



Cohen Outlines 1999 Update on Defense Reform, Releases "Partnering for Excellence" CD

In a press conference at the Pentagon today, Secretary of Defense William S. Cohen released a CD-ROM on progress in the Defense Reform Initiative, the ongoing program to apply key lessons from business and industry to make the Department of Defense and the military Services more efficient and productive. This CD-ROM, entitled Defense Reform: Partnering for Excellence, was produced by the Department of Defense to highlight the status of the reform initiative first unveiled in November 1997. It also features new initiatives undertaken in the past year and outlines future reform goals.

"The progress we have made in defense reform is a tribute to the thousands of men and women, military and civilian alike, who are committed to improving the efficiency and effectiveness of the Department of Defense," said Cohen.

Cohen noted that current reform efforts seek to coordinate and build on the four pillars of Defense Reform – elimination, reengineering, consolidation, and competition. The overall improvement program has expanded to now include reforms in acquisition, logistics, financial management, quality of life for DoD personnel, and new missions for the 21st century. Each of these elements is described in the CD. Cohen further stressed the continued commitment of the Department's senior leadership to follow through and institutionalize reform initiatives.

"This CD-ROM has been produced in the spirit of the new information age to communicate with the broadest audience. We need to inform, inspire, and educate all DoD employees throughout the world as well as our business partners, the Congress, and American citizens that we are serious about our goal of providing more efficient and effective support to the men and women in uniform," said Cohen. "Saving money through more modern, business-like operations is a key means of doing this," he added.

In addition to the disk, the information in this computer product is available on the Internet at the Defense Reform Web site at www.defenselink.mil/dodreform. Copies of the disk can be ordered from the comment page on the Web site.

DEFENSE REFORM

Government-wide Commercial Purchase Card

Description: The Government-wide Commercial Purchase Card is a commercial credit card issued to government employees for official purchases. Before DoD implemented the purchase card, buying supplies and services valued under \$2,500 [was] labor- and paper-intensive, often requiring numerous approvals. This inefficient process could take weeks, even months, before employees received their order. Further, with literally millions of purchase orders every year, which cost \$155 each, the old fashioned process was unnecessarily expensive. The Purchase Card substantially reduces these costs, while improving the responsiveness to the customer.

Status: Since FY 1997, the number of card transactions increased 47 percent, while the number of purchase orders issued decreased by 43 percent. Today, over 160,000 civilian employees and uniformed members use the card.

In FY 1998, the number of card contract actions (\$2,500 and below) increased from 72 to 86 percent.

Card use in the first quarter of FY 1999 is 25 percent higher compared to the same period last year.

Next Steps: Working with the two banks that support the Purchase Card, DoD plans to further streamline the purchasing process by providing program administrators, supervisors, and cardholders with "real time" access to their accounts from anywhere in the world. The electronic transmission and receipt

of data will eliminate manual data entry and the associated resources required.

By the summer of 1999, DoD will perform all Purchase Card program administration with banks via the World Wide Web.

By the fall of 1999, DoD will have an electronic interface with the banks supporting the card. This will allow accounting data associated with card use to flow automatically from the banks into DoD accounting systems. Currently, card accounting data from the bank is manually entered, via paper, into DoD's accounting systems.

Electronic Commerce

Description: The Department's business affairs are paper-intensive and therefore people-intensive, expensive, and slow. The DoD objective is to rapidly transition to Electronic Commerce (EC), which will reduce overhead costs and create a customer-friendly interface for private enterprises, including small businesses, that heretofore have found it difficult and expensive to do business with DoD. As technology evolves, all DoD organizations must integrate electronic commerce tools into [their] business and management practices.

This past year the Joint Electronic Commerce Program Office (JECPO) was established to develop a roadmap to facilitate this transition. JECPO's creation marked the Department's commitment to integrating EC technology into every facet of DoD business, using modern and widely accessible technology. JECPO has excelled in its efforts to establish a robust EC infrastructure, thereby allowing the promotion of Internet-based business tools. Its successes have been encouraging and are a testimony to the cooperation that organization has received from within the Department and from industry. Momentum has clearly been established.

Under JECPO's direction, the DoD Electronic-Mall (E-Mall) began with the expansion of the Defense Logistics Agency's E-Mall and now provides one-stop shopping from all DoD electronic and commercial catalogs.

A premier accomplishment of the JECPO is its support of DoD Paperless Contracting (PC). Under the

Defense Reform Initiative, all aspects of the contracting process for major weapons systems are scheduled to be paperless by the year 2000.

To facilitate electronic payment and eliminate redundancy in the process of industry registry, JECPO created the Central Contractor Registry (CCR). The CCR is a central database containing DoD industry partners' procurement and financial information.

JECPO plays an important role in another DRI success story: streamlining the contracting process through the Government-wide Commercial Purchase Card. DoD's goal is to have 90 percent of all DoD purchases under \$2,500 made via the purchase card.

DoD Electronic Mall (DoD E-Mall)

Description: The DoD E-Mall, which was initiated in January 1998, is an Internet-based system providing "one stop shopping" for the DoD warfighter to quickly and easily locate and order items from commercial electronic catalogs. This system eliminates the traditional labor-intensive process of identifying sources of supply and provides easy access to a wide range of information on commercial products. The E-Mall enables direct orders from industry using the Government Purchase Card and streamlines the procurement process. Multiple supply sources are available from a single search engine allowing consolidated ordering. The purchaser can now easily compare all ordering options and make a decision based on the best overall value.

Status: Currently there are 19 catalog vendors offering 300,000 electronic and hardware products, as well as two million products from Defense Logistics Agency. These include, for example, clothing and textile items from Defense Supply Center Philadelphia's catalog, and computer hardware and software from the Navy's direct electronic catalog.

From August 1998 to December 1998: Site hits increased from 35,000 to over 70,000, DoD E-Mall registrants increased from 243 to 635, ordering sessions increased from 3,800 to 7,500, and sales increased from \$14.3 million to \$19.6 million.

Next Steps: In March 1999, the Joint Electronic Program Office will publish a schedule for integrating existing service catalogs into the E-mall.

In April 1999: Customers will be able to order customized items from commercial manufacturers, tank-automotive and armaments commands will integrate their items in the E-mall, and the E-mall Web interface will request shipping addresses from current and potential users, enabling vendors to have regional pricing/delivery in their catalogs by the summer of 1999.

In June 1999: Twelve commercial catalogs will be added, expanding the range of items available in the E-Mall, E-mall users will be able to order items through the GSA Advantage Web Ordering System, and a pilot program for integrating Foreign Military Sales into the E-Mall will be established.

Prime Vendor Program

Description: Drawing on the innovation and experience of American industry, the Department has adopted an entirely new approach to the procurement of readily available items, such as pharmaceuticals and food products. In the past, DoD would buy huge stocks of medical supplies and stockpile items at individual hospitals, clinics, and government warehouses. These stockpiles wasted Department funds on storage and holding costs. Beginning in FY 1993, the Department began the Prime Vendor Program, which allows vendors to make direct deliveries to DoD customers. This program is cutting warehousing costs by virtually eliminating the need to maintain stocks. It also meets customer needs by quickly providing items that have discounted commercial prices.

The DRI expanded the Prime Vendor Program in November 1997 to facility maintenance activities. This allows installations to order maintenance, repair, and operations (MRO) supplies directly from integrated supply chain contractors. Examples of MRO items include general construction materials, hardware, paint, tools, and plumbing and electrical items.

Status: In June 1998, six months ahead of schedule, the Defense Logistics Agency (DLA) awarded the regional contracts that provided nationwide MRO contract coverage.

In November 1997, DLA identified 246 potential military installations for participation in the program

(those with facilities maintenance budgets in excess of \$500,000). To date, 53 installations are participating and an additional 35 installations will enter the program shortly.

Amount of sales by MRO Prime Vendors: FY 1997 – \$1.7 million; FY 1998 – \$18 million, a tenfold increase.

Next Steps: DLA will continue to aggressively market the Prime Vendor MRO program to increase the number of participating installations.

Paperless Contracting Process

Description: Today, paper is at the core of DoD's essential business systems and culture. The DRI embraces a goal of making all contracting (i.e., weapons systems, spare parts, and installation-level maintenance) paperless by the turn of the century, which means eliminating paper from all major phases of the DoD contracting process. This would include requirements processing, contractor selection, and almost every step of executing contract writing, administration, payment, accounting, auditing, reconciliation, and closeout.

Status: Progress is being measured in the major and most paper-intensive phases of the contracting process:

- Forms detailing Service/Item Contract Requirements
- Solicitations to Industries for Goods or Services
- Awards and Modifications to Contracts and Delivery Orders
- Invoices for Services/Goods Delivered, and Government Payments or "Checks"
- Final Review of Compliance for Contract Closeout

1st Quarter Goal

Requirements: FY 1997, 70 percent; FY 1998, 83 percent; FY 1999, 91 percent; FY 2000, 90 percent
Solicitations: FY 1997, 49 percent; FY 1998, 58 percent; FY 1999, 77 percent; FY 2000, 90 percent

Awards/Modifications: FY 1997, 21 percent; FY 1998, 47 percent; FY 1999, 69 percent; FY 2000, 90 percent

Receipt/Acceptances: FY 1997, 10 percent; FY 1998, 26 percent; FY 1999, 64 percent; FY 2000, 90 percent

Invoices/ Payments: FY 1997, 10 percent; FY 1998, 28 percent; FY 1999, 39 percent; FY 2000, 90 percent

Contract Closeout: FY 1997, 41 percent; FY 1998, 63 percent; FY 1999, 80 percent; FY 2000, 90 percent

Next Steps: In May 1999, provide additional security to paperless operations by installing public key encryption and digital-signature technology. This will protect sensitive information from unauthorized disclosure and ensure the confidentiality and integrity of electronic signatures.

In June 1999, make electronic documents available to private industry for incorporation into [their] contracting systems.

In August 1999, begin implementing Wide Area Workflow, a Web-based software application, which will allow the receipts/acceptances to be entirely processed electronically.

In August 1999, complete deployment of electronic document access for paperless contracts and modifications.

By December 1999, make available the majority of DoD solicitations via the DoD New Business Opportunities Web Page.

Competitive Sourcing Program (A-76 Program)

Description: Competition, the driving force in the American economy, forces organizations to improve quality, reduce costs, and focus on customers' needs. Competition offers these same benefits to DoD. Our forces require support in a number of areas: maintaining buildings, repairing equipment, and preparing checks. DoD employees perform many of these commercial activities. Often there is no reason why this work cannot be performed by the private sector. As a result, the Department is increasing the num-

ber of commercial functions performed by DoD employees for competition.

Background: From FY 1979 to FY 1996, functions involving nearly 90,000 positions were competed. As a result, of these competitions, the Department now saves \$1.5 billion a year. Competition has reduced annual operating costs of the functions involved by about 30 percent.

In November 1997, DoD announced a goal of competing functions involving 150,000 positions between FY 1997 through FY 03 under the A-76 process. DoD will exceed that objective. The FY 2000 budget now provides for the competition of nearly 229,000 positions between FY 1997 and FY 2005, resulting in cumulative savings of \$11.2 billion and steady savings of \$3.4 billion starting in FY 2005.

Status Since the Release of the DRI (Nov. 10, 1997):

In FY 1997, the number of positions competed under the A-76 process was just over 26,000.

In FY 1998, nearly 34,000 positions were competed, an increase of 31 percent from FY 1997.

In FY 1999, DoD plans to compete nearly 52,000 positions, an increase of 100 percent from FY 1997.

In FY 2000, DoD plans to compete over 53,000 positions, an increase of 104 percent from FY 1997.

In FY 2001, DoD plans to compete over 48,000 positions, an increase of 85 percent from FY 1997.

Central Contractor Registration

Description: The Central Contractor Registration (CCR) allows vendors to register once with DoD simply by accessing an Internet-based registry. Previously, a vendor who wanted to do business across the Department had to submit mailing list applications to as many as 800 different contracting offices. The CCR now affords vendors a single point of registry that gives them visibility across all relevant offices. By reducing time and labor costs, the CCR also makes it easier for small companies to do business with DoD, which encourages competition and lowers prices.

Status: Processing of registrations has been cut from 30 days to 48 hours or less.

The number of companies registered to do business with DoD increased from 20,000 in November 1997 to over 135,000 in February 1999.

DoD currently pays 90 percent of DoD contract vendors payments by Electronic Funds Transfer (EFT) using CCR data.

Next Steps: During FY 1999, the CCR will expand to allow DoD users and other government agencies access to the CCR database. As a result, they will be able to query the database for specific industry and vendor data.

During FY 1999, CCR will become interoperable with DoD's major contracting systems, allowing DoD users to get past performance data on CCR registrants.

Taking Advantage of Cyberspace

Description: Information technology (IT) affects almost every aspect of the Department of Defense, from tactical units to the supply lines that support them. It is critical to our ability to collect, process, and disseminate a steady flow of information, which gives the United States an advantage over its adversaries. It also provides faster and more effective logistics, personnel, finance, health, and business processes. The Department realizes that its reliance on information technology, however, constitutes an attractive target for America's adversaries. In response, the Department is moving aggressively to protect its information infrastructure and ensure the continuous availability, integrity, authentication, confidentiality, and non-repudiation of its information.

Status: In January 1998, DoD established the Defense-wide Information Assurance Program (DIAP), which provides a common management framework and central oversight to protect the Defense Information Infrastructure.

DoD has taken several measures to assess the Department's information-security vulnerabilities and to identify and protect against cyberattacks. These include:

In June 1998, creation of a Computer Forensics Lab to support and train the Military Departments in identifying and analyzing cyberattacks.

In September 1998, issuance of new guidelines for posting information on DoD Web sites to ensure that such information does not present security risks.

In December 1998, creation of a Joint Task Force on Computer Network Defense (JTF CND) to monitor DoD computer networks and react quickly to indications of unauthorized penetration of DoD systems. The JTF CND should be fully operational by July 1999.

In March 1999, creation of a Joint Web Risk Assessment Cell, led by the Defense Information and Systems Agency, and comprised of reservists that will conduct security and threat assessments of DoD components' Web sites.

OSD Personnel Downsizing

Description: The DRI commits the secretary to reduce the Office of the Secretary of Defense staff from 3,000 to 2,000 by the end of FY 1999. The baseline for reduction is FY 1996 and includes direct staff elements of OSD, as well as Defense Support Activities personnel that effectively work for the OSD but traditionally have been attributed to other elements of the Department.

Status Since the Release of the DRI (Nov. 10, 1997):

With more than seven months remaining before the end of FY 1999, 93 percent of the total reduction has been completed. Of the 922 reductions accomplished to date, 566 were transfers and 356 were outright eliminations. A career transition assistance office was established in February 1998 to provide OSD personnel with counseling and other help in locating and securing job opportunities elsewhere in government as well as in the private sector. As a result, involuntary Reduction-in-Force (RIF) separations have been avoided. On average, more than 100 people use the office's resources each month. To date, 38 people were directly placed in jobs outside of OSD.

Next Steps: OSD is on-track to complete the remaining 82 reductions (13 transfers and 69 eliminations) by the end of FY 1999.

Editor's Note: This information is in the public domain at www.defenselink.mil/news on the World Wide Web.