the Navy has not constituted acquisition responsibility in one office or entity in the secretariat.

Also, the act permits other elements of the headquarters (other than the secretariat) to participate in the acquisition function under the direction of the secretariat office that has responsibility for this function. However, this provision does not apply to other secretariat offices. For these reasons, we believe that the assignment of responsibilities to the assistant secretaries is not consistent with the requirements of the act.

We believe that the Navy's proposed transfer of the seven staff charged with oversight of amphibious warfare programs from the Marine Corps' former deputy chief of staff office to the Navy secretariat will provide the secretariat adequate oversight capability for Marine Corps programs and ensure the Navy's compliance with the Reorganization Act. As of today, this transfer has not taken place. However, Navy secretariat officials said that this transfer will be accomplished when the reorganization plan for the Navy secretariat is completed and implemented.

²The program coordinators work for the program sponsors.

Civilian Representation in Reorganized Acquisition Secretariat

The reorganization did not change the mix of civilian and military personnel in the Navy acquisition organization. In addition, career civilians hold key positions of authority in the acquisition secretariat.

Civilian/Military Personnel Mix

The mix of civilian and military technical and managerial personnel in the Navy acquisition organization has not changed significantly as a result of the reorganization. As shown in table 4.2, 68 percent of the technical and managerial staff in the secretariat acquisition organization are civilian, compared to 62 percent prior to the reorganization.

Table 4.2: Authorized Staffing Pre- and Post-Reorganization for Technical and Managerial Positions

	Civilians	Percent of total	Military	Percent of total	Total
Pre-reorganization ^a	152	61	99	39	251
Post-reorganization ^b	170	68	81	32	251

^aPercentages include positions in the CNO research and development office.

^bPercentages include positions transferred from the CNO research and development office to the Navy secretariat.

The high percentage of civilians in the secretariat, particularly in comparison to the Air Force, is partly due to the functional emphasis in the secretariat. For example, 145 of the 251 technical and managerial staff in the secretariat acquisition organization are involved in contracting, a career field dominated by civilians, compared to 54 of the 255 staff in the Air Force.

Leadership Positions

Civilians tend to dominate the leadership positions in the Navy. The principal deputies to the two assistant secretaries are civilians. Furthermore, civilians head 15 of the 16 directorates reporting to the 2 assistant secretaries. However, the assistant secretary for research, engineering and systems is assisted by a vice admiral and a Marine Corps lieutenant general who are designated as deputy assistant secretaries.

Conclusions

Few changes were made in the Navy headquarters acquisition structure as a result of the reorganization, although more substantial realignments were made at Marine Corps headquarters. The Navy designated the under secretary as the Navy Acquisition Executive. He is primarily

responsible for overseeing major defense acquisition programs implemented through the three-tier management approach as well as other significant acquisition issues.

We do not believe that the Navy has complied with the act's requirement that a single office or other entity in the secretariat be designated or established to conduct the acquisition function. The Navy has assigned significant acquisition responsibilities to the under secretary as well as to the two assistant secretaries. In our view, title V does not, as the Navy asserts, authorize other offices in the civilian secretariat—for example, the two assistant secretaries—to participate in the acquisition function under the direction of the office assigned responsibility for that function in the secretariat, i.e., the under secretary.

Navy program coordinators continue to reside in the CNO staff and perform acquisition-related activities. Although the Navy does not view this as a problem, we are concerned that the current organization may not provide the Navy Acquisition Executive with the programmatic expertise needed to carry out independent oversight of the acquisition process. Their day-to-day involvement in program oversight suggests a more active role than was intended by the Packard Commission for the service chiefs' staffs. As discussed further in chapter 5, we believe the Navy should reassess this arrangement.

Recommendation

We recommend that the Secretary of the Navy take appropriate action to bring the Navy into compliance with the requirements of the act.

Reorganizations Reflect Different Interpretations of the Role of the Acquisition Secretariat

Differences in the military departments' reorganizations of the acquisition function are apparent. The Army reorganized its acquisition function by merging its former Army Staff activity with the secretariat, integrating the two staffs, and appointing civilian personnel as heads of key headquarters activities. It also extensively revised the management structure through which almost all field acquisition activities report to the Army Acquisition Executive.

The Air Force combined its acquisition secretariat with its principal Air Staff acquisition activity, but generally did not integrate the staffs and retained military leadership for almost all of the activities within the new secretariat. It did not restructure the traditional command relationships between its field buying activities, the Air Force Systems Command, and the Air Force Acquisition Executive, but rather implemented a management system designed to improve the Acquisition Executive's visibility and influence over these activities.

The Navy made few changes to the Department's management of Navy and Marine Corps acquisition programs, although additional changes are planned. However, the Marine Corps has extensively changed its internal management structure, removing almost all acquisition activities from Marine Corps headquarters and transferring them to newly established field activities.

To a great extent, the different approaches reflect varying (1) interpretations of what activities and tasks are encompassed by the term acquisition and (2) attitudes towards the role of career civilians. As a result, there are differences in the composition of staffs that support the service acquisition executives in their exercise of civilian control over the acquisition process.

Interpretations of the Scope of Acquisition Activities

The acquisition function includes a broad range of activities. The actual performance of these activities is largely conducted by the services' major buying activities. These activities perform research and development, negotiate contracts, develop test plans and program status reports, and perform many other program management responsibilities.

The prereorganization role of the service headquarters, both secretariat and military staff personnel, has traditionally been to develop and promulgate acquisition policy; develop research and development and procurement plans, programs, and budgets; serve as program advocates in marshalling the approval of acquisition plans and budgets through the

Office of the Secretary of Defense, Office of Management and Budget, and congressional review processes; and evaluate the status of implementing activities in achieving stated acquisition goals.

In establishing the requirements for the service acquisition reorganizations, the act did not define acquisition or specify what activities should be included in the new acquisition secretariat. As a result, the military departments handled these matters differently. For example, CNO staff continue to be responsible for coordinating budget actions for Navy acquisition programs. Furthermore, headquarters oversight of program execution was handled differently for certain types of equipment. While the Army and Navy secretariats generally had responsibility for all types of acquisition programs,¹ the Air Force headquarters oversight for many logistics and communications programs was assigned to the Office of the Chief of Staff.

Role of Career Civilians

The military departments took different approaches to defining the role of career civilians in the reorganized acquisition organizations. These differences are apparent in the placement of civilians in key leadership positions and in the overall mix of civilian and military personnel.

Current as well as former secretariat officials said that establishing civilians in key leadership positions was an essential element for maintaining control over the acquisition function. According to these officials, the magnitude and complexity of the acquisition process makes it unrealistic to vest civilian control in a single civilian appointee. A more balanced mix of civilian and military personnel in key positions was seen by these officials as providing greater institutional stability and facilitating constructive controversy in managing the acquisition process. As a result, the Army sought to enhance the participation of career civilian executives in the reorganized acquisition structure. Similarly, the placement of civilians in leadership positions is a key element in current Navy reorganization plans.

Leadership Positions

In the Army, civilians head several key components of the acquisition secretariat, including procurement and contracting, policy, programming,

¹An exception is the acquisition of Navy information systems, which remains under the assistant secretary for financial management.

and budgeting, and program evaluation. Overall, 58 percent of the technical and managerial staff in the acquisition secretariat report to civilian supervisors. In the Navy acquisition secretariat, civilians head 15 of the 16 directorates reporting to the 2 assistant secretaries. Further, current plans for the Office of the Assistant Secretary for Research, Engineering and Systems call for the reorganized divisions to be headed by civilians. In contrast, key leadership positions are almost exclusively occupied by military officers in the reorganized Air Force acquisition secretariat and most civilians are in nonsupervisory positions. About 10 percent of the technical and managerial staff in the secretariat report to civilian supervisors.

Mix of Civilian and Military Personnel

As shown in figure 5.1, fifty-four percent of Army technical and managerial staff, 68 percent of the Navy staff, and 26 percent of the Air Force secretariat staff are civilians.²

Differences in the services' mix of civilian and military personnel reflect several factors. The Air Force has traditionally had a more defined military career field in acquisition management, and officers make up a greater proportion of the total acquisition work force than in the other services. For example, civilians account for about 92 percent of the work force (excluding administrative staff) of the Army Materiel Command, 98 percent of the work force of the Navy systems commands, and 75 percent of the work force of the Air Force Systems and Logistics Commands.³

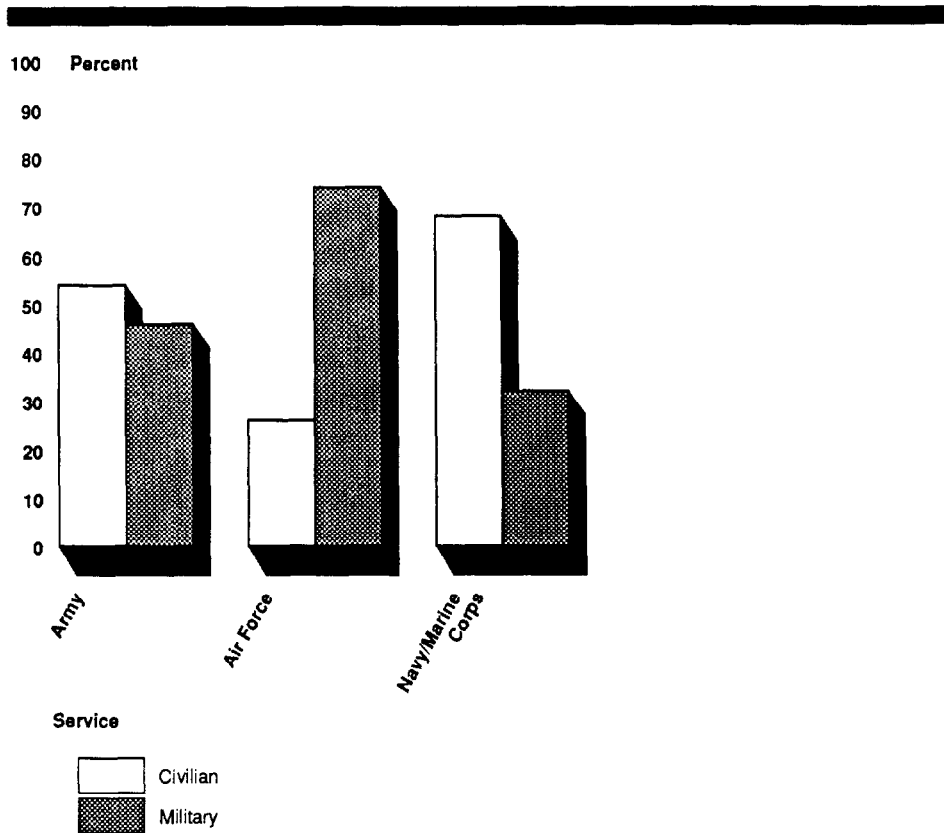
The differences also reflect the emphasis placed on various functions within each of the secretariat acquisition organizations. For example, more staff in the Air Force secretariat are dedicated to systems-specific work—approximately 140 Air Force positions are involved in this function compared to about 65 positions in the Army⁴ and about 50 positions in the Navy. These positions are normally filled by military officers. The Navy secretariat, on the other hand, has considerably more personnel devoted to the contracting function, a career field dominated by civilians. For example, the Navy has approximately 145 staff involved in

²These percentages are based on the assistant secretaries' offices only.

³Defense Acquisition: Advantages and Disadvantages of a Centralized Civilian Acquisition Agency, (GAO/NSIAD-87-36, Nov. 7, 1987).

⁴Includes 20 personnel at the Army Materiel Command Headquarters, who report to the Army Acquisition Executive on a dual-hatted basis.

Figure 5.1: Mix of Civilian and Military Staff in Technical and Managerial Positions^a



^aPercentages reflect civilian/military technical and managerial positions (civilian/military administrative positions not included).

Note: Navy percentages include positions transferred from the CNO staff to the Navy secretariat.

contracting activities compared to 65 in the Army and 54 in the Air Force acquisition secretariats.

Civilian Control and the Role of the Military Staffs

The Reorganization Act sought to strengthen civilian control by giving secretariat officials, such as the assistant secretaries and under secretaries, more direct control over the staffs that manage the acquisition process on a day-to-day basis. A vital element in this concept is improved access to program-specific information. Prior to the reorganizations, each of the military departments had officers in the chief of staff organizations who were concerned with tracking individual programs and coordinating actions within the headquarters and between the headquarters and the service buying commands. These focal points

included program element monitors in the Air Force, systems coordinators in the Army, and program coordinators in the Navy.

The Air Force reorganization resulted in the transfer of the program element monitors from the Air Staff research and development office to the acquisition secretariat, although program element monitors for logistics and communications programs remain in the Air Staff organization. As a result, the assistant secretary's access to specific information increased for covered programs.

The situation in the Army is more ambiguous. In implementing the three-tier management approach recommended by the Packard Commission, the Army created program executive offices to be the only management level between the program managers and Army Acquisition Executive and gave them responsibility for program coordination and oversight. As a result, the Army eliminated the systems coordinators positions. According to Army officials, the systems coordinators performed a necessary coordination function and eliminating these positions created a void at the headquarters. This void has, at times, been filled by staff of the deputy chief of staff for operations and plans. Therefore, the potential exists for the program-specific expertise to ultimately reside in the Army Staff organization rather than within the acquisition secretariat, which would detract from the objective of strengthening civilian control. Army officials agree that this is a legitimate concern but believe it is too soon to tell if it is a real problem. They intend to monitor the situation as it evolves and will take action if they see the role of the secretariat being diluted.

The Navy reorganization has resulted in the transfer of staff in the CNO research, development, test, and evaluation office to the acquisition secretariat. This staff was primarily concerned with reviewing test and evaluation plans. Navy program coordinators continue to reside on the CNO staff and perform a variety of headquarters oversight functions. Like their counterparts in the Army and Air Staffs, these coordinators monitor programs from a requirements perspective. However, unlike their counterparts, they have broader monitoring and coordination functions. Consequently, the Navy Acquisition Executive has considerably fewer personnel in the secretariat who are directly involved in programming and budgeting activities and who follow program status on a day-to-day basis. As a result, the Navy Acquisition Executive must rely more heavily on program status information from the CNO staff or from individual program offices in the systems commands.

Conclusions

Although the reorganization has enhanced civilian control, the parameters of this expanded control were defined by the scope of acquisition activities covered by the reorganizations. The extent of independent program expertise residing within the secretariats remains a concern in all three military departments. The Air Force secretariat has more limited control over logistics programs as compared to other acquisition programs. In the Army, the potential exists for program expertise to migrate to the Army Staff. In the Navy, much of the program expertise continues to reside in the CNO staff. In addition, the Air Force organization does not contain the balance in civilian and military staffs in leadership positions that is apparent in the other military departments.

Recommendations

To provide the secretariat with direct access to program information, a key ingredient to strengthening civilian control, and to ensure that the concept of civilian control is reflected in the organizational structure of each of the acquisition secretariats, we recommend that

- the Secretary of the Air Force consider (1) enhancing secretariat management of logistics programs and (2) seeking a more balanced mix of civilian and military personnel in leadership positions,
- the Secretary of the Army monitor implementation of the program executive office concept to ensure that a sufficient level of program expertise remains under the direct control of the Army Acquisition Executive, and
- the Secretary of the Navy clarify the roles and responsibilities of secretariat staff and CNO program coordinators in line with the objective of ensuring that independent program expertise resides within the secretariat.

Comments From the Department of Defense



THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

5 APR 1989

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and
International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This letter is to advise you that the Department of Defense (DoD) will not be providing a comprehensive response to the findings and recommendations in the GAO draft report: "ACQUISITION REFORM: Military Departments Response to the Reorganization Act" dated February 6, 1989, (GAO Code 391093), OSD Case 7900. The report raises significant policy issues in the Military Departments with regard to compliance with the Reorganization Act. In addition, on February 25, 1989, the President directed that a Defense Management Review be initiated. This review is currently underway and will cover areas such as DoD acquisition management and organization. Therefore, a comprehensive response to the draft GAO report would be premature.

The findings and recommendations of the GAO report are presently receiving the highest level of review in the Services and in the Office of the Secretary of Defense. For example, the Navy is considering establishment of an Office of the Navy Acquisition Executive, to be comprised of all elements within the Secretariat engaged in the acquisition function, and is clarifying the roles and relationships among senior Navy acquisition officials to ensure compliance with the Act.

The Department appreciates the opportunity to review the draft report. The DoD will provide a comprehensive response to the final report. At that time, the Defense Management Review should be at or near completion and the Department will be able to provide a more appropriate response to the findings and recommendations.

Sincerely,

A handwritten signature in cursive script, appearing to read "William H. Taft, IV".

William H. Taft, IV

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