

*A Theoretical Consideration  
of  
Acquisition Reform*  
(and it's impact on Financial Management)  
*Business Managers' Conference*  
12 June 2002  
**Deborah F. Frank**  
Program Executive Office  
Command, Control and Communications Tactical





*“There is nothing more difficult to carry out or more doubtful of success nor dangerous to handle, than to initiate a new order of things”*

**Machiavelli**



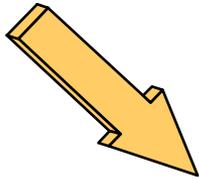
# The World We Live in



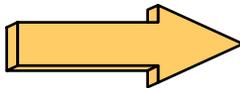


# Influencing Factors

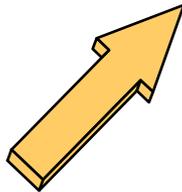
**Global  
Economic**



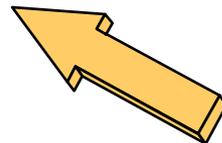
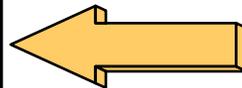
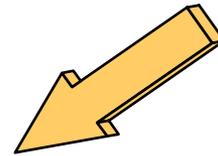
**Global  
Security**



**Global  
Technological**



**Evolving  
US National  
Military  
Strategy**



## ***US Economic Environment***

Declining Resources

- Guns VS. Butter
- Reduced Military Influence in Marketplace
- Def Acq /Budgeting Process

## ***US Security Environment***

- New Missions / Partners
- Unknown Enemy

## ***US Technological Environment***

- Shifting Leadership
- Tech Superiority Compensates for Smaller Forces.



# Global

*Global situation is so unpredictable  
that the Acquisition system must be  
flexible and agile*

COLLEEN PRESTON



# Factors Influencing Acquisition Reform

- **Political**



# Trends in Congressional Staffing

<u><b>YEAR</b></u>	<u><b>Staff Size</b></u>
<b>1955</b>	<b>6,000</b>
<b>1960</b>	<b>7,000</b>
<b>1965</b>	<b>9,000</b>
<b>1970</b>	<b>11,500</b>
<b>1975</b>	<b>17,500</b>
<b>1980</b>	<b>19,000</b>
<b>1985</b>	<b>20,500</b>
<b>1990</b>	<b>21,000</b>
<b>1995</b>	<b>22,000</b>



# The Growth of Congressional Micromanagement

	<i>Number</i>				<i>Percent Increase</i>
	<b>1976</b>	<b>1982</b>	<b>1985</b>	<b>1993</b>	<b>1976-1993</b>
<b>Requested Studies and Reports</b>	<b>36</b>	<b>114</b>	<b>221</b>	<b>458</b>	<b>1,172</b>
<b>Other Mandated Actions for DoD</b>	<b>18</b>	<b>208</b>	<b>210</b>	<b>202</b>	<b>1,022</b>
<b>General Provisions in Law</b>	<b>64</b>	<b>96</b>	<b>158</b>	<b>213</b>	<b>233</b>



# Congressional Line Item Changes to *DoD Budget Requests*

<i>YEAR</i>	<i>AUTH</i>	<i>APPRO</i>	<i>TOTAL</i>
<b>1980</b>	<b>300</b>	<b>1200</b>	<b>1500</b>
<b>1982</b>	<b>350</b>	<b>1200</b>	<b>1550</b>
<b>1984</b>	<b>900</b>	<b>1500</b>	<b>2400</b>
<b>1986</b>	<b>1350</b>	<b>1800</b>	<b>3150</b>
<b>1988</b>	<b>1250</b>	<b>1700</b>	<b>2950</b>
<b>1990</b>	<b>1150</b>	<b>1350</b>	<b>2500</b>
<b>1995</b>	<b>1250</b>	<b>1500</b>	<b>2700</b>



# Outside “Support”

- Dictated by 30,000 pages of regulations
- Audited by 26,000 persons
- Controlled by congressional committees with 55 subcommittees with 720,000 inquires per year



# Factors Influencing Acquisition Reform

- **Political**
- **Declining Defense budget**



# Declining Defense Budget

- **Overall DoD Budget reduced approximately 30% in past ten years**
- **Procurement accounts reduced approximately 60%**

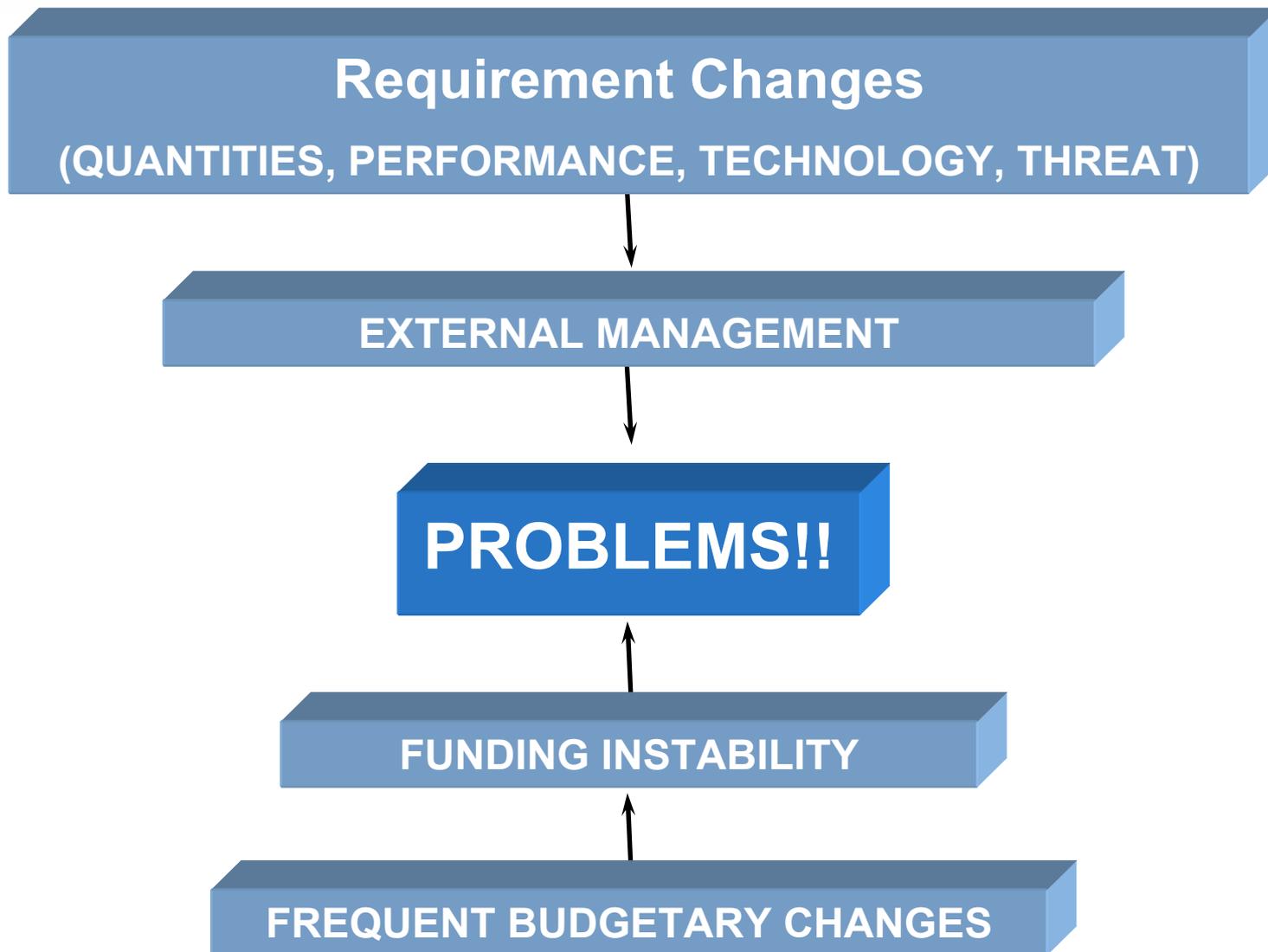
**AND**

**New requirements constantly evolving**

- **Objective force**
- **Future Combat Systems**
- **Unit of Action**



# Defense Budget Volatility





# Factors Influencing Acquisition Reform

- **Political**
- **Declining Defense budget**
- **Security Challenges**



# Security Challenges

- **New/Evolving**
- **Nuclear**
- **Terrorist**
- **Regional**
- **Humanitarian**



# Factors Influencing Acquisition Reform

- **Political**
- **Declining Defense budget**
- **Security Challenges**
- **Current Acquisition Process**



*The acquisition process is the glue  
that greases the wheel of progress.*

**NORM AUGUSTINE**

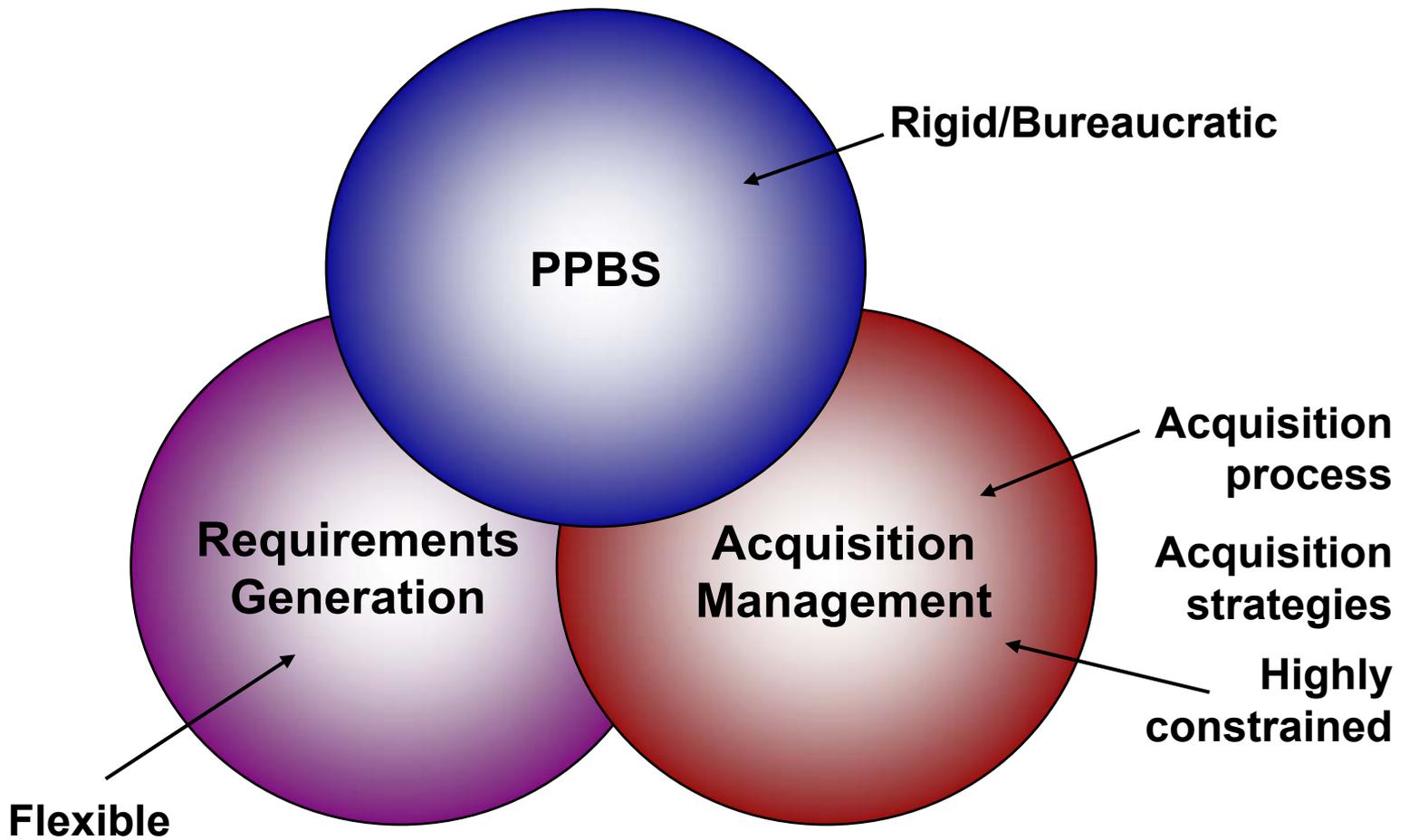


# Current Acquisition Process

**In Acquisition Reform: A Mandate for Change, former Secretary of Defense, William Perry concludes “... DoD has been able to develop and acquire the best weapons and support systems in the world. DoD and contractor personnel accomplished this feat not because of the (acquisition) system, but in spite of it. And they did so at a price ... the nation can no longer afford to pay ...”**



# Current Acquisition Process





# “Guidance”

**Eisenhower:** “scientist and industrialist are ... likely to make new and unsuspected contributions to the development ... if detailed directions are held to a minimum”.

**McNamara:** “engineering development should not even begin until the technology needed is sufficiently in hand and a basis exists for firmed fixed price ... contract”.

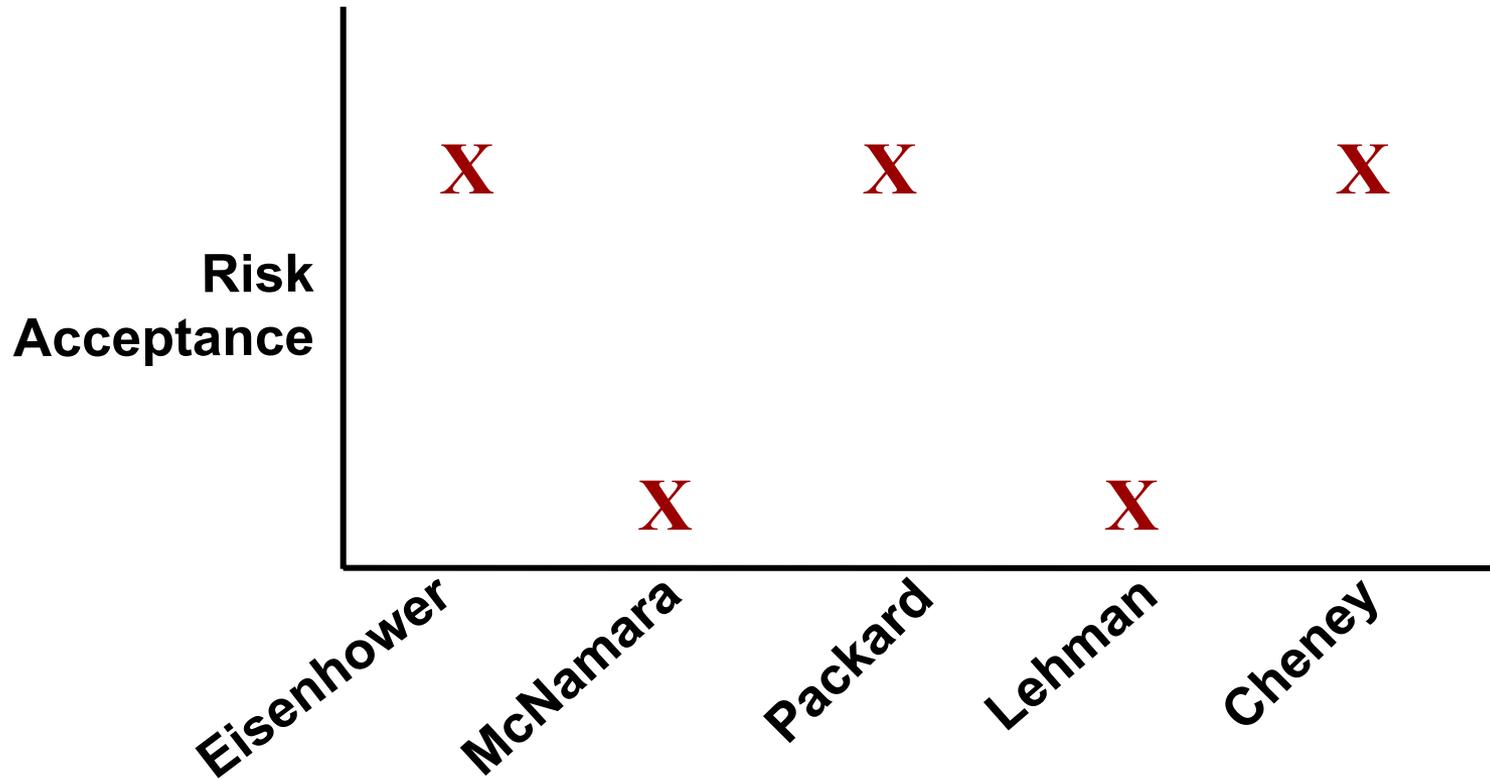
**Packard:** “it is not possible to determine the precise production cost of a new complex defense system before it is developed”.

**Lehman:** “commander will not proceed with FSED until he is satisfied that advanced development has reduced risks sufficiently to enable the contractors to commit to a fixed price type contract...”.

**Cheney:** “strictly limit the use of cost & sharing contracts for systems development and the use of fixed-price type contracts for high-risk development”.



# “Guidance”



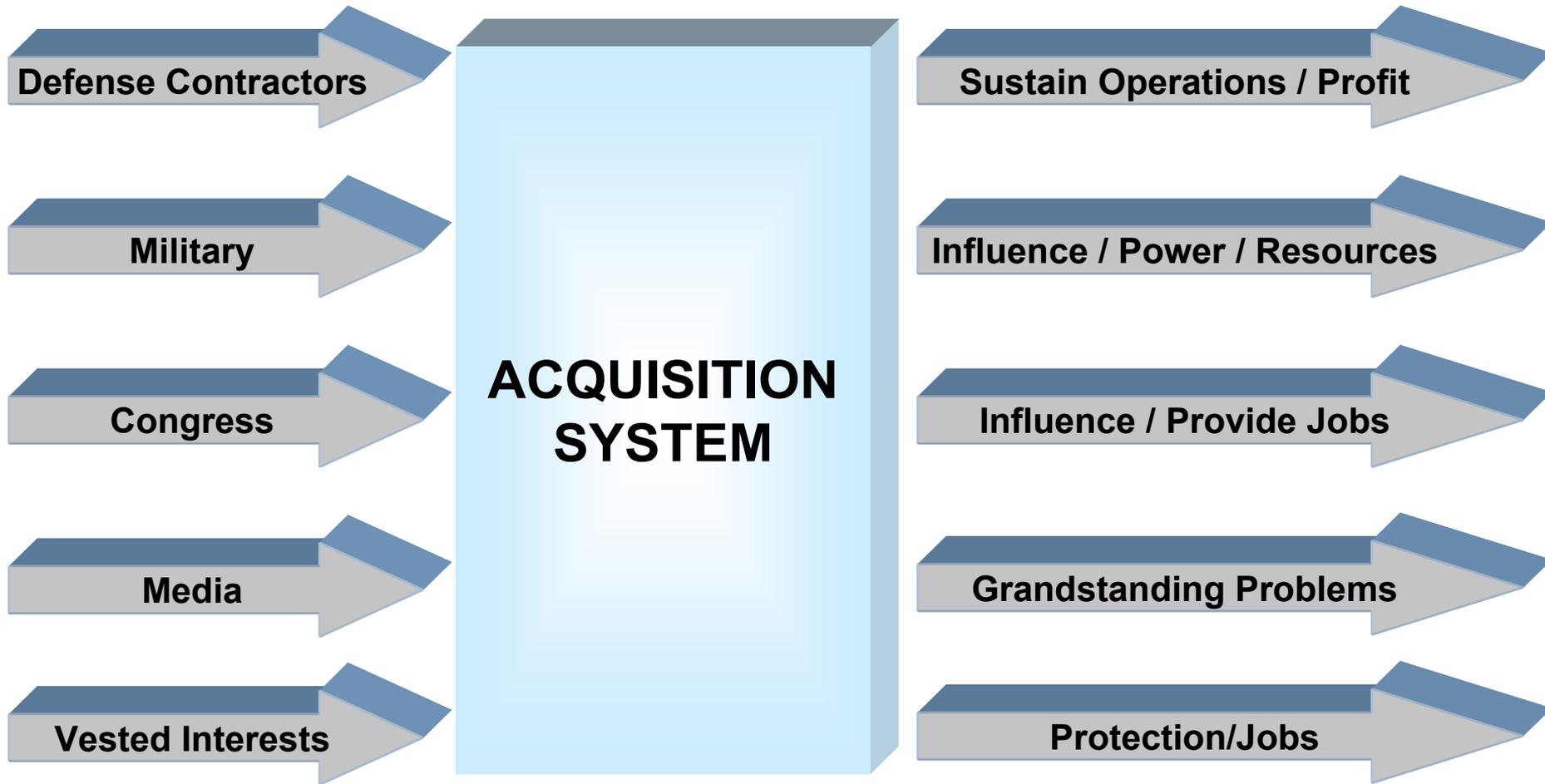


# Factors Influencing Acquisition Reform

- **Political**
- **Declining Defense budge**
- **Security Challenges**
- **Current Acquisition Process**
- **Stakeholders**



# The System Works!!





# And So .....

- **Vested interest of stakeholders**
- **Laws/Regulations**
- **Natural resistance to change**
- **Reactive system**
- **Acquisition reform is evolutionary not *revolutionary***



# Reform Initiatives

- 1961 McNamara Initiative**
- 1970 Fitzhugh Commission**
- 1972 Commission on Gov't Procurement**
- 1976 OMB Circular 4-109**
- 1978 Defense Science Board ACQ. Cycle Study**
- 1979 Defense Resources Management Study**
- 1981 Defense Acquisition Improvement Program**
- 1983 Grace Commission**
- 1986 Packard Commission**
- 1986 Goldwater Nichols**
- 1989 Defense Management Review**
- 1990 Quadrennial Defense Reviews**



# Is Incremental Reform Adequate?

- 
- **Cycle Time**
  - **Performance per Dollar**

- **Rigid Accountability**
- **Social Economic goals**



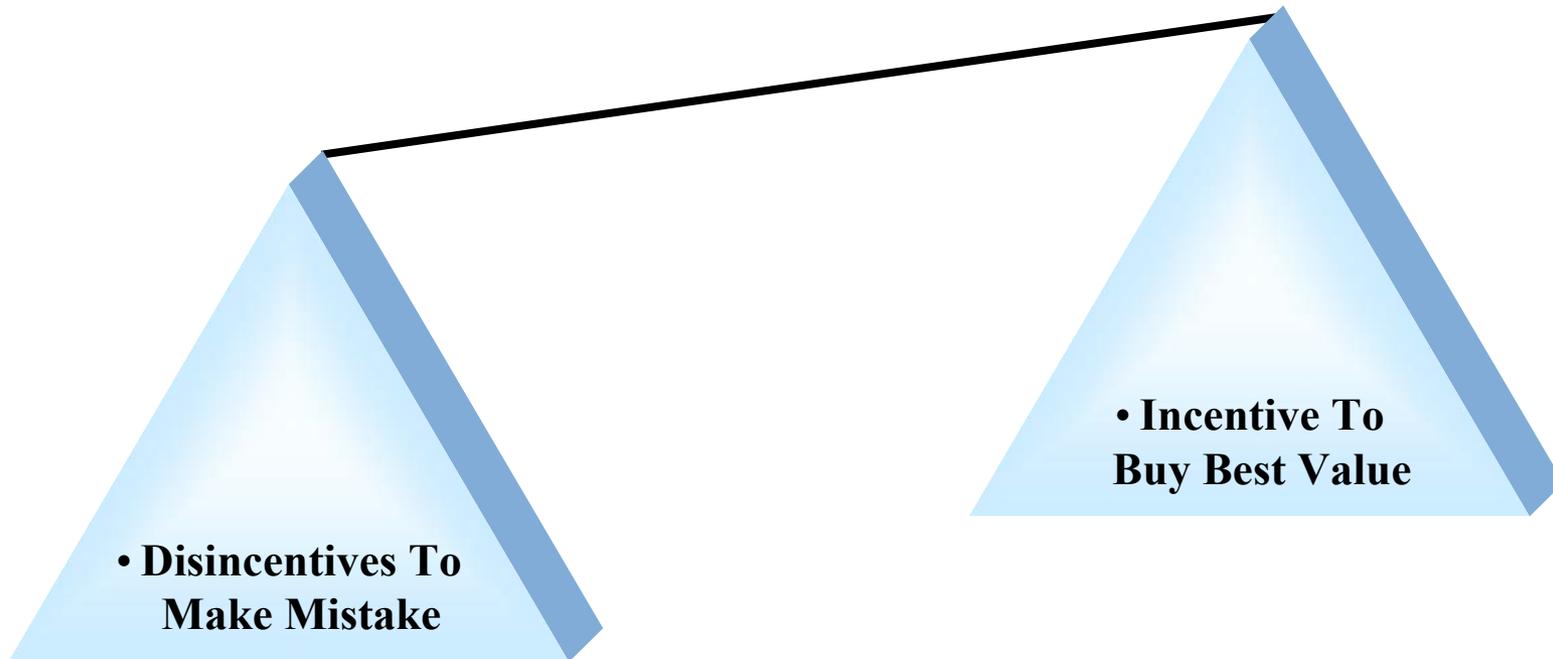
# Is Incremental Reform Adequate?

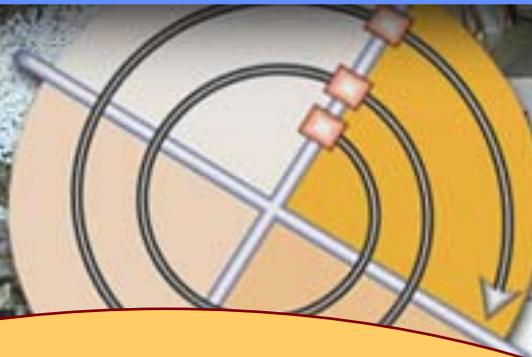
• **Law and Regulation**

• **Sound Business  
Judgment**



# Is Incremental Reform Adequate?





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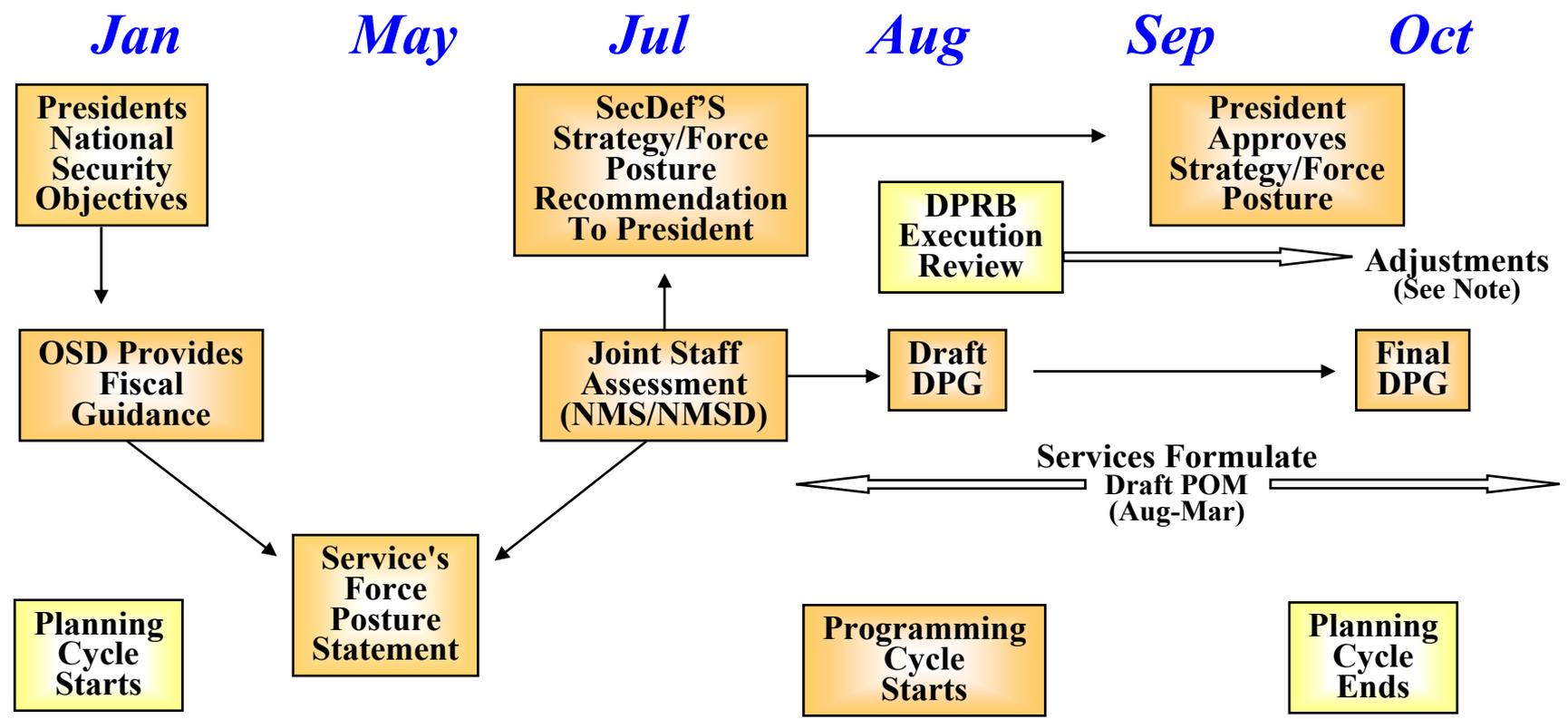
# Resource Allocation Process - *Overlap*

	CY91												CY92												CY93											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
FY91	Execution																																			
FY92	Enactment						Execution *																													
FY93													Enactment						Execution *																	
FY94	Planning DPG 94-99						Programming POM 94-99						Budgeting FY94-95						Enactment FY94						Exec FY94											

\* Commit/Obligate/Expend/Outlay



# Planning, Programming, and Budgeting System (PPBS) Planning/Programming Cycle (Odd Years)



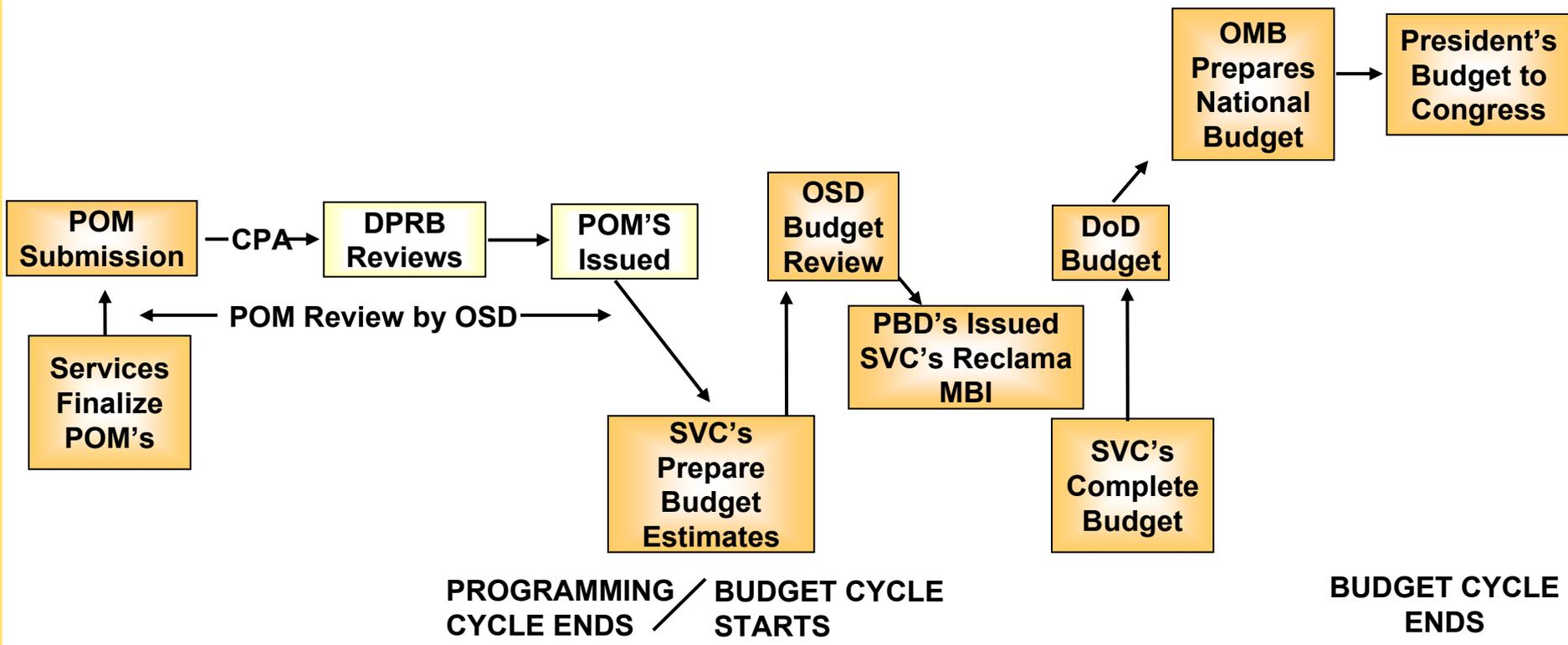
OSD: Office of the Secretary of Defense  
 CJCS: Chairman of the Joint Chiefs of Staff  
 NMSD: National Military Strategy Document  
 DPRB: Defense Planning & Resources Board  
 DPG: Defense Planning Guidance  
 POM: Program Objective Memorandum

Note: Execution review may adjust DPG and the second year of previously submitted two year budget.



# Planning, Programming and Budgeting System (PPBS) Program/Budget Cycle (Even Years)

*Apr*      *May*      *Jun*      *Jul*      *Sep*      *Oct*      *Nov*      *Dec*      *Jan*

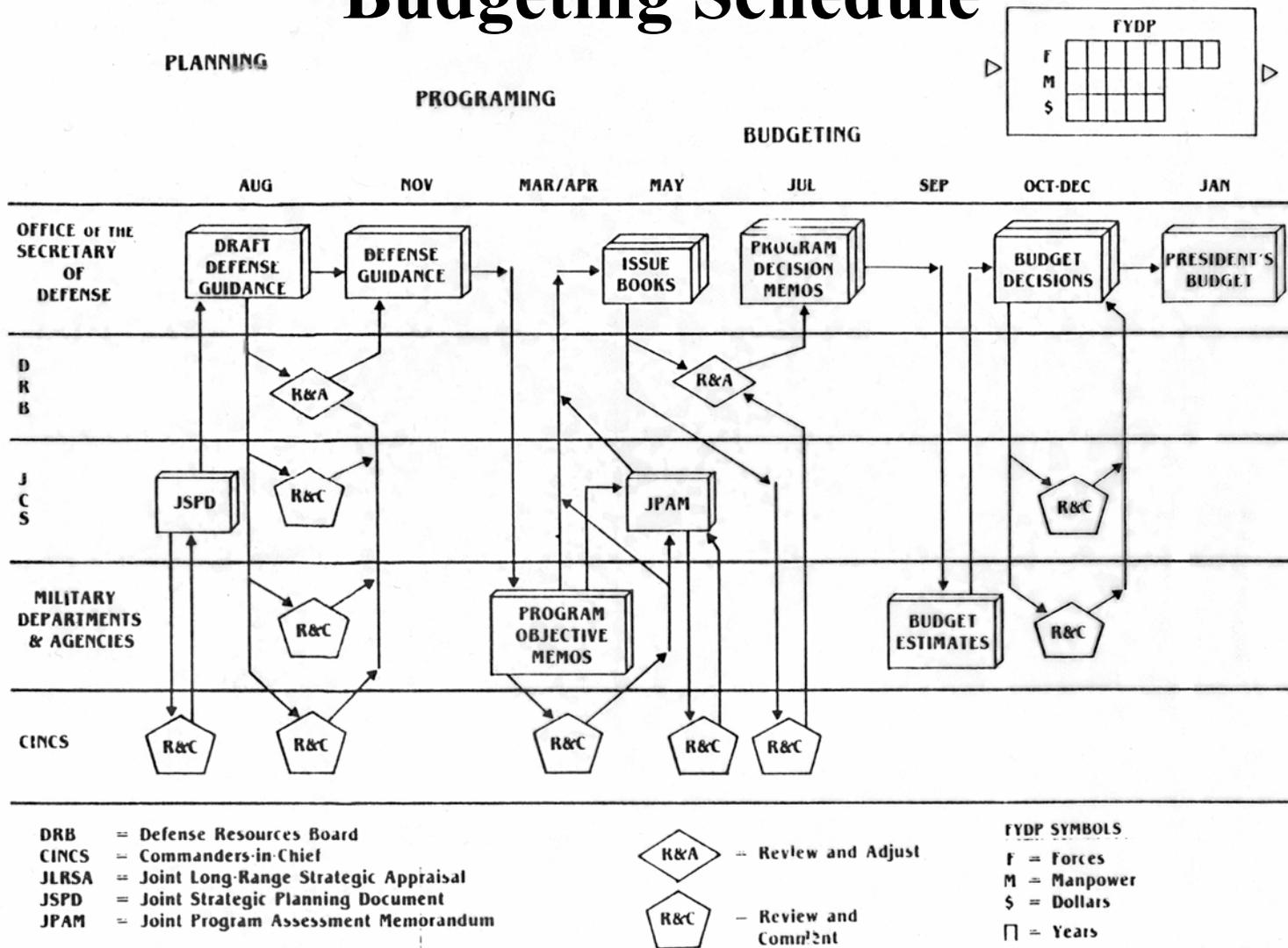


OSD: Office of the Secretary of Defense  
 POM: Program Objectives Memorandum  
 CPA: Chairman's Program Assessment

DPRB: Defense Planning and Resource Board  
 PDM: Program Decision Management  
 PBD: Program Budget Decision  
 OMB: Office of Management & Budget



# Figure 1. Planning, Programming, and Budgeting Schedule





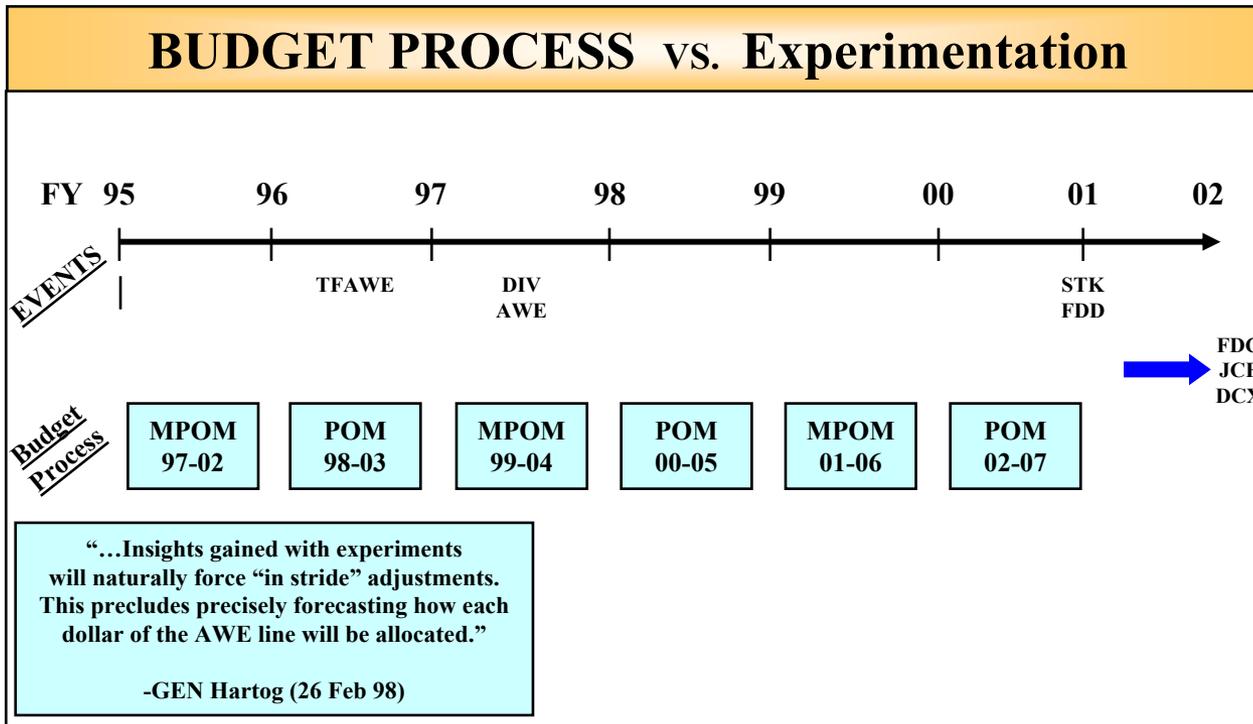
# Transition

## *Experiment to Acquisition*

- **Existing Programs**
  - Planned
  - Additional requirements
- **Evolving Programs**
  - Systems Integration
  - TOCs
  - CTSF



# The Dilemma



Processes to plan, manage and report on all funding do not reflect Army events and technology growth



# Evolution: Funding Support

	Unplanned/Unfunded →	Planned/Unfunded →	Planned/Funded →		
	FY96	FY97	FY98	FY99	FY00-Present
TOCs	Allocation	DA/Allocation	Supplemental	Funded	Funded
	<b>\$8.0M</b>	<b>\$17.7M</b>	<b>\$7.2M</b>	<b>\$32.0M</b>	
Ft. Hood/CTSF	Allocation	DA/Allocation	Supplemental	Funded	Funded
	<b>\$8.0M</b>	<b>\$9.0M</b>	<b>\$9.6M</b>	<b>\$8.1M</b>	
System Integration	ADO/SE&I	ADO/SE&I	Supplemental/ SE&I	ADO Distribution/ SE&I	Partially Funded
	<b>\$8.4M</b>	<b>\$10.0M</b>	<b>\$8.8M</b>	<b>\$8.0+M</b>	



# Answers?

- **Governmental Recognition/Acceptance of Change**
  - Unknown nature of future threats and pace of change – organization must *respond to change quickly*
    - Responsiveness of weapon system to changing threat
    - Shorten DoD preparation time for budgets
  - Cooperation among DoD elements



# Answers?

## ***Stakeholders must influence change***

- **Political – De-politicize long term program and budget decisions**
  - **Multi-year procurement**
  - **Enforce bi-annual budget**
  - **Maintain budget integrity**

***“Program turbulence is #1 obstacle to commercial investment in defense projects”***

**Norm Augustine**



# Answers?

## Government

- Work the System

*“DoD has been able to develop and acquire the best weapons and support systems in the world. DoD and contractor personnel accomplished this feat not because of the acquisition system, but in spite of it. And they did so at a price the nation can no longer afford to pay...”*

Former Secretary of Defense