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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
EXPECTED AT 9:15 a.m.  
THURSDAY JUNE 11, 1981



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STATEMENT OF  
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MISSION ANALYSIS AND SYSTEMS ACQUISITION DIVISION  
before the  
Investigations Subcommittee  
Committee on Armed Services  
House of Representatives  
on  
Department of Defense  
Major Weapon Systems  
Acquisition Process

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Mr. Chairman and Members of the Subcommittee:

I am pleased to have this opportunity to appear before the Subcommittee on behalf of the General Accounting Office to discuss (1) Department of Defense management of major weapon system acquisition programs with reference to OMB Circular A-109, "Major Systems Acquisitions" and (2) the Department's recent initiatives to improve its management of acquisition programs.

As you know, OMB Circular A-109, was issued April 5, 1976, to establish management policy for acquisition of major systems by the executive branch agencies. The circular implements recommendations contained in the 1972 report of the congressionally appointed Commission on Government Procurement. Our former Comptroller General and head of the General Accounting Office was a member of that commission.

The General Accounting Office has generally supported the concepts of A-109. We believe the directive provides sound management principles upon which to structure major weapon system acquisition programs. We are not inflexible, however, recognizing that many influences are at work in the acquisition process and that adjustments and improvements should be effected when appropriate.

We recently reviewed the Defense acquisition process, paying particular attention to compliance with A-109. Our objectives were to examine the functioning of the acquisition process and where possible to develop an understanding of A-109 effect. We

looked into the progress of six acquisition programs, all of which had been started within the previous 3 years, following procedures prescribed by A-109. None of the programs had progressed past the concept demonstration/validation stage of development. No other programs started under the A-109 MENS concept had progressed further. We reviewed documentation and discussed the programs' progress with military officials and about 65 representatives of 14 contractors. This was in addition to our annual review of 27 major weapon system programs.

#### STATUS OF DEFENSE COMPLIANCE WITH A-109

The Department of Defense has increased its compliance with A-109 since our previous review in 1978. (PSAD 79-9, February 20, 1979.) The Secretary of Defense and his key officials have emphasized compliance and A-109 has been included as an attachment to the basic Defense directive on major system acquisitions.

The Office of Federal Procurement Policy has provided guidance to DOD by way of annual reviews of A-109 application to weapon system programs conducted jointly with staff of the Secretary of Defense.

Statements of need called Mission Element Need Statements were being submitted to the Secretary of Defense for approval. In the six programs we reviewed, solutions to approved needs were either sought from Government laboratories or solicited from contractors as A-109 recommends. Parallel contracts for proposal and demonstration of weapon system concepts were competitively awarded to contractors. Program management offices were drawing up acquisition strategy for new programs as recommended.

Some Difficulties Experienced  
in Complying With A-109

Some hitches had developed along the way with some acquisition programs. MENS document preparation and approval was taking excessive time at first because of confusion about desired content, format, and processing. This has since been resolved for the most part by the Defense Acquisition Executive, although some internal Service disputes still occur over how to best express matters to obtain Secretary of Defense approval. Thirty-five MENS have been approved since A-109 was introduced, eighteen of these since last August.

Service action to start some new programs was underway before the MENS documents were formally approved by the Secretary of Defense. For example, the Request For Proposal for the CX aircraft program was released early, not only before MENS approval but also before complying with a Congressional request to accomplish a strategic mobility study. Defense also poured considerable funding into the British development of the JP-233 Low Altitude Airfield Attack System without first having an approved MENS document.

In some instances, attempts to avoid preparing MENS occurred, the Air Force LANTIRN program for example, and the protracted Navy argument against MENS for ships which has since been decided as necessary.

The Services have also experienced some difficulty restraining themselves from specifying systems specifications to influence contractors. The Air Force and Navy trainer aircraft programs are examples. We believe that clarification of what can be specified is needed from the Office of Federal Procurement Policy.

#### Mission Analysis

The present Defense Acquisition Executive and his immediate predecessor have stated that DOD has too many weapon system acquisition programs. Although A-109 advocates that mission analysis should be used to determine needs, DOD has not established a standard, systematic method of analyzing missions to determine needs and establish acquisition program priorities. Each Service uses various types of studies and analyses to determine its needs. Service panels meet to review and subjectively establish program priorities. We believe DOD should try to develop better use of mission analysis to help resolve the problem of too many weapon system programs.

#### Using Competition

Some problems has been experienced using competition. Decisions on allowing contractors to re-enter competition after earlier elimination were required in two programs. Although they were unwilling to provide specific data, most contractors claimed the Services were underfunding competition in new programs. The Navy experienced contract cost overruns with two competing contractors beginning early

in its Advanced Lightweight Torpedo Program which were attributed to low bids, inflation, and contractor exuberance which the Navy did not control.

Some contractors did not feel the Services were implementing A-109 very well and that program managers were "prone to take a cookbook" approach to complying with the directive. They believe Service officials were reluctant to take the risk of a more flexible approach and usually placed excessive and untimely requests for data in order to have as much information as possible so as to avoid any possible criticism later. Service officials disagreed with this view.

#### Acquisition Strategy

Service program office officials were developing acquisition strategy for their programs as advocated by A-109. They complained, however, that such strategy does not hold up because of changes in program funding. Most believed not being able to fund programs as planned as the greatest obstacle to successful program completion.

#### MEASURING THE BENEFITS OF A-109

The attention that A-109 has received since its issuance in 1976 sometimes conveys the impression that it is viewed by some people as providing solution to all of the problems of managing

the acquisition of major weapon systems. Unfortunately, the problems are too complex for such assumption, if for no other reason than each weapon system development program has its own peculiarities. Thus, any attempt to measure between programs and compare savings in cost and schedule on better weapon performance would be difficult at best or impossible. Evaluation of A-109's effect will probably be reduced to perceptions--does it appear that A-109 has provided better management, etc.? It is too early to reach firm judgments as yet because no weapon system has progressed through the entire process.

A-109 does hold forth certain benefits. For example it offers Congress.

- Formal notification of DOD need and intent before starting a new program.
- Opportunity for debate on the need before a program is started.
- Greater use of competition.
- A clear stop or go decision point after competitive demonstration of weapon system concepts.

For DOD, it provides better control over expenditure of large resources and opportunities to encourage better standardization of weapons.

For the Military Services, it provides opportunities to improve planning, flexibility to effect tradeoffs and options, and better control over program management and final products.

For Industry, it provides a clearer picture of Defense needs, and increased latitude for technical innovation.

Despite these benefits, A-109 is not a panacea. As the Commission on Government Procurement said of its recommendations upon which A-109 was based, "the recommended acquisition structure does not eliminate the need for competent personnel to exercise sound judgment."

#### NEW INITIATIVES IN DEFENSE MANAGEMENT

On April 30, 1981 the Deputy Secretary of Defense announced thirty-one decisions directed to improve the management of major weapon system acquisition programs of the Department of Defense. Two other decisions, multi-national co-development and co-production, and improved Selected Acquisition Reports to the Congress, were subsequently added.

Overall, we view the recent changes in acquisition policy announced by Mr. Carlucci as tightening up the acquisition process which we believe is a good idea and a logical and timely effort on behalf of the new administration.



### Changes that Affect A-109

We don't see the changes as adversely affecting A-109, although some further clarification will be necessary if they are to be successfully implemented. There have been changes made in the DSARC review process, reducing the Secretary of Defense and OSD's Milestone reviews from four to two. The MENS process, which has been frustrating to some people, was retained, but modified. We believe retaining the MENS process is good because establishing whether you need something before you start is obviously good business sense.

To comment in each recommendation and decision made by Mr. Carlucci would take a considerable amount of time, so I will just talk about some to which we have had an initial reaction.

### Economical Production Rates

All of the approved recommendations reflect good intention on the part of DOD, but some may be difficult to achieve. For example, achieving economical production rates is a commendable desire, but difficult in Defense programs. Production rates are influenced by many considerations. We are in a peacetime environment which limits the amount of Defense funding which in turn limits the amount that can be spent on any one program in a given year. Sometimes the desire to establish only a slow

rate of production in order to have a warm production line in event of war enters into consideration. The alternative of going ahead and producing the desired quantity and then shutting down would take a lot of production money over a shorter period of time and the skilled help needed could be lost as a result of the down time that would follow. Weapon systems that are less complex in manufacture might tolerate this, but risk and difficulty would be much greater when reestablishing production of complex systems such as the F-15 aircraft. Although the intent is well meant, I don't believe that a flat policy position that production rates will be improved can be established. Each weapon system must be decided on its own merits and some decisions will be difficult due to limits on available funding and other conflicts.

MENS to be Submitted with POM

The Secretary rejected a recommendation to eliminate the MENS document, and instead, tied its submission for Secretary of Defense approval to the Services Program Objectives Memorandum submission which occurs about May of each year. We believe this to be a good procedure which should better align the acquisition and the Defense budgeting process. Although as yet unannounced, some provisions will have to be made to handle urgent requirements without delaying them to the next Program Objectives Memorandum submission date.

### MENS Review Process is not Satisfactory

Discussion with Defense officials confirmed that Secretary of Defense approval of the MENS would be by its acceptance in the Program Objectives Memorandum and, in turn, in the President's budget rather than by specific approval/disapproval notification to the Services. We believe the MENS is important enough to the weapon system process to warrant announcement of either specific approval or disapproval. If for no other reason, an approved MENS document is important to record what the original need was declared to be. As the Commission on Government Procurement found, "Defense....programs have suffered when well defined and coordinated statements of need and goals were lacking."

### Possible Elementation of Front End Review Process

OSD review of the MENS without specific approval or disapproval action seems to us to be, in effect a dilution of the hard won "front end" review process. All it will take now is a decision to eliminate the MENS and specific agency head approval of the need could become a thing of the past. Each Service will again be going its independent way.

### Milestone Consolidations

The Deputy Secretary approved consolidating milestones zero with one and three with two. The consolidation of milestones zero and one is more fiction than fact. Milestone zero really occurs when the MENS is submitted with the POM for review. Milestone one will still be needed and will be accomplished as before.

We have no problem with the intent to consolidate II and III although we do believe Defense should identify more closely when this review will take place and whether the separate and sequential IIa and IIb type reviews will continue to occur as before. We understand that the Air Force proposed the Milestone II and III consolidation and suggested it occur at the time of "Preliminary Design Review." There may be some problems getting the Army and Navy to understand and comply because Preliminary Design Review is an Air Force management term and practice. We understand that heretofore it has not been an Army or Navy practice.

We believe Milestone progress reviews are essential to good management. They require taking a look at program progress and where the program is going at crucial decision times. We also believe that decisions that establish the potential for or direct the expenditure of major portions of Defense resources should be approved by the Agency head. This would be Milestone zero and either II or III depending on when the commitment to production is actually made. Milestone I and follow on production decisions are operating level decisions that could be left to the Services.

#### Complaints of Insufficient and Inadequate Funding

A major complaint of program managers voiced in our review of A-109 in DOD was the lack of consistent and sufficient funding to carry out the acquisition strategy planned by the Program Manager. A weapon system program must complete for financial survival with other programs amid layers of review by people in the Service, OSD,

OMB and Congress. Five of the six new programs we looked at in our A-109 review experienced funding changes early in their development.

A number of Mr. Carlucci's initiatives are directed at helping with the funding and program instability problems. One, multiyear procurement has been of interest to GAO for many years. In 1977 we assessed the desirability of multiyear contracting authority and the controls needed to make its use effective. We identified annual savings of \$3 million--about 21 percent--which were realized on 26 Defense Logistics Agency and Air Force multi-year contracts valued at \$14 million. Our report (PSAD 78-54, January 10, 1978) recommended that the Congress enact legislation which would provide general multiyear contracting authority to Federal agencies. Multiyear contracting, however, would require an up-front-committment by Congress to create the multiyear procurement described in Mr. Carlucci's initiatives. Congress may find itself unable to make this committment due to the constraints it would impose on future Congresses.

We believe multiyear contracting offers many advantages to business like management of major weapon system acquisition programs. There are too many important advantages to be gained for DOD to not try to work this out with the Congress. We are gratified to hear that DOD is moving ahead and plans to present Fiscal Year 1983 Budget Request contining multiyear candidates. Perhaps, demonstrated savings coupled with sound management of multiyear programs could eventually lead to multiyear funding.

### Too Many Acquisition Program

While multiyear procurement and the other initiatives on funding could improve DOD's management, they will not solve a key problem in weapon system acquisition which is that there are just too many programs for the amount of money the Government can make available for defense. This situation is well known--both the new UnderSecretary of Defense for Research and Engineering and his predecessor has voiced this opinion. We noted that none of the new Deputy Secretary of Defense's initiatives attack this problem head on.

### Assuring Implementation of the Initiatives

Perhaps the most important of Mr. Carlucci's initiatives was number 23, "Assure Implementation of the Acquisition Process Decisions." As this initiative says, this plan will not succeed without a ...."relentless implementation phase." We agree. There have been numerous studies and recommendations going back a number of years, but Defense still struggles to control a process that it has been practicing for many years. As experience with A-109 has shown, only persistent effort will effect improvement.

### SUMMATION

In summation, GAO continues to support the management principles set forth in the policy of A-109. If A-109 did not exist, something like it would have to be invented. We believe the Deputy Secretary of Defense's new initiatives should tighten up management of the acquisition process if aggressively implemented. But, we are concerned that the changes in the MENS process and increased decentralization of

decisionmaking do not dilute the requirements for Secretary of Defense review and approval before new acquisition programs are started and prior to the major decision on entering production.