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

GENERAL GOVERNMENT  
DIVISION

B-206171

JANUARY 29, 1982

The Honorable Donald T. Regan  
The Secretary of the Treasury



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Dear Mr. Secretary:

Subject: Major System Acquisition Management  
in the Department of the Treasury  
(GGD-82-16)

We have reviewed the Department of the Treasury's progress in implementing Office of Management and Budget (OMB) Circular A-109 to manage major system acquisitions. Treasury has not yet used Circular A-109 and has been slow in implementing it.

The review was conducted at Treasury headquarters; the U.S. Customs Service; and the Internal Revenue Service (IRS) in Washington, D.C. It covered actions taken by Treasury to implement A-109 and to manage acquisition programs. It included a review of relevant directives; planning and budget documents; and discussions with officials involved in planning, procurement, budgeting, and management.

OMB CIRCULAR A-109

In 1976, OMB issued Circular A-109 to provide an organized approach to managing major system acquisitions. The circular was based on recommendations made by the Commission on Government Procurement to help solve a number of problems which have historically plagued major system acquisitions. It supplies a framework of flexible management policies that can be applied to all systems, ranging from defense weapons to automatic data processing (ADP) and from public buildings to space vehicles.

Under the guidelines of A-109 each agency must: define the need in terms of its mission; reconcile needs and goals with agency capabilities; evaluate industry's competitive efforts to develop alternative designs; and choose the best alternative on the basis of demonstrated performance and price commitments. Emphasis is on mission-oriented planning, high level visibility, strong program management, and reliance on private industry for alternative system designs.

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EFFORTS TO APPLY A-109 PRINCIPLES  
HAVE BEEN UNSUCCESSFUL

The Department issued Treasury Directive (TD) 30-03.A on October 22, 1976. The directive's stated purpose was to implement and supplement A-109 within the Department of the Treasury. It reiterated portions of A-109, established the Assistant Secretary (Administration) as Treasury's acquisition executive 1/, and charged that office with implementing the policies of A-109. It also set \$10 million as a minimum total cost criterion for determining if a system was to be considered major and required that agency components submit implementation plans. However, the agency components did not respond with individual plans, nor did the Department take any followup action.

In October 1980, the Department issued a revised version of TD 30-03.A. The major changes were to clarify the definition of a major acquisition and to suggest that agency components use A-109 policies for "non-major" as well as major acquisitions in some instances. As yet, none have responded with implementation plans.

The acquisition executive has sufficient authority to enforce departmental directives. But there is little chance agency components will comply unless they perceive that management is serious about requiring the use of A-109 policies. We believe Treasury needs to place a higher priority on establishing an effective system for identifying and managing major system acquisitions.

MISSION PLANNING AND ANALYSIS

Mission planning and analysis are critical steps in building an effective approach to major system acquisitions. Effective mission analysis and strategic planning permit management to identify major system requirements as early as possible and to state needs clearly in terms of missions, end capabilities, or opportunities. The Secretary can then more accurately prioritize the need with respect to other mission opportunities and available resources.

Treasury has no Department-wide orders or directives requiring agencies to perform continuing mission analysis and to

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1/OMB Circular A-109 states, "The head of agency that acquires major systems will designate an acquisition executive to integrate and unify the management process for the agency's major system acquisitions and to monitor implementation of the policies and practices set forth in this Circular."

develop strategic long-range plans. However, both IRS and Customs are currently making commendable efforts toward developing long-range strategic planning capabilities. If the planning systems are made more mission oriented and incorporate mission analysis, they will provide essential building blocks for implementing A-109.

#### TRAINING OF KEY PERSONNEL

Several key agency officials--at various organizational levels--were poorly informed about, or unaware of, A-109 principles. Although some officials claimed they are following the "spirit of A-109," not enough has been done to better inform key personnel of A-109 principles and how to apply them. Treasury representatives have not been sent to A-109 training courses offered by the Federal Acquisition Institute. They have received a set of the videotapes used in the courses and are currently developing an inhouse training program. However, at the time of our review, no timetable for training had been set and no training had been conducted.

#### TOP MANAGEMENT SHOULD BE ACTIVELY INVOLVED AT KEY DECISION POINTS

A major goal of the management policies in A-109 is to increase top management's awareness of and involvement at key decision points in major acquisition programs. The circular requires that the agency head make key decisions at critical points in the acquisition and reaffirm the need for the system at each decision point. The four key decision points listed in the circular are:

1. Identification and definition of a specific mission need to be fulfilled, the relative priority assigned within the agency, and the general magnitude of resources that may be invested.
2. Selection of competitive system design concepts to be advanced to a test/demonstration phase or authorization to proceed with the development of a noncompetitive (single concept) system.
3. Commitment of a system to full-scale development and limited production. (Omitted when only commercial products not requiring development are involved.)
4. Commitment of a system to full implementation or production.

Treasury's directive on major acquisition management requires that agency components clearly identify planned major acquisitions and notify the acquisition executive of the need.

This identification should stem from mission analysis and result in a mission need statement. A mission need statement has not been prepared for any Treasury acquisition programs. Without a mission need statement, the Secretary may not receive formal notification of need and intent before a program is started and substantial resources may be invested without his approval and prioritization of the need. It also provides a coherent, articulate statement that expresses the need in terms of one of the Department's missions and can convince the Secretary, OMB, and the Congress of the need for action.

NO ACQUISITION PROGRAMS HAVE  
BEEN DESIGNATED A-109

OMB Circular A-109 defines a major system as that combination of elements that will function together to produce the capabilities required to fulfill a mission need. Major system acquisition programs are those programs that (1) are directed at and critical to fulfilling an agency mission, (2) entail the allocation of relatively large resources, and (3) warrant special management attention. Treasury added a dollar minimum of \$10 million to that definition.

Although we were not able to construct a complete inventory of planned major acquisitions, we identified several programs which we believe qualify for A-109 application. Two of the programs were considered major by the Department but A-109 requirements were waived. We could find no other programs that had been considered major system acquisitions and the Department has never utilized the A-109 process. We are not recommending that an attempt be made to retrofit A-109 to programs in progress, but we believe more effort is needed to identify potential major system acquisition programs and to apply A-109's management principles to them.

CONCLUSIONS

The policies of OMB Circular A-109 have not become a functional part of Treasury's operations because they have not received sufficient management attention.

Treasury has not placed a high enough priority on implementing the new policies. Little action has been taken in response to the implementing directive and no programs have been implemented as major system acquisitions under A-109. Further, no training has been conducted to inform key officials of A-109 principles and how to apply them.

RECOMMENDATIONS

We recommend that the Secretary of the Treasury:

--Elevate the priority of implementing OMB Circular A-109 by whatever action is deemed appropriate.

--Amend the Treasury directive on system acquisition management to require that major agency components submit action plans for implementing A-109 to assure that:

- (1) potential major acquisitions are identified through mission analysis,
- (2) mission need statements are prepared,
- (3) projects are assigned managers with clear responsibilities and authority,
- (4) acquisition strategies are developed and tailored for each program,
- (5) alternative system designs are solicited from industry and explored competitively through demonstration, and
- (6) key decisions are affirmed by the agency head.

--Monitor more closely agency components' long-range planning to assure that needs are identified early through mission analysis and are valid in relation to the agency's mission.

--Accelerate efforts to develop and implement a training program on acquisition management.

AGENCY COMMENTS AND OUR EVALUATION

The Treasury Department is in general disagreement with this report. Treasury stated that while it never utilized the A-109 process, it has a system in place which adequately meets its needs in identifying, prioritizing, and managing resources and that it does not make major acquisition decisions without adequate information. It said that the real issue is that A-109 has not been successfully implemented anywhere in the Government.

Circular A-109 is in various stages of implementation in different agencies, and several departments have programs that are designated A-109 acquisitions. Although none have been completed, they are following the A-109 guidelines. Traditional procurement methods have proven themselves inadequate for acquiring major systems. Past experience throughout the Government has demonstrated that the absence of an integrated rational approach to managing

large and diverse system acquisitions has resulted in recurring cost problems, serious delays, and malfunctioning systems. The management principles of OMB Circular A-109 represent Executive Office policy and we support them.

Under Treasury's current system, a substantial amount of resources could be invested in a major system before program funding is requested through the budget process and before top management makes a decision on whether the system is needed. Circular A-109 was designed to assure that needs are identified early in the acquisition process and to provide an organized structure to assure that top level management approves and prioritizes the need for a major system as soon as the need is identified. Sound management practices dictate utilization of a system such as Circular A-109 mandates.

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This report contains recommendations to you beginning on page 5 of this letter. As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; to the Office of Federal Procurement Policy; and to interested parties.

Sincerely yours,



for William J. Anderson  
Director