

GAO

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

August 1990

TEST AND EVALUATION

The Director, Operational Test and Evaluation's Role in Test Resources



142081

**National Security and
International Affairs Division**

B-238677

August 27, 1990

The Honorable Les Aspin
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

As requested, we evaluated whether certain tasks were within the mission of the Office of the Director, Operational Test and Evaluation (DOT&E).¹ Specifically, we examined the Director's (1) role as Chairman of the Test and Evaluation Committee and (2) use of early operational assessments. You expressed particular concern about whether operational test and evaluation (OT&E) is independent of development testing.

Results in Brief

Until recently, the Director had major responsibilities chairing a committee that planned, programmed, and budgeted for development test resources. As a result, the legislatively mandated independence and separation that must exist between development and operational testing was at risk. While this committee was recently disestablished, the Department of Defense (DOD) is considering a new structure. We believe the Director should function as an adviser—not an officer or member—for any future committee or council that plans, programs, and budgets for development test resources.

Using early operational assessments, which help to determine whether weapon systems are ready for operational testing, is within DOT&E's mission because the assessments offer advice to the DOD acquisition decisionmakers. Although these assessments rely primarily on development and not operational test data, they can be useful in filling a void when actual operational test results are not available. However, these assessments are not substitutes for actual OT&E and the basis for developing the assessments should be fully disclosed to avoid misunderstanding as to their nature and use.

Background

The Congress, concerned that OT&E was not receiving sufficient emphasis and independent oversight, directed the establishment of DOT&E (P.L. 98-94, Sept. 24, 1983). The statute designated the Director as the

¹In practice, DOT&E is used to mean both the Director and the office under the Director's responsibility. To avoid confusion, we refer to the Director as the Director and to the office as DOT&E.

principal OT&E official within senior DOD management to ensure that systems being acquired are ready for production. To ensure that DOT&E is independent, the Congress legislated on several occasions, the organizational separation between development and operational testing—the two primary types of DOD testing during the acquisition process. In addition, the Director may not be assigned any responsibility for development test and evaluation except to provide advice to officials responsible for such testing.

The roles and responsibilities of the Director are described in 10 U.S.C. section 138. According to the statute, the Director is responsible for

- prescribing policies and procedures for OT&E,
- providing guidance to and consulting with defense officials both generally and with respect to specific programs,
- monitoring and reviewing all OT&E,
- coordinating joint OT&E,
- analyzing and reporting on both the adequacy of the testing and the results, and
- reviewing and making recommendations to the Secretary of Defense on all budgetary and financial matters relating to OT&E.

Development and Operational Testing

Development test and evaluation is done throughout the acquisition process to ensure the attainment of technical performance specifications, program objectives, and weapon system supportability. Development testing is normally done by the agency responsible for developing the system. It uses such techniques as modeling, simulation, prototypes, or full-scale engineering development system models to determine the extent that a system meets technical specifications.

OT&E is the field test, under realistic combat conditions, of major weapon systems, equipment, components, or munitions for the purpose of determining the operational effectiveness and suitability² of the weapons, equipment, or munitions used in combat by typical military users. Each service has an operational test agency that is responsible for OT&E, reporting test results, and providing an evaluation of the tested system's operational effectiveness and suitability.

²Operational effectiveness means the ability of a system to accomplish its mission when placed in use in the planned operational environment. Operational suitability is the degree to which a system can be placed satisfactorily in field use considering, among other factors, availability, maintainability, and logistics support.

In November 1989, the Congress added provisions concerning OT&E in connection with the decision to go beyond low-rate initial production.³ The Congress stated that OT&E does not include an operational assessment based exclusively on (1) computer modeling, (2) simulation, or (3) an analysis of system requirements, engineering proposals, design specifications, or any other information contained in program documents.

The Director's Role in Development Test Resources

The Deputy Secretary of Defense appointed the Director as Chairman of the Test and Evaluation Committee. As Committee Chairman, the Director presided over the operations of the Committee, which was responsible for planning, programming, and budgeting for development test resources. As a result, the Director's independence was jeopardized because the Director had influence over the types of development test assets used by the services. Responsibility for development test resources rests with the services. We believe the Director should function as an adviser on any future committee or council that is given responsibility for development test resources.

In 1987, the Congress inserted language in DOT&E's statute through the National Defense Authorization Act for Fiscal Years 1988-89, which states that "the Director may not be assigned any responsibility for developmental test and evaluation, other than the provision of advice to officials responsible for such testing." According to the conference report on this act, the language was inserted to ensure that responsibilities for operational testing are separate from functions associated with development testing. The conference report further stated that the Secretary of Defense should refrain from any realignment or new arrangement of test and evaluation activities, oversight responsibilities, or functions.

We recently issued an unclassified version of a classified report⁴ that criticized DOT&E's management of the OT&E Capability Improvement Program. In that report, we stated that DOT&E was performing management functions by acquiring operational test resources used in testing major weapon systems. We recommended that the Secretary of Defense direct

³Low-rate initial production is the production of a system in the minimum quantity needed to conduct OT&E, to establish an initial production base for the system, and to permit an orderly increase in the production rate for the system sufficient to lead to full-rate production upon the successful completion of operational testing.

⁴(GAO/NSIAD-90-141, Mar. 30, 1990).

and assure that the services plan, program, and budget for adequate test resources needed to conduct operational testing of weapon systems effectively. We explained that the Director should continue to perform oversight and policy functions by reviewing and making recommendations to the Secretary of Defense to assure that adequate test resources are acquired.

The Director Influenced the Committee in Development Test Resource Matters

The Test and Evaluation Committee was established to support the Under Secretary of Defense for Acquisition, who, by law, is responsible for establishing policies for acquiring DOD's weapon systems and the development testing of such systems. (See 10 U.S.C. 133(b)(2).) The Committee was to provide a forum for key representatives from the Office of the Secretary of Defense, the services, and other agencies to identify and resolve issues and to develop recommendations on the DOD acquisition system in the test and evaluation area.

The Committee's charter specified that the Chairman had major roles and responsibilities regarding the operations of the Committee. The Committee Chair was to, among other things, direct and supervise operations of the Committee, schedule and preside at meetings, select items submitted by the Committee members to be addressed by the Committee, and establish panels to carry out Committee assigned projects. The Committee attempted to obtain a consensus among all members regarding matters brought before the Committee. As such, the Director participated in the decision-making process by concurring or not concurring on these matters, thus having influence over the types of test assets used by the services.

As Committee Chairman, the Director initially provided advice and presented recommendations on various test and evaluation issues to the Deputy Secretary of Defense for a decision. In 1986, the issues included such things as a proposed recommendation to improve space system test capabilities. In 1988, the Director recommended establishing the Central Test and Evaluation Investment Program, which received \$83 million in fiscal year 1990 for the purpose of acquiring primarily development test resources for new weapon systems. The Director believed that the lack of development and operational test investments by the services was reaching crisis proportions.

Instead of continuing to serve in an advisory capacity by presenting recommendations on test resources to the Deputy Secretary of Defense, the

Director became a manager of these resources by taking on responsibility for the program. In November 1988, the Deputy Secretary of Defense created the program and directed that it be managed by the Committee. On November 30, 1988, management of the program was established and the Committee Chairman assumed responsibility and accountability for the management and effective allocation of the program funds.⁵ Management of test resources may dilute DOT&E's oversight function because it gives DOT&E a direct influence over the types of test assets acquired and used by the services. For example, DOT&E may be reluctant to criticize a test plan that contains inadequate testing resources if that office was responsible for managing or played a part in the acquisition of such resources.

Once the Committee approved the projects to be funded under the program, the Committee's resource panel established the parameters for the projects that were to be executed by the lead services or agency. In turn, the lead service or agency developed a project management plan that specifically outlined how the project would be executed. These two efforts established the "contract" for the project between the lead agent and the Committee.

The projects were then executed by the lead service or agency. The Committee established program corporate investment priorities with the goal of preventing unnecessary duplication, encouraging multiservice use of equipment, and providing critically needed test capabilities. Priorities were to be determined in all phases of program management (planning, programming, budgeting, and budget execution) by the Committee. As a result, the Director, by assuming major responsibilities for the Committee that managed development test resource funding, placed his independence at risk.

The Committee May Be Replaced by a Council

DOD's response to a draft of this report stated that the Test and Evaluation Committee under the Defense Acquisition Board has been disestablished. However, we were told that a DOD Test and Evaluation Resource Council may be created and may be co-chaired by the Director. At present, it is unclear how such a council will operate. If the council is established to plan, program, and budget for development test resources and the Director serves as a co-chairman or even as a council member, we

⁵The funding for the program is found in the appropriation for the Deputy Director, Defense Research and Engineering (Test and Evaluation), Office of the Secretary of Defense, who is responsible for development testing. Fiscal oversight, distinct from the Committee's responsibility for management and corporate priority setting, is the job of the Deputy Director.

believe the Director would continue to exceed the role of providing advice to officials responsible for development test matters.

In the past, the Test and Evaluation Committee membership consisted of the Committee chair, vice chair, members, and invited participants/advisers. The Committee Chair and members were to reach a consensus on various issues brought before the Committee. The invited participants and advisers were to provide information on specific matters. In keeping with DOT&E's responsibilities for OT&E oversight as addressed in its statute, it would be more appropriate for the Director to be an adviser on any future test resources council that is created. As such, the Director should continue to perform oversight and policy functions by reviewing test plans and results and making recommendations to the Secretary of Defense so that test resource needs are given appropriate consideration.

Use of Early Operational Assessments Is Within DOT&E's Mission

Our review showed that DOT&E's use of early operational assessments, which DOD began using in 1988, are not prohibited by DOT&E's statute. They allow DOT&E to offer information to DOD acquisition decisionmakers as to whether weapon systems are ready for OT&E and whether operational shortfalls are being identified and corrected early in the acquisition process. These assessments, which are based primarily on development rather than OT&E data, are being done during the early phases of the acquisition process when actual OT&E results are not available. However, as noted in a previous report,⁶ they are not substitutes for OT&E and the basis for the assessments should be fully disclosed when they are reported to congressional and DOD decisionmakers.

According to the Director, an independent evaluation is made of the operational assessments developed by the operational test agencies. This evaluation is provided as advice to the Under Secretary of Defense for Acquisition through the Defense Acquisition Board process, which is used to oversee major system acquisitions.

The Director's Past Attempts to Redefine Test and Evaluation

In the past, the Director has attempted to redefine the way test and evaluation is viewed within DOD. Until the Director began advocating the use of early operational assessments, initial OT&E was that portion of actual OT&E done throughout the acquisition process before the decision

⁶Navy Weapons Testing: Defense Policy on Early Operational Testing (GAO/NSIAD-89-98, May 8, 1989).

to proceed to production. It was accomplished using a prototype, preproduction article, or a low-rate initial production article as the test item. The "final exam," or the latter phase of initial OT&E usually entailed dedicated operational testing of production representative test articles using typical operational personnel in as realistic a combat environment as possible.

In a report to the House Armed Services Committee dated September 25, 1987, the Secretary of Defense proposed to redefine initial OT&E as that component of testing initiated at program inception, to forecast operational effectiveness and suitability. It was to be a tool to provide insights about the potential operational worth of a system throughout its acquisition life. As opposed to doing actual OT&E, initial OT&E would take advantage of any test results and could use modeling, simulation, and paper analyses to make assessments.⁷

DOD's current policy requires early and progressive assessments of operational capability, including realistic operational testing before full-scale production starts. It is the current DOD perspective that an operational test agency should evaluate all pertinent information as it becomes available, regardless of the source, for input into early periodic operational assessments.

On January 26, 1990, DOD issued guidelines that prescribe uniform procedures for preparing and approving Test and Evaluation Master Plans. The plans describe, among other things, the development and operational testing to be performed on a weapon system throughout the acquisition process. These guidelines state that the plans will show how operational assessments and testing are structured at each acquisition decision point. Further, they show how operational testing will, or has, evaluated the system in an environment as operationally realistic as possible. If OT&E cannot be done or completed early in the development process, then this is to be clearly stated and the reason(s) explained in the plans.

The guidelines state that operational assessments are done before or in support of the full-scale engineering development phase. They are used to identify significant trends noted in development efforts, programmatic voids, areas of risk, adequacy of requirements, and the ability of the program to support adequate operational testing. The assessments

⁷ According to a DOT&E official, this new definition for initial OT&E was synonymous with an early operational assessment.

are to be based on all information relevant to the program, and can be made at anytime. However, they are not to be considered substitutes for OT&E in support of full-production decisions.

Early Operational Assessments Can Be Useful

Performing early operational assessments when production representative test articles are not available is a step forward in filling a void in the availability of actual OT&E results. Furthermore, the assessments are considered advisory in nature and can be useful to decisionmakers. For example, the C-17A aircraft was the first major acquisition program that relied on an early operational assessment as a decision-making tool.⁸ In December 1987, the Deputy Secretary of Defense required the Air Force to submit an assessment of the C-17A regarding (1) meeting low-rate initial production criteria and (2) progress towards initial operational capability.

In September 1988, the Air Force Operational Test and Evaluation Center completed the C-17A assessment to support a low-rate initial production decision consisting of 40 C-17A aircraft. Since no production representative systems/subsystems were available, no operational tests were done. The center's assessment was based on all available information sources to address such areas as attainment of the production criteria listed in the C-17A's Test and Evaluation Master Plan. These sources included, but were not limited to, results of critical design reviews, development test results, demonstrations, the center's participation in planning committees, program documents, and interviews.

In January 1989, the Deputy Secretary of Defense approved low-rate initial production of the C-17A aircraft, which reduced the requested procurement of 40 aircraft to 10 aircraft. Because C-17A aircraft were not available for OT&E, the early operational assessment was beneficial in that it provided timely insight into potential problems for the C-17A aircraft based on essentially development test data.

Our Earlier Report Dealt With Disclosure of Early Operational Assessments

In our 1989 report to the Chairman, Subcommittee on Seapower and Strategic and Critical Materials, House Committee on Armed Services, we evaluated the Navy's OT&E done before decisions were made on the full-scale development or low-rate initial production of weapon systems. During fiscal years 1985 to 1988, the Navy typically approved weapon

⁸DOD is just beginning to use assessments in the acquisition process. As a result, there are very few examples of early operational assessments.

systems for full-scale development and, in many cases, for low-rate initial production before any OT&E was completed. However, the Navy did do a limited number of operational assessments that supported the early milestone decisions.

Based on our evaluation of DOD's testing policy and the Navy's use of operational assessments, we recommended in our 1989 report that the Secretary of Defense clarify when it is appropriate for decisionmakers to rely on operational assessments that do not include the operational testing of any hardware and when actual OT&E must occur. In addressing this issue, the Secretary was to assure the independence of the services' OT&E agencies was not compromised and that the basis of the weapon system assessments were fully disclosed when the assessments were reported to congressional and DOD decisionmakers.

In response to our report, DOD stated that it agreed with our recommendations. DOD further stated that the policy as to when it is appropriate for decisionmakers to rely on operational assessments would be included in the publication of DOD Manual 5000.3-M-5, volume 3. Due to changes in DOD's testing policy being considered as part of DOD's Defense Management Review, many directives and regulations are being consolidated, revised, or terminated. For example, DOD plans to publish a new Directive 5000.1⁹ addressing the acquisition process as well as a manual addressing acquisition documentation and reporting procedures. As a result, test and evaluation policies and procedures will not be published until sometime in the future.

Recommendation

We recommend that the Secretary of Defense keep development and operational testing independent and separate by ensuring that the Director provides advice only to those committees or councils that are responsible for the planning, programming, and budgeting of development test resources. The Director should perform oversight and policy functions by reviewing test plans and results and making recommendations to the Secretary of Defense so that test resource needs are given appropriate consideration.

Agency Comments and Our Evaluation

DOD agreed that development and operational testing should be kept independent and separate. However, DOD disagreed that DOT&E had managed development test resources. DOD stated that neither the Test and

⁹In the past, DOD Directive 5000.1 addressed the subject of major weapon system acquisitions.

Evaluation Committee nor the chairman ever managed development test resources or any program such as the Central Test and Evaluation Investment Program that involves such resources. As such, DOD has stated it was already in compliance with our recommendation and that the Director does not now function as chairman of any committee or any other organization responsible for managing test resources nor is there any intent to assign such responsibilities to the Director.

Although we recognize that test and evaluation resource management structures are presently undergoing changes, the Director had major responsibilities chairing a committee that planned, programmed, and budgeted for development test resources. As Committee Chairman, the Director exercised major responsibilities over the operations of the Committee. Further, the Committee was responsible for planning, programming, and budgeting for the Central Test and Evaluation Investment Program. Although we did not identify examples where the Director had unduly influenced the services, we believe his responsibilities created the perception that the Director's independence from development test matters was jeopardized by allowing for a direct influence over the test assets used by the services.

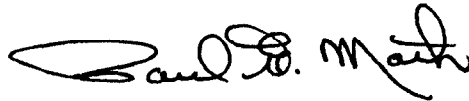
DOD told us that a corporate mechanism has been established to focus attention on the need for test resources. DOD believes that this attention has forced the services to work together to identify requirements, eliminate duplication, and obtain the necessary funds to support the requirements.

Based on DOD's comments, we have modified our recommendation to better emphasize the actions we believe are needed. (DOD's detailed comments and our evaluation of these comments are presented in app. II.)

We are sending copies of this report to the Secretaries of Defense, the Navy, Army, and Air Force and to interested parties. Copies will also be made available to others on request.

Please contact me at (202) 275-8400 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul F. Math". The signature is written in a cursive style with a large, sweeping initial "P".

Paul F. Math
Director, Research, Development,
Acquisition, and Procurement Issues

Contents

Letter		1
Appendix I Scope and Methodology		14
Appendix II Comments From the Department of Defense	GAO Comments	15 22
Appendix III Major Contributors to This Report		24

Abbreviations

DOD	Department of Defense
DOT&E	Office of the Director, Operational Test And Evaluation
OT&E	operational test and evaluation

Scope and Methodology

To assess the Director's role as Chairman of the Test and Evaluation Committee, we reviewed the scope of DOT&E's legislation as it pertained to development test matters. In particular, we focused on a legislative provision that stated that the Director was not to be assigned any responsibility for development test and evaluation, other than the provision of advice to officials responsible for such testing.

We interviewed Office of the Secretary of Defense officials and reviewed documents pertaining to the Test and Evaluation Committee. We reviewed the Director's involvement in test resource sponsorship as the Committee Chairman and in the normal role as DOT&E. In particular, we interviewed Office of the Secretary of Defense officials and reviewed documents pertaining to the Central Test and Evaluation Investment Program because the program is used to acquire primarily development test resources.

To assess the Director's use of early operational assessments, we evaluated the scope of DOT&E's legislation as it pertained to development test matters and whether that office was responsible for development test and evaluation, other than the provision of advice to officials responsible for such testing.

Since the early operational assessment is an evolving concept, only limited information is available on it. Primarily, we reviewed documents that set out DOT&E's policy on early operational assessments. We also interviewed service officials from the Navy Commander, Operational Test and Evaluation Force, Norfolk, Virginia; Air Force Operational Test and Evaluation Center, Albuquerque, New Mexico; and the Army Operational Test and Evaluation Agency, Alexandria, Virginia, to obtain their views on early operational assessments.

Our review was performed in accordance with generally accepted government auditing standards between October 1988 and January 1990.

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**OPERATIONAL
TEST AND
EVALUATION**

OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1700

6 JUN 1990

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

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DOD TESTING: Questionable Tasks Performed by the Director, Operational Test and Evaluation," dated April 13, 1990 (GAO Code 396224/OSD Case 8303). The Department agrees with the recommendation, but does not agree with the GAO assertion that the Director, Operational Test and Evaluation managed development test resources. It is the DoD position that neither the Test and Evaluation Committee nor the Chairman has ever managed the Central Test and Evaluation Investment Program, as asserted in the report.

See comment 1.

The Department concurs and is already in compliance with the recommendation that "development and operational testing be kept independent and separate." The Director, Operational Test and Evaluation is not now assigned as chairman of any committee or any other organization responsible for management of test resources, nor is there intent to assign such responsibilities.

See comment 2.

The detailed DoD comments on the report findings and recommendation are provided in the enclosure. The Department appreciates the opportunity to comment on this draft report.

Robert C. Duncan
Director

Enclosure

GAO DRAFT REPORT - DATED APRIL 13, 1990
GAO CODE 396224 - OSD Case 8303

"DOD TESTING: QUESTIONABLE TASKS PERFORMED BY THE DIRECTOR,
OPERATIONAL TEST AND EVALUATION"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

- o FINDING A: Background: Office of the Director, Operational Test and Evaluation. The GAO observed that the Congress, concerned that operational test and evaluation was not receiving sufficient emphasis and independent oversight, established the Director, Operational Test and Evaluation (P.L. 98-94, September 24, 1983). According to the GAO, the statute designated the Director as the principal operational test and evaluation official within senior DoD management to ensure that systems being acquired are ready for production. The GAO pointed out that, to ensure the independence of the Director, Operational Test and Evaluation, on several occasions, the Congress legislated the organizational separation between development and operational testing--the two primary types of DoD testing during the acquisition process. The GAO observed that the Director, Operational Test and Evaluation, may not be assigned any responsibility for development test and evaluation--except to provide advice to officials responsible for such testing. (pp. 2-4/GAO Draft Report)

DoD RESPONSE: Concur.

- o FINDING B: The Director Should Not Manage Test Resources. The GAO found that the Director, as Chairman of the Test and Evaluation Committee, had recently become involved in the management of development test resources. The GAO explained that managing development test resources goes beyond merely providing advice to officials responsible for development test matters and puts at risk the independence of the Director from development test matters because it gives the Director control and influence over the types of development test assets used by the Services.

The GAO pointed out that in 1987, the Congress inserted language in the National Defense Authorization Act for Fiscal years 1988-89, relating to the Office of the Director, Operational Test and Evaluation, which states "The Director

Enclosure

Now on pp. 1-2

may not be assigned any responsibility for developmental test and evaluation, other than the provision of advice to officials responsible for such testing." According to the GAO, the conference report on this Act had the language inserted to ensure that responsibilities for operational testing are separate from functions associated with development testing. The GAO noted that the conference report further stated that the Secretary of Defense should refrain from any realignment or new arrangement of test and evaluation activities, oversight responsibilities, or functions.

The GAO further referred to a recently issued GAO report, TEST AND EVALUATION: An Assessment of DoD's Operational Test and Evaluation Capability Improvement Program, dated March 20, 1990 (OSD Case 8137), which criticized the management of the Operational Test and Evaluation Capability Improvement Program. The GAO concluded that the Director, Operational Test and Evaluation, was performing management functions by acquiring test resources used in testing major weapon systems. The GAO asserted that management of test resources dilutes the Director's oversight function because it gives the Director, Operational Test and Evaluation, a direct influence over the types of test assets acquired and used by the Services. The GAO concluded that the Director may be reluctant to criticize a test plan that contains inadequate testing resources if his office was responsible for managing or played a part in the acquisition of such resources. (pp. 1-2, pp. 4-5/GAO Draft Report)

DoD RESPONSE: Nonconcur. The Department acknowledges that there were some statements in the early correspondence creating the Central Test and Evaluation Investment Program that assigned management responsibility to the Test and Evaluation Committee (hereafter referred to as the Committee) and the Chairman of the Committee (hereafter referred to as the Chairman). In practice, however, the Chairman did not manage. As specified in the Committee charter, the Committee provided a forum and catalyst for the review of DoD test resource matters and recommended alternatives. It did not have management authority under the charter. Moreover, the Chairman did not have decision authority; consequently, he could not manage test resources. The Chairman's role was to facilitate the review process and cause agreement to occur where that was possible. In that capacity, for all members of the Committee, whether they were judged to be of the development or operational test communities, the Director, Operational Test and Evaluation or his representative provided "advice to officials responsible for such testing."

Now on pp. 3-4

See comment 1.

- o **FINDING C: The Committee Chairman is Managing Development Test Resources.** The GAO observed that the Test and Evaluation Committee was established to support the Under Secretary of Defense for Acquisition who, by law, is responsible for acquiring DoD weapon systems and the development testing of such systems. The GAO noted that the Committee was to provide a forum for key representatives from the Office of the Secretary of Defense, the Services, and other agencies to identify and resolve issues and to develop recommendations on the DoD acquisition system in the test and evaluation area. They learned that the Deputy Secretary of Defense appointed the Director, Operational Test and Evaluation as the Chairman of the Committee.

The GAO explained that, as the Chairman, the Director initially provided advice and presented recommendations on various test and evaluation issues to the Deputy Secretary of Defense for a decision. The GAO found, however, that in 1986, the issues included such things as a proposed recommendation to improve space system test capabilities. The GAO further found that, in 1988, the Director recommended establishing the Central Test and Evaluation Investment Program, which received \$83 million in FY 1990 for the purpose of acquiring primarily development test resources for new weapon systems. The GAO acknowledged that the Director believed that the lack of development and operational test investments by the Services was reaching crisis proportions.

The GAO concluded that, instead of continuing to serve in an advisory capacity by presenting recommendations on test resources to the Deputy Secretary of Defense, the Director, Operational Test and Evaluation, became a manager of those resources by taking on the responsibility for the program. The GAO emphasized that, in November 1988, the Deputy Secretary of Defense created the program and directed that it be managed by the Committee. The GAO concluded, therefore, that the Committee Chairman became ultimately responsible and accountable for the management and funding of development test resources.

While agreeing the program is executed by the Military Services, the GAO further concluded that the Committee sets program corporate investment priorities with the goal of preventing unnecessary duplication, encouraging multi-Service use of equipment, and providing critically needed test capabilities. The GAO observed that the priorities are to be determined in all phases of program management by the Committee; therefore, the Director, Operational Test and Evaluation, by controlling development test resource funding,

Appendix II
Comments From the Department of Defense

Now on pp. 4-5

has exceeded the mission of providing advice to decisionmakers. (pp. 1-2, pp. 6-7/GAO Draft Report)

See comment 3.

DoD RESPONSE: Partially concur. The majority of the test resources that will be acquired under the Central Test and Evaluation Investment Program will directly support both operational and developmental testing. Those test resources that do not directly support operational testing will provide data that will be used to support operational effectiveness and suitability assessments or they will be used as evaluation/analysis tools.

See comment 1.

The Department acknowledges that a Deputy Secretary Memorandum did direct the Committee to manage the Central Test and Evaluation Investment Program and that a subsequent Committee Memorandum stated that the "...Chairman ... is ultimately responsible and accountable for the management and effective allocation of [Central Test and Evaluation Investment Program] funds." However, in recognition of the concerns of the Congress, in actual practice, the Director never exercised his Department mandate to "manage" the Central Test and Evaluation Investment Program. As defined above, the Director has never managed the Central Test and Evaluation Investment Program.

See comment 4.

Rather than managing, as Chairman of the Committee, the Director ensured a systematic process for review of all test resource matters. In fact, in recommending the management approach for the Central Test and Evaluation Investment Program, the Director proposed that the funding be placed in the Deputy Director Defense Research and Engineering (Test and Evaluation) appropriation, recognizing that office as the Department test resource manager.

- o **FINDING D: The Committee's Future is Uncertain.** The GAO explained that the continued need for the Committee is being questioned as a part of the DoD Defense Management Review. According to the GAO, the Committee functions may be placed under a council that could possibly be chaired by the Director, Operational Test and Evaluation. The GAO observed that it is currently unclear whether such a council would continue to manage development test resources. The GAO concluded, however, that if the council does manage such resources and the Director is the council Chairman, then the Director, Operational Test and Evaluation, would continue to be in the position of managing development test resources--thus still going beyond the mission of only providing advice to officials responsible for development test matters. (pp. 1-2, p. 8/GAO Draft Report)

Now on pp. 5-6

See comment 2.

DoD RESPONSE: Partially Concur. The Test and Evaluation Committee under the Defense Acquisition Board has been disestablished. However, the DoD Test and Evaluation Activity Consolidation Study, conducted as a part of the Defense Management Review, does propose the establishment of a DoD Test and Evaluation Resource Council, independently chartered under the Deputy Secretary of Defense. If the Deputy Secretary approves the Council, it will be chartered in such a way that there is neither the perception or fact of organizational bias.

- o **FINDING E: Use of Early Operational Assessments Is Within the DOT&E's Mission.** The GAO found that the use of early operational assessments, which the DoD began using in 1988, are not prohibited by the Director, Operational Test and Evaluation statute. The GAO explained that the assessments allow the Director to offer information to DoD acquisition decisionmakers as to whether weapon systems are ready for operational test and evaluation and whether operational shortfalls are being identified and corrected early in the acquisition process. The GAO pointed out that these assessments, which are based primarily on development rather than operational test and evaluation data, are being done during the early phases of the acquisition process, when actual operational test and evaluation results are not available. The GAO emphasized, however, that they are not substitutes for operational test and evaluation and the basis for the assessments should be fully disclosed when they are reported to congressional and DoD decisionmakers, as noted in its prior report, NAVY WEAPONS TESTING: Defense Policy on Early Operational Testing, dated May 8, 1989 (OSD Case 7800).

According to the GAO, the Director stated that an independent evaluation is made of the operational assessments developed by the operational test agencies. The GAO noted that this evaluation is provided as advice to the Under Secretary of Defense for Acquisition through the Defense Acquisition Board process that is used to oversee major system acquisitions. (pp. 1-2, pp. 8-14/GAO Draft Report)

Now on p. 6

DoD RESPONSE: Concur.

* * * * *

RECOMMENDATION

- o **RECOMMENDATION:** The GAO recommended that the Secretary of Defense assure that development and operational testing be kept independent and separate. (The GAO emphasized that the Secretary should ensure that the Director does not chair or manage committees or programs that involve development test resources that can compromise the independence of development and operational testing.) (p. 15/GAO Draft Report)

DOD RESPONSE: Concur. The Department is already complying with this recommendation because (1) the Director does not manage any test resources and (2) there is no intent to assign any such responsibilities to him. The Secretary has found the Director's counsel on Operational Test and Evaluation-related budgetary and financial matters to be invaluable and intends to ensure that such advice remains available through established Department corporate and functional mechanisms.

Now on p. 9

See comments 1 and 2.

The following are GAO's comments on DOD's letter dated June 6, 1990.

GAO Comments

1. As explained in the report, the Director had major responsibilities chairing a Committee that planned, programmed, and budgeted for development test resources. Instead of continuing to serve in an advisory capacity by presenting recommendations on test resources, the Director took on responsibilities for managing these resources. This type of participation placed at risk the Director's independence from development test matters because it gave the Director influence over the types of test assets acquired and used by the services.

We modified our report to discuss in greater detail how we believe the Director influenced the Committee in development test resources. We explain that the Chairman had major roles and responsibilities regarding the operations of the Committee. (See p. 4.) In addition, the Committee's resource panel served as the working arm for the Committee. For example, the resource panel developed a "contract" between the Committee and lead service or agency on how specific projects would be executed. (See p. 5.)

2. While we recognize that the Committee has been disestablished, we have included information in the report about it because the Committee offers a historical perspective on how such a council could function. For example, the Committee's charter provides a framework as to how the DOD Test and Evaluation Resource Council's charter could be structured. By reviewing the Committee's charter, we found that the Chairman had major responsibilities dealing with the operations of the Committee that would not be appropriate. As such, the Director had influence over the types of test assets used by the services. (See p. 4.)

DOD states that the Council will be chartered in such a way that there is neither the perception or fact of organizational bias. In DOD's official oral comments, we were told that the Council could possibly be co-chaired by the Director. We have modified the report to show the past membership of the Test and Evaluation Committee. (See p. 6.) By reviewing the charter of the Committee, we found that the membership consisted of the Committee chair, vice chair, members, and invited participants/advisers. The invited participants and advisers were to participate based on specific matters to be addressed. In keeping with the Director's responsibilities for OT&E oversight as addressed in its statute, we believe the Director should more appropriately be an adviser on any future council that may be created.

3. We believe that the Director should not have provided more than advice to officials responsible for development testing and continue to believe that the Director should not exceed providing advice by becoming involved with development test resources or any combination of development and OT&E test resources. In addition, we recently issued a report that criticized DOT&E's management of OT&E resources. We recommended that the Secretary of Defense direct and assure that the services plan, program, and budget for adequate test resources needed to conduct operational testing of weapon systems effectively. In April 1990, the Director emphasized to the services the importance of their planning, budgeting, and programming for adequate test resources.

4. We agree that the Director proposed that the funding for the program be placed in the Deputy Director, Defense Research and Engineering (Test and Evaluation) appropriation. However, the Deputy Director was only to be the fiscal agent for the funds. The Committee, on the other hand, was responsible for management and corporate priority setting. Priorities were to be determined in all phases of program management (planning, programming, budgeting, and budget execution). In effect, we believe this constituted control over development test resource funds.

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