



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

September 14, 2010

MEMORANDUM FOR: Director, Defense Procurement & Acquisition Policy

SUBJECT: Implementation Directive for Better Buying Power – Restoring Affordability and Productivity in Defense Spending

As detailed in my September 14, 2010 memorandum for acquisition professionals, I am seeking to restore affordability and productivity through initiatives in the following five areas: (1) Targeting Affordability and Controlling Cost Growth; (2) Incentivizing Productivity and Innovation in Industry; (3) Promoting Real Competition; (4) Improving Tradecraft in Services Acquisition, and; (5) Reducing Non-Productive Processes and Bureaucracy.

These initiatives include steps that can be taken immediately and steps that will require more development and staffing before they are implemented. This memorandum provides actions that I expect you to execute either immediately or in the time frame specified. Additional actions in support of these five initiatives will be developed over the next few weeks and months.

You will review my September 14, 2010 memorandum to determine what changes to DoD Directive 5000.01, DoD Instruction 5000.02, and other regulatory and statutory requirements may be required to implement the guidance in the memorandum. You will report to me by October 15, 2010 with a plan to implement these changes. Coordinate with the Director, Acquisition Resources & Analysis to ensure there is no duplication of effort.

Review the Weighted Guidelines with the aim of emphasizing the tie between profit and performance. Provide me with the results of this review by December 1, 2010.

By December 1, 2010, develop a cash flow model and accompanying guidance that can be used by all contracting officers contemplating financing other than customary progress payments. Ensure the guidance is developed so that the improved cash flow opportunities for industry provide benefit to both industry and the taxpayer.

With the Defense Acquisition University (DAU), review acquisition policy training curriculum and revise as appropriate by January 1, 2011, to ensure that the efficiency initiatives I am implementing are reflected in the DAU curriculum.

By December 1, 2010, develop and staff a directive for my approval detailing specific implementation guidance for the effort to standardize service taxonomy as provided for in my memorandum of September 14, 2010. This taxonomy will be utilized by each component to ensure basic consistency within the separate governance structures for services.

By December 1, 2010, develop detailed guidance for establishing a taxonomy of preferred contract types in services acquisition that is consistent with the guidance provided in my September 14, 2010 memorandum.

Effective immediately, ensure that the Defense Office of Small Business Programs is included as a member of the Office of the Secretary of Defense peer reviews of service acquisitions.

Work with the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) to develop guidance which will clearly spell out the roles and responsibilities of each organization in those areas where duplication and overlap occur. Provide recommended guidance to me and to the Under Secretary of Defense (Comptroller) by December 1, 2010.

By October 1, 2010, you are to task DCMA to be responsible for the promulgation of all Forward Pricing Rate Recommendations. In those cases, where DCAA has completed an audit of a particular contractor's rates, DCMA shall adopt the DCAA recommended rates as the Department's position with regard to those.

A handwritten signature in cursive script that reads "Ashton B. Carter". The signature is written in black ink and is positioned above the printed name.

Ashton B. Carter



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You will establish a tracking system to monitor progress and compliance with the direction I am providing to the acquisition work force to restore affordability and productivity in defense spending. Review my September 14, 2010 memorandum, extract from it all taskings and assignments, and review the memoranda I am sending to the Acquisition Executives, Overarching Integrated Product Team (OIPT) leads, Director, Defense Procurement & Acquisition Policy, Director, Defense Research & Engineering, and this memorandum to determine the actions we need to include in the tracking system.

By December 1, 2010, you are to conduct a review of the current list of OSD reviews -- Defense Acquisition Boards (DABs), Pre-DABs, OIPTs, and Technology Readiness Level, etc. -- to recommend specific realignment of these reviews/meetings to ensure they focus their purpose on the major acquisition investment decisions made by the Department.

You are to complete the ongoing review of all acquisition documents by March 1, 2011 to provide me with recommendations for streamlining and focusing these documents on needed content to support AT&L level decisions. As individual documents are reviewed, you should implement changes without waiting for the completion of the review of all documents.

You are to conduct a bottom-up review of all internally-generated reporting requirements and to work with the Assistant Secretary of Defense (Legislative Affairs) to conduct a bottom-up review of all congressionally mandated acquisition reports. Assess the value of the reports with a goal to eliminate at least 50% of the reports and to substantially shorten the ones remaining. In addition, effective immediately, you are to impose reasonable page count caps (based on the nature of the information requested) when you assign lead responsibility for report production.


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MEMORANDUM FOR: Overarching Integrated Product Team (OIPT) Leads

SUBJECT: Implementation Directive for Better Buying Power – Restoring Affordability and Productivity in Defense Spending

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I intend to conduct portfolio reviews at the joint and Department-wide level for Acquisition Category I programs with the intention of eliminating redundancy. By October 1, 2010, provide me with a recommended list of portfolios that you believe should be used to evaluate the programs for which you are responsible, together with the rationale for recommending that list. In addition, provide a recommendation on your priorities for conducting this analysis and a proposed schedule.

You are directed to review the current list of scheduled OIPT and Defense Acquisition Board reviews of the programs for which you are responsible. Recommend specific realignment of these reviews/meetings to ensure they focus their purpose on the major acquisition investment decisions made by the Department. Report the results of your review to me by November 1, 2010.

A handwritten signature in cursive script, reading "Ashton B. Carter", is positioned above the printed name.

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MEMORANDUM FOR: Director, Defense Research and Engineering

SUBJECT: Implementation Directive for Better Buying Power – Restoring Affordability and Productivity in Defense Spending

As detailed in my September 14, 2010 memorandum for acquisition professionals, I am seeking to restore affordability and productivity through initiatives in the following five areas: (1) Targeting Affordability and Controlling Cost Growth; (2) Incentivizing Productivity and Innovation in Industry; (3) Promoting Real Competition; (4) Improving Tradecraft in Services Acquisition, and; (5) Reducing Non-Productive Processes and Bureaucracy.

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The Department does not have the information it needs to understand how the Independent Research and Development (IRAD) program is functioning. You will engage with the largest of the performers of IRAD to collect data on how they have used these funds for the last 10 years, the resulting benefits to industry and government, and how these companies obtain insight into technical areas of potential interest to the government. In support of this task, you will work with the Defense Contract Audit Agency to obtain IRAD financial data from all firms with allowable IRAD costs.

By November 15, 2010, you will provide me with a plan for a pilot program to apply to as much as a third of the IRAD allocation, that will reflect the insights gained from the review directed above.

As noted in my September 14, 2010 memorandum, the Technology Readiness Level (TRL) review and certification process has grown well beyond the original intent and should be reoriented to an assessment of technology maturity and risk as opposed to engineering or integration risk. You are directed to review and to make recommendations to refocus the TRL certification process to be consistent with its original intent. You are also tasked to propose an efficient mechanism to provide independent assessments of engineering and integration risk, as well as technology risk, at major investment decision points. These actions are to be complete by November 1, 2010.

A handwritten signature in black ink, reading "Ashton B. Carter".

Ashton B. Carter