



August 2017

DEFENSE CONTRACTED SERVICES

DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards

Accessible Version

GAO Highlights

Highlights of [GAO-17-482](#), a report to congressional committees

Why GAO Did This Study

In fiscal year 2016, DOD obligated about \$150 billion, or just over half of its total contract spending, on contracted services. In January 2016, DOD issued an instruction on services that identified three key leadership positions, and clarified their roles and responsibilities, and called for Services Requirements Review Boards to holistically approve service requirements above \$10 million.

The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2015 included a provision for GAO to report on DOD's acquisition of contracted services. This report assesses implementation of (1) key services acquisitions leadership positions and (2) Services Requirements Review Boards.

GAO reviewed the roles and responsibilities of the three key leadership positions identified in DOD's January 2016 instruction. GAO also selected three military commands with large fiscal year 2015 contracted services obligations based on analysis of federal procurement spending; reviewed Review Board implementation for the selected commands; and interviewed responsible DOD, military department, and command officials.

What GAO Recommends

GAO recommends that DOD reassess the roles, responsibilities, authorities, and organizational placement of the three key leadership positions; and clarify policies concerning the purpose and timing of the Review Board process. DOD concurred with the recommendations.

View [GAO-17-482](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or DinapoliT@gao.gov.

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Defense Contracted Services

DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards

What GAO Found

The Department of Defense (DOD) has not fully implemented the three key leadership positions—functional domain experts (FDE), component level leads (CLL), and senior services managers (SSM)—that were identified in DOD's January 2016 instruction and which were to enable DOD to more strategically manage service acquisitions (see table).

Key Leadership Roles and Responsibilities for Managing Service Acquisitions as of July 2017		
Role	Responsibilities	Organizational placement
Functional domain experts	Provide strategic oversight of services acquisitions within assigned portfolios.	Office of the Secretary of Defense
Component level leads	Support functional domain experts in the strategic management of contracted services within assigned portfolios.	Military departments—components
Senior services managers	Provide strategic planning, sourcing, execution, and management of contracted services acquisitions.	Military departments

Sources: GAO review of Department of Defense Instruction 5000.74, Acquisition of Services, January 5, 2016. | GAO-17-482

Defense Procurement and Acquisition Policy officials noted that the officials appointed to be FDEs had multiple responsibilities, and considered their FDE roles as secondary. Additionally, CLLs largely existed in name only. Consequently, FDEs and CLLs had a minimal effect on how DOD manages services. GAO also found that SSMs—who are responsible for implementing the January 2016 instruction within their military departments—were unsure about the value of FDEs and CLLs and how these positions should influence decisions made by the commands. Moreover, the SSMs GAO interviewed cited cultural barriers to implementing the hierarchical, portfolio-management approach to service acquisition envisioned in DOD's January 2016 instruction, in part because each military department has traditionally taken a decentralized approach to managing services. Defense Procurement and Acquisition Policy officials responsible for services were aware of these challenges and have begun efforts to revise the January 2016 instruction, in part to further clarify position authorities and responsibilities. Federal internal control standards state that management should establish an organizational structure, assign responsibilities, and delegate authorities to achieve its objectives.

Services Requirements Review Boards were intended to prioritize and approve services in a comprehensive portfolio-based manner in order to achieve efficiencies, but the military commands GAO reviewed did not do so. Instead, commands largely leveraged existing contract review boards that occurred throughout the year and focused on approving individual contracts. As a result, the Services Requirements Review Boards at these commands had minimal effect on supporting trade-off decisions within and across service portfolios or capturing efficiencies that could inform the command's programming and budgeting decisions. Federal internal control standards call for management to identify, analyze, and respond to risks related to achieving defined objectives. Until DOD clarifies the purpose and timing of the Services Requirements Review Boards process, DOD components will not achieve the expected benefits as anticipated in the January 2016 instruction.

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August 31, 2017

Congressional Committees

In fiscal year 2016, the Department of Defense (DOD) obligated about \$150 billion on contracted services, or just over half of DOD's total contract spending. Contractors perform a wide array of services, such as supporting DOD weapons programs, maintaining defense facilities, and providing information technology. Given an uncertain budget environment, determining whether to contract for such services, eliminating duplicative or unnecessary services, and effectively managing and overseeing contractors is vital to DOD achieving its missions. While some improvements have been made, DOD has faced long-standing challenges in effectively managing services. For example, DOD Contract Management has been on GAO's high-risk report list for almost 25 years as an area in need of improvement, with service acquisition being identified as a key issue since 2001.¹ DOD has set a goal of improving its management and oversight of services through efforts like the Better Buying Power initiatives and by categorizing and managing service acquisitions by portfolio groups, such as knowledge-based services.²

DOD issued an instruction in January 2016 as part of its larger efforts to improve the processes by which it acquires contracted services.³ This instruction, in part, articulated a hierarchical approach in which senior officials within the Office of the Secretary of Defense (OSD), termed functional domain experts (FDE), would be responsible for one or more portfolios of similar services and for providing strategic oversight of services within their portfolios. In turn, the FDEs would be supported by component level leads (CLL) within each of the military departments and defense agencies to actively oversee the life-cycle process of service

¹GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017). GAO's high-risk program identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.

²DOD's Better Buying Power initiatives are intended to provide the department with guidance for obtaining greater efficiency and productivity in defense spending.

³Department of Defense Instruction 5000.74, *Defense Acquisition of Services*, January 5, 2016.

acquisitions. Further, these positions were intended to coordinate with senior services managers (SSM), who are responsible for the planning, strategic sourcing, execution and management of services within their specific military department or defense component. For the purposes of this report, we collectively refer to FDEs, CLLs, and SSMs as key leadership positions for service acquisitions. DOD's January 2016 instruction also required Services Requirements Review Boards (SRRB) to be conducted at the command or unit level within each military department or defense component, to ensure that requirements are reviewed, validated and approved so as to help prioritize requirements and identify efficiencies. SRRBs can also help determine whether a requirement should be met by contractors or performed by government personnel.

The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2015 included a provision for us to report on DOD's acquisition of contracted services.⁴ This report assesses DOD and the military departments' implementation of selected provisions of DOD's January 2016 instruction, in particular (1) key leadership positions and responsibilities, and (2) Services Requirements Review Boards.

To assess DOD's implementation of the three key leadership positions and their responsibilities, we reviewed relevant statutes, DOD's January 2016 instruction, DOD and military department policies, memorandums, and written responses that describe the roles and responsibilities for the FDE, CLL, and SSM positions. We focused our review on the Departments of Air Force, Army, and Navy.⁵ In addition to the military departments, DOD's January 2016 instruction calls for other defense components (e.g., defense agencies and OSD) to implement SSM positions and SRRBs to the extent appropriate. This report focuses on the implementation of SSMs and SRRBs within the military departments because they represented about 74 percent of DOD's total obligations on contracted services in fiscal year 2015. We interviewed the SSM at each of the three military departments and officials in Defense Procurement and Acquisition Policy—Services Acquisition (DPAP-SA), who are responsible for implementation of the January 2016 instruction and the

⁴H.R. Rep. No. 113-446, at 177, 178 (2014).

⁵The Department of the Navy also includes the U.S. Marine Corps. For the purpose of our report, we use the term Navy to represent both organizations.

FDE positions. We spoke to DPAP-SA and military department officials about the challenges of implementing these positions.

To assess the military departments' implementation of SRRBs, we used Federal Procurement Data System-Next Generation (FPDS-NG) data to select one major command within each military department with large fiscal year 2015 obligations for contracted services, which was the latest year available when we initiated our review.⁶ We identified groups of like services, known as service portfolios, that were required in the January 2016 instruction. We used fiscal year 2016 data from FPDS-NG to calculate each military department's and selected commands' obligations by service portfolio, such as logistics management services. We then compared differences between military department and command obligations by each service portfolio. We performed electronic testing for errors in accuracy and completeness and reviewed related documentation, and we found that the FPDS-NG data were sufficiently reliable for the purpose of identifying DOD's spending on contracted services by military departments and their major commands. Based on these data, we selected the Air Force Materiel Command, Army Materiel Command, and Naval Air Systems Command as the focus for our review. At each of the three military departments and the selected major commands, we interviewed acquisition and/or contracting officials, reviewed applicable SRRB policies and procedures, and to the extent available, data on the number, timing, and outcomes from SRRBs held at the selected major commands between 2015 and 2016, as well as services health assessments.⁷ The results of our findings are not generalizable to all of DOD military departments and military commands but provide insight into acquisition of services by DOD.

We conducted this performance audit from February 2016 to August 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶FPDS-NG is the federal government's central repository for contracting data.

⁷These are assessments done at the command level to evaluate organizations that buy and manage service acquisitions and are intended to identify performance levels, needed improvements, and best practices.

Background

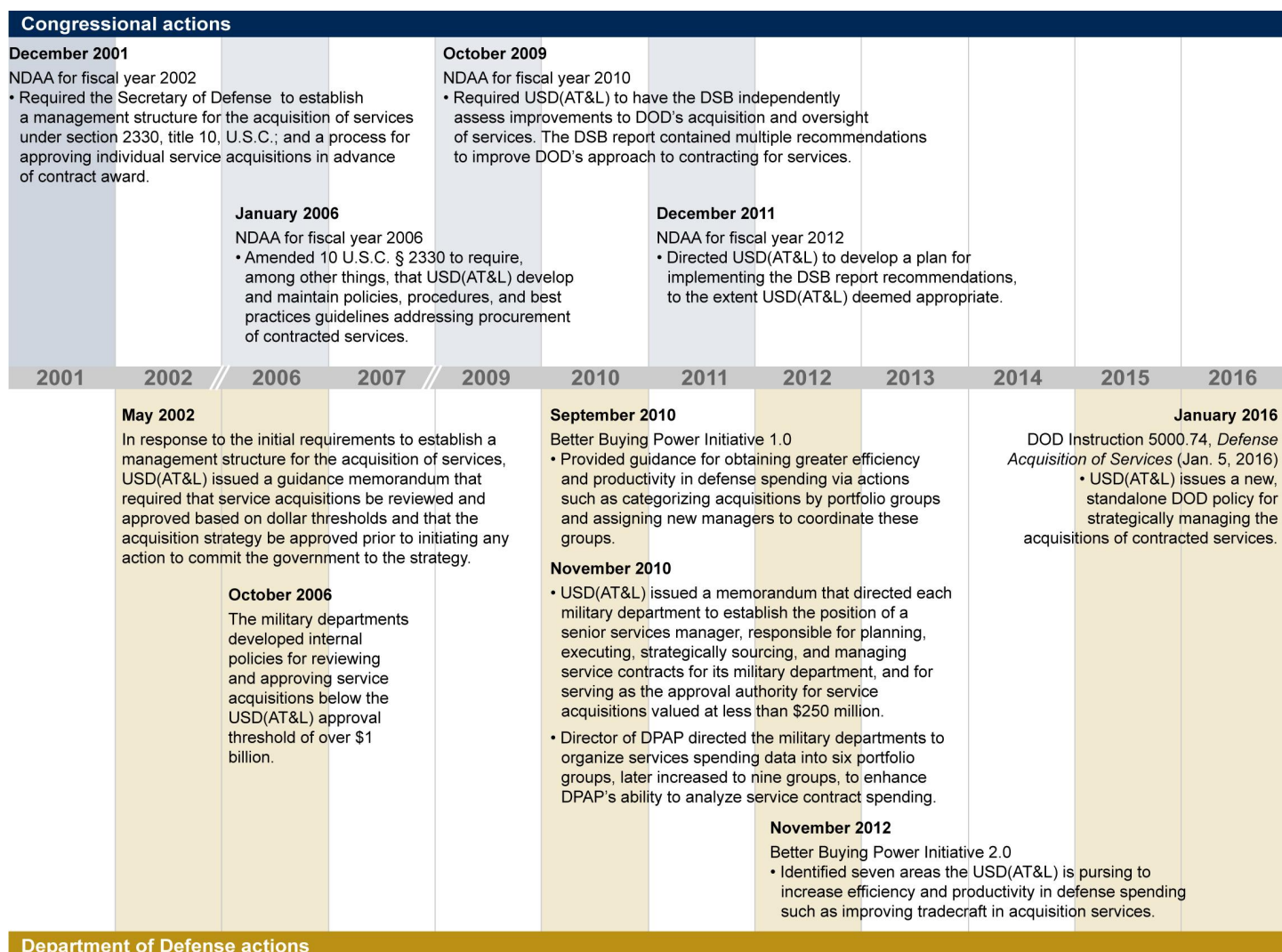
DOD has traditionally approached the acquisition of services differently than the acquisition of products, focusing its attention, policies, and procedures on managing major weapon systems, which it typically does by using the cost of the weapon system as a proxy for risk. For example, DOD classifies its acquisition programs, including research and development efforts related to weapon systems, in categories based upon estimated dollar value or designation as a special interest. The largest programs generally fall under the responsibility of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)), while less complex and risky programs are overseen by the service or component acquisition executive. As of December 2015, DOD managed 78 major defense acquisition programs on which it planned to invest \$1.46 trillion over the life of these programs. These 78 programs will require just over one quarter of all DOD's development and procurement funding over the next 5 years.⁸

Conversely, we previously reported that DOD's approach to buying services is largely fragmented and uncoordinated, as responsibility for acquiring services is spread among individual military commands, weapon system program offices, or functional units on military installations, with little visibility or control at the DOD or military department level. DOD's January 2016 instruction reiterates that the acquisition of contracted services is a command responsibility. As such, the instruction notes that unit, organization, and installation commanders are responsible for the appropriate, efficient, and effective acquisition of contracted services by their organizations. Services differ from products in several aspects and can offer challenges when attempting to define requirements, establishing measurable and performance-based outcomes, and assessing contractor performance. For example, it can easily take over 10 years to define requirements and develop a product like a weapon system before it can be delivered for field use. Individual service acquisitions generally proceed through requirements, solution,

⁸The policies and practices for these types of acquisitions are reflected in DOD Directive 5000.01, Defense Acquisition System, Nov. 20, 2007, and DOD Instruction 5000.02, Operation of the Defense Acquisition System, Feb. 2, 2017. For additional information on DOD's major weapons systems, see GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, [GAO-17-333SP](#) (Washington, D.C.: Mar. 30, 2017).

and delivery more rapidly. Further, delivery of services generally begins immediately or very shortly after the contract is finalized.

Over the past 15 years, Congress and DOD have identified actions intended to improve, among other things, service acquisition planning, tracking, and oversight (see figure 1).

Figure 1: Timeline of Selected Congressional and DOD Actions Intended to Improve the Acquisition of Services

NDAA = National Defense Authorization Act

U.S.C. = United States Code

USD(AT&L) = Under Secretary of Defense for Acquisition, Technology, and Logistics

DSB = Defense Science Board

DOD = Department of Defense

DPAP = Defense Procurement and Acquisition Policy

Source: GAO analysis of National Defense Authorization Acts and DOD Better Buying Power Initiatives. | GAO-17-482

Since 2013, DOD took several additional actions to help improve the acquisition and management of services. For example, in April 2013, the USD(AT&L) appointed the Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics, as the Senior DOD Manager for Services Acquisition. Subsequently, in May 2013, DPAP established a

Services Acquisition directorate, which is responsible for DOD-level oversight of services as part of its responsibilities; DPAP-SA was the principal author of DOD's January 2016 instruction. DPAP-SA also leads the Services Acquisition Functional Integrated Product Team, which creates services-acquisition training and tools and provides a forum to share best practices and lessons learned. The Services Acquisition Functional Integrated Product Team is comprised of representatives from DPAP-SA, the Defense Acquisition University, and SSMS, and others from the military departments and defense agencies.

The January 2016 instruction calls for the strategic management of the acquisitions of contracted services. The instruction establishes policy, assigns responsibilities, provides direction for the acquisition of contracted services, and establishes and implements a hierarchical management structure for the acquisition of contracted services, including service categories, thresholds and decision authorities, and an SRRB framework. The instruction identifies three key leadership positions, FDEs, CLLs, and SSMS to strategically manage and oversee services.

These actions were driven by evidence that DOD was increasingly reliant on contracted services, including complex services such as engineering support, and was obligating more of its contracting dollars on services than it was on products. As we noted in February 2016, DOD's obligations in fiscal year 2014 on its three largest services—knowledge-based, research and development, and facility-related services were more than double the amount DOD obligated for aircraft, land vehicles, and ships, the three largest product categories DOD acquired.⁹

Prior GAO Work

GAO has issued a series of reports that assessed leading commercial practices and DOD's efforts to improve how it acquires contracted services. In our January 2002 report on commercial practices, for example, we reported that leading companies had examined alternative ways to manage their service spending to stay competitive, respond to market and stockholder pressures, and deal with economic downturns in

⁹GAO, *DOD Service Acquisition: Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements*, [GAO-16-119](#) (Washington D.C.: Feb. 18, 2016).

key overseas markets.¹⁰ In looking at their service acquisitions, these companies discovered that they did not have a good grasp of how much was actually being spent and where these dollars were going. These companies also found that responsibility for acquiring services resided largely with individual business units or functions—such as finance, human resources, manufacturing, engineering, or maintenance—which hindered efforts to coordinate purchases across the company. The companies realized that they lacked the tools needed to make sure that the services they purchased met their business needs at the best overall value. We reported that such challenges were similar to those being experienced by DOD at the time—responsibility for acquiring services was spread among individual military commands, weapon system program offices, or functional units on military bases, with little visibility or control at the DOD or military department level over these acquisitions.

The companies we reviewed instituted a series of structural, process, and role changes aimed at moving away from a fragmented acquisition process to a more efficient and effective enterprise-wide process. For example, they often established or expanded the role of corporate procurement organizations to help business managers acquire key services and made extensive use of cross-functional teams to help the companies better identify service needs, select providers, and manage contractor performance. Some companies found that, in establishing new procurement processes, they needed to overcome resistance from individual business units reluctant to share decision-making responsibility and to involve staff that traditionally did not communicate with each other. To do so, the companies found they needed to have sustained commitment from their senior leadership; to clearly communicate the rationale, goals, and expected results from the reengineering efforts; and to measure whether the changes were having their intended effects. We concluded that the strategic approach taken by the leading firms we reviewed could serve as a general framework to guide DOD's service contracting initiatives.

We noted, however, that DOD might find that a “one-size-fits-all” approach would not work for all services and that it would need to tailor its approach to meet its specific needs and requirements. DOD officials acknowledged that some services were acquired department-wide, while

¹⁰GAO, *Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, [GAO-02-230](#) (Washington, D.C.: Jan. 18, 2002).

other services (such as ship support and maintenance) were unique to specific commands, units, or geographic locations. DOD officials agreed that they would need, as a first step, to obtain and analyze data on DOD's service spending to identify and prioritize specific services where a more coordinated acquisition approach may be appropriate.

Since that January 2002 report, we have issued several reports that examined DOD's efforts to implement a management structure and address other issues affecting service acquisitions, as illustrated by the following examples:

- In September 2003, we reported that while DOD and the military departments each had a management structure in place for reviewing individual service acquisitions valued at \$500 million or more, that approach did not provide a department-wide assessment of how spending for services could be more effective.¹¹
- In November 2006, we reported that DOD's approach to managing service acquisitions tended to be reactive and had not fully addressed the key factors for success at either the strategic or transactional level. At the strategic level, DOD had not set the direction or vision for what it needed, determined how to go about meeting those needs, captured the knowledge to enable more informed decisions, or assessed the resources it had to ensure department-wide goals and objectives were achieved.¹²
- In June 2013, we reported that USD(AT&L) and military department leadership had demonstrated a commitment to improving management of service acquisition, but that they faced challenges in developing goals and metrics to assess outcomes due to limitations with corroborating data between their contracting and financial data systems.¹³ We recommended that DOD establish baseline data, specific goals for improving service acquisitions, and associated metrics to assess its progress. DOD concurred with the three recommendations.

¹¹GAO, *Contract Management: High-Level Attention Needed to Transform DOD Services Acquisition*, [GAO-03-935](#) (Washington, D.C.: Sept. 10, 2003).

¹²GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, [GAO-07-20](#) (Washington D.C.: Nov. 9, 2006).

¹³GAO, *Defense Acquisitions: Goals and Associated Metrics Needed to Assess Progress in Improving Service Acquisition*, [GAO-13-634](#) (Washington, D.C.: June 27, 2013).

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- Most recently, in our February 2016 report, we found, among other things, that DOD program offices we reviewed generally maintained data on current and estimated future spending needs for contracted service requirements, but did not identify spending needs beyond the budget year, since there was no requirement to do so.¹⁴ This limited DOD's leadership insight into future spending on contracted services. We recommended that the Secretaries of the Army, Navy, and Air Force revise their programming guidance to collect information on how contracted services will be used to meet requirements beyond the budget year. We also recommended that the Secretary of Defense establish a mechanism, such as a working group, to ensure the military departments' efforts to integrate services into the programming process and to develop forecasts on service contract spending provided the department with consistent data. DOD partially concurred with both recommendations but did not indicate any planned actions to implement the recommendations.

Limited Implementation of Key Leadership Positions Impedes Effective Strategic Management of Service Acquisitions

DOD has not fully implemented the three key leadership positions—FDEs, CLLs, and SSMs—that were identified in DOD's January 2016 instruction and which were to enable DOD to more strategically manage service acquisitions. DPAP-SA officials noted that the officials appointed to be FDEs had multiple responsibilities, and considered their FDE roles as secondary. Additionally, CLLs largely existed in name only. Consequently, FDEs and CLLs have had a minimal effect on how DOD manages services. More importantly, we found that SSMs were unsure about the value of FDEs and CLLs and how these positions were to influence decisions made by the commands. In particular, SSM officials cited cultural barriers to implementing the hierarchical approach to service acquisition envisioned in DOD's January 2016 instruction, in part because each military department has traditionally taken a decentralized approach to managing services. Our analysis of DOD fiscal year 2016 service contract obligations found that DOD could improve the management of services by better targeting individual military commands that were responsible for awarding the majority of their department's contract

¹⁴[GAO-16-119](#).

obligations for service portfolios. DPAP-SA officials responsible for services were aware of the implementation challenges and have efforts underway to revise the January 2016 instruction, in part to further clarify position authorities and responsibilities.

Lack of Priority Hindered DOD's Ability to Strategically Manage Service Acquisitions through the Use of FDEs and CLLs

We found that FDEs and CLLs have not been effective in improving DOD's ability to strategically manage service acquisitions. DOD's January 2016 instruction formalized a hierarchical approach to more strategically manage service acquisitions by portfolio within both OSD—through the use of FDEs—and the components—through the use of CLLs. Specifically, the January 2016 instruction stated that portfolio management enables a framework for strategic oversight by OSD, coupled with decentralized execution by the DOD components to improve the transparency of requirements across DOD, reduce redundant business arrangements, and increase awareness of alternatives. These positions, which were initially established in 2013 as part of the Better Buying Power initiative, were assigned a broad range of responsibilities and were to coordinate their efforts with the military departments' SSMs, who are responsible for strategic planning, sourcing, execution, and management of services within each military department (see table 1).

Table 1: Roles, Responsibilities, and Organizational Placement of Functional Domain Experts and Component Level Leads

Position	Roles and responsibilities	Position establishment
Functional domain expert (FDE)	<p>Office of the Secretary of Defense-level leaders for each portfolio of services responsible for actively overseeing service acquisition from forecasting and budgeting to active and strategic management and oversight of contracted services.</p> <ul style="list-style-type: none"> • Develop appropriate metrics to actively manage and report improvements in service acquisition. • Define and implement standardized processes for service acquisition. • Identify functional expertise across the Department and disseminate best practices in service acquisition and management. • Develop policy to facilitate appropriate prioritization of contracted services requirements for trade-off discussions and decisions. • Make policy recommendations to the Under Secretary of Defense for Acquisition, Technology, and Logistics to make service acquisitions more efficient and productive. 	<ul style="list-style-type: none"> • In an October 2013 letter, the Under Secretary of Defense for Acquisition, Technology, and Logistics appoints FDEs to oversee the groups of services from Better Buying Power Initiative 1.0, such as logistics management services.
Component level lead (CLL)	<p>Senior leaders at the DOD-component level whose role is to support the FDE and lead component-level efforts to strategically manage services within their portfolio.</p> <ul style="list-style-type: none"> • Improve planning, execution, and collaboration to achieve greater efficiency and reduce costs within their functional domains. • Support a robust requirements development, validation, and approval process to ensure that DOD contracts for the most appropriate and efficient level of services. • Use portfolio metrics and data to effectively monitor cost and post-award performance to improve the efficiency and effectiveness of the contracted services. • Share best practices and lessons learned within the CLL network across the department to collectively improve the efficiency and effectiveness of contracted services within each functional domain. 	<ul style="list-style-type: none"> • The April 2013 Better Buying Power Initiative 2.0 Implementation Directive states that Senior Services Managers (SSM) were to appoint CLLs by July 2013. • The Assistant Secretary of the Army for Acquisition, Logistics, and Technology appoints CLLs in a June 10, 2014 memorandum. • The Air Force and Navy SSMs appointed equivalent positions.

Source: GAO review of Department of Defense (DOD) Instruction 5000.74, Acquisition of Services, January 5, 2016, and DOD Better Buying Power Initiatives. | GAO-17-482

Rather than creating new positions within OSD or the military departments to fill these leadership positions, DOD added services acquisitions-related responsibilities to existing positions. For example, see table 2 for the existing positions held by FDEs.

Table 2: Functional Domain Experts and Assigned Portfolios

Functional domain expert	Portfolio group/subcategories
Deputy Assistant Secretary of Defense for Systems Engineering	Knowledge based services^a <ul style="list-style-type: none"> • Engineering and technical services
Deputy Assistant Secretary of Defense for Strategic and Tactical System	Knowledge based services^a <ul style="list-style-type: none"> • Program management services
Assistant Deputy Chief Management Officer	Knowledge based services^a <ul style="list-style-type: none"> • Management support services
Deputy Director for Defense Procurement and Acquisition Policy, Services Acquisition	Knowledge based services^a <ul style="list-style-type: none"> • Administrative and other services • Professional services
Director, Training Readiness and Strategy, Office of the Under Secretary of Defense for Personnel and Readiness	Knowledge based services^a <ul style="list-style-type: none"> • Education and training
Principal Deputy Assistant Secretary of Defense for Logistics and Materiel Readiness	Logistics management services <ul style="list-style-type: none"> • Logistics civil augmentation program • Logistics support services Equipment related services <ul style="list-style-type: none"> • Maintenance, repair and overhaul • Equipment modification • Installation of equipment • Quality control • Technical representative services • Purchases and leases • Salvage services Transportation services <ul style="list-style-type: none"> • Transportation of things • Transportation of people • Other travel and relocation services
Deputy Chief Information Officer	Electronic and communication services <ul style="list-style-type: none"> • Information technology services • Telecom services • Equipment maintenance • Equipment leases

Functional domain expert	Portfolio group/subcategories
Principal Deputy Assistant Secretary of Defense for Health Affairs	Medical services <ul style="list-style-type: none"> • General medical services • Dentistry services • Specialty medical services
Deputy Under Secretary of Defense for Installations and Environment	Facility related services <ul style="list-style-type: none"> • Architect/engineering services • Operation of government-owned facilities • Machinery and equipment maintenance • Building and plant maintenance • Natural resource management • Utilities • Housekeeping and social services • Purchases and leases

Source: GAO and GAO review of Department of Defense Instruction 5000.74, Acquisition of Services, January 5, 2016. | GAO-17-482

^aKnowledge based services is divided into six portfolio subcategories, with a functional domain expert assigned to each portfolio.

DPAP-SA officials explained that the appointment of senior OSD officials was intended to give the positions the necessary visibility to carry out their responsibilities to provide strategic portfolio leadership to achieve greater efficiencies and reduce costs in services acquisition. DPAP-SA officials acknowledged, however, that implementation of the FDE positions has been beset by challenges. The senior OSD officials already had broad departmental management responsibilities and were assigned additional FDE responsibilities that were not within their control. For example, FDEs were tasked with forecasting and budgeting services requirements and developing policies to help prioritize requirements. In this regard, as noted in the DOD January 2016 instruction, the responsibilities for establishing and budgeting for service acquisitions are the responsibility of officials within the military commands and installations performed under DOD's Planning, Programming, Budgeting, and Execution process.¹⁵ Neither DOD's October 2013 letter that appointed the FDEs, nor DOD's January 2016 instruction provided specific guidance on how to accomplish these responsibilities.

These senior OSD officials also considered their FDE responsibilities as secondary, other duties as assigned and in some cases were assigned multiple portfolios. For example, the Principal Deputy Assistant Secretary

¹⁵Department of Defense Directive 7045.14, "The Planning, Programming, Budgeting, and Execution Process" (Jan. 25, 2013).

of Defense for Logistics and Materiel Readiness—who served as the FDE for three portfolios that comprised \$22.9 billion in obligations in fiscal year 2015—has as his primary duty to serve as the principal advisor to the USD(AT&L) in the oversight of logistics policies, practices, operations, and efficiencies. Similarly, the Deputy Director for DPAP-SA—who is responsible for the technical and programmatic evaluation and functional oversight of all aspects of DOD service acquisitions—was named FDE for two out of six knowledge based services portfolio categories, identified in table 2. DPAP-SA officials told us that given their other responsibilities, FDEs devoted only minimal time to fulfilling their FDE responsibilities.

Similarly, we found that the CLLs were generally appointed by the military departments, but were not actively engaged in the strategic management of specific services portfolios, as called for in the January 2016 instruction. For example, Air Force officials said that a previous effort to implement a CLL-like position had been unsuccessfully tried in the past and therefore they were reluctant to establish new CLL positions. Army officials identified staff to serve as CLLs, but acknowledged that the CLLs were not active because it was not a management priority. Navy SSM officials established Portfolio Managers within the SSM's office to carry out CLL responsibilities, but these positions had not actively managed services at the Navy's major commands. As a result, CLLs had a minimal effect on how DOD strategically manages and oversees services.

Senior Services Managers Cited Cultural Barriers and Challenges to Strategically Managing Services

Similar to the approach taken to create FDEs and CLLs, each of the three military departments created SSMs by appointing senior officials within their respective acquisition or contract policy offices (see table 3).

Table 3: Primary Duties of Officials Holding Military Department Senior Services Manager (SSM) Positions

Military department, Title/office	SSM duties
<p>Army</p> <p>Executive Director for Acquisition of Services, Deputy Assistant Secretary of the Army for Procurement in the Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology</p> <p>Navy</p> <p>Executive Director, Deputy Assistant Secretary of the Navy for Acquisition and Procurement in the Office of the Assistant Secretary of the Navy for Research, Development and Acquisition</p> <p>Air Force</p> <p>Program Executive Officer for Combat and Mission Support, Office of the Assistant Secretary of the Air Force for Acquisition</p>	<p>SSMs within each military department have responsibilities for strategic planning, execution, and management of services within their respective military department.</p> <p>Establish appropriate management structures and processes to ensure effective implementation and execution of the acquisition of services.</p> <p>Approve service acquisitions of between \$10 million and \$250 million, unless otherwise delegated within their departments.</p> <p>Develop processes to implement Services Requirements Review Boards ensuring requirements are reviewed, validated, and approved, verifying need and appropriate level of service.</p> <p>Develop services forecasting tools to predict requirement renewals and new requirements to support early acquisition planning, budget development, and requirements approval.</p> <p>Utilize portfolio-specific commodity managers and component-level leads to support them in the effective management of services acquisitions.</p>

Source: GAO review of Department of Defense (DOD) information and DOD Instruction 5000.74, Acquisition of Services, January 5, 2016. | GAO-17-482

However, SSMs identified challenges, including the lack of responsibility for developing or approving requirements or related funding requests and difficulties in identifying data or metrics to support strategic management in executing their SSM responsibilities. Further, while SSMs recognize the need to further improve management of services in their respective military departments, they were not convinced that a hierarchical, portfolio-based approach outlined in the January 2016 instruction would achieve the intended benefits. The three SSMs we interviewed were unsure about the value of FDEs and CLLs and how these positions were to influence decisions made by the commands. Further, SSM officials noted cultural barriers to implementation, in that commanders are reluctant to give up responsibilities on determining how and which services are needed to meet their missions. In addition, the January 2016 instruction underscores that the execution of services is a commander's responsibility. For example, each of the SSMs told us that commanders are responsible for fulfilling services requirements needed to accomplish missions within their allocated resources.

Consistent with this perspective, SSMs have not implement a hierarchical, portfolio-based approach to services within their departments. The January 2016 instruction requires SSMs to strategically

manage each service portfolio group with CLLs as appropriate to develop metrics, best practices, and data to achieve effective execution of the service contract requirements within each portfolio. SSMs told us, however, that they viewed their appropriate role as helping commands improve existing processes to better acquire and manage services. For example, each SSM conducts an annual services health assessment at each command to provide a qualitative picture of programs' processes and management. For example, at the Air Force in 2015, each command was asked to self-assess six qualitative performance areas, such as program management and fiscal responsibility. In turn, SSMs are to use this and other information to influence and educate the service acquisition community through working groups, training, and sharing best practices.

Services Acquisition Data Highlight Opportunities for DOD to Better Target Management of Services

DPAP-SA officials acknowledged that implementation of the hierarchical approach envisioned in the January 2016 instruction is not working as intended, in part because the approach does not fully address concerns that a more top-down approach to service acquisitions may adversely affect the commanders' ability to meet their missions. In that regard, our analysis of DOD fiscal year 2016 service contract obligations found that depending on the organization's structure and mission, specific commands within the military departments award the majority of contract obligations for particular portfolios of services (see table 4).¹⁶

¹⁶Commands also procure on behalf of multiple requirements owners within their command and from other Department of Defense components.

Table 4: Percentage of Each Military Department's Fiscal Year 2016 Service Contract Obligations Managed by the Commands GAO Reviewed

Portfolio group	Army Materiel Command	Naval Air Systems Command	Air Force Materiel Command
Logistics management services	99	29	95
Equipment related services	97	28	91
Electronic and communication services	80	6	75
Transportation services	80	7	1
Knowledge based services	78	10	71
Facility related services	42	1	40
Medical services	4	0	21

Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO 17-482

For example, the Army Materiel Command and Air Force Materiel Command obligated almost all of their respective military department's dollars for logistics management and equipment-related service contracts. Conversely, the Naval Air Systems Command was responsible for a much smaller percentage of obligations for these and other services. Other Navy commands had the vast majority of service contract obligations for particular portfolios. For example, the Naval Facilities Engineering Command obligated 84 percent of the Navy's dollars for facility-related service contracts in fiscal year 2016.

DOD Has Efforts Underway to Update the January 2016 Instruction

In February 2017, DPAP-SA held an initial meeting with the key stakeholders in the services management structure—for example, FDEs and SSMS—to discuss revising the instruction. This effort includes providing clearer definitions of terms such as service acquisition, revising service acquisition category review thresholds, and determining whether FDEs are needed in light of federal category management efforts.¹⁷ Federal internal control standards state that management should establish an organizational structure, assign responsibilities, and delegate

¹⁷In December 2014, the Office of Federal Procurement Policy issued a memorandum that directs agencies to take specific actions to implement category management, an approach which is intended to manage entire categories of spending across government for commonly purchased goods and services.

authorities to achieve its objectives.¹⁸ That structure should allow the organization to plan, execute, control, and assess progress toward achieving its objectives. Further, management should periodically review its reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the organization's objectives, and if there is a significant change in its process, management should review the process in a timely manner after the change to determine that control activities are designed and implemented appropriately. DOD's ongoing effort to revise the January 2016 instruction provides the department the opportunity to reassess whether the hierarchical approach currently in place would, if fully implemented and resourced, enable the department to achieve its goal of strategically managing service acquisitions, or conversely, if an approach that focuses on strategically managing services at the military department or command level may fare better.

SRRB Implementation at the Military Departments Has Had a Minimal Effect on Strategic Management of Service Requirements

DOD's January 2016 instruction formalized the requirement to hold SRRBs to validate, prioritize, and approve service requirements from a holistic viewpoint—an approach that comprehensively considers service requirements within and across portfolios. We found, however, that the three military commands we reviewed did not implement SRRBs that approved service requirements from a holistic perspective, but instead leveraged their existing contract review boards, which focus their efforts on assuring proposed contract solicitations and awards are in compliance with federal acquisition regulations and DOD guidance. As a result, SRRBs had a minimal effect on supporting trade-off decisions in the service portfolios or assessing opportunities for efficiencies and eliminating duplicative requirements.

The January 2016 instruction requires DOD organizations and components to establish a process for senior leaders to review, prioritize,

¹⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (September 2014).

validate, and approve each service requirement with a value of \$10 million or greater.¹⁹ DOD guidance for implementing the instruction notes that an SRRB is a structured process that, among other things, is to

- inform, assess, and support trade-off decisions by senior leaders regarding service requirements cost, schedule, and performance for the acquisition of services;
- identify opportunities for efficiencies, such as realignment of requirements to better align to mission, identification and elimination of duplicative capabilities, and identification of strategic sourcing capabilities;
- be holistic and requirement-focused rather than contract-focused;
- have an outcome of a prioritized list of both funded and non-funded existing and anticipated requirements;
- be established and managed by and held at the requiring command or organizational unit because that is where the requirement owner and funding is located;
- be held at least annually, but may be held more often as determined by the requiring organization; and
- have validated a service requirement before approval of an acquisition strategy.

According to the Deputy Director of DPAP-SA, the SRRB process is intended to provide senior leaders more visibility over contracted services and requirements, and to provide opportunities to collect data and assess lessons learned and best practices from contracting, not only at individual level command levels but across the military departments and DOD. However, the instruction did not specify when boards should occur or how the results of the SRRBs would be captured or used to inform programming and budget decisions. Further, the instruction required commands to ensure, prior to contract award, that more tactical contracting elements were considered, such as workforce needs and the

¹⁹DOD's January 2016 instruction also states that DOD components (e.g., commands and subordinate commands) should have similar procedures established for requirements review, validation, and approval processes for the acquisitions of services with an estimated total value at or above the simplified acquisition threshold, but less than \$10 million. The simplified acquisition threshold is generally \$150,000. Federal Acquisition Regulation Part 2.101.

sufficiency of market research. The instruction also provided the military departments with flexibility in how they achieved these objectives.

As a result, military department SSMs noted rather than creating a new SRRB process, they leveraged existing processes for reviewing and approving proposed service contract actions to meet the intent of the January 2016 instruction. For example, pursuant to Air Force Instruction 63-138, the Air Force Materiel Command utilized its Requirements Approval Document and database as its SRRB process. Air Force officials noted that they have used this process since 2008. Similarly, pursuant to Army Regulation 70-13, the Army Materiel Command used its Service Requirements Review Board or SR2B—established in 2010—as its SRRB process, while the Naval Air Systems Command used its Workload and Force Planning process—established in 2004—as its SRRB process. The Navy’s approval process is governed by its 2012 SRRB guidance.

While each of the processes varied in certain regards, these processes are designed to ensure

- requirements for individual services acquisitions have been validated;
- sufficient funding is available for the proposed action;
- appropriate acquisition planning and market research have been conducted; and
- the proposed solicitation and proposal evaluation criteria are consistent.

Consequently, we found that the commands’ SRRB processes we reviewed did not holistically assess requirements within specific service portfolios as outlined in the January 2016 instruction. Further, since command SRRB processes were centered on approving individual contract actions, we found that SRRBs were held throughout the year and did not identify or document resulting savings or other efficiencies. As a result, SRRBs at the three commands we reviewed had a minimal effect on supporting trade-off decisions in the service portfolios or assessing opportunities for efficiencies and eliminating duplicative requirements that

could inform the command's program objective memorandum (POM) submissions.²⁰

In contrast, we recently reported that non-military department DOD organizations, in accordance with the instruction, conducted SRRBs that holistically assessed service requirements which led to the identification of hundreds of millions of dollars in cost savings for the period fiscal years 2017-2019 and were incorporated in the department's fiscal year 2018 to 2022 POM.²¹ These organizations included the Defense Logistics Agency and the Defense Threat Reduction Agency, among others. To accomplish these savings, the Deputy Chief Management Officer (DCMO) convened SRRBs that required each of the defense agencies and components they reviewed to identify service contracts by portfolio from a holistic perspective and make trade-off decisions based on risk assessment, timelines, and requirements that could be reduced or eliminated to generate efficiencies. In turn, a Senior Review Panel composed of DCMO (chair), the Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics, and Principal Staff Assistants approved the proposed savings or directed alternative reductions.

Some military departments are exploring options to expand the role of SRRBs in the future to integrate service contract requirements into their POM process to allow them to better identify or forecast service contracts spending and trends. For example, the Army SSM noted that the Army plans to direct all Army commands to identify all service requirements and their associated contracts in the fiscal year 2018-2022 POM, and that this effort is intended to improve insight into future service contract requirements and to better control spending on service contracts. DPAP-SA and SSM officials also told us that the SRRB process would be more effective if it were better aligned with the POM, but DPAP-SA have not yet decided whether to include this element as part of the instruction update.

Federal internal control standards call for agency management to identify, analyze, and respond to risks related to achieving defined objectives.²²

²⁰The program objective memorandum is established by each Department of Defense component for their programs and is a 5-year funding plan for the specific capabilities needed to meet planning guidance objectives.

²¹GAO, *Defense Efficiency Initiatives: DOD Needs to Improve the Reliability of Cost Savings Estimates*, [GAO-17-724](#) (Washington, D.C.: July 24, 2017). DOD identified the precise amount saved as being for official use only.

²²[GAO-14-704G](#).

Our work found that DOD and military department officials did not implement a portfolio-based approach when conducting SRRBs and given that the SRRB were held throughout the year, it was unclear whether efficiencies were achieved or how the SRRB process helped inform command POM submissions. In February 2016, we recommended that military departments integrate services into the programming process and update programming guidance to collect budget information on how contracted services will be used to meet requirements. Similarly, moving the SRRB to align with the POM process could help the military departments better identify, prioritize, and validate service requirements to support programming and budget decisions. Until DOD clarifies the purpose and timing of the SRRB process, DOD components may not be achieving the expected benefits of DOD's SRRB process.

Conclusions

DOD's experience in implementing the January 2016 instruction highlights a number of deeply embedded institutional challenges that must be overcome before DOD can achieve a more strategic and portfolio-based approach to managing services. The January 2016 instruction sought to balance the benefits of a more hierarchical and strategic approach, such as identifying efficiencies and developing useful metrics tailored to portfolios through FDEs and CLLs, while retaining the ability of commanders to meet mission needs. This effort, simply stated, has not been successful. In practice, FDE and CLL positions generally have not produced tangible results or benefits and SSMs have questioned their overall value. Moreover, this concept has faced strong cultural resistance, as it required a change to DOD's traditional decentralized approach to managing services. As DOD works to update the instruction, it has an opportunity to either reaffirm and empower FDEs and CLLs and then hold them accountable for results, or more broadly reassess and rethink how best to tailor its approach to services. Our past work cautioned that a top-down, one-size-fits-all approach may not work. Our current analysis shows that certain commands already manage or award the majority of a particular service and are more closely aligned to the commanders that are responsible for executing the mission. In turn, this raises the question as to whether they would be in a better position to strategically manage specific service portfolios. Complementing this approach would be to provide clarity on the purpose and timing of the SRRBs to help commanders make better trade-off and resource decisions and inform DOD's programming and budget processes. Until DOD takes action to address the implementation challenges with the

FDEs, CLLs, and SSMs, and clarifies the purpose and timing of SRRBs, its efforts to better manage service acquisitions will not be realized.

Recommendations for Executive Action

To help foster strategic decision making and improvements in the acquisition of services, we recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics take the following two actions as part of its effort to update the January 2016 instruction:

- Reassess the roles, responsibilities, authorities, and organizational placement of key leadership positions, including functional domain experts, senior services managers, and component level leads; and
- Clarify the purpose and timing of the SRRB process to better align it with DOD's programming and budgeting processes.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In its written comments, reproduced in appendix I, DOD concurred with our two recommendations.

Regarding our first recommendation, DOD concurred with the need to reassess key leadership positions roles and responsibilities. DOD indicated that an internal review of the January 2016 instruction found that portfolio oversight of services through FDEs was not providing the desired benefits, and as such, DOD is considering alternatives. Regarding our second recommendation that DOD clarify the purpose and timing of the SRRB process, DOD concurred, noting that lessons learned from implementation of SRRBs in non-military department organizations showed benefits. DOD stated that a rewrite of the January 2016 instruction will include additional clarifying policy.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense; the Secretaries of the Air Force, Army, and Navy; and the Under Secretary of Defense for Acquisition, Technology, and Logistics. In addition the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or DinapoliT@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

A handwritten signature in black ink, appearing to read "Timothy J. DiNapoli". The signature is fluid and cursive, with the first name "Timothy" and last name "DiNapoli" clearly distinguishable.

Timothy J. DiNapoli
Director, Acquisition and Sourcing Management

List of Committees

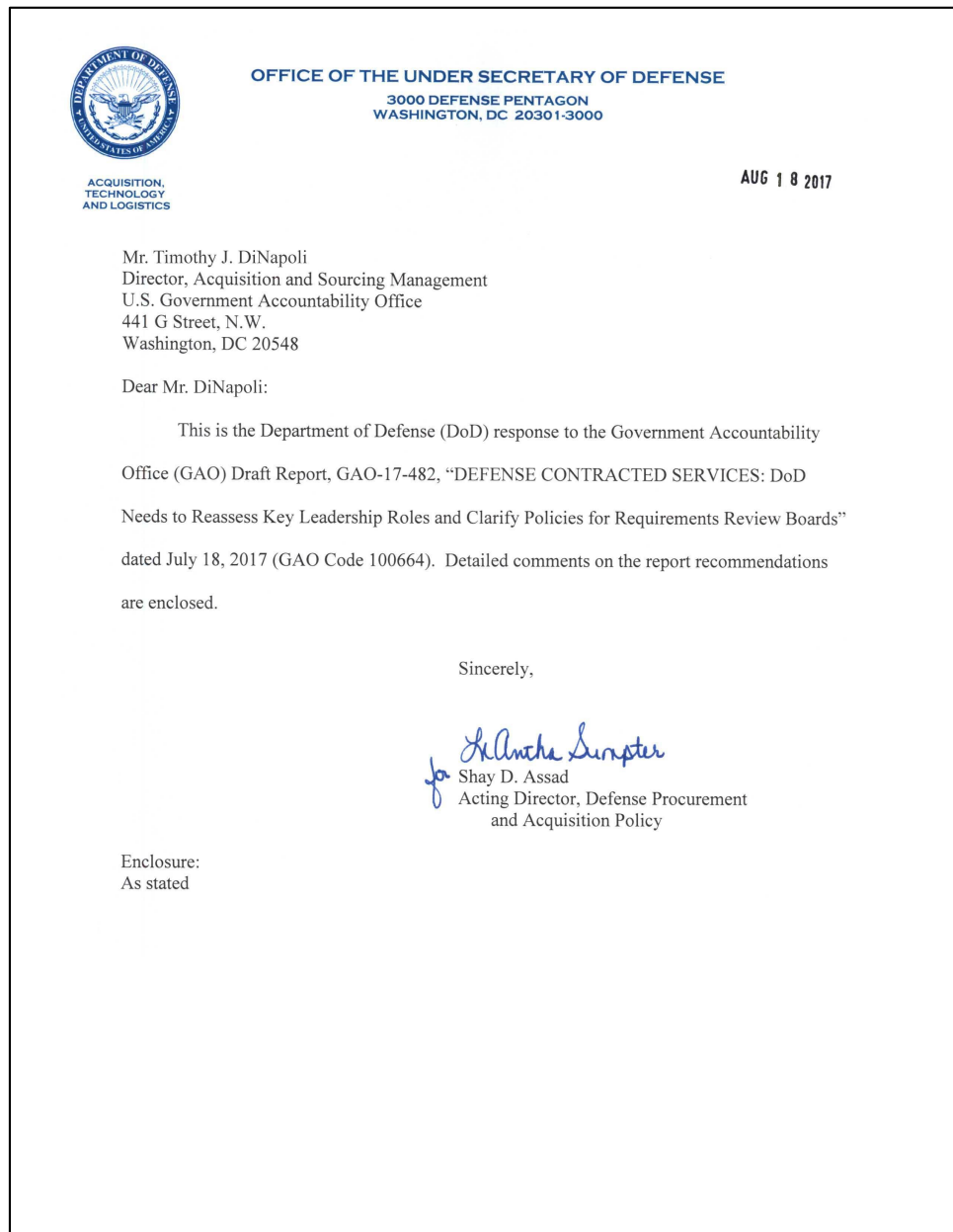
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The Honorable Richard J. Durbin
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Kay Granger
Chairwoman
The Honorable Pete Visclosky
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Comments from the Department of Defense



**GAO DRAFT REPORT DATED JULY 18, 2017
GAO-17-482 (GAO CODE 100664)**

**“DEFENSE CONTRACTED SERVICES: DOD NEEDS TO REASSESS KEY
LEADERSHIP ROLES AND CLARIFY POLICIES FOR REQUIREMENTS REVIEW
BOARDS”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION 1: To help foster strategic decision-making and improvements in the acquisition of services, the GAO recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics take the following action as part of its effort to update the January 2016 instruction: Reassess the roles, responsibilities, authorities, and organizational placement of key leadership positions, including functional domain experts, senior services managers, and component level leads

DoD RESPONSE: DoD concurs. As required by Section 803 of the FY17 National Defense Authorization Act, in February 2017 DoD began a review of DoD Instruction (DoDI) 5000.74, Defense Acquisition of Services, led by the Deputy Director for Services Acquisition, Defense Procurement and Acquisition Policy (DPAP-SA). The review team consisted of representatives from across the services management structure to include Senior Services Managers from the military departments and key defense agencies, as well as representatives from the Functional Domain Experts (FDE) portfolios. The policies and processes in the DoDI were thoroughly reviewed, to include an analysis of the roles, responsibilities, authorities, and structure associated with portfolio management of services. As a result of the DoDI review and a concurrent FDE Working Group review of portfolio management challenges, opportunities, and benefits; the consensus was that the FDE construct of portfolio oversight of services was not providing the desired benefits and the Department should consider implementation of Federal Category Management principles as a replacement to the FDE construct.

RECOMMENDATION 2: To help foster strategic decision-making and improvements in the acquisition of services, the GAO recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics take the following action as part of its effort to update the January 2016 instruction: Clarify the purpose and timing of the SRRB process to better align it with DOD's programming and budgeting processes.

DoD RESPONSE: DoD concurs. The lessons learned from implementation of SRRBs in the 4th Estate (DoD organizations that do not fall under one of the Military Departments) proved the value of timing SRRBs so that results may inform DoD's programming and budgeting process. The rewrite of DoDI 5000.74 will include additional policy clarifying the purpose and timing of SRRBs.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Timothy J. DiNapoli, (202) 512-4841 or DinapoliT@gao.gov

Staff Acknowledgments

In addition to the contact named above, W. William Russell (Assistant Director), Joe E. Hunter (Analyst in Charge), Stephanie Gustafson, Julia Kennon, Jonathan Munetz, Claudia A. Rodriguez, Sylvia Schatz, and Roxanna T. Sun made significant contributions to this review.

Appendix III: Accessible Data

Data Tables

Accessible Data for Figure 1: Timeline of Selected Congressional and DOD Actions Intended to Improve the Acquisition of Services 5

Congressional actions	Department of Defense actions
<p>December 2001 NDAA for fiscal year 2002</p> <ul style="list-style-type: none"> Required the Secretary of Defense to establish a management structure for the acquisition of services under section 2330, title 10, U.S.C.; and a process for approving individual service acquisitions in advance of contract award. 	<p>May 2002</p> <p>In response to the initial requirements to establish a management structure for the acquisition of services, USD(AT&L) issued a guidance memorandum that required that service acquisitions be reviewed and approved based on dollar thresholds and that the acquisition strategy be approved prior to initiating any action to commit the government to the strategy.</p>
<p>January 2006 NDAA for fiscal year 2006</p> <ul style="list-style-type: none"> Amended 10 U.S.C. § 2330 to require, among other things, that USD(AT&L) develop and maintain policies, procedures, and best practices guidelines addressing procurement of contracted services. 	<p>October 2006</p> <p>The military departments developed internal policies for reviewing and approving service acquisitions below the USD(AT&L) approval threshold of over \$1 billion.</p>
<p>October 2009 NDAA for fiscal year 2010</p> <ul style="list-style-type: none"> Required USD(AT&L) to have the DSB independently assess improvements to DOD's acquisition and oversight of services. The DSB report contained multiple recommendations to improve DOD's approach to contracting for services. 	<p>September 2010 Better Buying Power Initiative 1.0</p> <ul style="list-style-type: none"> Provided guidance for obtaining greater efficiency and productivity in defense spending via actions such as categorizing acquisitions by portfolio groups and assigning new managers to coordinate these groups.
<p>December 2011 NDAA for fiscal year 2012</p> <ul style="list-style-type: none"> Directed USD(AT&L) to develop a plan for implementing the DSB report recommendations, to the extent USD(AT&L) deemed appropriate. 	<p>November 2010</p> <ul style="list-style-type: none"> USD(AT&L) issued a memorandum that directed each military department to establish the position of a senior services manager, responsible for planning, executing, strategically sourcing, and managing service contracts for its military department, and for serving as the approval authority for service acquisitions valued at less than \$250 million. Director of DPAP directed the military departments to organize services spending data into six portfolio groups, later increased to nine groups, to enhance DPAP's ability to analyze service contract spending.

Congressional actions	Department of Defense actions
	<p>November 2012</p> <p>Better Buying Power Initiative 2.0</p> <ul style="list-style-type: none"> Identified seven areas the USD(AT&L) is pursuing to increase efficiency and productivity in defense spending such as improving tradecraft in acquisition services.
	<p>January 2016</p> <p>DOD Instruction 5000.74, Defense Acquisition of Services (Jan. 5, 2016)</p> <ul style="list-style-type: none"> USD(AT&L) issues a new, standalone DOD policy for strategically managing the acquisitions of contracted services.

NDAA = National Defense Authorization Act

U.S.C. = United States Code

USD(AT&L) = Under Secretary of Defense for Acquisition, Technology, and Logistics

DSB = Defense Science Board

DOD = Department of Defense

DPAP = Defense Procurement and Acquisition Policy

Agency Comment Letter

Accessible Text for Appendix I: Comments from the Department of Defense

Page 1

ACQUISITION, TECHNOLOGY AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON , DC 20301-3000

AUG 18 2017

Mr. Timothy J. DiNapoli

Director, Acquisition and Sourcing Management

U.S. Government Accountability Office

441 G Street, N.W.

Washington, DC 20548 Dear Mr. DiNapoli:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-17-482, "DEFENSE CONTRACTED SERVICES: DoD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards" dated July 18, 2017 (GAO Code 100664). Detailed comments on the report recommendations are enclosed.

Sincerely,

Shay D. Assad

Acting Director, Defense Procurement

and Acquisition Policy

Enclosure: As stated

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GAO DRAFT REPORT DATED JULY 18, 2017 GA0-17-482 (GAO CODE 100664)

"DEFENSE CONTRACTED SERVICES: DOD NEEDS TO REASSESS KEY LEADERSHIP ROLES AND CLARIFY POLICIES FOR REQUIREMENTS REVIEW BOARDS"

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