

# Defense Acquisition Policy — A More Flexible Management Approach

## An Insider's Review of the Major Policy and Procedures Revisions to the New 5000 Series Documents

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Defense systems acquisition policies and procedures are provided in DoD Directive 5000.1, *Defense Acquisition*, and DoD Regulation 5000.2-R, *Mandatory Procedures for Major Defense Acquisition Programs (MDAP) and Major Automated Information System (MAIS) Acquisition Programs*. Issued on March 15, 1996, these two documents replaced the former 5000 series last issued in February 1991, with Change 1 in early 1993. As structured, these documents are a major departure in purpose, format, content, and scope from their predecessors. In general they provide less detailed guidance than the previous versions. This article summarizes their major features.

### 5000 Series — From 1991 to 1996

The DoDD 5000.1 provides guiding principles for all defense acquisition programs, from bayonets to satellites. Likewise, DoD 5000.2-R specifies mandatory policies and procedures for Major Defense Acquisition Programs, Major Automated Information System acquisition programs, and a few selected mandatory procedures for

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Figure 1. 5000 Series - 1996 vs. 1991

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3 documents: DoDD 5000.1, DoDI 5000.2, & DoD 5000.2-M (almost 900 pages)	2 documents: DoDD 5000.1 & DoD 5000.2-R (about 140 pages), with automated deskbook
Hard to distinguish mandatory from discretionary guidelines; discouraged tailoring	Separates mandatory (5000.1 and 5000.2-R) from discretionary; promotes tailoring
Applied to major and non-major defense acquisition programs; did not apply to Automated Information Systems	Applies to major defense acquisition programs & major automated information systems acquisition programs
Mandatory formats for 21 major documents & 7 major annexes to Integrated Program Summary	Mandatory formats for Acquisition Program Base line, Operational Requirements Document, Test and Evaluation Master Plan, Defense Acquisition Executive Summary, Selected Acquisition Report, & Major Automated Information Systems Quarterly Report
50 figures/charts & 36 pages of tables for documents, reports, and certifications	1 figure (Integrated Test Program Schedule); no other charts or tables
Stand-alone milestone documents; many with same information	Information may be combined into a single document for milestone reviews
Oversight & Review along 6-month timeline prior to milestone	Oversight & Review based on continuous Integrated Product and Process Development/ Integrated Product Team approach
Five phases & five major milestones; appeared to be a lock-step process	Four phases & four major milestones; requires tailoring; no one size fits all

non-major defense acquisition programs. A Defense Acquisition Deskbook<sup>1</sup> has been established as an automated system to provide information that program offices can turn to for assistance in implementing both DoDD 5000.1 and DoD 5000.2-R. Figure 1 shows the most significant dif-

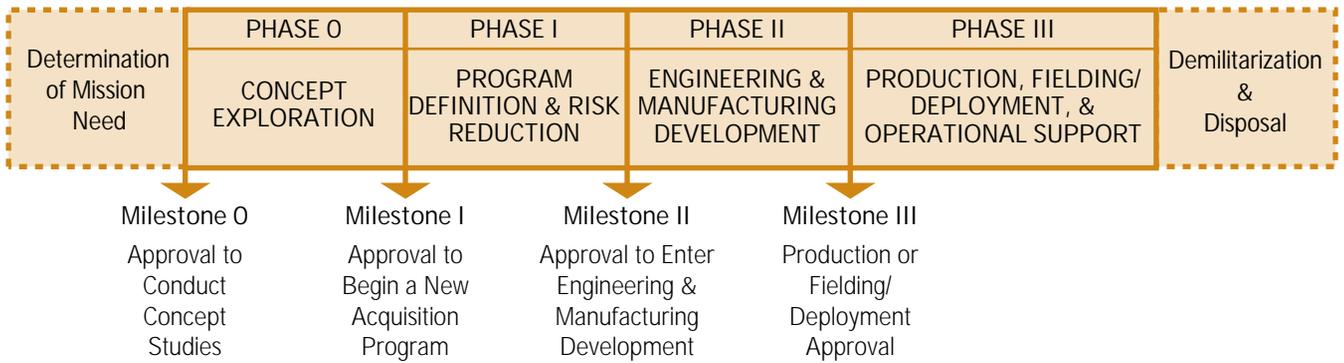
ferences between these new/ revised 1996 versions and the previous 1991 editions.

### Phases and Milestones.

The revised 5000 series still provides a general model with milestones and phases (see Figure 2), but with *funda-*

**Author's Note:** In early 1991 my article in the *Program Manager Magazine* summarized what was then a major revision to the "5000 series" policy and procedures, "A Disciplined Management Approach." This article is intended to be a similar review of the 1996 version of the 5000 series documents.

Figure 2. Defense Acquisition Phases and Milestones



mental mandatory guidance to tailor this model to fit each acquisition program, consistent with technical risk, design maturity, and sound business practices. The goal is to provide the warfighter with solutions for valid mission needs in the shortest possible time.

Milestone I is still the decision point for initiation of a new defense acquisition program. The name of Phase I has changed from Demonstration and Validation to Program Definition and Risk Reduction. This change provides focus on the key activities of the phase. In 1991, Phase III was divided into two

phases: Production and Deployment, Major Defense Acquisition Programs, and Operations and Support. Combining these phases simply recognizes that support for new systems must start immediately upon fielding.

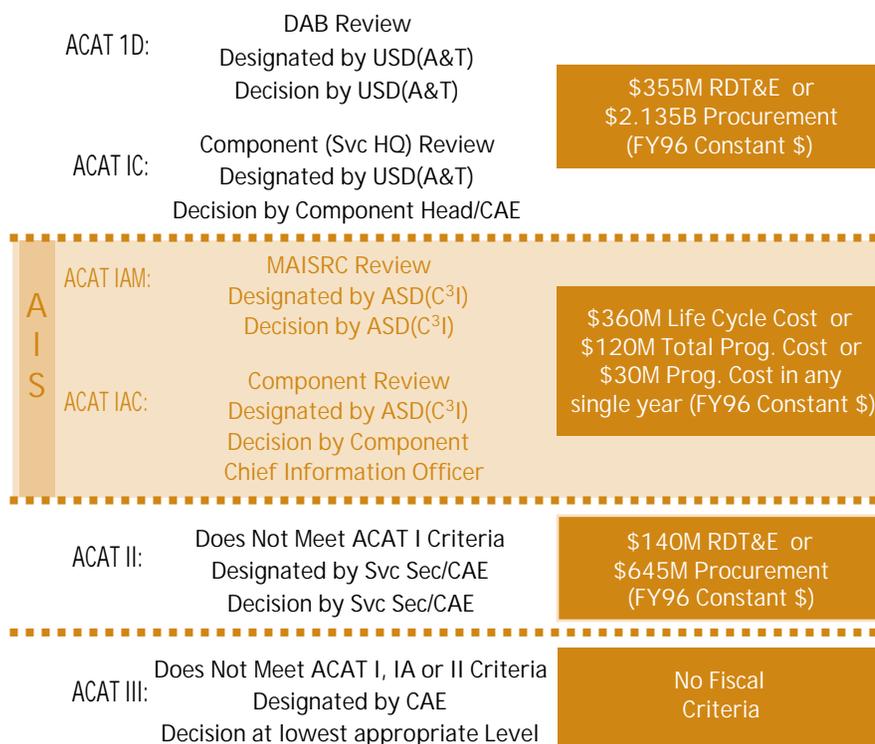
The 1991 policy recognized that a Low Rate Initial Production milestone could occur prior to Milestone III for some programs. This has not changed; however, for Major Defense Acquisition Programs, now only one production decision will be conducted at the Defense Acquisition Board level: low-rate or full-rate. The program manager tailors activities during each phase to

reduce cost, schedule, and performance risk, and deliver a weapon system to meet the warfighter's requirement. The new DoD 5000.2-R also recognizes that there are demilitarization or disposal requirements at the end of a system's useful life.

### Acquisition Categories (ACAT)

Figure 3 depicts the criteria by which defense acquisition programs are categorized. All ACAT designations indicate the level of the Milestone Decision Authority. The Under Secretary of Defense (Acquisition & Technology), as the Defense Acquisition Executive; the Assistant Secretary of Defense (Command, Control, Communications & Intelligence [C<sup>3</sup>I]), as the DoD Chief Information Officer; Component Acquisition Executives;<sup>2</sup> Component Chief Information Officers; Program Executive Officers; and commanders of acquisition commands, are Milestone Decision Authorities.

Figure 3. Acquisition Categories



A new category, ACAT IA programs, are Major Automated Information System that require a milestone review by the Major Automated Information Systems Review Council (ACAT IAM), or by the Component Acquisition Executive. Non-major defense acquisition programs are classified as ACATs II and III. The ACAT IV category has been eliminated. Policies and procedures for ACAT II<sup>3</sup> and III programs are determined by the Milestone Decision Authority, if not already specified by the Component Acquisition Executive.

## Streamlined Chain of Authority And Accountability

The programmatic chain of authority and accountability for ACAT I and ACAT IA programs extends from the Component Acquisition Executive, through a Program Executive Officer to the individual program managers. Program managers may report directly to the Component Acquisition Executive, without being assigned to a Program Executive Officer, if the Component Head determines such a special reporting relationship is necessary. All matters pertaining to cost, schedule, and performance should flow through this streamlined chain. For ACAT ID and IA programs, there can only be two levels of review between the Under Secretary of Defense (Acquisition & Technology) or the Assistant Secretary of Defense (Command, Control, Communications & Intelligence [C<sup>3</sup>I]), normally the Program Executive Officer and Component Acquisition Executive.

A similar streamlined structure must be established by Components for managing ACAT IC, IAC, II, and III programs. The Component Acquisition Executives also have the option to place ACAT II and III programs under the Program Executive Officer structure. Regardless of ACAT, no more than two levels of review may exist between program managers and their Milestone Decision Authority.

## DoD Integrated Management Framework

Policies in the new DoDD 5000.1 continue to forge an interface between the Requirements Generation System; the Acquisition Management System; and the Planning, Programming and Budgeting System. These three major decision support systems must interface effectively for the systems management process to work.

## Management Principles Applicable to All Programs

The DoD Directive 5000.1 provides policies and principles that apply to all

defense acquisition programs. Divided into three major categories, the following paragraphs summarize each category and its components:

### Translating Operational Needs Into Stable, Affordable Programs

- Integrated Product and Process Development
- Program Stability
- Risk Assessment and Management
- Total Systems Approach
- Cost as an Independent Variable (CAIV)
- Program Objectives and Thresholds
- Non-traditional Acquisitions
- Performance Specifications

### Acquiring Quality Products

- Event-oriented Management
- Hierarchy of Materiel Alternatives
- Continuous Communications with the User
- Competition
- Test and Evaluation
- Modeling and Simulation
- Independent Staff Assessments
- Innovative Practices
- Continuous Improvements
- Legality of Weapons Under International Law
- Software Intensive Systems
- Environmental Management

### Organizing for Efficiency and Effectiveness

- Streamlined Organizations
- Acquisition Corps
- Teamwork
- Limited Reporting Requirements
- Automated Acquisition Information
- Management Control

### Mandatory Procedures for ACAT I and ACAT IA Programs

The DoD 5000.2-R provides detailed procedures necessary to implement the policies of DoDD 5000.1 as they pertain to ACAT I and IA programs, and serves as a general model for other ACATs. It also provides detailed procedures for each of the following Acquisition Management Areas (the procedures for each of these areas may be tailored by Milestone Decision Authorities, consistent with statutory requirements):

- **Part 1**, Acquisition Management Process
- **Part 2**, Program Definition
- **Part 3**, Program Structure
- **Part 4**, Program Design
- **Part 5**, Program Assessments and Decision Reviews
- **Part 6**, Periodic Reporting

The DoD 5000.2-R also has six appendices. These appendices provide procedures and mandatory formats for the Acquisition Program Baseline, Test and Evaluation Master Plan, Operational Requirements Document, Live Fire Test and Evaluation Reports, Major Automated Information Systems Quarterly Report, Cost/Schedule Control Systems Criteria, and a Glossary.<sup>4</sup> Appendix 1 refers to the Consolidated Acquisition Reporting Systems for generating the Acquisition Program Baseline, Defense Acquisition Executive Summary, Unit Cost Reporting, and the Selected Acquisition Report.

### The User's Requirement

The DoD 5000.2-R continues to provide for the two basic requirements documents: a Mission Need Statement due at Milestone 0, and an Operational Requirements Document prepared during Phase 0 and due at Milestone I. However, the format for the Mission Need Statement is no longer in the 5000 series, and should appear in the next revision of the Chairman, Joint Chiefs of Staff Memorandum of Policy No. 77.

A Mission Need Statement is required for all potential materiel acquisition programs. Chiefs of the Military Services, Heads of Defense Agencies, and Commanders in Chief of Unified Commands validate and approve their own Mission Need Statements for potential ACAT II and III programs. The Joint Requirements Oversight Council, chaired by the Vice Chairman of the Joint Chiefs of Staff, is the Mission Need Statement validation and approval authority for potential ACAT I programs. For ACAT IA programs, the Office of the Secretary of Defense Principal Staff Assistant<sup>5</sup> or the Joint

Requirements Oversight Council may be the validation authority

The Operational Requirements Document is usually validated and approved by the same operational validation authority that reviewed the Mission Need Statement. However, the Joint Requirements Oversight Council normally delegates Operational Requirements Document validation and approval for ACAT I and IA programs to the Service Chiefs. Normally, Operational Requirements Documents are first submitted to the operational validation authority at Milestone I, and updated for each subsequent milestone. The Operational Requirements Document is used to update the program baseline and develop performance specifications for the contract during each acquisition phase. All Operational Requirements Document key performance parameters are validated by the operational validation authority and included in the Acquisition Program Baseline starting at Milestone I. The mandatory format for the Operational Requirements Document has not changed significantly from the previous 5000 series.

### Acquisition Strategy Approval.

The initial acquisition strategy for the program is developed during the Concept Exploration phase, approved by the Milestone Decision Authority at Milestone I, and updated for subsequent milestones. The acquisition strategy, prepared by the program manager and approved by the Milestone Decision Authority, includes the critical events that govern the management of the program. An acquisition

strategy is also a “core management issue” (discussed later) applicable to all programs. The DoD 5000.2-R specifies the content of an acquisition strategy for ACAT I and IA programs.

### Acquisition Strategy Elements (DoD 5000.2-R)

- Prospective Sources of Supplies and Services
- Contracting Approach
- Management Approach
- Cost, Schedule, and Performance Risk Management
- CAIV Objectives
- Environmental, Safety, and Health Considerations
- Source of Support
- Warranties

There is no standard format for the acquisition strategy. Each program manager will address the acquisition strategy elements in a document of their own design. The release of the formal Request for Proposal for ACAT I and IA programs is linked to the approval of the acquisition strategy starting at Milestone I. For Milestones II and III, the program manager may forward the acquisition strategy to the Milestone Decision Authority for review in advance of the milestone, so that the Request for Proposal can be released, and source selection and/or negotiations completed prior to the milestone.

### Request for Proposal Release

- **Milestone 0:** No restrictions.
- **Milestone I:** Program Definition and Risk Reduction Phase Request for Proposal may not be released until after Milestone I decision.

- **Milestones II and III:** Engineering and Manufacturing Development and Production Requests for Proposal may not be released until after approval of the acquisition strategy.

### Program Review and Oversight

The executive summary signed by the Under Secretary of Defense (Acquisition and Technology); the Assistant Secretary of Defense (Acquisition and Technology); the Assistant Secretary of Defense (Command, Control, Communications & Intelligence [C<sup>3</sup>I]); and Director, Operational Test and Evaluation, that accompanies DoDD 5000.1 and DoD 5000.2-R provides *core management issues that must be addressed at appropriate milestones for every acquisition program.*

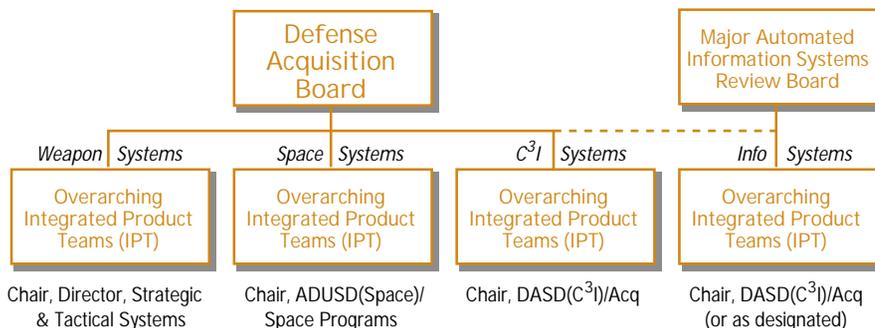
### Core Management Issues

- Why is the program needed?
- Has the need been validated?
- What specific capabilities are necessary?
- When do the specific capabilities need to be introduced to the field or fleet?
- How much will the program cost?
- Is the program affordable and fully funded?
- Have alternative solutions been reviewed, and why was this solution selected?
- What is the acquisition strategy to develop and/or produce the needed capability?
- Has the program’s risk been assessed?
- Has a program baseline been developed?
- Is the system or item producible?
- Can it be supported?
- Has the stability of the design and the operational capability of the system been verified?
- Has the system been determined to be operationally effective and suitable?

### The Milestone Review Process

Programs are subject to review by the Milestone Decision Authority’s staff prior to a milestone decision. Each ACAT ID and IA program is monitored by an Overarching Integrated

Figure 4. Overarching Integrated Product Teams (OIPT)



Product Team (Figure 4) that reviews the status of each assigned program periodically throughout the life cycle, and conducts a formal meeting prior to a Defense Acquisition Board or Major Automated Information Systems Review Council review. An Overarching Integrated Product Team for Defense Acquisition Board and Major Automated Information Systems Review Council programs will be established as soon as it is determined that a new program is to be initiated.

The Overarching Integrated Product Team will determine the extent of Working Level Integrated Product Team support required for the potential program, the appropriate milestone for program initiation, and the information needed for the next milestone review. The Components determine the extent of Integrated Product Team support required to facilitate non-Defense Acquisition Board and non-Major Automated Information Systems Review Council acquisition programs (ACATs IC, IAC, II, and III) through each milestone.

### Preparing for a Milestone Review

The steps a program passes through at each milestone are major events in a program's life cycle. Typical milestones and phases were previously shown in Figure 2. The ACAT of the program determines the level of the Milestone Decision Authority, and each Milestone Decision Authority establishes appropriate procedures for ensuring programs are ready to proceed past each major milestone. Figure 5 is an abbreviated illustration of this process for each acquisition category.

For ACAT ID and IAM programs, the Overarching Integrated Product Team will meet in formal session about two weeks prior to a Defense Acquisition Board or Major Automated Information Systems Review Council review to determine if the program is ready to go forward for a decision, and what (if any) issues should be referred to the Defense Acquisition Board or Major Automated Information Systems

Review Council for resolution. The Overarching Integrated Product Team leader provides an assessment of the program's status to the Under Secretary of Defense (Acquisition & Technology)/Assistant Secretary of Defense (Command, Control, Communications, & Intelligence [C<sup>3</sup>I]) at major decision points.

There should be no surprises as members of the Overarching Integrated Product Team will have been coordinating with or participating in Working Level Integrated Product Teams, and addressing issues throughout the previous phase. For ACAT ID programs, the Under Secretary of Defense (Acquisition & Technology) will be pre-briefed at a Defense Acquisition Board Readiness Meeting. If there are no outstanding issues, a formal Defense Acquisition Board review may not be required. This is referred to as a "paper Defense Acquisition Board," where the draft Acquisition Decision Memorandum and supporting information is provided to Defense Acquisition Board principals for concurrence, then to the Under Secretary of Defense (Acquisition & Technology) for approval and signature.

### Acquisition Program Information

Information required to support a milestone decision is determined through the Integrated Product Team process, and approved by the Milestone Decision Authority. There is no standard set of documents, reports, or other information, except for those required by law and regulation. Even then, many of these may be tailored or streamlined. Additionally, Milestone Decision Authorities may have some unique information or documentation requirements based on component-unique management considerations, such as some annexes to the Operational Requirements Document required by the Army and the Air Force.

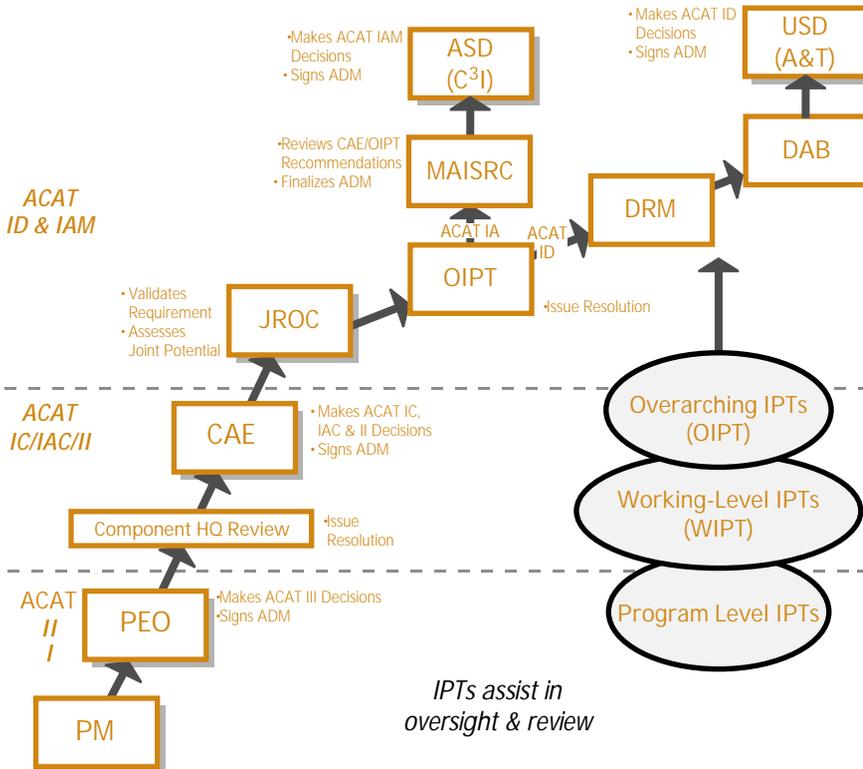
The concept of "tailoring in" is used to minimize and streamline required information. With the exception of formats for the Operational Requirements Document, Test and Evaluation Master

Plan, and Acquisition Program Baseline in DoD 5000.2-R, formats are optional. The mandatory elements for an ACAT I or IA program acquisition strategy are listed in DoD 5000.2-R. The Acquisition Deskbook provides suggested formats for some documents and reports. Program managers are not required to submit mandatory information as stand-alone documents and may combine required information into a single document if they so desire.

With the exception of program plans requiring approval at the Office of the Secretary of Defense level by statute (e.g., the Test and Evaluation Master Plan for some programs), plans are working-level documents, and are not required to be submitted for staff review or approval. Information required for each program may vary considerably depending on the ACAT, consensus reached through the Integrated Product Team process, and desires of the Milestone Decision Authority. Unlike the previous 5000 series, no tables or charts are included to use as a ready reference for required milestone information or documentation. The Deskbook may provide some of this information, or the reader may refer to course material from the Defense Systems Management College or implementing instructions from the Components.

Although DoD 5000.2-R generally applies only to Major Defense Acquisition Programs and Major Automated Information Systems, other information elements and requirements also extend to ACAT II and III programs. For example, all acquisition programs must have an acquisition program baseline. Programs categorized as ACAT II are major systems that may be subject to live fire test and evaluation. Likewise, ACAT II or ACAT III programs may be designated Office of the Secretary of Defense Test and Evaluation Oversight programs, subject to the same oversight that ACAT I programs receive. The DoD 5000.2-R requires the acquisition strategy for ACAT I or IA programs to have CAIV objectives and a risk assessment. Fur-

Figure 5. Milestone Review Process (Illustrative)



ther, DoDD 5000.1 requires all programs to establish CAIV objectives and assess risks. The Core Management Issues in the executive summary include the requirement for an acquisition strategy for all programs. Milestone Decision Authorities may require whatever information they need to support these Core Management Issues.

### Conclusion

This article's focus has been primarily on top-level policies and procedures, and the oversight and review process. Policies and procedures for non-major acquisition programs are mentioned here only when they can be referenced to the new 5000 series, or another current and authoritative reference. The Components will publish implementing instructions, and must decide on mandatory procedures for ACAT II and III programs.

Although the recent acquisition reform initiatives have provided the program manager much needed flexibility, this is still a complex system driven by a variety of special interests: Members of Congress, the White House, the politi-

cal and military leadership in the Pentagon, the acquisition commands, and the fighting forces. By intentionally changing the focus of the 5000 series from all acquisition categories, to primarily major programs, the Components have been empowered to decide how to manage the non-major acquisition programs. However, DoD 5000.2-R prohibits the Milestone Decision Authority/Component Acquisition Executive from placing more stringent or additional mandatory requirements on their non-major programs.

### ENDNOTES

1. The Defense Acquisition Deskbook is an automated repository of information consisting of a Desk Reference Set, a Tool Catalog, and a Forum for the exchange of information. The Reference Set will contain both mandatory guidance (i.e., DoDD 5000.1 and DoD 5000.2-R), and discretionary information. The Deskbook will be released in CD-ROM format in May/June, 1996.
2. Component as used here refers to Military Departments and Defense Agencies with acquisition responsibilities. Military Department Acquisition

Executives are also referred to as Service Acquisition Executives or SAEs. Automated Information Systems decisions may be made by the Component Acquisition Executive, or delegated to a Component Chief Information Officer. One unified command, the Special Operations Command, has an Acquisition Executive.

3. ACAT II category does not apply to Automated Information Systems.

4. The format for the Acquisition Program Baseline and the Glossary were not ready for the 15 March versions and will be published with Change 1.

5. Principal Staff Assistants represent the user community in the functional area under their direction on acquisition and requirements matters for Automated Information Systems. Office of the Secretary of Defense Principal Staff Assistants are the Under and Assistant Secretaries of Defense; Director of Defense Research and Engineering; Director, Operational Test and Evaluation; General Counsel of DoD; the DoD Inspector General; the Assistants to the Secretary of Defense; and Office of the Secretary of Defense directors or equivalents who report directly to the Secretary or Deputy Secretary of Defense (DoDD 5000.1, par C.9.).

### REFERENCES

1. DoD Directive 5000.1, *Defense Acquisition*, March 15, 1996.
2. DoD Regulation 5000.2-R, *Mandatory Procedures for Major Defense Acquisition Programs (MDAP) and Major Automated Information Systems (MAIS) Acquisition Programs*, March 15, 1996.
3. *Rules of the Road, A Guide for Leading Successful Integrated Product Teams*, November 1995, Office of the Under Secretary of Defense (Acquisition & Technology)/API and Assistant Secretary of Defense, Command, Control, Communications & Intelligence (C<sup>3</sup>I).
4. Office of Management and Budget Circular A-109, *Major Systems Acquisition*, April 5, 1976.
5. Chairman, Joint Chiefs of Staff Memorandum of Policy No. 77, *Requirements Generation System Policies and Procedures*, September 17, 1992.