

GAO

Testimony

FOR RELEASE  
ON DELIVERY  
EXPECTED AT  
10:00 a.m. EST  
Wednesday  
April 20, 1988

REORGANIZATION OF THE MILITARY DEPARTMENTS'  
ACQUISITION MANAGEMENT STRUCTURES

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BEFORE THE  
SUBCOMMITTEE ON INVESTIGATIONS  
COMMITTEE ON ARMED SERVICES,  
UNITED STATES HOUSE OF REPRESENTATIVES



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Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be with you today to discuss the reorganization of acquisition organizations undertaken in response to Title V of the Goldwater-Nichols Department of Defense (DOD) Reorganization Act. At your request, we are currently reviewing a number of acquisition reorganization issues, including

- how the military departments approached reorganization,
- changes in the civilian/military balance within acquisition organizations, and
- the roles of the military staffs in the acquisition process.

As you know, our analysis is still ongoing and our observations today should be viewed as an interim report.

#### BACKGROUND

The Goldwater-Nichols DOD Reorganization Act came at a time of on-going reform and change in the acquisition function. Sweeping changes in acquisition organization and process had been initiated by the executive branch and mandated by the Congress, and many facets of the acquisition process have been scrutinized and affected by these measures.

Many of these reforms emanated from the President's Blue Ribbon Commission on Defense Management (known as the Packard Commission). The Commission's report highlighted characteristics which it argued should be the basis for defense acquisition, including the development of short, clear lines of communication among levels of management; small staffs of highly competent professional personnel; an emphasis on innovation and productivity; smart buying practices; and a stable environment for planning and funding. In April 1986 the President issued National Security Decision Directive (NSDD)-219, which implemented the recommendations of the Commission, including (1) the establishment of the position of Under Secretary of Defense for Acquisition and the designation of a Service Acquisition Executive in each military service, (2) development of a three-tiered acquisition chain of command within the services consisting of program managers (PM), program executive officers (PEO), and the Service Acquisition Executive; and (3) the restructuring of the Joint Requirements Review Board, co-chaired by the Under Secretary of Defense for Acquisition and the Vice Chairman of the Joint Chiefs of Staff (JCS), to define requirements, select programs, and provide trade-offs. The Commission also called for reducing the layers of review and the number of acquisition personnel.

Title V complements the Packard Commission recommendations by requiring the Service Secretaries to establish a single office or other entity in the military department headquarters to conduct

acquisition. The act sought to eliminate parallel or duplicate organizations that might have existed in the service secretariats and the Offices of the Chiefs of Staff. While the placement of the single offices in the service secretariats signifies the desire to strengthen civilian control, the consolidation of these staffs was not intended to exclude the Service chiefs from participating in these functions. Indeed, Title V directs the service secretaries to ensure that the single office or other entity provides the service Chiefs such staff support as each considers necessary to perform his duties and responsibilities. In addition, Title V specifies that in the acquisition area the service Secretary may assign responsibility for military requirements and test and evaluation to the service Chiefs, thus allowing responsibility for these functions to remain in the service Chiefs' organizations.

#### REORGANIZATION PROCESS IS CONTINUING

Reorganization of the military department headquarters mandated by Title V came at a time when, as the result of other legislative and executive initiatives, various aspects of the acquisition process were being restructured and revamped. Many of the actions that support the reorganization, including the re-issuance of policy guidance and direction, have yet to be completed. For example, key Office of the Secretary of Defense (OSD) acquisition directives to provide the framework of how the services are to implement the new acquisition system, were not

issued until September 1987. Furthermore, key guidance and direction from each of the services regarding how acquisition programs are to be managed have yet to be issued.

Thus, although it has been a year since the headquarters reorganizations required by the Reorganization Act were to have been completed, the services are still completing many of the tasks supporting the reorganization, such as developing mission and function statements for the restructured organizations and revising acquisition policy and directives. We will continue to monitor these activities and include them in our final report.

#### OVERVIEW OF ACQUISITION MANAGEMENT STRUCTURES

There were differences in the way each military department approached the reorganization of its acquisition structure. The Army undertook an extensive restructuring, integrating the two existing staffs, and eliminating about 190 headquarters positions. The Navy's changes were more limited in scope which may have reflected the fact that the Navy started with a structure that more closely approximated the structure envisioned by the Reorganization Act (i.e., a strong secretariat organization). In the Air Force, the existing military and secretariat offices were combined but there appears to be limited integration of the military staffs with existing secretariat staff, and there is a much larger proportion

of military officers than in the Army or Navy secretariat acquisition organizations.

### Army

Prior to the Army's headquarters reorganization of its acquisition function in March 1987, there were two primary organizations responsible for acquisition management--one in the Army secretariat and one in the Army military staff (referred to as "Army Staff"). The Assistant Secretary for Research, Development and Acquisition reported to the Under Secretary of the Army and was responsible for acquisition policy, management, and oversight functions. The Deputy Chief of Staff for Research, Development and Acquisition reported to the Vice Chief of Staff and was responsible for the execution of the Army's overall acquisition program. Military officers comprised the majority of the technical and managerial staff in this organization. About 75 of the staff were Department of the Army systems coordinators, who functioned as the Army headquarters' focal points for coordinating all weapon system actions for specific weapon system programs with other headquarters and Army field activities.

During the reorganization, the secretariat and chief of staff acquisition organizations were consolidated and combined with personnel from the Office of the Deputy Chief of Staff for Logistics' Directorate of Contracting. To comply with

Reorganization Act requirements to reduce Army headquarters personnel, significant reductions were made in the reorganized acquisition staff. For example, the systems coordinator positions were eliminated, and about 30 positions were transferred to the newly established PEO organizations. Other systems coordinators were retitled "action officers", although they continue to perform about the same functions as system coordinators. Army officials said that personnel assigned to the PEO activities currently remain in the Assistant Secretary's office and, like the action officers, continue to perform systems coordinator functions. A number of Army officials from the secretariat, Army staff, and field activities expressed the view that the systems coordination function is essential in the headquarters acquisition organization and that changes are needed to formally reestablish these positions before the military officers filling the positions are transferred.

Another personnel movement to accommodate the 15 percent headquarters reduction required by Title V was the transfer of 58 positions to Headquarters, Army Materiel Command. These personnel manage the headquarters systems coordination and budget functions for ammunition and some equipment items such as trucks, forklifts, and cranes.

The reorganized Army acquisition structure is headed by the Assistant Secretary for Research, Development and Acquisition. The former lieutenant general position from the Deputy Chief of Staff

for Research, Development, and Acquisition became the principal deputy to the Assistant Secretary. The principal deputy is responsible for running the secretariat acquisition organization in the Assistant Secretary's absence, overseeing the daily execution of systems management activities, and keeping the Army Chief of Staff informed about Army acquisition matters.

The Under Secretary of the Army was designated the Army Acquisition Executive and in this capacity became responsible for conducting the acquisition function for the major and nonmajor programs selected for the three-tiered acquisition structure. The Office of the Assistant Secretary for Research, Development and Acquisition is to provide the staff support to assist the Army Acquisition Executive in executing these responsibilities. In addition, the Assistant Secretary was made responsible for acquisition matters outside the PM/PEO/Army Acquisition Executive structure. Upon the Under Secretary's resignation in March 1988, the Assistant Secretary was named the Army Acquisition Executive.

The structure of the Office of the Assistant Secretary for Research, Development and Acquisition has changed significantly as a result of the reorganization. The secretariat's acquisition organization now has a staff of 210 (compared to 37 prior to the reorganization), and the Assistant Secretary is now not only responsible for acquisition policy and oversight but also for the

execution of the Army's acquisition program. Figure I.1 in the appendix shows the current organizational structure of the Army secretariat acquisition organization.

A key part of the secretariat's new management of the acquisition function was the implementation of the three-tiered program management structure recommended by the Packard Commission. Approximately two-hundred fifty acquisition programs--comprising about 45 percent of the Army's Research, Development, Test & Evaluation budget and 80 percent of its procurement budget--were organized under this management approach. Twenty-five PEOs are responsible for these programs, reporting directly to the Army Acquisition Executive and rated by him. In the Army, unlike the Navy and Air Force, the commanders of the Army commodity commands were not designated PEOs. Rather, the PEOs represent new organizations that oversee programs that support related missions (i.e., the PEO for close combat vehicles oversees programs for tanks, armored personnel carriers, and similar tracked vehicles.)

The role of the Army Materiel Command (AMC) in the acquisition process has been changed by the reorganization. Previously, AMC was responsible for providing direction and control in planning, program management and integration, coordination, policy, and guidance for its subordinate commodity commands, which encompass most Army acquisition program offices. Since many Army programs have now been organized under the PM/PEO/Army Acquisition Executive

chain of command, AMC's management responsibility for these programs is not to serve in the direct management chain but rather to provide support. Today, PM and PEO organizations have small organic staffs, and are collocated with and receive functional support from the commodity commands. Using this matrix-management concept, there are essentially two separate reporting chains--one programmatic (PM/PEO/Army Acquisition Executive) and the other functional (AMC).

### Navy

Prior to the passage of the Reorganization Act, the Navy had already instituted several organizational changes designed to decentralize acquisition management and streamline Navy decision-making. In May 1985, Secretary Lehman disestablished the Navy Material Command, eliminating a layer of decision making and shortening the communication lines between program managers, systems commands, and the Secretary of the Navy. In addition, the Navy restructured the systems commands and reduced the number of program documentation requirements.

As a result of NSDD-219, issued in April 1986, the Navy established a Navy Acquisition Executive and instituted the three-tiered chain of command recommended by the Packard Commission, consisting of PMs, PEOs--who are the commanders of the systems commands--and the Acquisition Executive. According to Navy

officials, one hundred twenty-six of the Navy's 571 major and nonmajor programs report through this three-tiered chain. The Secretary of the Navy was later appointed as the Navy Acquisition Executive, and the Assistant Secretary of the Navy for Research, Engineering and Systems and the Assistant Secretary of the Navy for Shipbuilding and Logistics were designated his primary acquisition assistants. After Mr. Webb replaced Mr. Lehman as Secretary of the Navy, the Under Secretary of the Navy was designated as the Navy Acquisition Executive while the Assistant Secretaries remained the Acquisition Executive's primary technical assistants.

The Chief of Naval Operations' (CNO's) function in the acquisition process appears not to have changed a great deal since the passage of the Reorganization Act, although 66 personnel are in the process of transferring from the CNO to the Assistant Secretary for Research, Engineering and Systems. Although this transfer has not yet been completed, these personnel are expected to comprise the assistant secretary's RDT&E directorate. The vice-admiral who heads this organization will also continue to report to the CNO on a dual-hatting arrangement by being the CNO's Director of Research and Development Requirements, Test and Evaluation. (The Navy Secretariat's acquisition organization is shown in figure I.2 of the appendix to this statement.)

To streamline the acquisition process in the Marine Corps, the Commandant of the Marine Corps created the Marine Corps Research,

Development, and Acquisition Command. This command puts both research and development and production aspects of the acquisition function in one organization. According to the Marine Corps, the Acquisition Command is a structure that is compatible with the Navy's organization for acquisition, which has service acquisition authority for Marine Corps programs. As with the commanders of Navy systems commands, the Commander of the Marine Corps acquisition command will be the PEO for Marine Corps programs. This individual has several other roles. He is the Navy Deputy Assistant Secretary for Research, Engineering and Systems and the Marine Corps Deputy Chief of Staff for Research, Development and Acquisition.

#### Air Force

Until early 1987, acquisition responsibilities in Air Force headquarters were divided among the Assistant Secretary for Acquisition and Logistics and the Chief of Staff's organization (referred to as the Air Staff). The new acquisition organization was essentially created by merging the former Deputy Chief of Staff for Research, Development and Acquisition with the Office of the Assistant Secretary for Acquisition and Logistics. There were, however, some sections of each organization which were placed in other components of the Secretariat and Chief of Staff's organizations. For example, nine personnel from the acquisition secretariat office responsible for various acquisition-related

functions (including commercial and industrial activities under Office of Management and Budget Circular A-76, acquisition through foreign governments, and the acquisition and disposal of real estate) went to a new secretariat organization called the Assistant Secretary for Readiness Support. Additionally, a small secretariat staff organization involved in the policy and oversight of the acquisition of information systems was moved from the former Assistant Secretary of the Air Force for Financial Management organization to the new Assistant Secretary for Acquisition. Staff from the Deputy Chief of Staff's office involved in military requirements and operational test and evaluation were moved to the Office of the Deputy Chief of Staff for Plans and Operations. (Figure 3 in the appendix shows the current Air Force Assistant Secretary for Acquisition's organization.)

A large segment of the combined staff in the new organization are assigned to the program directorates (i.e., to Development and Tactical Programs; Strategic, Special Operations Forces and Airlift Programs; Avionics and Electronic Combat Programs) and serve as program element monitors, performing functions much like those Army systems coordinators perform. Staff in these directorates comprise over 50 percent of the new secretariat's personnel and are primarily military officers.

The Assistant Secretary for Acquisition, who serves as the Air Force Acquisition Executive, has instituted a three-tiered program

management chain for executive programs, which is being implemented in each of its three major acquisition commands--the Air Force Systems Command (AFSC), the Air Force Logistics Command, and the Air Force Communications Command. Of AFSC's 411 acquisition programs, 41 were designated as executive programs.<sup>1</sup> These are managed by program directors who report to PEOs in the AFSC organization. Some of these executive programs also have program managers who report to the program directors. The Air Force has also designated PEOs for three Air Force Logistics Command managed programs--including programs for spares and two major weapon system modifications. Generally, the PEOs are military commanders of Air Force major commands, product divisions, or air logistics centers. The Air Force also plans to establish a PM/PEO chain of command for nonexecutive programs, although the command relationships are expected to be different.

AFSC and its five product divisions have traditionally had a key role in developing acquisition policy and managing the systems development and acquisition process for new Air Force systems. Currently, each product division commander serves as a PEO for a group of executive programs and also constitutes a separate level of command for allocation and control of the product division's

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<sup>1</sup> The Air Force distinguishes between executive and nonexecutive systems by (1) designating the program managers of these high-dollar value/high-visibility programs as program directors and (2) assigning the program directors a service specialty code which is intended to set them out as acquisition personnel who are equivalent to wing-commanders in operational units.

functional pool of resources. PEOs report through AFSC headquarters to the Air Force Chief of Staff for resource and functional management and to the Acquisition Executive for programmatic matters.

CIVILIAN-MILITARY BALANCE IN SERVICE  
ACQUISITION REORGANIZATIONS

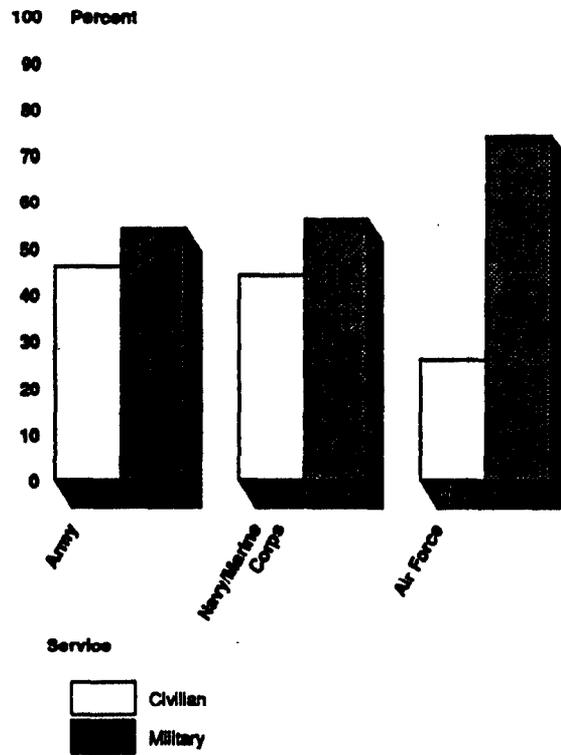
By centralizing acquisition responsibility for the execution of acquisition policy and program oversight under the secretariat, the Reorganization Act sought to strengthen the role of civilian authorities. This integration is designed to provide assistant secretaries with authority and direct control over the people directing, managing, and executing acquisition activities. Civilian control is a complex issue which we are continuing to explore. One aspect of that exploration is the civilian/military mix in acquisition headquarters organizations.

Personnel Comparison

The percentage of civilian technical and managerial personnel differs in each military department with civilians accounting for a significantly smaller proportion of the staff in the Air Force. As shown on figure 1 below, in the reorganized secretariat organizations, 46 percent of the Army technical and managerial staff and 44 percent of the Navy staff are civilian. Civilians

account for only 26 percent of the Air Force secretariat technical and managerial acquisition staff.

Figure 1: Civilian/Military Mix of Technical and Managerial Personnel in Current Service Acquisition Organizations



Note: Navy percentages include positions proposed for transfer from the CNO's staff to the Navy secretariat

These proportions are not significantly different from those that existed prior to the reorganization, except in the case of the Navy. Civilians accounted for 44 percent of the Army's and 21

percent of the Air Force's technical and managerial staff. The percentage in the Navy was 61 percent--compared to 44 percent currently. The reduction in the Navy is the result of transferring about 150 personnel responsible for such functions as contracts, business management, and competition advocacy into a newly established Navy procurement support office.

### Leadership Positions

We found that the Army has a generally balanced mix of military and civilians in key supervisory positions in its secretariat acquisition organizations, while in the Air Force these positions are generally held by the military (general officers). For example, three of the five directorates within the Army Assistant Secretary's office are headed by senior executive service civilians, and these officials have a high percentage of civilian staff reporting to them. These civilian-headed offices in the Army have primary responsibility for contracting policy and development; program and contractor performance evaluation; oversight of the research, development, and acquisition budget appropriations and coordination of the planning, programming, and budget functions. In the Air Force, these activities are headed by military personnel. We note that the number of general or flag officers in the new acquisition secretariat organizations also vary greatly by service, with 3 in the Navy, 6 in the Army, and 9 in the Air Force.

Both the Army and the Air Force have lieutenant generals as the principal deputies to the civilian acquisition heads. In the Navy, the two acquisition assistant secretaries and their principal deputies are civilians, although there is a vice admiral who reports to the Assistant Secretary for Research, Engineering and Systems.

Degree of Integration of Secretariat and  
Military Staff Acquisition Organizations

Mr. Chairman, as part of our work, you asked us to explore whether the military staffs have been integrated with the secretariat acquisition staffs that existed prior to the reorganization.

Army

Our work to date indicates that the Army appears to have integrated many functions from the Army Staff with those in the former secretariat and has placed former secretariat officials in positions of key authority. In addition, acquisition functions that were previously the responsibility of the Army military staff have been split in the new organization. For example, the civilian Deputy for Plans and Programs is responsible for acquisition program and budget execution, a function previously performed in three separate directorates in the former Army Staff acquisition organization. The contracting function in the current Army

acquisition secretariat is also headed by a civilian and is comprised of a predominantly civilian staff developed by combining staff from the former secretariat and military staff organizations.

### Navy

Since the transfer of acquisition personnel from the CNO to the Navy secretariat has not yet been completed, it is as yet unclear how they will be integrated or if they will remain in a separate group. However, Navy officials said the CNO staff have begun to participate in secretariat activities such as the newly established policy and executive committees that review such matters as the RDT&E development process, organizational policy, and policy implementation.

### Air Force

Although there have been some organizational changes in the Air Force's combined acquisition organization, there appears to be little integration of the previous secretariat and military staffs. The heart of the old secretariat organization was the senior executive service civilians who were charged with providing civilian oversight of the major functional areas including tactical, strategic missiles, strategic air, and science and technology. These civilian deputies have no professional staff

reporting to them and appear to be essentially outside the loop of much of the day-to-day activities of the secretariat. For example, unlike the general officers who head directorates, the civilian deputies do not attend the Assistant Secretary's staff meetings. The responsibilities assigned to them in the new organization include monitoring executive programs within their assigned areas and advising the Acquisition Executive.

Acquisition personnel previously assigned to the Deputy Chief of Staff for Research, Development and Acquisition continue to function much as they did before the reorganization--formulating acquisition policy, reviewing procurement documents, performing day-to-day acquisition program integration functions with other secretariat and military staff organizations, developing acquisition budget estimates, and responding to congressional and other external requests for Air Force acquisition information. The most significant change in these organizations is that they now report to the Assistant Secretary for Acquisition, and he appears to be much more involved in the day-to-day activities of managing Air Force acquisition programs.

#### Role of the Service Chiefs of Staff

While our work on the role of the chiefs of staff is continuing, some differences between the services appear to be emerging. For example, the Air Force chief of staff continues to

play an active role in the acquisition process. Documents are routinely routed to the chief of staff's office for approval or coordination. In the Army, officials characterize the chief's involvement as significantly reduced. The Army Staff no longer routinely reviews the paperwork supporting many acquisition-related actions.

Assessment of Services' Compliance With  
The Requirements of the Reorganization Act

Mr. Chairman, you also asked us to determine whether the services' reorganizations fully comply with the requirements of the Reorganization Act. We have identified some areas of concern. For example, we are exploring whether all required headquarters acquisition activities have been transferred to the new secretariat organizations and whether these activities are organized and, in fact, conduct operations in such a manner as to constitute the "single office" required in the statute. We will continue our work in this area and include our assessment on these matters in our final report.

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In summary, Mr. Chairman, I think it is fair to say the reorganization is still evolving. Revised procedures and processes are still being worked out. And while many of the staff in the reorganized structures also served in the prior structures, the

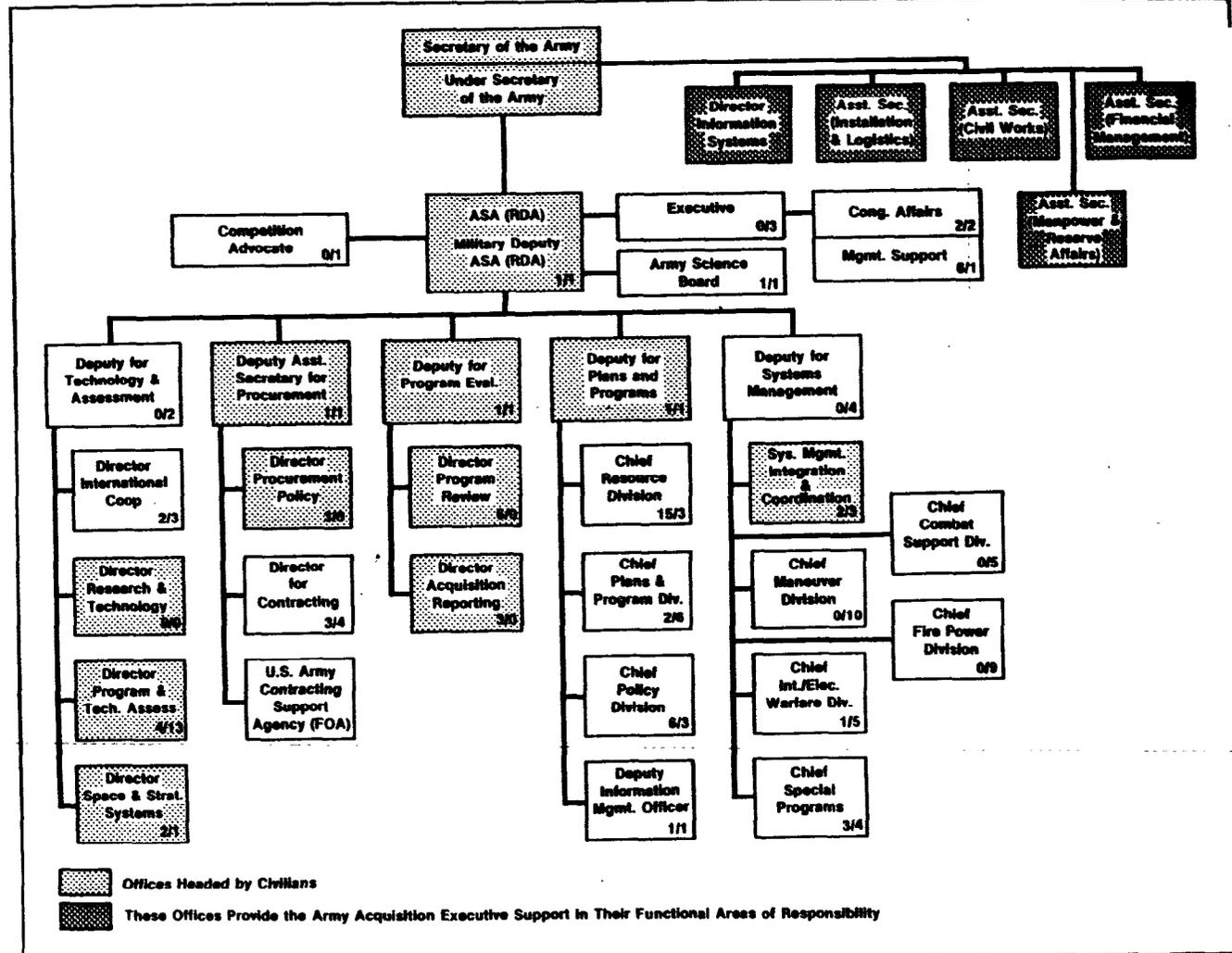
staff will be turning over (particularly the military staff) and will be replaced with staff with fewer ties to previous structures and patterns. It will probably be some time before we will truly know how the reorganized structures are working, although we hope to be able to provide additional insights on these issues.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions.

Figure I.1

GAO

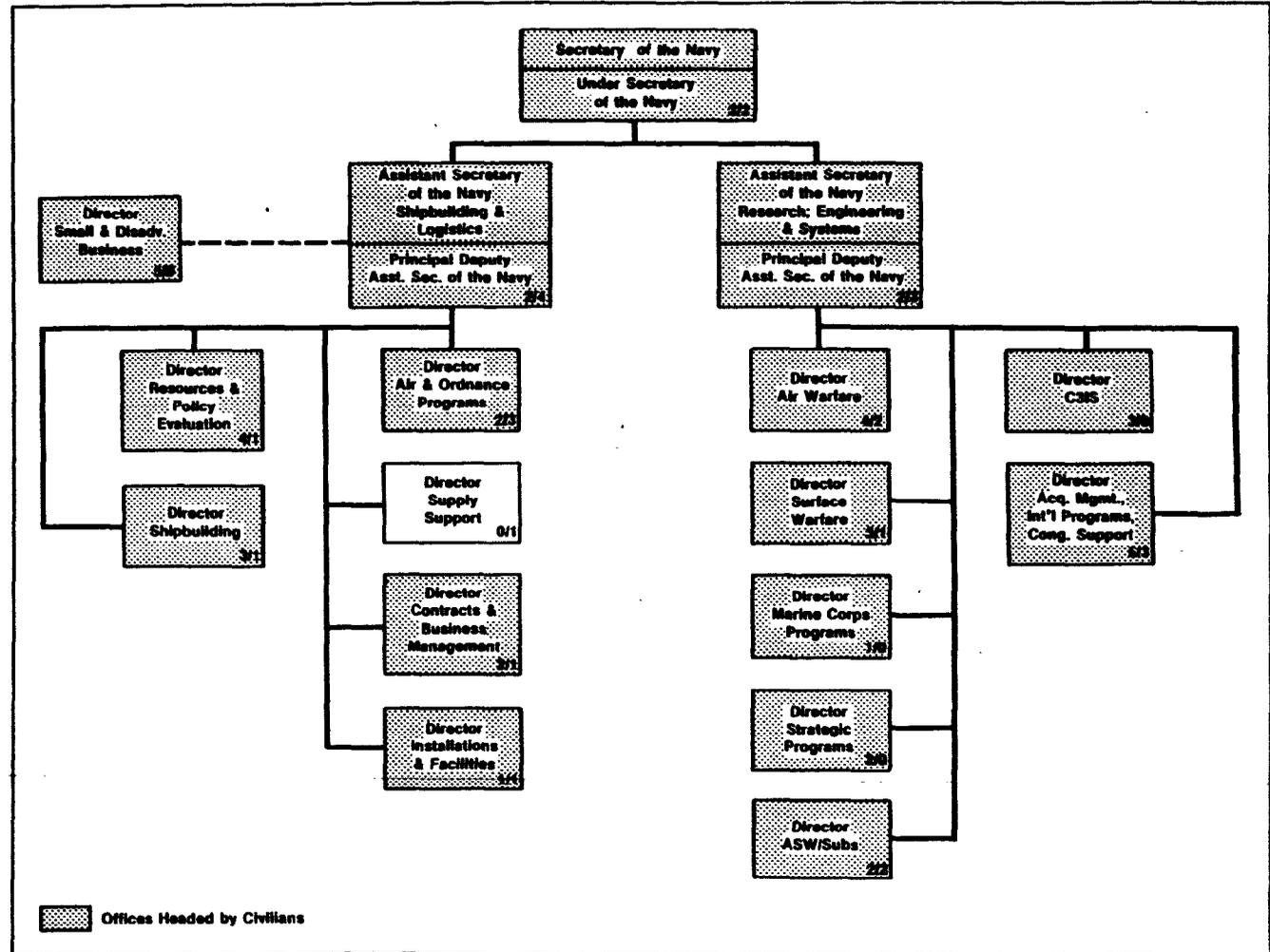
# Army Acquisition Organization



Note: Numbers in lower right-hand corner reflect civilian/military technical and managerial positions (civilian/military administrative positions not included).

Figure I.2

# GAO Navy Acquisition Organization

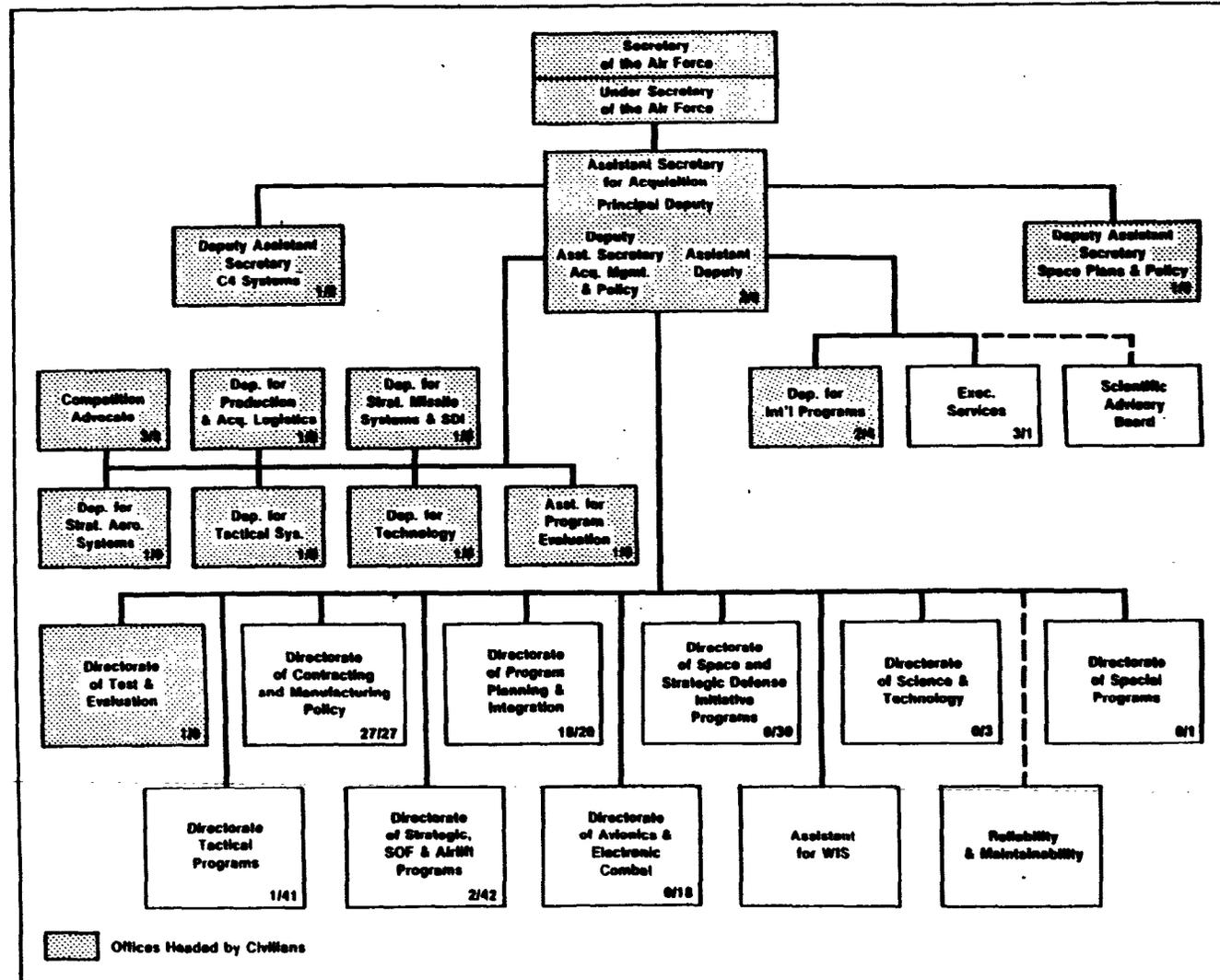


Note 1: Numbers in lower right-hand corner reflect civilian/military technical and managerial positions (civilian/military administrative positions not included).

Note 2: The Office of RDTE is not included since the transfer of CNO personnel has not been completed.

Figure I.3

# GAO Air Force Acquisition Organization



Note: Numbers in lower right-hand corner reflect civilian/military technical and managerial positions (civilian/military administrative positions not included).