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Testimony



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Defense Management: Streamlining the Acquisition  
Process

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Before the  
Congressional Military Reform Caucus



Members of the Military Reform Caucus:

In September of last year we issued our report summarizing the main issues in five major procurement studies. These were the 1970 Blue Ribbon Defense Panel, the 1972 Procurement Commission, the 1981 Carlucci Assessment, the 1983 Grace Commission, and the 1986 Packard Commission. These studies, as well as our reviews of many individual weapon programs over the years, unfortunately, show the same or similar systemic problems and issues.

In this context, I think we all have to be concerned whether the Packard Commission's recommended reforms will be fully implemented as intended. Implementation efforts to date have fallen short and progress has been disappointing. However, I am encouraged by the current administration's renewed commitment to full implementation of the reform initiatives--as reflected in Secretary Cheney's Defense Management Review.

Let me deal with the progress and shortfalls of current procurement reform efforts and future prospects by focusing on actions concerning DOD's organizational structure. My comments are based on work we are performing for Senator Roth.

To address acquisition organization problems, the Packard Commission recommended, (1) establishing an Under Secretary of Defense for Acquisition (USD(A)) to oversee the acquisition system and establish overall policy, (2) establishing a full-time, civilian Service Acquisition Executive (SAE) position in each service to administer acquisition programs, and (3) appointing program executive officers (PEOs) to be responsible for a defined number of programs and program managers.

In effect, the Commission envisioned each service creating a three-tiered acquisition management chain to manage major acquisition programs. The program managers would report to their

PEOs, who would report to the SAE. The latter would operate under policy guidance from the USD(A). The Commission believed that implementation of its recommendations would result in a substantial reduction in acquisition personnel.

Not surprisingly, the Commission's streamlining recommendations have not been implemented as intended and streamlining objectives have not been fully achieved.

- The USD(A) position was not given the support needed to supervise the performance of the entire acquisition system. As a result, policy-making remains fragmented.
- Each service implemented the recommendation for a three-tiered acquisition chain differently. Each created an acquisition reporting chain in addition to the existing command chain. The acquisition chain generally lacks the authority and control of resources needed to make and execute acquisition management decisions. Control over these resources generally remains with the existing command chain.
- The Navy and Air Force generally superimposed the three-tiered reporting chain over their existing command chain. SAE and PEO titles were assigned to existing positions with little or no change in responsibility or authority relationships. The Army did the same with the SAE title, but created a new, full-time, acquisition chain that is separate from the existing command chain. However, the Army's acquisition chain is dependent upon resources of the existing command chain to manage and execute programs.

The Secretary's Defense Management Review recognizes that the Commission intended more fundamental changes in the defense acquisition system than has been accomplished to date and includes provisions the Secretary believes are needed for more

complete and consistent implementation of the Commission's recommendations. Provisions in the Secretary's report that stand out are:

1. A single, full-time, civilian Assistant Secretary, will be designated SAE for each service and will be responsible for all acquisition functions.
2. SAEs will manage all major programs through full-time PEOs. The PEOs will have a small, separate staff organization and will be relieved of other responsibilities.
3. Program managers will report only to their respective PEO or SAE on all matters of program costs, schedule, and performance.
4. Systems and Material Commands will be organized to manage programs not under the PEO structure and to provide support services to the PEO structure without duplicating any of their management functions.
5. Funding and personnel authorizations for PEO offices and programs managers reporting to them, will be administered separately from Service commands.

The Secretary's report requires the Service Secretaries to submit detailed plans for implementing the above provisions for the Secretary's consideration by October 1, 1989.

In my view, the Service Secretaries have got their work cut out for them. Some matters that need to be considered are:

1) The Navy and the Air Force will have to designate a single Assistant Secretary as SAE. Acquisition functions in both services are now assigned to two Assistant Secretaries and additionally in the Navy to the Under Secretary. Both the Navy and the Air Force are presently not in compliance with the Goldwater-Nichols Reorganization Act requirement to designate a single entity in the secretariat to conduct the acquisition function.

2) The Secretary's blueprint for the future most resembles the Army's three-tiered structure, but in the Army's structure, the PEO and program manager are highly dependent on the existing command chain for both programmatic and functional resources and support. The program manager does not have control over key personnel.

3) The Secretary's report stipulates that the Systems and Material Commands will provide support services to the PEO structure. I understand that the Army plans to establish over the next year a separate Field Operating Agency to support the PEO/PM structure. We may be leading towards proliferation rather than streamlining the acquisition process.

Mr. Roth, Mrs. Boxer, may I commend you for arranging this session today. I think we all need to be upbeat about the prospects for reform, but we need also to recognize that we have a lot of hard work before us.

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This concludes my prepared statement. I would be pleased to answer any questions.