

GAO

Report to the Honorable
William V. Roth, Jr.,
U. S. Senate

November 1989

ACQUISITION REFORM

DOD's Efforts to Streamline Its Acquisition System and Reduce Personnel





United States
General Accounting Office
Washington, D.C. 20548

**National Security and
International Affairs Division**

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The Honorable William V. Roth, Jr.
United States Senate

Dear Senator Roth:

This report was prepared in response to your March 21, 1988, request that we review the Department of Defense's (DOD) efforts to implement recommendations made by the President's Blue Ribbon Commission on Defense Management (Packard Commission) for streamlining defense acquisition organizations and reducing acquisition personnel.

Each of the military services created a three-tiered acquisition reporting chain for major programs that consisted of a Service Acquisition Executive, Program Executive Officers, and Program Managers. However, these chains do not have the full management authority and responsibility envisioned by the Commission. Reductions in acquisition personnel have been minor.

The Secretary of Defense completed a management review and concluded that DOD must redouble its efforts to fully implement the Packard Commission's reforms.

As arranged with your office, we plan no further distribution of this report until 30 days from its issue date, unless you release its contents earlier. At that time, we will send copies of this report to the Secretaries of Defense, Army, Navy, and Air Force; the Director, Office of Management and Budget; and other interested parties upon request.

This report was prepared under the direction of Paul F. Math, Director, Research, Development, Acquisition, and Procurement Issues, who may be reached on (202) 275-8400, if you or your staff have any questions. Other major contributors are listed in appendix I.

Sincerely yours,

A handwritten signature in black ink that reads "Frank C. Conahan".

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

In 1985, following media accounts of waste, fraud, and abuse in the Department of Defense's (DOD) purchasing system, the President established the Blue Ribbon Commission on Defense Management (commonly known as the Packard Commission). The Commission was directed to study various DOD management policies and procedures, such as the budget process, legislative oversight, and the defense acquisition system, and to recommend improvements.

In its 1986 report,¹ the Commission made 55 recommendations to change DOD's management policies and procedures, of which 17 were aimed at DOD's acquisition organization and procedures. This report covers DOD's efforts to implement 4 of the 17 that were intended to streamline its acquisition organization and reduce the number of acquisition personnel.

Regarding the four recommendations, Senator William V. Roth, Jr., requested that GAO

- assess DOD's actions to implement the Commission's recommendations to streamline the acquisition system and compare the services' current acquisition organizations;
- determine whether or not the Commission's streamlining objectives have been achieved, particularly the objective of reducing the number of acquisition personnel; and
- identify impediments, if any, to implementing the Commission's recommendations and recommend any additional actions needed to accomplish the Commission's streamlining objectives.

GAO did not assess whether the Commission's recommended actions were the most effective method for accomplishing the streamlining objectives.

Background

The Packard Commission found that DOD's acquisition system has historically purchased weapon systems that cost more than planned, took 10 to 15 years to develop and deliver, and did not perform as expected. The Commission concluded that these problems were caused, in part, by an increasingly bureaucratic and fragmented system, and recommended reform efforts to revitalize the system.

The Commission found that DOD's system lacked (1) a full-time individual to supervise the overall acquisition system and provide centralized policy guidance, (2) clear accountability for acquisition execution, and

¹A Quest for Excellence: Final Report to the President (June 1986).

(3) short, unambiguous chains of command for those with program management responsibility.

To address these problems, the Commission recommended streamlining DOD's acquisition system by

- establishing an Under Secretary of Defense for Acquisition to oversee the acquisition system and establish overall policy;
- establishing a full-time, civilian Service Acquisition Executive position in each service to administer acquisition programs; and
- appointing Program Executive Officers to be responsible for a defined number of programs and program managers.

In effect, the Commission envisioned each service creating a three-tiered acquisition management chain to manage major acquisition programs. The program managers would report to their Program Executive Officers, who would report to the Service Acquisition Executive. The latter would operate under policy guidance from the Under Secretary of Defense for Acquisition. In addition to addressing the above mentioned problems, the Commission believed that implementing these recommendations would result in a substantial reduction in acquisition personnel.

Results in Brief

The Commission's streamlining recommendations were not fully implemented as intended and the objectives have not been fully achieved.

The Under Secretary position was created but was not given the authority to supervise the performance of the entire acquisition system. As a result, acquisition policy-making remains fragmented.

Each service created the Commission's recommended three-tiered acquisition system differently. In each case, an additional acquisition reporting chain was created. None of the services' implementation efforts were fully consistent with the Commission's recommendations.

The reforms made by the Office of the Secretary of Defense and the military services did not achieve the streamlining objectives to (1) create a short, unambiguous chain of command for program management, (2) decentralize program execution by increasing the authority and responsibility of program managers, (3) substantially reduce the number of reporting layers and reviewers, and (4) reduce the number of acquisition personnel.

Differences in the services' interpretations of the Commission's recommendations and resistance to change are the primary impediments to implementation.

The Secretary of Defense, in the 1989 Defense Management Review, recognized that the Commission's recommendations have not been fully implemented. The President and Secretary have directed that steps be taken to fully implement the Commission's reforms. However, GAO is concerned that some of these steps could result in actions that are not consistent with the Commission's streamlining objectives.

Principal Findings

Authority for the Under Secretary of Defense for Acquisition

The Secretary of Defense did not clearly delegate to the Under Secretary of Defense for Acquisition, the authority to direct the service secretaries and other DOD components with regard to all acquisition matters. Implementing directives contained language that was considered as limiting the Under Secretary's authority. The service secretaries could and did appeal Under Secretary decisions and directions that they did not agree with, to the Secretary.

The charter outlining the Under Secretary's role did not include authority to establish and issue acquisition policy directives. This authority was retained by the Secretary and Deputy Secretary of Defense and the military services.

Acquisition Information Chain Created

Each service created an acquisition chain in addition to their existing command chain. Some officials in the acquisition chains lacked the authority and control of resources needed to make and execute acquisition management decisions. Control over these resources remained with the existing command chains.

The Army made fundamental changes to its acquisition management chain. It created Program Executive Officer positions separate from the existing chain of command and placed program managers under these officers. However, these program officials are dependent on the existing chain of command to provide the needed resources to execute their programs.

The Navy and the Air Force, in implementing the Packard Commission reforms, minimized changes to their existing chains of command. The Service Acquisition Executive and Program Executive Officer titles were assigned to existing positions with little or no change in responsibility or authority relationships.

Impediments to Full Implementation

Several factors have impeded full implementation of the Commission's recommendations. They include (1) disagreement with the Commission's premise that private sector style management can be applied to defense management, (2) the lack of full DOD management acceptance of the reform recommendations, (3) the services interpreting and implementing the recommendations in a manner that minimized any disruption to their existing chain of command, and (4) the Air Force Systems Command and Army Materiel Command continuing to have major acquisition management, oversight, and policy-making responsibilities within their respective services.

Recent DOD Initiatives

In July 1989, the Secretary of Defense reported to the President on efforts to implement the Commission's recommendations. The Secretary found that some progress had been made but redoubled efforts would be required to fully implement the changes advocated by the Commission. The President accepted the Secretary's report and directed that a number of specific actions be taken.

For example, Service Acquisition Executives will manage all major programs through full-time Program Executive Officers. Each Officer will have a small, separate staff and will be relieved of other responsibilities. The program managers will report only to the Program Executive Officers or the Service Acquisition Executive on the programs' cost, schedule, and performance requirements. The Service Acquisition Executives will have primary responsibility for evaluating the performance of their Program Executive Officers. Together, they will select candidates for program manager positions and evaluate the performance of the managers. Further, funds and personnel authorization for Program Executive Officer and program manager offices will be administered separate from the existing command chains.

In addition, the services' systems and materiel commands, such as the Army Materiel Command, Naval Sea Systems Command, and Air Force Systems Command, will be tasked with providing logistical support, providing support services to Program Executive Officers and program

managers, while duplicating none of their management functions, and managing all acquisition programs not conducted under the Program Executive Officer structure.

Recommendations

GAO supports the renewed efforts to accomplish the Commission's streamlining objectives; however, it notes that these actions could create new problems for DOD's acquisition system. Establishing and administering separate personnel and funding authorizations for the major acquisition program management chain could require additional personnel and organizations. For example, the Army is considering establishing a Field Operating Agency to administer funding and personnel matters for their Program Executive Officers and program managers.

Therefore, GAO recommends that the Secretary of Defense, in reviewing the services' planned changes, ensure that plans for separating management of major acquisition programs from non-major programs will result in streamlining rather than expanding the acquisition organization.

Agency Comments

As requested, GAO did not obtain agency comments on its report; however, it did discuss the report with DOD officials and included their comments where appropriate.

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Abbreviations

AFSC	Air Force Systems Command
AMC	Army Materiel Command
DOD	Department of Defense
GAO	General Accounting Office
OSD	Office of the Secretary of Defense
PEO	Program Executive Officer
SAE	Service Acquisition Executive
USD(A)	Under Secretary of Defense (Acquisition)

Introduction

In July 1985, following the spare parts procurement scandals uncovered in the early 1980s, the President established the Blue Ribbon Commission on Defense Management (commonly known as the Packard Commission) to evaluate defense management policies and procedures covering such areas as the budget process, legislative oversight, and the acquisition system, and to recommend improvements. The Commission's report,¹ issued in June 1986, restated many of the problems identified by previous studies over the last two decades.

The Commission found that the defense acquisition system had basic problems that had become deeply entrenched over several decades by an increasingly bureaucratic and overregulated process. As a result, the Commission concluded the defense acquisition system produced weapon systems that cost too much, took too long to develop, and by the time they were delivered, incorporated obsolete technology.

The Commission believed that radical reform of the Department of Defense's (DOD) acquisition system was necessary and recommended the following nine reform efforts:

- streamlining acquisition organizations and procedures,
- using technology to reduce costs,
- balancing cost and performance,
- stabilizing programs,
- expanding the use of commercial products,
- increasing competition,
- clarifying the need for technical data rights,
- improving the quality of acquisition personnel, and
- improving the capability for industrial mobilization.

At the request of Senator William V. Roth, Jr., we reviewed the status of the Commission's 55 recommendations and reported in November 1988 that DOD had made progress in implementing many of these reforms, while little or no action had been taken on others.² Senator Roth subsequently requested that we review DOD's implementation efforts on 4 of the 55 recommendations. These four recommendations called for a streamlined DOD acquisition system and a substantial reduction in acquisition personnel.

¹A Quest for Excellence: Final Report to the President (June 1986).

²Defense Management: Status of Recommendations by Blue Ribbon Commission on Defense Management (GAO/NSIAD-89-19FS, Nov. 4, 1988).

The Commission's Streamlining Recommendations

The Commission found that DOD's acquisition system had multiple layers of review and fragmented policy-making and decision-making, which inhibited effective procurement of weapon systems and equipment. The Commission believed that DOD's acquisition system should have short, plain lines of authority; centralized policy-making; and decentralized execution. The Commission recommended the following actions:

- A Level II Under Secretary of Defense (Acquisition) (USD(A)) position should be created, by statute, within the Office of the Secretary of Defense (OSD), to supervise the performance of DOD's entire acquisition system and set overall acquisition policy.
- A comparable senior position should be established in each service and filled by a top-level civilian presidential appointee. The Commission stated that the civilian Service Acquisition Executive (SAE) should be selected by each service secretary in consultation with the USD(A), should be equivalent to service under secretaries, and should have full-time responsibility for administering the service's acquisition programs under the USD(A)'s policy guidance.
- Each SAE should appoint a number of Program Executive Officers (PEOs) who, individually, should be responsible for a reasonable and defined number of acquisition programs. Program managers for these programs should be directly responsible and report only to their PEO.
- The number of acquisition personnel should be substantially reduced as a result of reorganizing the acquisition system.

Through these reforms, the Commission sought to centralize DOD acquisition policy-making and supervision under the USD(A) and envisioned a decentralized, three-tiered acquisition management system in each military service to run major weapon acquisition programs. The SAEs would execute major acquisition programs through their PEOs and program managers under the USD(A)'s policy guidance. The Commission envisioned that the USD(A) and SAEs would function respectively like chief executive officers of a corporation and its principal corporate subsidiaries. They would resolve major issues and conflicts as they arose and represent the programs before senior decisionmakers.

On April 1, 1986, the President issued National Security Decision Directive 219, which directed executive departments to begin implementing the Commission's reforms if legislative authorization was not required. For the other reforms, the President requested the Congress to enact authorizing legislation. The Congress subsequently enacted the following legislation:

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- the Military Retirement Reform Act of 1986 (P.L. 99-348), which established the USD(A) as a Level II position;
 - the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (P.L. 99-433), which designated the USD(A)'s position as being within OSD; and
 - the National Defense Authorization Act for Fiscal Year 1987 (P.L. 99-661), which defined the duties, responsibilities, and authority of the USD(A).

Objectives, Scope, and Methodology

The objectives of our review were to

- assess DOD's actions to implement four of the Commission's streamlining recommendations and compare the services' acquisition organizations;
- determine whether or not DOD achieved the Commission's streamlining objectives, particularly the objective of reducing the number of acquisition personnel; and
- identify impediments, if any, to streamlining DOD's acquisition system, and recommend any additional actions needed to accomplish the Commission's streamlining objectives.

The objectives of our review did not include determining whether the Commission's recommended changes are the most effective way to streamline the DOD acquisition system.

To determine whether or not DOD's acquisition system was streamlined, we reviewed at least two major acquisition programs in each service that had reached the full-scale development milestone before April 1986, but had not reached the full-scale production milestone before we began our review. This allowed us to identify any changes made in the management of the programs after the President directed the implementation of the Commission's reforms. We reviewed the following programs:

- the C-17 transport plane and programs of the Propulsion Programs Offices at the Aeronautical Systems Division of the Air Force Systems Command (AFSC), Wright-Patterson Air Force Base, Ohio;
- the Fiber-Optic Guided Missile and the Army Tactical Missile System at the Army Missile Command, Redstone Arsenal, Huntsville, Alabama; and
- the Nuclear Attack Submarine (SSN-21) and the submarine combat system (AN/BSY-2) at the Naval Sea Systems Command, and the LAMPS

Mark III helicopter at the Naval Air Systems Command, both in Arlington, Virginia.

In addition to our work at these commands, we interviewed officials from OSD, the military services' headquarters, the Center for Strategic and International Studies, the Brookings Institution, the Procurement Round Table, and the Defense Systems Management College, and the Chairman, a member, and several staff of the Packard Commission.

As requested, we did not obtain formal comments from DOD on this report. However, DOD officials did review a draft of the report and, where appropriate, their comments were incorporated.

Our review was performed in accordance with generally accepted government auditing standards between June 1988 and June 1989.

Establishing a USD(A)

DOD issued a directive defining the roles and responsibilities of the new USD(A) position. The directive designated the USD(A) as the Defense Acquisition Executive and the principal staff assistant and advisor to the Secretary of Defense for all matters relating to the acquisition system. However, the directive did not provide full authority to supervise the entire acquisition system as intended by the Commission. This lack of authority resulted in the first USD(A) appointee resigning after having served less than a year. In departing, the first USD(A) stated, "I made my decision to resign on the basis that in implementing the Packard recommendations [for] modifying the acquisition system, the resistance was so strong that I did not think the job was doable."¹

The second appointee recognized the limited authority and support vested in the position and adopted an approach of consensus management and informal relationships to get things done.

Authority Delegated to the New Acquisition Executive

In February 1987, the Deputy Secretary of Defense issued DOD Directive 5134.1, which assigned responsibilities, functions, relationships, and authorities to the USD(A). The directive designated the new USD(A) as DOD's Defense Acquisition Executive and the principal staff assistant and advisor to the Secretary of Defense for all matters relating to the acquisition system.

However, the directive did not clearly establish authority for the USD(A) to direct the service secretaries in acquisition matters or, clearly authorize the USD(A) to establish DOD acquisition policies.

USD(A)'s Authority to Direct Service Secretaries on Acquisition Matters

In October 1986, 1 month after being appointed, the first USD(A) submitted to the Secretary of Defense, for approval, a draft charter for the USD(A) position. The Secretary circulated this draft charter to OSD and service officials for comment. The first USD(A) proposed that the services' SAES report directly to the USD(A) on acquisition matters. Also, the USD(A)'s draft charter proposed that the USD(A) have authority to direct the secretaries of the military departments and the heads of all other DOD organizations with regard to acquisition matters.

¹Oversight of Legislation Establishing the Position of Under Secretary of Defense for Acquisition, Hearing Before The Committee on Armed Services, United States Senate, S. Hrg. 100-581, September 22, 1987.

The service secretaries objected, stating that such a delegation would infringe on their authority to manage and organize their departments. DOD's General Counsel supported the opinions of the service secretaries and the USD(A)'s proposed charter was changed. The February 1987 charter contained somewhat more restrictive language than the draft charter regarding the USD(A)'s authority to direct the services and other DOD components on acquisition matters. It provided that the services' SAES would report directly to the service secretaries, not the USD(A), and that:

"Where agreement on acquisition matters cannot be reached between the USD(A) and the Secretaries of the Military Departments, the matter shall be presented jointly to the Secretary/Deputy Secretary of Defense for resolution."

This limitation on the USD(A)'s authority gave the service secretaries the opportunity, which they used, to have directions from the USD(A) overruled by the Secretary or Deputy Secretary. This paragraph was deleted from the directive by an April 1987 amendment that the Secretary of Defense issued in response to an inquiry from the Chairman of the House Armed Services Committee. However, the second USD(A) stated in January 1989 that the practice of circumventing or appealing the USD(A)'s direction was still in effect.

USD(A)'s Authority to Establish Acquisition Policies

DOD Directive 5134.1 clearly states that the USD(A) is responsible for establishing policy for acquisition plans and strategies and setting policy for acquisition matters. However, in this directive, the Deputy Secretary limited the USD(A) to issuing instructions, publications, and one-time memoranda on policies approved by the Secretary. This section appears to limit the USD(A)'s intended role and authority in establishing acquisition policies.

Another action taken by the Deputy Secretary also made unclear the USD(A)'s authority to establish DOD-wide acquisition policy. On July 8, 1986, 1 month after the new USD(A) position was created by Congress and 3 months before the position was filled, the Deputy Secretary issued DOD Directive 4245.1 to implement National Security Decision Directive 219. This DOD directive delegated to the service secretaries the responsibility for establishing guidelines for implementing the new three-tiered management system. This authority was not canceled by the Deputy Secretary and then delegated to the Office of the USD(A) when the position was filled on September 30, 1986.

First USD(A) Resigned

Confronted with resistance to changing the status quo, the first USD(A) resigned on September 15, 1987, stating that the job was not “doable.” On September 22, 1987, in testimony before the House Committee on Armed Services, the USD(A) said everyone agreed with the objectives of the Commission’s reforms, but there was considerable disagreement on how to implement reforms that changed the existing order of things.² The USD(A) believed that the Commission’s reforms called for major cultural change and hard decisions, not just an adjustment to the existing system.

Second USD(A) Managed Through Consensus

A second USD(A) was appointed on December 18, 1987, and soon afterwards requested a statement from the Deputy Secretary outlining the authority and responsibilities of the USD(A). The Deputy Secretary responded in a memorandum on December 29, 1987. It reads in part:

“... you take precedence, for acquisition matters, after the Secretary and Deputy Secretary of Defense and have the authority to direct the Service Secretaries and the heads of other DOD Components on policy and execution matters involving the Defense Acquisition System.”

This memorandum clearly defined the authority of the USD(A) to establish and issue acquisition policy direction and execution guidance to the service secretaries. However, the Deputy Secretary’s delegations of authority for establishing guidelines to the service secretaries and limitations on the USD(A)’s authority to reform the acquisition system were not changed in the applicable directives.

According to the second USD(A), a management approach was adopted that relied on consensus building and informal relationships to get things done. The USD(A) did not attempt to (1) exert complete authority and control over DOD acquisition matters, (2) institute fundamental changes in acquisition decision-making, or (3) institute major cultural changes in the acquisition system.

The second USD(A) stated that he consulted with the key DOD acquisition team players when formulating decisions on major acquisition issues. He considered the USD(A) to be a key player in the Secretary of Defense’s top decision-making team on acquisition matters. The team consisted of the Deputy Secretary, the USD(A), the Comptroller of DOD, and the Assistant Secretary of Defense (Program Analysis and Evaluation).

²Ibid.

The second USD(A) stressed that the OSD acquisition organization had a great deal of informal teamwork with the services' acquisition offices. The USD(A) stated that these informal communication networks and relationships should be formalized so that new people would know which offices supply information and which offices take action.

USD(A) Needs Full Support of the Secretary

In February 1988, the second USD(A) requested an independent study of DOD's actions to implement the Packard Commission reforms. The report on this study, dated November 1988, concluded that appointing a USD(A) had clearly not brought about the Commission's reforms because the Secretary of Defense needs to make most of these reforms, or actively support them, and that the Secretary had not provided the necessary support.³ The report noted that the USD(A)'s authority over acquisition matters had been weakened by the service secretaries' successful appeals of decisions by the USD(A) to the Secretary of Defense or Deputy Secretary.

The report recommended that the Secretary delegate to USD(A) the authority to establish DOD's acquisition policies. The report emphasized the need to underscore the USD(A)'s precedence on acquisition matters and recommended the Secretary revise existing directives to strengthen the USD(A)'s authority over existing organizations and establish clear working relationships among senior acquisition officials to include coordination among the Secretary, Deputy Secretary, and the USD(A) before the USD(A) issues major decisions.

The Chairman of the Packard Commission and the Chairman of the Commission's Acquisition Task Force,⁴ both of whom are former OSD officials, suggested a similar solution. They stated that the key requirement for a successful USD(A) is to have the full and unquestioned support of the Secretary of Defense for the USD(A)'s authority over acquisition matters. Neither believed that additional legislation was needed to institute the USD(A)'s authority over acquisition matters.

³Defense Acquisition: Observations Two Years After The Packard Commission, Institute for Defense Analyses, Report R-347, November 1988.

⁴Mr. Packard served as Deputy Secretary of Defense from 1969 to 1971, and Dr. Perry served as Under Secretary of Defense (Research and Engineering) from 1977 to 1981. Dr. Perry was also a member of the Packard Commission and headed its Acquisition Task Force.

The Project on Monitoring Defense Reorganization's report of November 1988,⁵ confirmed the findings of the USD(A)'s independent study, and recommended the Secretary take similar corrective actions.

The President and Defense Secretary Direct Additional Efforts Be Made to Fully Implement the Commission's Reforms

In February 1989, following the above studies, the President directed the Secretary of Defense to develop a plan to accomplish full implementation of the Packard Commission's recommendations. Accordingly, the Secretary conducted a study to examine efforts made to implement management improvements envisioned by the Commission. In July 1989, the Secretary published the results of his study in a report entitled, Defense Management Review.

The Secretary found that the reforms and improvements envisioned by the Packard Commission had not been fully realized and outlined actions to be taken to ensure full implementation. The report stated that (1) the USD(A) will exercise the authority intended by the Packard Commission and provided in law, (2) the USD(A)'s authority will extend to directing the secretaries of the military departments on the manner in which acquisition responsibilities are executed by their departments, and (3) the USD(A) will have the full confidence and support of the Secretary and Deputy Secretary.

The Secretary's report recognizes the Commission's intended role and authority for the USD(A) position. However, we believe the successful establishment of a central, single DOD acquisition authority will require a continuous commitment. The Secretary's predecessors found it difficult to maintain the momentum behind their plans for reform. Because of cultural impediments, we believe it will take real determination if the Secretary is to implement improvements and make them endure.

⁵Making Defense Reform Work. A Report of the Joint Project on Monitoring Defense Reorganization, November 1988 (The Johns Hopkins Foreign Policy Institute and the Center for Strategic and International Studies).

Efforts of the Army, Air Force, and Navy to Streamline Acquisition Organizations and Reduce Acquisition Personnel

The Commission recommended that each military service establish a three-tiered acquisition system consisting of an SAE, PEOS, and program managers to manage its major acquisition programs, and reduce the number of acquisition personnel. The President and Secretary of Defense accepted the Commission's recommendations, and directed the services to establish a streamlined acquisition system. Each service implemented the Commission's recommendations somewhat differently.

None of the services' approaches were fully consistent with the intent of the Commission's recommendations, nor did they fully achieve the streamlining objectives of (1) creating short, unambiguous chains of command, (2) decentralizing program execution by increasing the authority and responsibility of program managers, (3) reducing the number of report layers and review, and (4) reducing the number of acquisition personnel.

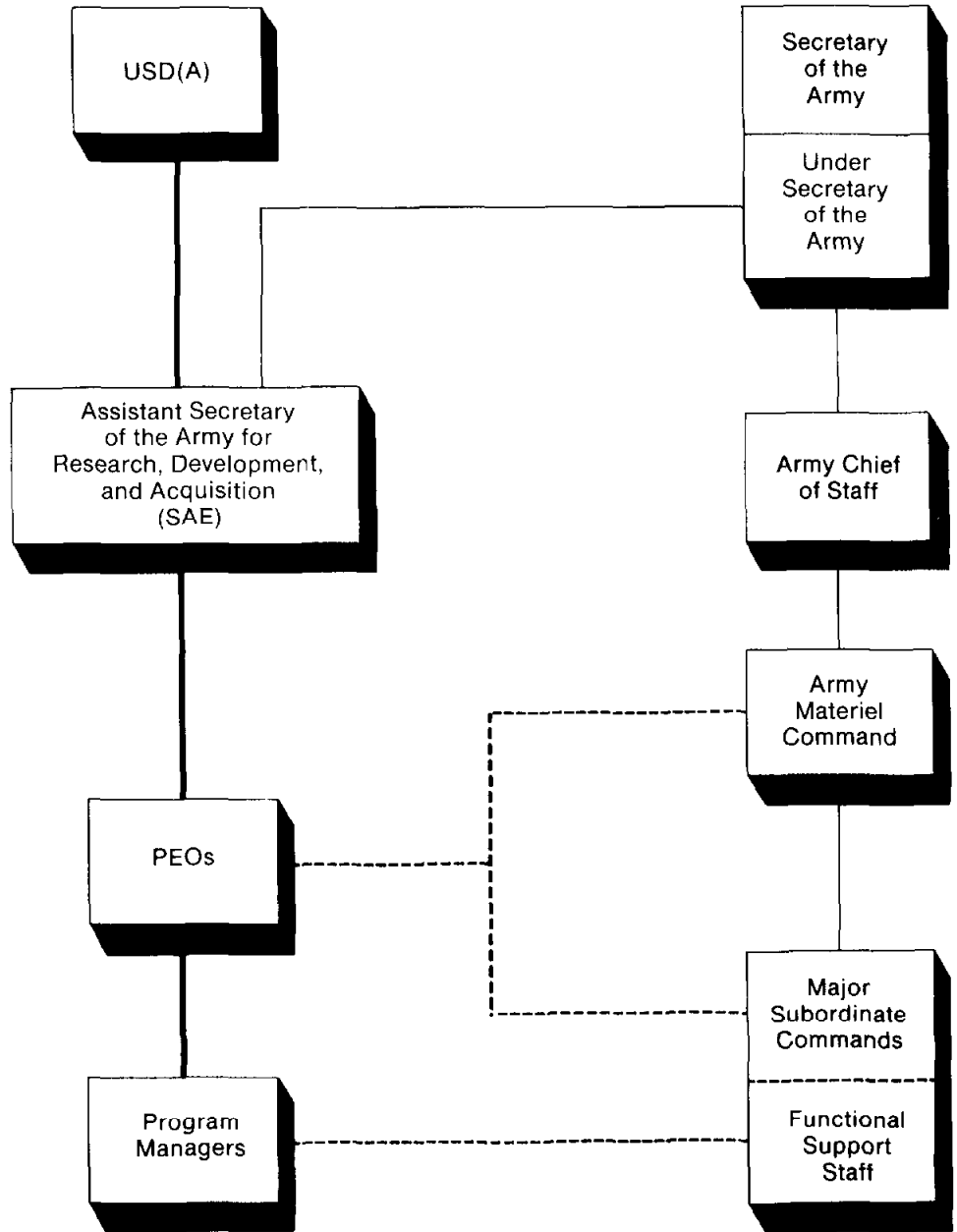
The Army significantly changed its acquisition structure by creating new, full-time PEO positions that were separate from the Army's existing command chain. The PEO and program managers depend on the Army's materiel commands for the funding and personnel resources necessary to execute their programs. However, the Navy and Air Force minimized change to their existing command chains by assigning their SAE and PEO titles to existing positions with little or no change in responsibility or authority.

In July 1989, the Secretary of Defense reported that DOD needed additional efforts to fully implement the Packard Commission's reforms. The President directed that immediate steps be taken. We are concerned that some of the reform efforts could lead to actions that produce results counter to the Commission's streamlining objectives.

Army

The Army made major changes to its organizational structure in implementing the three-tiered acquisition system. However, these changes did not fully achieve the Commission's objectives. The Army appointed its Under Secretary as SAE and separated its PEOS and program managers from the existing command chain—the Army Materiel Command (AMC) and its subordinate commands. (See fig. 3.1, Army acquisition organization chart.) However, the PEOS and program managers remain dependent on AMC and its subordinate commands for personnel, facilities, and financial management support. In addition, AMC and the subordinate commands continue to manage the Army's non-major programs.

Figure 3.1: Post-Packard Commission
 Army Acquisition Organization Chart



— Three-tiered information chain.
 — Existing chain of command.
 - - - - Coordination Link

Army SAE Is Now Full-Time Acquisition Official

The Secretary of the Army initially appointed the Under Secretary as SAE. This meant the Army's SAE was not a full-time acquisition official as the Commission intended. However, on May 13, 1989, the Secretary of the Army appointed the Assistant Secretary of the Army (Research, Development, and Acquisition) to replace the Under Secretary as the SAE. An Army headquarters official told us that the Assistant Secretary devotes full-time to acquisition matters and has authority and control over major acquisition funds and personnel.

Army PEOs Are Full-Time Acquisition Officials

The Army created PEO positions that are full-time and separate from the existing command chain. Army PEOs report to and are appraised by the SAE. Each PEO is responsible for providing guidance and direction to a defined number of program managers within an assigned mission area, such as fire support, air defense, and combat armament. Some of the PEOs' responsibilities include

- ensuring that assigned program managers obtain adequate resources and support from major subordinate commands;
- managing assigned programs within cost, schedule, and performance baselines; and
- providing program information to Army headquarters, OSD, and the Congress.

As SAE, the Under Secretary initially appointed 25 PEOs but later reduced the number to 15 plus 1 direct reporting program manager.¹ The SAE stated that the larger number was too "cumbersome" to manage.

In total, these 16 officials oversee 38 major acquisition programs and 16 related programs. Army PEOs are mostly brigadier generals or civilian equivalents, and are located at commodity commands, such as the Missile Command, Huntsville, Alabama.

Army Program Managers Depend on Existing Command Chain

Army program managers' responsibilities include executing their programs within guidelines established by the PEO and SAE, developing an acquisition strategy for the program, and the day-to-day management of the program. To execute these responsibilities, program managers depend on AMC and its subordinate commands for functional support such as personnel, facilities, and financial management.

¹The program manager for the Army's LHX helicopter program reports directly to the SAE. As of July 27, 1989, the Army was planning to further reduce the number of PEOs to 13.

When the Army created its three-tiered chain, program managers were separated from their existing commands, and now report to, and are evaluated by, their respective PEOS. The program managers' staffs were reduced to a few permanent people, who are managed by the program managers. Most of the staff needed by the program managers, such as engineers and cost analysts, remained under the authority and control of the existing command structure—AMC and its subordinate commands. PEOS expressed concern to the SAE that their program managers did not have sufficient control over support staff provided by the existing commands. As a result, the SAE directed that PEOS and their program managers participate in appraising support staff assigned to their offices by the existing commands.

To maintain sufficient support staff, PEOS and program managers continue to brief officials of AMC and its subordinate commands on their programs. Additionally, the PEOS and program managers that we interviewed said the number of briefings and reviews required by Army headquarters and OSD officials has not declined.

Reduction in Army Acquisition Personnel

The Army's implementation of the Commission's streamlining recommendations has not resulted in a reduction in acquisition personnel. According to OSD, Army acquisition personnel have actually increased slightly between 1986 and 1988. Specifically, headquarters and command-level active duty officers and civilians increased from 50,470 to 51,055, or 1.2 percent. However, an Army official disagreed with OSD's personnel numbers and expressed this concern to them in a memorandum. The Army contends that it has reduced acquisition personnel, over a 3-year period (fiscal years 1986 to 1989), by more than 14,000. The Army official did not know where OSD obtained its personnel data, but stated the variance between the OSD and Army data was probably due to differences in the positions each party considered as being in the acquisition field. An official representing OSD stated that OSD stands behind the numbers they provided us.

AMC Role in Army's Acquisition System

Even though AMC and its subordinate commands no longer manage the Army's major acquisition programs, they do manage non-major programs and control most of the resources needed to execute the Army's major and non-major acquisition programs. Thus, AMC continues to influence acquisition management and decision-making.

For example, on September 8, 1987,² the AMC Commanding General issued a memorandum entitled “Program Executive Officer (PEO) Management Guidance.” This guidance, which was to be documented in regulations, reads as follows:

“Just as the PEO’s main focus is on programmatic, the HQ [Headquarters] AMC and MSC’s [Major Subordinate Command] main role will focus on policy formulation, budgetary oversight, cost and economic analysis, technical integration and analysis, systems engineering, and functional support to the PEO and PM [program manager]. HQ AMC and MSC will not approve nor concur in programmatic decisions, but they will actively participate in and will directly impact deliberations leading to acquisition decisions through assistance and advice to the PM/PEO/AAE [Army Acquisition Executive] decision chain and will continue to establish and approve compliance with functional standards established by regulations, SA (Secretary of the Army) directive, or law.”

The Commission’s chairman and one of its members told us that AMC’s continued involvement in acquisition program decision-making does not streamline the process for major acquisition programs and creates problems in managing the three-tiered chain.

Army’s Three-Tiered Chain Organizational Problems

The Army has experienced a number of organizational problems with AMC and its subordinate commands managing non-major programs and the three-tiered chain managing major programs. These problems stem from the fact that AMC and its subordinate commands control the resources—funding, facilities, and personnel—of the three-tiered chain.

During our review, program managers cited a number of organizational problems. They are:

- Program managers of major programs must continue to brief the officials who control the resources needed by the program managers to execute their programs, thus, these oversight layers were not eliminated.
- The review board that approves a program’s transition to the next phase remained with the non-major program command (AMC and its subordinate commands), and this requires the PEOs and program managers to continue to report to these commands.
- Program managers contend their authority eroded with implementation of the three-tiered system. For example, program managers must now

²Recently, an Army representative told us that Army Acquisition Executive Policy Memorandum Number 87-7, dated November 10, 1987, canceled the Commanding General’s memorandum. However, the November 1987 document never mentioned the Commanding General’s memorandum.

negotiate for support staff whereas before the three-tiered system, most managers had sufficient staff permanently assigned to their offices.

In response to recommendations contained in the Secretary of Defense's July 1989 Defense Management Review, the Army is considering changes intended to address these problems. These changes are discussed later in this chapter.

Conclusions

Although the Army made major changes to its acquisition chain of command, its reforms did not fully accomplish the Commission's four objectives. The program managers' authority was not substantially increased, a plain, short chain of command to manage major acquisition programs was not created, and briefings and oversight layers were not substantially reduced. The Army states that the number of acquisition personnel has decreased by over 14,000 since 1986. However, Army acquisition personnel data provided by OSD show a slight increase in such personnel. The variance has been attributed to differences in defining "acquisition personnel."

In making changes needed to streamline its acquisition system and create a three-tiered chain of command, the Army identified a number of problems that must be solved before the Commission's reforms and objectives can be fully implemented. The Army is currently seeking to resolve these problems.

Air Force

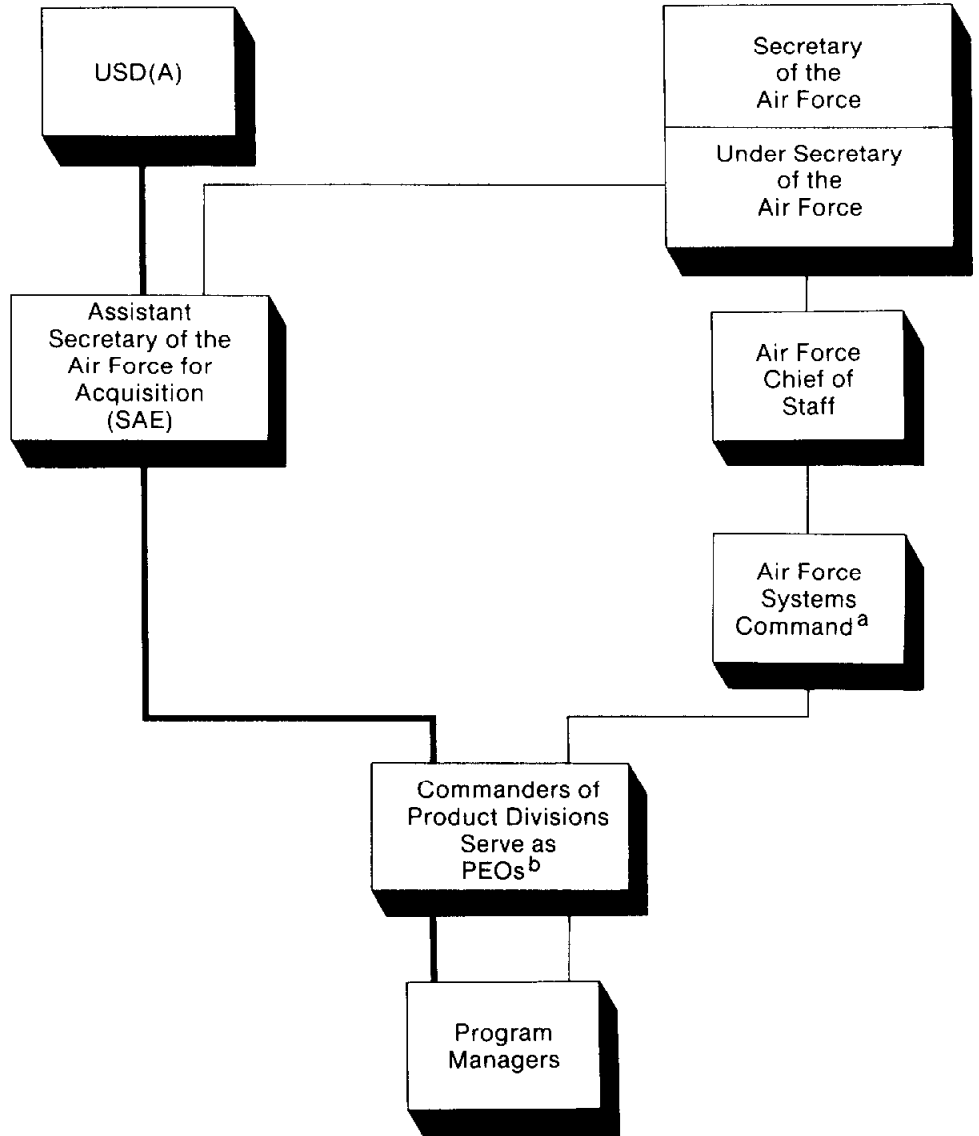
Unlike the Army, the Air Force minimized changes to its existing command chain. It created a three-tiered information chain to communicate data on major acquisition programs. The title of SAE was assigned to the Assistant Secretary for Acquisition, and PEO titles were assigned to commanders of the Air Force's major buying commands. The authority and responsibilities of the Assistant Secretary and the "dual-hatted" commanders remained essentially unchanged, except that reporting responsibilities were added. PEOs/commanders report directly to the AFSC Commander on all matters, and to the SAE on major acquisitions.

Although a separate information chain was created, the existing command chain retained much of the authority and control over acquisition matters. According to the AFSC Commander, who is considered by some to be the "unofficial SAE," the information chain is primarily used for communications.

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The Air Force's information chain shortened communication channels and reduced some briefing requirements, but did not fully achieve the Commission's objectives of decentralizing decision-making; creating short, unambiguous chains of command; and significantly reducing briefings, oversight reviews, and personnel. (See fig. 3.2, Air Force acquisition organization chart.)

Figure 3.2: Post-Packard Commission Air Force Acquisition Organization Chart



— Three-tiered information chain.
 — Existing chain of command.

^aAir Force Logistics and Communications Commands also serve in this capacity and have a similar relationship to their subordinate commands.

^bAs noted in this chapter, other officials also serve as PEOs. Their information chain is comparable to the AFSC product division commanders'.

Air Force SAE's Authority and Control

The Air Force created a full-time SAE position at the level of an assistant secretary rather than at the higher level of an under secretary, as recommended by the Commission. Further, the Air Force's SAE does not appear to have the authority and control intended by the Commission.

The Commission had envisioned that the SAE would function much like a corporate subsidiary's chief executive officer, who is responsible for resolving major issues and conflicts, and would represent programs before the Secretary of Defense, the President, and the Congress. In addition, the Commission stated that the SAE should appoint the PEOS.

Currently, the SAE shares responsibilities for acquisition with a number of other Air Force officials, and is not authorized to (1) issue policy or program direction to the acquisition chain of command, (2) appoint and appraise PEOS, or (3) allocate or shift financial and personnel resources to meet the cost, schedule, and performance requirements of programs for which the SAE is responsible. Also, the SAE is not a member of the Air Force's "corporate board,"³ which makes major acquisition decisions regarding weapon system requirements, funding priorities, and trade-offs. However, the SAE's office is represented at corporate board meetings by the Principal Military Deputy—a Lieutenant General.

The SAE is basically authorized to oversee and communicate the status of the Air Force's major acquisition programs to the Secretary of the Air Force, USD(A), and other interested parties, but has limited decision-making authority. Other Air Force officials having acquisition responsibilities include the

- Assistant Secretary for Readiness and Support;
- Deputy Chief of Staff for Plans and Operations;
- Deputy Chief of Staff for Logistics and Engineering;
- Assistant Chief of Staff for Command, Control, Communications and Computers;
- Commander, Air Force Systems Command;
- Commander, Air Force Logistics Command; and
- Commander, Air Force Communications Command.

³The corporate board includes the Air Force Council and the Air Staff Board and its sub-elements. Council members include the Vice Chief of Staff, Comptroller, and various Deputy Chiefs of Staff, while the Board is comprised of Directors of units such as Plans, Budget, and Operational Requirements. The use of these deliberative bodies permits senior Air Force officials to apply their collective judgment to major programs, objectives, and problems.

According to an official in the Office of the Secretary of the Air Force, the AFSC Commanding General actually controls the Air Force's acquisition system because most of the Air Force's acquisition staff either work directly for the General or are subject to his direction. Most PEOs are directly accountable to and are rated and promoted by the AFSC Commander, while the remaining PEOs and acquisition staff are under the Air Force Logistics and Communications Commands.

Air Force PEOs' Authority and Control

In creating a three-tiered information chain, the Secretary of the Air Force appointed the Commanding General of AFSC as PEO for the National Aerospace Plane Program and 10 other generals as PEOs.⁴ They were appointed PEOs for the programs in which they already had oversight responsibility as commanders. For example, the Commander of the Aeronautical Systems Division was named PEO for the major systems under his command. Because of command duties and responsibilities, he serves as a part-time PEO.

The 11 PEOs are responsible for 42 major acquisition programs, of which 39 are managed by the AFSC. As the Air Force's major buying command, the AFSC manages an additional 55 non-major programs. The PEOs are responsible for appraising the managers of the major acquisition programs.

The dual-hatting of commanders as PEO's provides a link between the new information chain and the existing command chain, which controls resources and major decisions. As PEOs, commanders report to the SAE on the status of acquisitions. For all matters, including acquisition, commanders report directly to the existing command chain.

The existing command chain is involved in most, if not all, acquisition decisions, and if a system has breached, or is about to breach, an established cost, schedule, or performance baseline, officials within the command chain are the primary decision-makers regarding corrective actions.

⁴Other officials serving as PEOs are the Systems Command's Deputy Chief of Staff for Science and Technology and the Commanders of its five product divisions, and the Commanding Generals of the Air Force Logistics Command and two of its five Air Logistics Centers and the Communications Command.

Air Force Program Managers' Authority and Responsibility

The Commission found that program managers spend most of their time briefing the program rather than managing it. The Commission believed that briefing requirements should be reduced and that program decision-making and execution should be decentralized to give program managers increased authority and responsibility in managing their programs.

However, the program managers' authority and responsibilities have not changed significantly with the creation of the information chain. Some of the program managers' briefing requirements have been reduced, but many oversight reviews are still required.

Program managers' formal briefing requirements were reduced by giving headquarters officials the responsibility for these briefings. Also, one formal briefing was replaced by the Air Force with a written report. The Secretary of the Air Force Assessment Review briefing required about 10 weeks to prepare and present to numerous oversight layers. This briefing is now a three-page monthly report.

Despite reduced formal briefings, Air Force headquarters and OSD officials still require some program managers to give many unscheduled briefings. For example, the C-17 program manager gave 24 such briefings between September 1, 1987, and August 31, 1988. These briefings were in addition to another 18 unscheduled ones that were presented to other interested parties.

PEOs and program managers from all three services consider briefings to be only the tip of the "oversight iceberg." At a July 1988 tri-services conference, PEOs and program managers stated that they

"... continue to experience great difficulty in driving documentation, briefings, planning and budgeting matters, and programmatic and functional issues through the organizational [existing command] chain."

Reduction in Air Force Acquisition Personnel

According to data provided by OSD's Office of Productivity and Civilian Requirements, the number of Air Force active duty officers and civilian personnel in headquarter-acquisition positions decreased from 49,380 to 48,677, or 1.4 percent, between 1986 and 1988.⁵ Some of this reduction may be attributable to mandatory reductions in headquarters personnel called for in the Goldwater-Nichols Department of Defense Reorganization Act for 1986 (P.L. 99-433).

⁵These were headquarters and command-level active duty officers and civilians.

This was not the substantial reduction the Commission envisioned. Because the reforms were implemented in a manner that minimized change to the existing chain of command, few acquisition personnel were reduced.

Role of AFSC in Air Force Acquisition System

The AFSC, while formally separate from the three-tiered information chain, continues to play a major role in acquisition matters. AFSC is responsible for acquiring most of the Air Force's major systems, and its Commanding General and his five product division commanders/PEOs control the resources and decision-making process associated with these systems.

The AFSC Commander has issued documents establishing acquisition policy. For example, in a January 29, 1987, memorandum, which accompanied letters from the Air Force Chief of Staff and SAE directing implementation of the three-tiered acquisition information chain, the AFSC Commander stated that

"... the [three tier] system is not intended to replace existing responsibilities for resource management nor does it obviate the chain of command. . . . The resource allocation decision process and program direction will remain within the Air Force corporate structure."

Later, on July 24, 1987, the AFSC Commander issued AFSC Regulation 550-3, entitled "Commander's Policies: Communications Outside the Command." This regulation, which is still in effect, included the following statement:

"On all policy issues, HQ [Headquarters] AFSC will be the Command spokesperson with HQ USAF. . . . When communicating outside the Command, if a question exists as to whether or not you are dealing in an area of policy, err on the conservative side—go through HQ AFSC. Let me reiterate the point. HQ AFSC is the policy-making agency for all AFSC activities. You may say what you wish to whomever you wish but recognize that you are fully responsible for your actions."

The Director of the Packard Commission's Acquisition Task Force, who formulated the three-tiered concept, told us that Commission members reached a consensus that AFSC could be abolished; however, they did not reach a consensus to include such a recommendation in their report. The Commission's Chairman stated that this issue was not researched in sufficient detail to support a recommendation. The Task Force Director stated that the current information chain would never possess the

authority and control needed to function effectively as long as AFSC existed.

However, some DOD officials believe the acquisition system is not a viable candidate for the Commission's three-tiered management approach. They state that the service commands, such as AFSC, perform acquisition or program tasks that would not be eliminated if the commands were abolished.

Conclusions

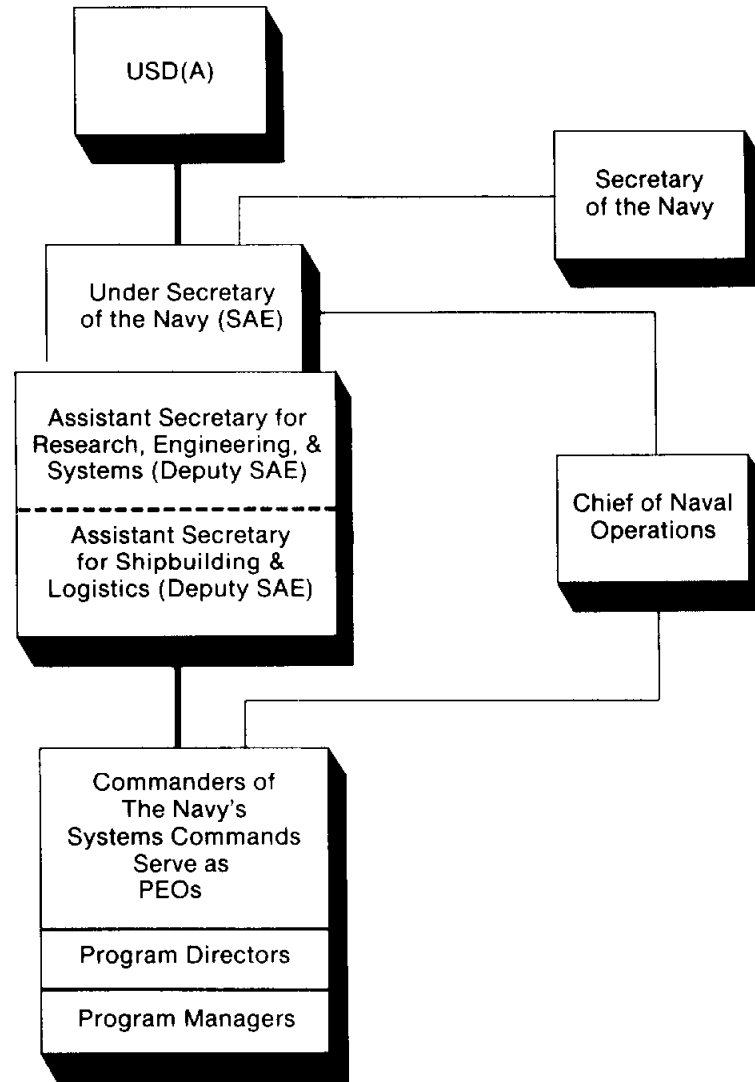
The Air Force created a three-tiered information chain that resulted in some reductions in program manager briefings and provided for more direct communication of program status information to the Air Force's top civilian acquisition officials. However, the information chain does not fully meet the Commission's intent. It did not (1) create a short, unambiguous chain of command for managing major acquisition programs, (2) significantly decrease briefings and oversight reviews, and (3) substantially decrease the number of acquisition personnel.

Navy

Like the Air Force, the Navy created its three-tiered information chain by superimposing the new positions over existing command chain positions. The Secretary of the Navy designated the Under Secretary as the SAE, and commanders of the major buying commands as PEOS. Like the Air Force, the authority and responsibilities for these positions did not substantially change with the addition of new titles.

In 1985, prior to the Packard Commission being established, the Navy abolished the Navy Material Command. Although this removed a major management layer, the Navy still has not fully streamlined the acquisition process as intended by the Commission. (See fig. 3.3, Navy acquisition organization chart.)

Figure 3.3: Post-Packard Commission
 Navy Acquisition Organization Chart



— Three-tiered information chain.

— Existing chain of command.

^aThe Commanding Officer, Marine Corps Research, Development, and Acquisition Command also serves as a PEO. The Director, Strategic Systems Command also serves as a PEO and Program Manager.

Navy Under Secretary Serves as Part-Time SAE

Initially, the Secretary of the Navy named himself the SAE but eventually assigned this title to the Under Secretary. As the second ranking Navy official, the Under Secretary has numerous other responsibilities

and does not serve as a full-time SAE as the Commission intended. However, the Under Secretary has the authority over acquisition funds and resources that the Commission intended for the SAE position.

A representative of the Under Secretary told us he spent about 80 percent of his time on acquisition matters. He relied on support from the Assistant Secretaries for Research, Engineering, and Systems, and Shipbuilding and Logistics to execute his oversight and acquisition management responsibilities.⁶

Navy PEOs Authority and Control

Like the Air Force, the Navy assigned PEO titles to commanders having systems acquisition responsibilities. Specifically, the following five flag officers were designated as PEOs:

- Commander of the Naval Sea Systems Command;
- Commander of the Naval Air Systems Command;
- Commander of the Space and Naval Warfare Systems Command;
- Commander of the Marine Corps' Research, Development, and Acquisition Command; and
- Director of Strategic Systems Programs.

The PEOs, as commanding officers, control program resources. Like the Air Force, Navy PEOs report through two chains of command. They report to the Chief of Naval Operations on all matters, and keep the SAE informed on acquisition matters.

Navy Program Managers' Authority and Responsibility

Navy program managers stated there was no substantial change in their authority and responsibilities related to the Commission's recommendations. However, they believed they already had adequate authority even though personnel, funds, and facilities needed to successfully execute program decisions were controlled by PEOs and program directors.

The Navy's program directors represent a fourth management and oversight layer. Most program managers in the Space and Naval Warfare, Naval Sea, and Naval Air Systems Commands report directly to program directors, who report to the PEOs. Program directors may

⁶As of July 1989, the Navy was studying a proposal to merge the two Assistant Secretary positions to form a new office. The official occupying this proposed assistant secretary office would become the SAE.

- advise program managers, review their requests and reports before submission to the PEOS, and brief the PEOS;
- allocate personnel and equipment to the program managers; and
- draft program managers' performance ratings for the PEOS' review and signature.

Program directors were in the Navy's management structure prior to the Packard Commission and, according to Navy officials, are still needed to ease the administrative burden imposed by the PEOS' large span of control. For example, the Naval Sea Systems Command PEO oversees 10 program managers, each of whom are responsible for a major weapon system plus numerous managers and line organizations who handle over 250 non-major programs. Similarly, the Naval Air Systems Command PEO directs 12 program managers who oversee 14 major programs. In addition, this PEO is responsible for over 100 non-major programs.

The program director's position is not consistent with the Commission's streamlining objective of reducing layers of review. However, both the Commission's Chairman and the Director of its Acquisition Task Force told us that they did not view program directors as an unnecessary review layer, given the large number of program managers, programs, and the PEO's span of control in the three commands.

Navy officials stated that the number of program briefings and oversight reviews were reduced when the Navy Material Command was abolished in 1985. However, the Packard Commission subsequently recommended that the number of briefings and oversight reviews be reduced in all services—including the Navy. Navy officials told us that the number of briefings and oversight reviews have been reduced some since the Commission issued its report, but further reductions are needed.

Navy Material Command Abolished

In March 1985, the Secretary of the Navy abolished the Navy Material Command—the major review layer between the five systems commands and the Chief of Naval Operations. Program management and oversight functions, as well as personnel, were transferred to the Under Secretary (now the SAE); the Assistant Secretary for Research, Engineering and Systems; the Assistant Secretary for Shipbuilding and Logistics; and the commanders of the systems commands.

Reduction in Navy Acquisition Personnel

According to a former Secretary of the Navy, eliminating the Navy Material Command resulted in the elimination of 450 military and civilian positions. However, the Navy's efforts to implement the Commission's recommendations has not resulted in a reduction in total acquisition personnel. According to OSD, the number of Navy active duty officers and civilians in acquisition positions at the headquarters and systems commands actually increased by 19,991, or 30.3 percent, from 66,010 to 86,001 between 1986 and 1988.

An OSD official stated that the 30.3 percent increase was due primarily to realignment of eight Research and Development Centers from the Chief of Naval Operations to the Space and Naval Warfare Systems Command. Excluding the 15,155 employees associated with the above realignment, the Navy acquisition staff increased 4,836, or 7.3 percent, during the 2-year period.

Conclusions

The Navy has made progress towards achieving the Commission's objectives to streamline its acquisition system. Although accomplished before the Commission was formed, the Navy abolished its central acquisition command—the Navy Material Command—a major review layer according to the Navy. It has also reduced a number of briefings and oversight layers.

However, the Packard Commission's objectives have not been fully achieved. Increased program responsibility and authority has not been delegated to the program managers; a short, unambiguous chain of command has not been created; many briefing and oversight layers still exist; and the number of acquisition personnel has not decreased.

Comparison of the Services Three-Tiered Acquisition Chains to the Commission's Three-Tiered Acquisition System

The following table compares the characteristics of each services' three-tiered acquisition chain to the traits envisioned by the Commission. Although the Army adopted more of the Commission's recommended traits than the Navy or the Air Force, none of the services incorporated all of the recommended characteristics.

Table 3.1: Comparison of the Services' Implementation of the Commission's Three-Tiered Acquisition System

Commission's recommended characteristics	Services' implementation characteristics		
	Air Force	Navy	Army
SAE			
Selected by Secretary and USD(A)	No	No	Yes
Equivalent to a service Under Secretary	No	Yes	No
Devotes full time to acquisition matters	Yes	No	Yes
Controls major acquisition program resources	No	Yes	Yes
Appoints the service's PEOs	No	No	Yes
Authority to resolve major program issues and conflicts as they arise	No	Yes	Yes
PEO			
Appointed by the SAE	No	No	Yes
Reports only to the SAE	No	No	Yes
Devotes full time to a reasonable and defined number of programs	No	No	Yes
Manages the resources dedicated to the assigned programs	Yes ^a	Yes ^a	No
Appraises the performance of all program managers	No	No	Yes
Program manager			
Reports only to the PEO	Yes	No	Yes
Controls resources dedicated to their programs	No	No	No
Appraises the performance of most program staff members	Yes	Yes	No

^aThese officials control resources because they command organizations, not because they were given the title of PEO.

Commission's Objectives Not Fully Achieved

Although the services created different three-tiered acquisition information chains, none of these chains fully achieved the Commission's objectives.

Table 3.2: The Services' Achievement of Commission's Objectives

Commission objective	Air Force	Navy	Army
Full decentralization of decision-making	No	No	No
Creation of a plain, short chain of command	No	No	No
Substantial reduction of reporting and oversight layers	No ^a	No ^b	No ^c
Substantial reduction of the number of acquisition personnel	No	No	No

^aAlthough the Air Force reduced the number of briefings, it did not decrease oversight reviews.

^bThe Navy has reduced briefings and oversight reviews but not to the extent envisioned by the Commission.

^cAlthough some required briefings were eliminated, PEOs and program managers must now provide "informal or courtesy" briefings to AMC and its subordinate commands.

The above results were also reported by The Project on Monitoring Defense Reorganization in November 1988.⁷ The report stated, "Although each of the designated positions has been created and filled, the purposes of the legislation have not been met."

The Secretary Believes DOD Must Make More Fundamental Changes to Its Acquisition System

The Secretary of Defense reported in his July 1989 Defense Management Review that it is apparent the Packard Commission's recommendations intended to make more fundamental changes in the defense acquisition system than have yet been accomplished. The report noted that none of the services' different approaches to the Commission's recommendations has fully met the Commission's objectives and a review of the services' efforts indicates a need for revising their acquisition organizations in several respects.

The report stated that the following changes would be put in place.

- (1) A single, full-time, civilian official, at the Assistant Secretary level, will be designated the SAE for each service. The SAE will be responsible

⁷*Making Defense Reform Work*, A Report of the Joint Project on Monitoring Defense Reorganization, November 1988. (The Johns Hopkins Foreign Policy Institute and The Center for Strategic and International Studies.)

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for all service acquisition functions and these functions will not be duplicated in the service chief's organizations.

(2) SAES will manage all major programs through full-time PEOs. Each PEO will have a small, separate staff organization and will be relieved of other responsibilities.

(3) Program managers will report only to their respective PEO or SAE on all matters of program cost, schedule, and performance.

(4) Systems and materiel commands will be organized to manage programs not under the PEO structure and to provide support services to the PEO structure without duplicating any of their management functions.

(5) Service secretaries and chiefs will insure maximum accountability within the PEO structure. SAES will have primary responsibility for evaluating the PEOs' job performance. SAES and PEOs will advise on the selection of program managers and will evaluate them.

(6) Funding and personnel authorizations for PEO offices and program managers reporting to them, will be administered separately from service commands.⁸

(7) Service secretaries will submit detailed plans for implementing the above provisions for the Secretary's consideration by October 1, 1989.

As of September 29, 1989, the services had not finalized their plans for implementing the Secretary of Defense's changes. While we support the Secretary's renewed efforts to accomplish the Commission's streamlining objectives, the Army's plan, for example, could change its acquisition system in ways that would be counter to the Commission's streamlining philosophy. The Army is considering establishing a Field Operating Agency to handle funding and personnel matters for their PEOs and program managers. Such an organization could result in an increase in personnel and layers of review.

⁸Funding authorizations for the Army, according to one of its officials, would apply to moneys for such categories as procurement, research and development, testing and engineering, operations and maintenance, office administration, and payroll.

Recommendation

The Secretary of Defense's direction requires the Air Force and the Navy to adopt a separate three-tiered acquisition structure similar to the Army's. However, the Army has experienced problems with its approach, and solutions for these could produce results that would be opposite the Commission's reforms. Therefore, we recommend that the Secretary of Defense, in reviewing the services' planned changes, ensure that plans for separating management of major acquisition programs from non-major programs will result in streamlining rather than expanding the acquisition organization.

Obstacles to Implementing Streamlining Recommendations

Various reasons have been offered to explain DOD's limited implementation of the Packard Commission's recommendations to streamline its acquisition system. The Institute for Defense Analyses found that an acquisition system's effectiveness depends more on the personalities, skills, experience, and working relationships among senior officials than on the organization chart. In addition, the Institute found that the radical reforms envisioned by the Commission cannot occur quickly and that more time is needed for changes to take effect.¹

The Commission recognized the complexity and scope of its recommendations and stated that

"Despite the difficulties, we believe it is possible to make major improvements in defense acquisition by emulating the model of the most successful industrial companies."

In view of the broad consensus that acquisition should be improved, why has progress been so slow? We believe that the following underlying factors have made it difficult to fully implement the Commission's reforms:

- Some OSD and service officials disagree with the Commission's basic premise that the private sector's style of program management can be applied to defense programs.
- The Commission's recommended changes were not fully accepted by the Secretary and Deputy Secretary of Defense and at all management levels within the services; thus, many people are having difficulty adjusting to the changes.
- The intent of the Commission's recommendations have not been uniformly interpreted.
- The roles of AFSC and AMC in major acquisition programs are not clear, and has made implementation of the three-tiered acquisition system difficult.

¹Defense Acquisition: Observations Two Years After the Packard Commission, Institute for Defense Analyses, Report R-347, Nov. 1988.

Disagreement With Commission's Basic Premise

Some OSD and service officials think the Commission's private sector management concept does not really suit DOD's acquisition tasks.² For example, the Commission believed that program managers should have full responsibility for their programs, as they do in private industry. However, according to DOD officials, the government's program managers have traditionally been coordinators rather than managers and decisionmakers. Some DOD officials believe that program managers do not have the full perspective needed to make all weapon system decisions; therefore, such decisions must involve many other service organizations.³

Another conflict concerns DOD's policy-making authority. The Commission envisioned that the USD(A), acting like the chief executive officer of a corporation, would develop uniform acquisition policies for all the services. The services, on the other hand, have traditionally used their delegated authority to develop their own individual policies.

Military protocol also conflicts with the three-tiered acquisition chain of command. In the Army, for example, program managers still brief the existing command officials. The Army SAE said that although the commands are no longer in the program decision chain, bypassing command officials, who control program resources, would violate military protocol.

Recommended Changes Not Fully Accepted

The Commission's reforms have not yet been fully incorporated into DOD's acquisition system. Full implementation requires the full support of top management. It is not clear that the former Secretary and Deputy Secretary of Defense provided such full support.

The concept of streamlining the acquisition system by eliminating excessive briefings given by program managers was approved as a matter of policy by OSD and the services. However, OSD and the services did not make this policy a practice. For example, Army program managers told us that the number of briefings required by Army headquarters and OSD officials has not declined. These program managers said they are waiting for signs of change to trickle down to their level.

²Ibid.

³Ibid.

According to the second USD(A), all three services' existing chains of command have been reluctant to give up acquisition decision-making authority to the three-tiered informational chain. He believed the services would have to "undergo a cultural change" before transferring all decision-making to the three-tiered chain.

A retired AFSC Commander stated that the three-tiered concept is not consistent with good management principles. He said that when the services were given the choice of altering the authority and responsibilities of their existing chains of command or creating new acquisition information chains, "they reluctantly chose the latter."⁴

Commission's Intent Not Uniformly Interpreted

Each of the services believes that its adoption of the Commission's recommendations is consistent with the Commission's intent. But by interpreting the recommendations differently, the services set up different acquisition structures. In addition, questions arose concerning the USD(A)'s responsibilities and authorities as recommended by the Commission, directed in the laws, and interpreted by DOD guidance. Both the Commission's chairman and the Director of its Acquisition Task Force told us the Commission intentionally left it up to DOD to decide how to implement the recommendations.

According to service officials,⁵ the variances in their three-tiered systems may be partially attributed to a lack of DOD guidance specifying uniform acquisition systems for all the services. For example, the Commission stated that PEOS should be responsible for "a reasonable and defined number of acquisition programs." Lacking DOD guidance on what is "reasonable," the services have made PEOS responsible for different numbers of programs, and have not determined the number of programs that constitutes a reasonable span of control.

The AFSC Commander, for instance, believes the SAE cannot satisfactorily oversee the 39 major acquisition programs in the Air Force's three-tiered reporting chain. He said that about 12 programs would be more manageable and that the existing command chain should maintain oversight of the remaining programs. He also said that the Commander of

⁴"Reforming the Procurement Process: Lessons From Recent Experience," speech by Robert T. Marsh, General U.S. Air Force (Retired), before Tufts University, Fletcher School of Law and Diplomacy (Nov. 18, 1988).

⁵Defense Acquisition: Observations Two Years After the Packard Commission, Institute for Defense Analyses, Report R-347, Nov. 1988.

the Aeronautical Systems Division, who is the PEO for 17 major acquisition programs and the Air Force's top executive for many non-major acquisition programs, had too many programs to manage. An Air Force Deputy Assistant Secretary, in contrast, was comfortable with the number of programs in the three-tiered chain. But, he said that if the number increased, the SAE would need additional staff.

In the Navy, where some PEOs are responsible for about 10 to 12 major programs, officials also believed the PEOs' span of control was stretched. To solve this problem, program directors were placed between some PEOs and program managers.

The Army, on the other hand, has focused on the SAE's span of control. When the SAE assumed his duties, 25 PEOs reported to him. Believing that this situation was "cumbersome," he decreased the number of PEOs to 15. Since the 15 PEOs remained responsible for the same total number of programs, their span of control increased. The Army SAE noted that the Air Force had 11 PEOs and the Navy only 5.

Roles of AFSC and AMC Are Not Clear

AFSC and AMC officials, who exercise significant control over the acquisition system, have taken actions that appear inconsistent with the Commission's streamlining objectives. For example, as shown in chapter 3, both commands have issued acquisition policy guidance, exercised control over personnel allocations, and required programmatic briefings from acquisition officials.

The Commission's chairman and one of its members told us that AFSC and AMC should not be allowed to continue clouding the three-tiered acquisition chain. The Commission member also stated that as long as AFSC maintained substantial involvement in the three-tiered acquisition chain, authority and control problems would persist. The member further stated that AMC did not logically fit into the acquisition chain of command.

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Major Acquisitions: Summary of Recurring Problems and Systemic Issues: 1960-1987 (GAO/NSIAD-88-135BR, Sept. 13, 1988).

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