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The Defense Systems Acquisition Review Council (DSARC) advises the Secretary of Defense on the acquisition of major defense systems, reviews the status of individual programs, and formulates recommendations to the Secretary of Defense. It has conducted over 178 reviews since it began in 1969, and some programs have required successive reviews.

Findings/Conclusions: Major changes in the management of weapon systems were recently introduced following criticism by the services of excessive program direction and "micromanagement" by the Office of the Secretary of Defense (OSD). These changes mean that future reviews of program progress for many weapon systems will be conducted by the military services and that OSD staffs will have a more limited role. Many claims of interference in program management stem from efforts of OSD to obtain the needed information for making meaningful reviews and recommendations. Program managers are responsible for expenditures involving billions of dollars, and a review of their actions is essential. Overall needs of DOD require coordination and control. There have been some problems in implementing the DSARC process, some aggravated by rapid turnover of key personnel. Delegation of reviews to the services could be effective if the OSD maintained its capability of acquiring data, continued its participation in programs, and had final authority for major decisions.

Recommendations: The Secretary of Defense should: expedite identification and description of all mission areas and define each service's responsibility for each mission; require the services to justify each new, planned major weapon system; reevaluate the new service review procedures instituted in January 1977 to insure OSD staff adequate participation; retain the requirement for his staff to prepare independent program evaluations and cost estimates before each decision point; and undertake a review of administrative practices in weapon system acquisition management. (HTW)

5220

REPORT TO THE CONGRESS



*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

A Critique Of The Performance Of The Defense Systems Acquisition Review Council; Billions In Public Funds Involved

Critics have complained that the Office of the Secretary of Defense attempts to over manage the acquisition of major weapon systems. GAO views with concern the criticism of the Defense Systems Acquisition Review Council and the charges that the Office of the Secretary of Defense is becoming too involved in the day-to-day management process. Program managers are responsible for expenditures involving billions of dollars, and their actions must be reviewed by the Secretary of Defense. However, some improvement in administrative practice would be beneficial.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-163058

To the President of the Senate and the
Speaker of the House of Representatives

In this report we discuss Office of the Secretary of Defense practices in managing major weapon system acquisition programs. Recently, major procedural changes were made which delegated some of the responsibility for reviewing program progress from the Secretary's office to the military services.

We are concerned about this trend toward decentralization of the Secretary's program review and the need for certain administrative improvements.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Secretaries of Defense and the military departments; and to the Acting Director, Office of Management and Budget.

A handwritten signature in black ink, reading "James B. Atchafalua".

Comptroller General
of the United States

D I G E S T

Efforts by the military services to reduce the Secretary of Defense's influence on the weapon acquisition process are unwarranted and could reduce his control over large portions of the military budget. (See p. 9.)

Major changes in the management of weapon system acquisitions were recently introduced following the military services' complaint that reviews of their system acquisition activities amounted to "micromanagement" by the Office of the Secretary of Defense--in effect, interfered with their management prerogatives. (See p. 6.)

The management changes mean that future reviews of program progress for many weapons systems will be conducted by the military services. The Secretary of Defense staffs now have a more limited role. They formerly provided program evaluations and cost estimates independent of the services. Rather than his senior staff members, the services will make recommendations on program progress to the Secretary of Defense. (See p. 10.)

GAO views with concern the criticism of the Defense Systems Acquisition Review Council and the charges that the Office of the Secretary is becoming too involved in the day-to-day management process. Critics of the system fail to realize that program managers are responsible for expenditures involving billions of dollars in public funds and that a system of checks and balances is essential. Prudent management dictates that the Office of the Secretary of Defense and the Congress continuously review their actions. (See p. 10.)

There exists no clear distinction of where appropriate management surveillance ends and interference in day-to-day operations begins.

Studies by the services and an advisory group appointed by the Secretary failed to document major instances of management interference by the Secretary's office. However, the studies concluded that the Secretary's staff was over managing the acquisition process. (See p. 6.)

Directing the acquisition of major weapons is one of the most difficult management problems faced by the Secretary of Defense and his immediate staff. Each military service and weapon system competes with the other services and systems for funds and personnel.

It is unreasonable to expect that in the absence of some coordination and controlling influence, the services can or will manage acquisition programs with the primary objective of meeting the overall needs of the Department of Defense. Not only must the Office of the Secretary balance the services' overall needs against limited funds, but it must make key decisions in the research, development, and procurement phases of each program. Because each service has parochial motivations, it is unlikely that each would make such decisions with a high level of objectivity. (See pp. 8 and 18.)

In recent years the primary management tool has been the Defense Systems Acquisition Review Council composed of senior officials of the Office of the Secretary. At designated key decision points, or as necessary, the Council meets to review the status of individual programs and to formulate recommendations to the Secretary. (See p. 1.)

The Council has conducted over 178 reviews of major weapon programs since it began in 1969. Some programs have required successive reviews, several months apart, due to the lack of service preparation or problems relating to their progress. (See p. 2.)

To make the necessary decisions the Secretary of Defense must have objective and timely data

on mission requirements, costs, system effectiveness, technical problems and alternatives, and other related matters. Many claims of interference in program management seem to have evolved from efforts of the Secretary's office to obtain information on programs needed to make Council reviews meaningful, to enable it to make useful recommendations to the Secretary. (See pp. 7 and 8.)

Many of the problems noted in this report may well have been aggravated by the rapid turnover among key Council and service officials, which precluded their giving adequate attention. (See pp. 20 to 23.)

There have been problems in implementing the Council process, but the basic framework is sound and should be preserved. (See p. 25.)

Delegation of system acquisition reviews to the services, with key decisions still reserved to the Secretary of Defense, could be an effective process if the:

- Secretary's office had sufficient analytic and data gathering capability to play the "devil's advocate" role.
- Services would permit sufficient participation by the Secretary's staff to enable him to obtain full understandings of programs' status and problems.
- Final authority for major milestone decisions is not delegated to the services.

The Secretary of Defense must continue to make the key decisions on weapon programs involving initiation, demonstration (feasibility), full-scale development, and production. It is essential that he have sufficient, accurate data to make informed decisions.

GAO recommends that the Secretary of Defense:

- Expedite identification and description of all mission areas and define each service's responsibility and authority for each mission. (See p. 18.)

- Require the services to justify each new, planned major weapon system, showing how it relates to a recognized deficiency in a defined mission area. (See p. 17.)
- Reevaluate the new service review procedures instituted in January 1977 to insure Office of the Secretary of Defense staff adequate participation. (See p. 10.)
- Retain the requirement for his staff to prepare independent program evaluations and cost estimates before each decision point. (See p. 10.)
- Undertake a review of administrative practices in weapon system acquisition management designed to (a) streamline and eliminate the many layers and offices reviewing and commenting on major weapon systems intended for Council review (see p. 12); (b) expand the Decision Coordinating Paper to include all viewpoints, majority and minority (see p. 16); (c) establish a requirement that minutes be taken of Council and service milestone and special program reviews (see p. 15.); and (d) establish one document, the Decision Coordinating Paper, as the official repository of all Office of the Secretary of Defense decisions concerning a specific weapon system (see pp. 14 and 16).

After reviewing a draft of this report, the Director of Defense Research and Engineering replied that he believes that, even with the delegation of greater responsibility to the services, the Secretary of Defense and his staff are retaining adequate involvement in and control over the management of major weapon acquisitions. The Director's comments on this report indicate that he is satisfied that the Department of Defense's current functions and policies will achieve the objectives of GAO's recommendations. GAO agrees in part, but the problems the recommendations address could worsen unless the Secretary of Defense maintains strong administrative discipline over the services. (See p. 31.)

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ABBREVIATIONS

| | |
|---------|---|
| AAG | Acquisition Advisory Group |
| AMARC | Army Materiel Acquisition Review Committee |
| COGP | Commission on Government Procurement |
| DCP | Decision Coordinating Paper |
| DOD | Department of Defense |
| DSARC | Defense Systems Acquisition Review Council |
| GAO | General Accounting Office |
| JCS | Joint Chiefs of Staff |
| NMARC | Navy/Marine Corps Acquisition Review Council |
| OSD | Office of the Secretary of Defense |
| PPBS | Planning, Programming, and Budgeting System |
| (S)SARC | (Service) System Acquisition Review Council |

CHAPTER 1

INTRODUCTION

This report on the Department of Defense Systems Acquisition Review Council (DSARC) discusses its practices in overseeing the acquisition of major weapon systems (presently defined as those costing more than \$75 million for research and development and \$300 million for procurement).

The subject of many Government studies, management practices for acquiring new weapon systems are of continuous interest because of the heavy investment costs which affect the national budget. The Department of Defense (DOD) estimates that about \$240 billion will be required for systems now being acquired or planned over the next 10 years.

PURPOSE OF OUR STUDY

We evaluated (1) Office of the Secretary of Defense (OSD) procedures for managing the acquisition of major weapon systems and (2) changes to the process being incorporated during our review. This study was directed primarily toward the

- workings and effectiveness of DSARC,
- basis for the findings of the Acquisition Advisory Group (AAG) study of acquisition management, and
- recent changes in DOD directives as they relate to DSARC responsibilities and functions and their effects on management policy and procedure.

RESPONSIBILITY AND AUTHORITY OF THE SECRETARY OF DEFENSE

The responsibility and authority of the Secretary of Defense and the Secretaries of the military departments to manage the acquisition of weapon systems is discussed in detail in appendix I. Generally, under present statutes the Secretary of Defense has full and complete authority to oversee DOD weapon system acquisitions.

DSARC HISTORY

Techniques for managing acquisitions have varied over the years; the executive and legislative branches as well as Secretaries and Deputy Secretaries of Defense have made changes. In the early 1960s DOD adopted the Planning, Programming, and Budgeting System (PPBS) for resources management

which provides for a Five-Year Defense Plan and applies to all DOD and military service activities, including the management of weapon system acquisitions. In 1969 and 1970 former Secretary of Defense Melvin Laird and former Deputy Secretary David Packard sponsored major changes in weapon system acquisition management and established the DSARC review process and the attendant Development Concept Paper (DCP). 1/ However, the PPBS remains the primary DOD method of resources management. DSARC review, in effect, overlaps the continuously functioning PPBS. Secretary of Defense decisions rendered as a result of DSARC review, however, do not authorize the commitment of funds. Actions to reflect the decisions must be made via PPBS documentation for budget approval and funding.

DSARC made 178 reviews of 92 weapon system programs since its inception in 1969 through December 1976 (see p. 14). Some older programs were reviewed five to seven times during that period; the controversial programs elicited greater interest, e.g., AWACS--seven reviews, Harpoon--five reviews. This number of DSARC reviews represents a heavy workload, considering that each formal meeting usually requires pre- and post-review meetings of DSARC principals and/or their supporting staff.

DIVISION OF AUTHORITY AND RESPONSIBILITY

Basic DOD weapon system management procedures require the services to make the day-to-day decisions while OSD confines itself to reviews at the major milestone decision points, as defined in DOD Directive 5000.1. 2/ The services establish strategies for acquiring weapons taking into account the technical, business, and management aspects of the program and administer the contracts. They develop management constraints and threshold values to be recommended to the Secretary of Defense. The Secretary or Deputy Secretary of Defense makes the decisions to initiate, increase, decrease, redirect, or terminate program commitments which the services must implement.

FUNCTIONS OF DSARC

DSARC advises the Secretary of Defense on major defense system acquisition and related policy. The Director of

1/Currently called the Decision Coordinating Paper.

2/DOD Directives 5000.1, Major System Acquisition, and 5000.2, Major Systems Acquisition Process, January 18, 1977, currently govern major acquisition program management.

Defense Research and Engineering 1/ functions as the Defense Acquisition Executive and Chairman. 2/ Other members include the Assistant Secretaries of Defense: Program Analysis and Evaluation; Manpower, Reserve Affairs, and Logistics; International Security Affairs; Comptroller; and the Advisor to the Secretary and Deputy Secretary of Defense on NATO. It provides supporting information and makes recommendations to the Secretary of Defense at key decision points (milestones I, II, III) or when predetermined weapon system program parameters are threatened or broken. Milestone definitions follow:

0. Program initiation: (New; Jan. 18, 1977) The Secretary of Defense agrees or disagrees with the services that there is a need for a new or improved capability. A DSARC review is not normally held at this time.
- I. Demonstration and validation: Selected alternatives warrant demonstration and validation.
- II. Full-scale engineering development: Approval of the specific weapon system selected for full-scale development.
- III. Production and deployment: Approval for production and service deployment of a weapon system.

DECISION COORDINATING PAPER

The DCP describes a program's major elements and critical areas. Depending on the decision point, the DCP may contain information on alternative programs; business planning; acquisition strategy; risk analysis; technology and logistics assessment; available resources; constraints; cost, schedule, and performance thresholds; test and evaluations plans, programs issues; and Secretary of Defense decisions and directions. It serves, to some extent, as a written agreement between the services and the Secretary of Defense. The DSARC and DCP are intended to be complementary; together,

1/The position of Director of Defense Research and Engineering was changed to under Secretary of Defense for Research and Engineering on October 21, 1977.

2/The Assistant Secretary of Defense: Communications, Command, Control, and Intelligence, who also functions as principal deputy to the Director of Defense Research and Engineering, may chair the DSARC meeting in his absence.

they constitute the formal DOD system for managing the acquisition of major weapon systems. They are supplemented subsequent to each DSARC program review by a Decision Memorandum signed by the Secretary or Deputy Secretary of Defense which announces the Secretary's decision as a result of the DSARC review.

DCP AND DSARC PROCEDURES

The DCP should be prepared before the DSARC meeting, usually attended by the principal members and their staff assistants and military service, Joint Chiefs of Staff (JCS), and other DOD activity representatives depending on the program being discussed. We did not attend any meetings, but DOD officials said that they usually involve briefings and discussions. 1/ After the meeting, a closed executive session restricted to DSARC principals is held to formulate DSARC recommendations to the Secretary of Defense.

SCOPE OF REVIEW

As shown below, we selected nine weapon systems--three from each military service--for which either a milestone I, II, or III had been held within the previous 2 or 3 years. We examined the available documentation from these reviews and interviewed personnel in OSD and service headquarters and project managers or their representatives.

| <u>Service</u> | <u>System</u> | <u>DSARC</u> |
|----------------|---------------------------|--------------|
| Army | Advanced Scout helicopter | I |
| | Bushmaster gun | II |
| | TACFIRE | III |
| Navy | Sea Launch Cruise missile | I |
| | F-18 aircraft | II |
| | CONDOR missile | III |
| Air Force | NAVSTAR | I |
| | F-16 aircraft | II |
| | A-10 aircraft | III |

1/Admission to DSARC meetings is restricted. We were denied access for reasons that their purpose is to formulate recommendations that do not become policy until approved by the Secretary of Defense and the presence of outsiders might restrict free and open discussion of the issues.

Besides relying on our past experience and reports on DOD management of major weapon programs, we reviewed other prominent sources of material on DOD management, such as the findings of the Commission on Government Procurement (COGP), and interviewed other DOD officials knowledgeable about the weapon system management process.

Additionally, we reviewed three prior military studies of OSD management of major acquisitions and the AAG study to determine (1) the pertinence of each problem discussed and (2) whether recognition of these problems contributed to any improvements in the process. These studies are listed on page 6.

In some instances our findings related to our previous report to the Congress entitled "Acquisition of Major Weapon Systems," (B-163058, Mar. 18, 1971). In that report we concluded that more attention should be directed to determining the need for each weapon system and that management layering was resulting in too many unnecessary individuals participating in management decisions.

CHAPTER 2

PROBLEMS IN PROGRAM MANAGEMENT

Criticism of DOD management of major system acquisition concerns the current instruments of major system acquisition management--the DSARC review and DCP documentation. Much of this criticism emanates from service personnel involved in acquisition management. In some instances, such criticism was found in reports of committees previously established to examine the management practices such as COGP, 1972; AAG, 1975; Navy/Marine Corps Acquisition Review Committee (NMARC), 1975; Army Materiel Acquisition Review Committee (AMARC), 1974; and in an Air Force Memorandum to the Deputy Secretary of Defense, 1975.

The service and AAG conclusions were based on interviews with various persons involved in the weapon system acquisition process and on personal experience with the process. Significantly, none of the criticisms cited in any of these reports referred to particular weapon system programs.

GENERAL OPINION OF THE DSARC METHOD

Despite complaints OSD and service personnel we interviewed agreed that the DSARC/DCP theory was logical and a good method of management. They believe that the problems which exist are a result of the administration of the process.

CRITICISMS OF THE PROCESS

Most criticisms concerning excessive program direction or micromanagement and over centralization of decision authority in OSD originate within DOD. Many persons claim that OSD is using (1) the DSARC and the DCP process to micromanage the details of programs and (2) the DCP and the Decision Memorandum to run day-to-day operations rather than restricting itself to establishing policy and reviewing program progress at key decision points.

The AAG study concluded that DSARC actions and decisions had increasingly become involved with details and the "fine tuning" of major programs. It further stated that

"DSARC reviews, as presently conducted, deal with both key decision questions and the details of implementation. Thus, the functional staffs of OSD have become inextricably involved in decision-making in the details * * * rather than the monitoring of the execution of policy * * *."

AMARC and NMARC studies, as well as Air Force comments, also claim OSD is over managing their operations. However, as previously mentioned, no specific examples were noted in these reports. This opinion of over management was expressed many times in interviews with DOD personnel.

MICROMANAGEMENT

Service personnel involved in the nine programs examined were nearly unanimous in the opinion that OSD exceeded its policymaking authority and generally required too much and too detailed information. Some persons were more emphatic than others. For example, the MICV/BUSHMASTER program was cited as a particularly obvious example of micromanagement. Three OSD decisions were cited as examples:

- To retest an alternate gun that the Army had rejected. Further testing resulted in discarding this gun.
- To test an externally powered gun rejected as an unnecessarily risky course. The test is now underway with direct OSD involvement.
- To use the Tube Launched, Optically Guided, Wire Controlled missile on the MICV. Officials said that this will require the Army to reduce its basic mechanized infantry squad by two men, a change dictated by equipment rather than doctrine and force requirements.

Army officials found these directions unwarranted. The first two were described as causing unnecessary increases in program costs and prolonged time schedules. The third was viewed as an unwarranted intrusion into the basic Army organization and employment of its manpower.

In response to charges of micromanagement, OSD staff monitoring these systems felt that their role in the review process required that questions be answered and information be examined so that DSARC could base its recommendations on objective pictures of weapon systems. There also seemed to be a feeling that if the services did the job right, there would be little need for OSD involvement.

Despite these contentions it is clear that OSD was involved in the detailed management of the BUSHMASTER program. We are not certain of the real reason, but perhaps, to some extent, there was such involvement because the BUSHMASTER program was conceived in the 1960s and through the early 1970s suffered from Army indecision. Some 17 cost-effectiveness studies were reportedly made by 1974; but decisions did not follow, and OSD apparently took the lead. Recent

OSD actions may have been influenced by concern about the Army's ability to import the design of a foreign-developed gun for BUSHMASTER considering its recent cost growth problems in attempting to import the Roland missile system.

Regardless of these influences, however, OSD involvement apparently grew out of dissatisfaction with the Army's handling of the program. Without OSD insistence competitive consideration of alternatives might not have occurred because the Army's interest centered on self-powered guns. OSD did force consideration of other alternatives.

OUR FINDINGS

Although we found that detailed management instructions were being issued by OSD for the BUSHMASTER program and to a lesser extent for the Advanced Scout helicopter program, we found much less of this occurring in the other seven weapon system programs reviewed. The extent of OSD involvement seemed to be related to the finesse, skill, and strength with which the services managed their programs. Conversely, controversial, high-cost programs such as the B-1 aircraft have received the top-level attention of the Secretary of Defense and sometimes the President. This seemed to be accepted by service personnel as a necessary part of business. The irritations occurred with what was perceived to be DSARC or OSD staff interference with service plans or intentions.

We do not agree that OSD responsibility rests just with establishing policy for research and development or logistics for DOD. The OSD staff has other functional responsibilities to the Secretary of Defense, such as overseeing the budgetary requirements of DOD and the services; consideration of budgets for weapon systems are included. There is no clear distinction of where appropriate management surveillance ends and interference in day-to-day operations begins. Further, the DSARC principals are selected primarily on the basis of their expertise to evaluate and advise on the research and development, production, and business functions that are a part of program management.

DSARC principals and their staff may not be able to readily disengage their DSARC responsibilities from their other day-to-day responsibilities which involve the same weapon systems. Although DSARC principals and the OSD staff must practice restraint and discretion, there undoubtedly are times when direct involvement may be necessary to accomplish their responsibilities to the Secretary of Defense.

DECENTRALIZATION

Organization problems were discussed throughout the studies we reviewed. COGP stated that

"During the past 15 years, the problem of management layering and excessive staffing has been exhaustively documented but only marginally improved."

It also added that

"There is too much layering, too much fragmentation of authority and responsibility, and too many coordination points and staff reviews up through the top level."

AAG believed that significant improvement of DOD acquisition required a fundamental clarification of management relationships, including differentiation between the chain of operational military command and the chain of line management and the nature of line/staff responsibilities. Studies by the services were very critical of OSD as well as their own organizations. The AMARC study stated that poor organization frequently caused serious delays, additional costs, and frustration. AMARC stated

"Both real and 'artificial' managers have contributed to the decision paralysis at most levels, including staffs at commodity commands, AMC [Army Materiel Command], DA [Department of the Army], DDR&E, 1/ and OSD elements."

NMARC made similar criticisms about OSD and the Navy. It stated

"Authority and responsibility should be clearly defined, and, more importantly, the organizations in OSD, OPNAV [Naval Operations], NAVMAT [Naval Material], and the Systems Commands that are involved in the acquisition process should be made to limit themselves to their defined areas of responsibility."

Service personnel expressed these same concerns during our interviews and several suggested, as did AMARC, NMARC, and AAC, that OSD consider some type of decentralization. They also complained about the lengthy time it takes to prepare for a DSARC meeting and to get a decision after

1/Director of Defense Research and Engineering.

the DSARC has met. They spoke of staff and DSARC officials who used their positions to force a pet theory or desire on a program even if unwarranted.

DELEGATION OF DSARC I REVIEW AUTHORITY

Early in 1977 the Secretary of Defense delegated program review actions at milestone I to the services for most weapon systems to be used by a single service and for other systems. The possibility of delegating DSARC II and III has also been discussed. This delegation of responsibility does not apply to strategic; nuclear; multinational; command, control, and communication; and intelligence projects. Military service Secretaries will now hold Service System Acquisition Review Councils ((S)SARCS) for most single service- or OSD-designated projects and sign the service's DCP. OSD participation at the (S)SARC will be at the invitation of the service. OSD's Cost Analysis Group and the Director of Research and Engineering's Test and Evaluation Office will advise the service Secretary through written report unless specifically invited to attend.

After the (S)SARC meeting the service Secretary forwards his recommendation and the signed DCP to the Secretary of Defense for decision. At this time OSD will study the DCP and the service Secretary's decision and circulate it to JCS and DSARC principals for comment. Should there remain major, unresolved issues, OSD may call for a full or an executive session of DSARC, ask the service for more information, or reject its recommendation. Whatever the result the Secretary of Defense has emphasized that he makes the final decision at all major milestone decision points. 1/ OSD estimates that this new service review procedure would reduce the DSARC workload by about 40 percent.

OUR OBSERVATIONS

The new procedures are an apparent effort to delegate greater authority and more responsibility for major decisions to the service Secretaries. However, if this marks the beginning of decentralization of authority to enable the service Secretaries to make final decisions on programs and their performance, we do not support such efforts. We believe that all key decisions involving major program changes should continue to be closely and continuously scrutinized by DSARC principals. Day-to-day decisions should be delegated to the project managers or service Secretaries, but the

1/The Deputy Secretary of Defense usually acts for the Secretary in making the decision.

Secretary of Defense or his deputy should continue to finalize major program decisions. For an organization of the size and complexity of DOD, with four competing services responsible for managing billion dollar programs, strong central policy direction and executive control are required. The Secretary of Defense should make or, at least, he or his deputy should review and confirm all major system acquisition decisions. Further, a strong analytical group such as the Program Analysis and Evaluation Office, in an adversary role questioning, analyzing, and challenging service viewpoints, is essential for maintaining balanced perspectives of programs. We believe that service reviews alone, in lieu of DSARCs, cannot do so effectively.

DELEGATION OF POST-DSARC III MANAGEMENT AUTHORITY

Although the services are now responsible for post-DSARC III program surveillance, before this authority can be exercised, the DCPs for systems involved must be revised to update specific program cost, schedule, and performance thresholds. Service Secretaries must report any actual or anticipated breaches of these DCP thresholds to the Secretary of Defense, irrespective of other reports.

OUR OBSERVATIONS

Since after milestone III the Research and Development program is almost complete and only relatively low-risk production decisions normally remain, we believe that the services' quarterly Selected Acquisition Report, the update of threshold information, and subsequent reports of any breaches of these thresholds should adequately alert OSD of imminent or ongoing problems.

CHAPTER 3

NEED FOR BETTER ADMINISTRATION

Service and OSD personnel interviewed believed that the problem with the DSARC review was the administrative process. They said, and we agree, that the DSARC and DCP processes were hampered by administrative problems and strained by too much paperwork, too many meetings, manipulation of the system, and lack of restraint by some reviewing officials. However, we do recognize the inherent difficulties in managing billion-dollar systems with numerous personnel involved in the review and decisionmaking process.

OTHER INFLUENCES

DOD has little or no control over many influences on weapon system acquisition such as actual or perceived changes in threat which require changes in systems being developed, inflation, budget considerations, personnel turnover, and global politics. Also, congressional, industrial, press, and other persons tend to question Secretary of Defense decisions, sometimes with considerably fewer facts. Under such pressures staff and managers tend to be more cautious, creating more paperwork and delays in an effort to keep abreast of progress at all times or to evaluate all factors before making a decision.

SERVICE AND STUDY GROUP COMMENTS

We believe that DOD has not practiced sufficient administrative discipline in the DSARC review process. Reports of COGP, AAG, AMARC, and NMARC reflected similar beliefs. Some specifics are discussed below.

COGP and AAG findings

COGP emphasized that administrative problems being experienced are not new and that there have been few improvements over the previous 15 years. Consequently, COGP recommended in its 1972 report that DOD minimize the management layering, staff reviews, coordinating points, unnecessary procedures, reporting, and paperwork of major system acquisitions. In 1975 AAG also recognized the need for better administration of the DSARC/DCP process and mentioned the problems of extensive delays in reaching decisions, extraneous issues being discussed at DSARC meetings, and excessive DSARC or related meetings. AAG recommended to the Deputy Secretary of Defense that administration of the weapon system acquisition process be strengthened by appointing a Special Assistant

for Acquisition Matters "to serve in direct support of the Deputy Secretary of Defense in preparation of DSARC recommendations, memos, etc."

Service comments

The Air Force felt that extensive and extended pre- and post-DSARC activities generated excessive workloads for program managers and their staffs and delayed timely decisions. Navy and Army studies stated similar complaints. Service personnel in the program office were especially critical of the administrative procedures necessary for a DSARC meeting. Many people agreed that there were too many meetings, pre-briefings, and briefings associated with a DSARC. One project official claimed to have conducted about 70 briefings for various organizations within his and other service headquarters and OSD. While neither OSD nor the services were immune to this criticism, Navy personnel were especially critical of excessive briefings required within their organization.

Comment

We agree that improvements in administration are needed. Briefings, meetings, discussions, and paperwork are essential to a management process, particularly for an organization the size of DOD. How much is enough is the question, but there is no absolute answer. Many factors should be considered, including where the program stands in relation to where it should be.

Information on the programs we examined revealed that for some programs there were many briefings and meetings. The more complex weapon systems and programs experiencing problems received more attention than the others. The dissatisfaction over briefings and meetings expressed by program managers and service staff appeared to be proportional to the progress and status of a program.

GROWTH IN SPECIAL DSARC PROGRAM REVIEWS

We noted a significant increase in special DSARC program reviews. The following schedule shows the annual number of DSARC program reviews since 1969. A noticeable growth in the number of special program reviews as compared to regular milestone reviews had occurred over the previous few years.

| <u>Year</u> | <u>Regular milestone reviews</u> | <u>Supplemental milestone reviews</u> | <u>Special program reviews</u> | <u>Total</u> |
|-------------|----------------------------------|---------------------------------------|--------------------------------|--------------|
| 1969 | 6 | - | - | 6 |
| 1970 | 20 | - | 1 | 21 |
| 1971 | 13 | - | 3 | 16 |
| 1972 | 17 | 3 | 2 | 22 |
| 1973 | 18 | 6 | 2 | 26 |
| 1974 | 17 | 3 | 8 | 28 |
| 1975 | 14 | 2 | 14 | 30 |
| 1976 | 18 | 2 | 9 | 29 |
| | | | | <u>178</u> |

Supplemental reviews (letter type, e.g., IIIA) are generally made for such purposes as approving long-lead production before the regular milestone review. Special program reviews are required when breach of threshold or other serious problems occur, demanding DSARC review and a Secretary of Defense decision. The growth in special program reviews relative to the number of regular milestone reviews indicates not only greater DSARC involvement in program management but also raises the possibility that more acquisition programs are encountering serious problems. With the attendant drop in regular milestone reviews, it could indicate that programs believed ready and scheduled for DSARC milestone review were in fact not ready. In these instances, the milestone reviews were changed to special program reviews, and the milestone put off to a future date, further delaying program progress. That some programs were not ready for milestone review could indicate two things: (1) the program was unable to meet DSARC expectations; thus the meeting was downgraded for recording purposes or (2) the services were not administratively prepared.

Nevertheless, the shift in types of review indicates problems. The Secretary of Defense should examine the reasons for this trend--administrative or otherwise.

DCP PROBLEMS

Another major administrative criticism concerns the DSARC/DCP relationship and the excessive time it usually takes to get a DCP written, coordinated, approved, and signed. Several people we interviewed felt that the DSARC and the DCP have become disassociated. Considering that many in the management link consider the DCP as a "contract" between OSD and the project manager on future steps for managing the

acquisition program, this disassociation could have adverse effects. Apparently, because of this problem, and in an attempt to alleviate the potentially detrimental effects of delayed DCPs, the Decision Memorandum setting forth Secretary or Deputy Secretary of Defense decisions has superceded the DCP as a directive. We believe that the Decision Memorandum has become a DOD crutch to overcome poor administrative discipline.

From our discussions, it became obvious that part of the problem lies in the coordination process and the idiosyncracies of the OSD organizational structure. OSD and service personnel explained that coordinating a DCP was unwieldy and sometimes impossible. For example, the time it took for a principal to sign a DCP was so long the next principal was reluctant to sign because it was out of date. Thus, DCPS were updated and the cycle begun again. For some programs, such as the Air Force A-10, years passed before the DCP was signed. Other programs have operated for lengthy periods without approved DCPs, which might indicate that the DCP is an unnecessary administrative burden. However, many officials favored having this document because it delineates problems and thresholds. In any event, the policy and procedures for its preparation and management is an item the Secretary of Defense should review.

Recording DSARC proceedings

Additional complications occur because of a lack of (1) written records of DSARC meetings, (2) a formalized system for tracking the location of the DCP as it passes through the various approving offices, and (3) a provision for including minority opinions in the DCP. Service and OSD personnel have told of leaving a DSARC meeting with what they considered an agreement only to later discover that someone had "reconsidered." They also mentioned a project without a signed DCP for over 5 years because the "for signature" copy was misplaced for several months by a DSARC principal staff member. Later, the DCP was not signed because it was out of date. Other personnel said that some DCPs are not signed because no allowance is made for a minority opinion. Apparently, the DCP is fully approved or not signed. Other examples support the contention that administration of the DSARC/DCP process can be improved. Ultimately, these problems are frustrating, impairing the workings of the process. We believe that they can be corrected, with substantial benefits.

Improvements in DCP procedures

Concerning the administration of the DSARC process, OSD has made what it believes will be improvements for controlling and processing the DCP. In the future, before a weapon system is approved for post-DSARC III transfer to the services, the DCP will be updated to include approved cost, schedule, and performance goals. DCPs, in general, are to be annually updated at the end of the budget cycle, unless program circumstances require an earlier revision.

Our observations

The above are only two improvements which OSD could and should implement to improve DCP administration; there are others. For example, we believe that Decision Memorandums issued by the Deputy Secretary of Defense after a program review contribute, to a great extent, to circumventing the requirement to issue a signed coordinated copy of the DCP after program review. We believe that a signed DCP should be issued within 10 workdays (or some other reasonable time) of the DSARC or (S)SARC meeting. DSARC and (S)SARC meetings should include stenographers and secretaries to record minutes and agreements. Additionally, if necessary, DCPs should be issued with agreements and disagreements listed. Attempts should be made to consolidate pre-DSARC and (S)SARC meetings/briefings to shorten the endless cycle of briefings/writing/briefings/revising/etc. The DSARC/DCP cycle should be compressed, improved, and streamlined in such a way to eliminate or reduce the problems of the current system. Project managers would be able to use their time more efficiently to manage the day-to-day operations of their projects.

CHAPTER 4

NEW PROCEDURES FOR CONFIRMING A WEAPON SYSTEM REQUIREMENT

COGP believes the OSD policy of delegating to the services the responsibility for determining needed weapon systems and setting goals to achieve them to be a serious flaw in major weapon acquisitions. Its report stressed the importance of a formalized structure whereby the agency head (the Secretary of Defense) could control the process and review needs and goals before acquisitions are initiated.

AAG believed that DOD components should be responsible for identifying needed weapons and then defining and producing such systems and that OSD already possesses an extensive capability to generate and analyze requirements. OSD had, in AAG's opinion, restrained military service efforts to develop mission needs and to generate, evaluate, and select system alternatives.

Milestone

In January 1977 the Deputy Secretary of Defense established a new program review point, called milestone O-- program initiation--to be made when the program begins and before the existing milestone I review.

Under this new method the research and development cycle is supposed to begin with the services performing continuing analyses of their assigned missions in accordance with guidance provided by the Secretary of Defense Guidance Memorandum and PPBS documents. When the Secretary of a military department decides that an important mission is deficient or that opportunity exists to improve a weapon system's cost or performance, a notice of the proposal for correction (statement of need) is forwarded to the Secretary of Defense for evaluation and approval (milestone O review). The Secretary of Defense may give approval for identifying and exploring alternative solutions. No commitment is to be made to a specific weapon system at this time.

Our observations

During interviews we found mixed support in DOD and the services for a formalized "front-end" review. Several service program managers and OSD personnel acknowledged that a group other than the military service should confirm the need and best route for acquiring a new weapon system. However, some feared that a formal front-end review would

involve new participants in the review and add another delay to the many already existing in the DSARC process. Others felt that milestone O was no more than a formal method for documenting actions previously done less formally or under the auspices of the PPBS. Still others felt that an earlier review of the needs and goals of a weapon system would help to eliminate potential duplication of weapon systems. In retrospect, it seems that Office of the Secretary of Defense personnel favored review by higher levels while service headquarters personnel and program managers were generally less disposed toward it.

From our experience of reviewing weapon system acquisitions, we support the Secretary of Defense's initial review of proposed mission needs before research and development funds are committed to a weapon system. If a proposal for a weapon system is to be rejected, we believe that this is best done at an early review stage such as a milestone O. Observation of past weapon system acquisition programs has shown that once a new weapon system is proposed, it begins to establish a life of its own; careers become tied to its success and advocacy increases as both DOD and contractor personnel become involved. Further, in our opinion, the will to discontinue a program, no matter how undesirable, weakens progressively with the length of time the program has been around. An example of the difficulty in terminating these programs can be seen in the history of the CONDOR missile program. Despite the fact that this missile's role and effectiveness were questioned for some time within DOD, the DSARC did not recommend termination, and OSD did not discontinue it. It was necessary for the Congress to terminate the program. We questioned the continuance of Condor in testimony and reports to the Congress.

Inability to define mission areas

Establishing milestone O was an improvement, but we do not believe that it goes far enough. The services' mission analyses, which are used to determine where new weapon systems are needed, are to be ongoing studies of military missions prepared by the services with OSD guidance. However, OSD approval is not required before the study is initiated. Unfortunately, OSD has not been able to develop a list of missions to which the services will agree; each service still defines its own mission.

We believe that the Secretary of Defense, JCS, and the services should (1) agree on the identification and content

of each mission area within DOD and (2) define each service's responsibilities and authority for each mission. Each mission analysis should be conducted, or at least approved, by OSD after consultation with the services and JCS.

While service viewpoints are essential, each service's views on needs and goals are shaped by its own perceptions of defense missions and priorities. Modern warfare has usually required the participation of two or more services. Individual service perceptions may not be the same as those of the Secretary of Defense who has the responsibility for overseeing the capabilities of all four services and establishing the feasibility of providing these capabilities.

Implementing COGP recommendations

We also agree with COGP that, as a minimum, new acquisition programs should be (1) begun independently of any system product, (2) based on long-term projections of mission capabilities and deficiencies prepared and coordinated by the services, and (3) based on program goals that specify the mission cost level and capability to be achieved. As far as we know, neither the mission area analysis nor the need statement includes the cost, schedule, and level of capability to be achieved as they relate to the specific mission. Consequently, we believe that the new changes are only a half step, although an important one, in the right direction. We believe that if OSD fully implemented the COGP recommendations, many benefits would occur above and beyond greater control over weapon system cost and capability.

Need for JCS participation

The failure to seriously question or effectively oppose a system because it is "not our money"--a frequent abstaining position taken by JCS according to some DOD personnel--will hopefully be minimized when cost is tied to a mission area analysis. This should insure that any system that falls into a mission area actively competes for a share of that budget and possibly introduce more, valid adversarial relationships to the research and development process.

CHAPTER 5

PERSONNEL TURNOVER IN KEY DSARC POSITIONS

Regardless of the type of management system employed--DSARC or otherwise--its success depends on the quality and skills of the persons involved. Personnel turnover can weaken the management of the acquisition of major weapon systems. COGP, AAG, AMARC, and NMARC addressed the problems of the quality, tenure, and support of personnel in service project management offices, particularly project managers. In the recently issued DOD Directive 5000.2, apparently a result of such criticisms, DOD has taken some steps to correct the problems.

Logically, it seems to follow that adverse effects of personnel turnover in the project office should also be applicable to the personnel at higher levels concerned with reviewing and approving program plans, i.e., key military and civil service staff of the services and DOD Secretaries. However, to our knowledge, this issue has never been dealt with as it relates to major system acquisition. The following charts indicate that there is considerable turnover in top-level DOD personnel who chair the DSARC and the secretariat positions.

Time in Office for Key Officials Assigned to OSD
from Initiation of the DSARC Process in 1969
to January 20, 1977

| <u>Position</u> | <u>Person</u> | <u>Months in office</u> | <u>Average</u> | <u>Overall average</u> |
|---|---------------|-------------------------|----------------|------------------------|
| Secretary of Defense | Rumsfeld | 14 | 24 | |
| | Schlesinger | 29 | | |
| | Richardson | 4 | | |
| | Laird | 48 | | |
| Deputy Secretary of Defense | Clements | 48 | 31 | |
| | Rush | 11 | | |
| | Packard | 35 | | |
| Director of Defense Research and Engineering | Currie | 43 | 68 | |
| | Foster | 93 | | |
| Assistant Secretaries of Defense: Comptroller | Wacker | 5 | 25 | |
| | McClary | 38 | | |
| | Brasier | 5 | | |
| | Moot | 53 | | |
| Installation and Logistics | Shrontz | 11 | 23 | |
| | Bennet | 10 | | |
| | Mendolia | 21 | | |
| | Shillito | 48 | | |
| Intelligence | Hall | 53 | 53 | |
| Director of Planning and Evaluation | Aldridge | 8 | 24 | |
| | Sullivan | 25 | | |
| | Tucker | 38 | | |
| Director of Tele-Communications and Command and Control Systems | Shriver | 11 | 15 | |
| | Reed | 22 | | |
| | Solomon | 5 | | |
| | Rechtin | 21 | | |
| Total OSD | <u>25</u> | <u>699</u> | | <u>28</u> |

Time in Office for Key Service Officials Involved in
Major Acquisition Decisions from Initiation of the
SARC Process in 1969 to January 20, 1977

| <u>Position</u> | <u>Person (note a)</u> | <u>Months in office</u> | <u>Average</u> | <u>Overall average</u> |
|--|----------------------------|-----------------------------|----------------|----------------------------|
| Secretary of the Air Force | Reed | 13 | 31 | |
| | McLucas | 28 | | |
| | Seamans | 51 | | |
| Assistant Secretaries: Financial Management | Keech | 4 | 18 | |
| | Hughes | 6 | | |
| | Bueter (acting) | 8 | | |
| | Woodruff | 28 | | |
| | Schedler | 45 | | |
| Installation and Logis- tics | Knapp | 10 | 22 | |
| | Shrontz | 28 | | |
| | Turner (acting) | 10 | | |
| | Whittaker | 41 | | |
| Research and Development | Martin | 10 | 30 | |
| | LaBerge | 30 | | |
| | Hansen | 50 | | |
| Total Air Force | <u>15</u> | <u>362</u> | | <u>24</u> |
| Secretary of the Army | Hoffman | 18 | 22 | |
| | Callaway | 26 | | |
| | Froehke | 22 | | |
| Assistant Secretaries: Financial Management | Hull | 46 | 38 | |
| | Saint Sing (acting) | 6 | | |
| | Becker | 63 | | |
| | | | | |
| Installation and Logistics | Brownman | 27 | 18 | |
| | Berg | 8 | | |
| | Huggard (acting) | 7 | | |
| | Mecum | 18 | | |
| | Fox | 28 | | |
| Research and Development | Miller | 14 | 17 | |
| | Emerson | 6 | | |
| | Augustine | 20 | | |
| | Poor (acting) | 8 | | |
| | Johnson | 38 | | |
| Total Army | <u>16</u> | <u>355</u> | | <u>22</u> |
| Secretary of the Navy | Middendorf | 31 | 31 | |
| | Warner | 23 | | |
| | Chaffee | 39 | | |
| Assistant Secretaries: Financial Management | Penisten | 27 | 20 | |
| | Nesen | 23 | | |
| | Sanders | 10 | | |
| Installation and Logis- tics | Bennett | 4 | 21 | |
| | Bowers | 38 | | |
| | Ill | 22 | | |
| Research and Development | Marcy | 27 | 31 | |
| | Potter | 12 | | |
| | Watterman (acting) | 7 | | |
| | Frosch | 78 | | |
| Total Navy | <u>13</u> | <u>341</u> | | <u>26</u> |
| Grand Total | <u>69</u> | <u>1,757</u> | | <u>25</u> |

a/Considered acting if in office for more than 3 months.

These charts show that the top service and DOD personnel important to or participating in DSARC reviews and the management decisions spent an average of 25 months in office. OSD personnel remained in office for an average of 28 months while service personnel were in office about 24 months--in our opinion, short times for managers responsible for decisions on multibillion dollar programs, of which many stretch to 8 to 12 years. As of June 30, 1976, the total program cost for major weapon systems was estimated to be over \$240 billion.

The effects of this turnover are difficult if not impossible to document just as in the case of key project office personnel. However, it follows that frequent changes in key decisionmakers can severely perturb projects because of differences in personalities, learning curves, defense and weapon system and management philosophies, and emphasis. One DOD official said that it can take up to 6 months for a new appointee to master a job. Meanwhile, perhaps some 15 DSARC reviews in which he must participate and make decisions have occurred.

Recent limitations on salaries for higher level positions may also have adversely affected recruitment and retention. For example, a news item stated that the Carter administration was having difficulty filling a key position in weapon system acquisition management. The article stated that about 10 persons solicited turned down the offer. It stated that a major reason given for rejection was that the job does not pay enough for the problems involved.

Support staff personnel

The turnover in key DOD and service secretariat personnel and the administrative and management problems reported underscore the need to select, retain, and promote the best qualified support personnel. Corporate knowledge, as well as memory and flexibility, become important considering that it takes years to develop and field a new weapon system.

Many of the key decisionmakers come and go during this period. Quality people with experience, continuity, and discipline and not just changes in operating procedures are essential to eliminate many abuses of the system. There is as much need for supporting the selection of quality staff as there is for accepting the previous recommendations on improving the quality and retention of service program managers.

CHAPTER 6

AGENCY REVIEW AND COMMENT

The Secretary of Defense was sent a draft of this report for review and comment. The Director of Defense Research and Engineering's response is included as appendix II. OSD and the services generally agreed with most of our conclusions and recommendations. DOD's comments indicate that it is satisfied that its current practices and policies, including recently instituted changes transferring greater responsibility for acquisition reviews to the services, will achieve the objectives of our recommendations.

The Director's letter expressed confidence that the Secretary of Defense and OSD responsibilities are adequately protected. The Director may have this confidence, but our concern is that control over the acquisition process should not be further decentralized. The 40-percent estimate for the number of systems that will have service reviews instead of DSARC reviews represents billions of dollars in future expenditures. The Director also said the Defense Acquisition Executive will request that a key member of his staff attend all (S)SARC milestone reviews; however, OSD's directive requires only that a representative be present when requested by the services. An OSD representative at the service reviews for these systems should, in our opinion, be mandatory and not just at the request of the service, as is presently provided for in DOD Directive 5000.2.

The corrective actions the Director described as underway; i.e., defining a DOD-wide set of mission areas and working on DCP/DSARC administrative procedures, are long-standing problems previous Secretaries of Defense and their staffs have been unable to correct. Strong administrative discipline is required if the DCF/DSARC system is to be streamlined and its efficiency and resulting effectiveness improved.

However, we see two problems in the changes that have been made:

- First, the transfer of authority to conduct milestone program reviews from DSARC to the services could be acceptable only if there is no further attempt to also delegate to the services the authority to make the key program decisions. Some higher DOD authority other than the individual services should confirm that the need exists for a new or modified system.

Each service tends to concentrate first on meeting its own needs, thus attendant possibilities such as achieving greater commonality of systems are more difficult.

Notwithstanding our disagreement with this decentralization of program reviews, we think it could work with the proper safeguards. Delegation of responsibilities for conducting the milestone I reviews to the services, in lieu of DSARC review, with key decisions still reserved to the Secretary of Defense, could be a reasonably effective process if (1) OSD maintains sufficient analytic and data gathering capability to play the "devil's advocate" role, (2) the services will permit OSD personnel sufficient participation so that they can obtain a full understanding of the programs' status and problems, and (3) the final authority for major milestone decisions remains with the Secretary of Defense and his Deputy.

--Second, despite the new milestone 0 procedures, OSD still has not developed a standard list of mission areas to which both OSD and the services agree. Each service has its own perception of defense missions and priorities which in the past has resulted in duplicative and parochial efforts in developing weapon systems. A major step in avoiding or resolving such conflicts would be a standard list of missions with the degree of participation by each service clearly defined.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

Although there may have been problems in implementing the DSARC process, the basic framework is sound and should be preserved.

Many problems and criticisms of the DSARC process can be attributed to poor administrative discipline by OSD and the services. The DSARC and DCP methods are probably as satisfactory as any other management system would be. Problems erupt when individuals attempt to manipulate or use the system to achieve what they believe to be in the best interest of the weapon system program or the services. The Secretary of Defense and the services must find the right method to exert discipline over these forces at work.

Another area of weakness is the DSARC/DCP process administrative procedures: OSD has taken months and even years to get an important document, the DCP, signed and approved. Further, OSD keeps no minutes which would clarify key points of important meetings of DSARC.

RECOMMENDATIONS

We believe that the Secretary of Defense must continue to make the key decisions on weapon programs such as initiation, demonstration (feasibility), full-scale development, and production. It is essential that the Secretary have sufficient, accurate data to make informed decisions. We, therefore, recommend that the Secretary of Defense:

1. Expedite the identification of all mission areas and define each service's responsibility and authority.
2. Require that each service justify each new planned, major weapon system by showing how it relates to a recognized deficiency in a mission area.
3. Reevaluate the new service review procedures instituted in January 1977 to insure OSD staff adequate participation.
4. Retain the requirement for an independent program evaluation and cost estimate to be prepared by OSD staff before each milestone decision point.

5. Undertake a review of administrative practices in weapon system acquisition management designed to
- streamline and eliminate the many layers and offices reviewing and commenting on major DSARC-bound weapon systems;
 - expand the DCP to include all viewpoints, majority and minority;
 - establish a requirement that minutes be taken of DSARC and (S)SARC milestone and special program reviews; and
 - establish one document, the DCP, as the official repository of all OSD decisions on a specific weapon.

LEGAL RESPONSIBILITY AND AUTHORITY OF THE
SECRETARY OF DEFENSE FOR ACQUISITION MANAGEMENT

The responsibility and authority of the Secretary of Defense and of the Secretaries of the military departments concerning major weapon systems are set forth in the National Security Act of 1947, as amended.

Secretary of Defense

A 1953 legal opinion given by the counsel for OSD's Committee on Department of Defense Organization described the Secretary of Defense's authority to manage DOD activities as follows:

"In our opinion, the Secretary of Defense now has by statute full and complete authority, subject only to the President and certain specific restrictions * * * over the Department of Defense, all its agencies, subdivisions, and personnel. To make this statement perfectly plain, there are no separately administered preserves in the Department of Defense.

"The power and authority of the Secretary of Defense is complete and supreme."

The only apparent restrictions on this authority, found also in the same act, do not appear to limit the Secretary of Defense's management authority; they prohibit merging, consolidating, or otherwise eliminating the specific military services or their combat functions without approval of the Congress.

In relation to managing the selection and acquisition of weapon systems needed by the military services, the act provides that:

* * * the Secretary of Defense has the authority to assign or reassign the development and operational use of new weapons or weapons systems to one or more of the military departments or one or more of the armed forces.

The act also provides for a Director of Defense Research and Engineering, responsible to the Secretary of Defense, whose duties include:

"* * * directing, controlling, assigning, and re-assigning research and engineering activities that the Secretary considers need centralized management."

Since there appear to be no significant restrictions on the Secretary of Defense, he is allowed much discretion in managing weapon systems. In brief the law appears to leave the management methodology, as it probably should, to the Secretary of Defense.

Office of Management and Budget influence

In April 1976 the Director, Office of Management and Budget, and the Administrator, Office of Federal Procurement Policy, issued OMB Circular A-109. Influenced by the Congressional Budget Act of 1974 (Public Law 93-344) and COGP report, this circular established new policy for acquiring major systems and in the process restated the Secretary of Defense's authority. The circular directed agency heads to appoint an "acquisition executive to integrate and unify the management process for the agency's major system acquisitions." However, before merging, consolidating, or otherwise eliminating specific military services or combat functions vested by law in a particular officer, official, or agency of the Department, the Secretary must report the details of his proposed action to the Committees on Armed Services of the Senate and House of Representatives. The proposed change goes into effect automatically unless within 30 days either Committee reports a resolution to its parent body recommending rejection of the proposed action, and the House or Senate adopts the resolution within 40 days thereafter.

Responsibilities of the Secretaries of the Army, Navy, and Air Force

The National Security Act states that Secretaries are responsible to the Secretary of Defense for the operation and efficiency of their departments and their assigned functions in support of the overall DOD responsibility. Each military department's functions include organizing, training, and equipping forces; providing the forces assigned to the established combatant commands; providing necessary administrative and logistical support; conducting research and development; procuring needed weapons and equipment; and developing tactics and techniques. As an example,

Section 8012 of title 10 of the U.S. Code, in establishing the Air Force, provides that the Secretary of the Air Force is responsible for conducting all affairs of the Air Force, "including research and development," and that he "shall conduct the business of the Department in such a manner, as the President or the Secretary of Defense may prescribe."



DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING
WASHINGTON, D. C. 20301

20 OCT 1977

Mr. R. W. Gutmann
Director, Procurement and
Systems Acquisition Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Gutmann:

This is in response to your letter to the Secretary of Defense dated 23 June 1977 which forwarded copies of your draft report entitled "A Critique of the Performance of the Defense Systems Acquisition Review Council" for DoD review (OSD Case No. 4654).

The Office of the Secretary of Defense (OSD) and the Military Departments are in general agreement with the report and most of its conclusions and recommendations. We particularly agree with the conclusion that the basic framework of the Defense Systems Acquisition Review Council (DSARC) process is sound and should be preserved.

With regard to decentralization, we believe that the Secretary of Defense and OSD responsibilities are adequately protected. Only 40% of the major system acquisition programs will have (Service) System Acquisition Review Council ((S)SARC) Milestone I reviews instead of DSARC reviews. In these cases, the Defense Acquisition Executive, after coordination with the OSD staff, forwards his recommendations to the Secretary of Defense. Also, the Defense Acquisition Executive will request that a key member of his staff attend all (S)SARC Milestone reviews in addition to the normal OSD staffing of the Decision Coordinating Paper (DCP).

Another area of concern was that each Service would determine its own missions and equipment needs without OSD involvement. I assure you that this is not the case. While we are still in the process of defining a defense-wide set of mission areas, we are currently using established RDT&E mission areas. The Services have recently provided their anticipated schedule for submitting Mission Element Need Statements (MENS) for Milestone 0 decision points between October 1977 and December 1978. DoD

Directive 5000.2 requires that all MENS be coordinated with OSD and submitted by the Defense Acquisition Executive to the Secretary of Defense for approval. As Defense Acquisition Executive, I will be placing a very high priority on proper OSD involvement in this new "front-end" management of the acquisition process.

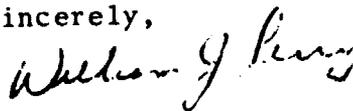
It is evident that there are weaknesses in the administrative procedures which accompany the DCP/DSARC process, especially with regard to the length of time it takes to get DCP approval on some programs after a key milestone decision has been made. We are continuing to work this problem. As for recording DSARC review proceedings, we believe that formal minutes would inhibit full and free discussion of the issues and are, therefore, not appropriate. The various reports and presentation material that are retained in our files constitute an adequate historical record of DSARC proceedings.

In response to some of the specific report recommendations not discussed above, the following observations are made:

- At each program decision point, the OSD staff does make an independent program evaluation and the Cost Analysis Improvement Group assesses the Service independent cost estimate.
- Streamlining and eliminating layers and offices which review and comment on DSARC programs is being considered in the present DoD reorganization and personnel drawdown.
- DCPs do include, in some cases, minority viewpoints; however, they are more often expressed in the recommendation memorandum from the DSARC to SecDef.
- It is current DoD policy that the DCP be updated annually at which time it should reflect all OSD and Congressional decisions made on that specific weapon system.

I am pleased that you found the basic framework of the DSARC process to be sound and appreciate the opportunity to provide comments on the draft report.

Sincerely,



William J. Perry