Audit Report

OFFICE OF THE INSPECTOR GENERAL

ACQUISITION MANAGEMENT STAFFING AT THE BALLISTIC MISSILE DEFENSE ORGANIZATION

Report No. 96-056 January 5, 1996

Department of Defense

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Acronyms

BMC^3	Battle Management, Command, Control, and Communications
BMDO	Ballistic Missile Defense Organization
DAWIA	Defense Acquisition Workforce Improvement Act
GAO	General Accounting Office
NMD	National Missile Defense
TMD	Theater Missile Defense

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

January 5, 1996

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION REFORM)
DIRECTOR, BALLISTIC MISSILE DEFENSE
ORGANIZATION

SUBJECT: Audit Report on Acquisition Management Staffing at the Ballistic Missile Defense Organization (Report No. 96-056)

We are providing this audit report for review and comment. This report is the third and final report on our audit of the procurement system and the role of support services contractors at the Ballistic Missile Defense Organization. We conducted the audit in response to a request from the Secretary of Defense. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. As a result of management comments, we revised some wording in Finding A. We request that the Director, Ballistic Missile Defense Organization, provide additional comments on the related unresolved recommendation, A.1.a., by March 5, 1996.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Garold E. Stephenson, Audit Program Director, at (703) 604-9332 (DSN 664-9332) or Mr. Henry F. Kleinknecht, Audit Project Manager, at (703) 604-9324 (DSN 664-9324). See Appendix K for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 96-056 **January 5, 1996**
(Project No. 2CH-5031.02)

Acquisition Management Staffing at the Ballistic Missile Defense Organization

Executive Summary

Introduction. This report is the third and final report on an audit that the Secretary of Defense requested of the procurement system and the role of support services contractors at the Ballistic Missile Defense Organization (BMDO). BMDO manages the ballistic missile defense program, which cost about $34.3 billion from FYs 1985 through 1995. Future program costs are estimated at about $19.4 billion for FYs 1996 through 2001. From FYs 1991 through 1995, BMDO spent about $713 million on support services contractors to help manage the program. The amount BMDO spent on support services has decreased over the past few years from $231 million in FY 1992 to $91 million in FY 1995.

Audit Objectives. The overall audit objective was to evaluate the effectiveness of the procurement system and the role of support services contractors at BMDO. Specific objectives dealt with in this report were to:

o determine whether the tenure of BMDO personnel serving as division heads in critical acquisition positions was sufficient to provide the stability necessary to effectively carry out the duties of the positions and to allow for the establishment of responsibility and accountability for actions taken in the positions and

o review the role of support services contractors.

We also reviewed the BMDO management control program as applicable to the specific audit objectives. Inspector General, DoD, Report No. 95-062, "Small Business Administration Section 8(a) Support Services Contracts at the Ballistic Missile Defense Organization," December 30, 1994, discusses Section 8(a) contracts awarded by BMDO and contains an evaluation of anonymous allegations of fraud, waste, and abuse on the contracts. Inspector General, DoD, Report No. 94-077, "'Super' Scientific, Engineering, and Technical Assistance Contracts at the Ballistic Missile Defense Organization," April 8, 1994, covers cost-effectiveness of contractor support and contract management problems.

Audit Results. We identified problems relating to tenure of BMDO division heads in critical acquisition positions and appropriate use of support services contractors.

o Tenure (the length of time a position is held) of BMDO division heads in critical acquisition positions generally was significantly shorter than necessary to effectively manage the acquisition process. The median tenure was 1.3 years for 25 current division heads in critical acquisition positions, as well as for 38 former employees in those positions. As a result of not being assigned for sufficient time, BMDO division heads in critical acquisition positions were unable to provide the stability necessary to effectively carry out the duties of the position. Also, the tenure was too short to allow for the establishment of responsibility and accountability for actions taken in the position (Finding A).

o Although BMDO has significantly reduced its dependence on support services contractors over the past few years, support services contractors were still used to draft material that could potentially be used in congressional testimony and responses to congressional correspondence. In addition, BMDO lacked a sufficient number of trained and experienced staff to retain the technical capability to prescribe, monitor, and evaluate the work of support services contractors. As a result, the potential increased for an appearance of private influence with respect to documents prepared for Congress and the risk increased of support services contractors performing inherently governmental functions (Finding B).

The management controls were adequate as they applied to the audit objectives. Recommendations in this report, if implemented, will improve tenure of BMDO division heads in critical acquisition positions and provide better controls over work performed by support services contractors. See Appendix I for a summary of the potential benefits resulting from the audit.

Summary of Recommendations. We recommend that BMDO increase the proportion of career civilian employees to increase tenure and that BMDO properly classify and staff critical acquisition positions. We recommend that the Director, Acquisition Education Training and Career Development, determine what actions can be taken to improve the tenure of military personnel at BMDO. We also recommend that BMDO revise policy relating to support services contractors and review the performance of staff who task support services contractors to prepare material for Congress.

Management Comments. BMDO concurred with recommendations to establish a top-management position as a nonlimited term position, to properly classify critical acquisition positions and obtain waivers for personnel that staff positions without appropriate qualification, and to revise and reissue policy on the use of support services contractors. BMDO nonconcurred with the recommendation to request the conversion of military to civilian positions as part of the budget process because the statute requiring the Secretary of Defense to increase the proportion of civilian to military personnel serving in critical acquisition positions applied to DoD as a whole and not BMDO in specific. BMDO also disagreed that the 1.3 year median tenure for current and former division heads in critical acquisition positions represented a problem unless a statutory or regulatory requirement existed for longer tenure. The Director, Acquisition Education Training and Career Development, concurred with the recommendation and agreed to initiate a review of tenure for military personnel in critical acquisition positions. See Part I for a summary of management comments on the recommendations, Appendix G in Part II for a summary of management comments on the findings and appendixes, and Part III for the full text of management comments.

Audit Response. The comments generally show a positive attitude for dealing with difficult management issues. However, we disagree with BMDO that the statutory requirement for the Secretary of Defense to increase the proportion of civilians to military in critical acquisition positions does not apply to BMDO. We also disagree with BMDO that the median tenure of 1.3 years for current and former division heads in critical acquisition positions does not represent a significant problem unless a statutory or regulatory requirement exists for longer tenure. We request that BMDO reconsider its position on Recommendation A.1.a. and provide additional comments on the final report by March 5, 1996.

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Part I - Audit Results

Audit Background

This report is the third and final report on an audit requested by the Secretary of Defense to evaluate the effectiveness of the procurement system and the role of support services contractors at the Ballistic Missile Defense Organization (BMDO).

BMDO Program Management Approach. BMDO is responsible for providing an affordable and sustainable ballistic missile defense capability to the warfighter. BMDO provides central ballistic missile defense management, defines the system architecture and design, integrates requirements and technology, develops budgets and allocates resources, ensures integration with other United States and international defense capabilities, ensures that systems are interoperable, and coordinates theater missile defense with national missile defense. In response to BMDO top level guidance and direction, and in consonance with Defense policy and guidance, the Services (the Army, the Navy, the Air Force, and the Marine Corps) are responsible for program execution. The Services manage specific programs that are integrated by BMDO to satisfy user requirements.

Ballistic Missile Defense Program Objectives. The ballistic missile defense program is focused on three objectives.

Theater Missile Defense. The development and deployment of theater missile defense is assigned the highest priority to meet the immediate and growing threat from shorter range theater ballistic missiles. The program is structured to put capability into the field quickly by upgrading existing theater missile defense systems while developing more advanced theater missile defense capability.

National Missile Defense. As a second priority, research continues on a national missile defense program that provides ground-based defense for the United States against limited long-range ballistic missile threats. The goal is to provide defense options to reduce the time it would take to field such a system in response to emerging threats to the United States.

Advanced Technology Programs. As a third priority, research continues on more advanced ballistic missile defense technologies to improve performance of components of both theater missile defense and national missile defense systems, as well as to provide advanced capabilities, such as Boost Phase Intercept.

Ballistic Missile Defense Program Funding. BMDO controls and manages the funding for the ballistic missile defense program.

Table 1 shows ballistic missile defense program costs and the portion spent on BMDO support services contractor costs for FYs 1991 through 1995.

Table 1. Ballistic Missile Defense Program Costs and BMDO Support Services Contractor Costs

Fiscal Year	Program Costs (billions)	BMDO Support Services Contractor Costs (billions)
1985	$ 1.398	*
1986	2.678	*
1987	3.308	*
1988	3.613	*
1989	3.710	*
1990	3.600	*
1991	2.879	$0.155
1992	3.937	0.231
1993	3.709	0.135
1994	2.728	0.101
1995	2.740	0.091
Total	**$34.300**	**$0.713**

*Information not available.

Table 2 shows planned ballistic missile defense program costs and a breakout of planned BMDO support services contractor costs for FYs 1996 through 2001.

Table 2. Planned Ballistic Missile Defense Program Costs and BMDO Support Services Contractor Costs

Fiscal Year	Program Costs (billions)	BMDO Support Services Contractor Costs (billions)
1996	$ 2.913	$0.092
1997	2.984	0.093
1998	3.230	0.094
1999	3.415	0.096
2000	3.521	0.098
2001	3.348	0.100
Total	**$19.411**	**$0.573**

Audit Objectives

The overall audit objective was to evaluate the effectiveness of the procurement system and the role of support services contractors at BMDO. For this audit report, we had specific objectives to determine whether the tenure of BMDO personnel serving as division heads in critical acquisition positions was sufficient to provide the stability necessary to effectively carry out the duties of the position and to allow for the establishment of responsibility and accountability for actions taken in the positions and to review the role of support service contractors at BMDO. We also reviewed the BMDO management control program as applicable to the audit objectives.

Specific objectives covered in prior reports were to determine whether costs charged to contracts were allowable, reasonable, and allocable; whether the contract administration process and applicable management controls were effective; and whether the use of support services contractors was cost-effective. Inspector General, DoD, Report No. 95-062, "Small Business Administration Section 8(A) Support Services Contracts at the Ballistic Missile Defense Organization," December 30, 1994, discusses Section 8(a) support services contracts awarded by BMDO and evaluates anonymous allegations sent to Senator David Pryor, to BMDO, and to the Office of the Inspector General, DoD, of fraud, waste, and abuse on BMDO contracts. Inspector General, DoD, Report No. 94-077, "'Super' Scientific, Engineering, and Technical Assistance Contracts at the Ballistic Missile Defense Organization," April 8, 1994, covers cost-effectiveness of contractor support and contract management problems. See Appendix A for a discussion of the review of the management control program and the audit scope and methodology. See Appendix B for a summary of the two earlier audit reports and other prior audits and reviews related to the audit objectives.

Finding A. Tenure of Division Heads in Critical Acquisition Positions

Tenure (the length of time a position is held) of BMDO division heads in critical acquisition positions generally was significantly shorter than necessary to effectively manage the acquisition process. The median* tenure was 1.3 years for 25 current division heads in critical acquisition positions, as well as for 38 former employees in those positions. In addition, two high-level positions at BMDO were not properly designated as critical acquisition positions. Tenure of BMDO division heads in critical acquisition positions was too short because BMDO:

o had not requested the conversion of military to civilian positions as part of the budget process to increase the proportion of career civilian personnel serving as division heads in critical acquisition positions;

o had little control over promotion, assignment, and retirement of military personnel assigned to BMDO; and

o hired personnel from support services contractors to fill civilian top-management critical acquisition positions on a "temporary basis."

Also, the two high-level positions were not designated as critical acquisition positions because BMDO did not believe that the acquisition workforce had a sufficient number of general officers to fill high-level critical acquisition positions. As a result of not being assigned for sufficient time, BMDO division heads in critical acquisition positions were unable to provide the stability necessary to effectively carry out the duties of the position. Also, the tenure was too brief to allow for the establishment of responsibility and accountability for actions taken in the position. Because the two positions in question were not designated critical acquisition positions, the positions were filled by general officers without the necessary acquisition experience.

History of Tenure Issue

House Armed Services Committee Print No. 12, "Life is Too Short: A Review of the Brief Periods Managers of Major Defense Acquisition Programs Stay on the Job," July 4, 1990, provides a history of the tenure issue in DoD. The report states that longer tenure has repeatedly been one of the reforms proposed by just about every Presidential and congressional commission, academic

*A value in an ordered set of values below and above which there is an equal number of values or which is the arithmetic mean of the two middle values if there is no one middle number.

analyst, and acquisition official offering proposals for improving the acquisition process. Appendix C is a summary of the reports and testimony that address tenure of managers of major Defense acquisition programs. The reports state that, generally, managers of major Defense acquisition programs are required to make trade-offs among performance, cost, and schedule, the three traditional measures of success of a program. However, the managers at the center of the decisionmaking process were around only about 2 years. The reports basically agree that longer tenure with increased accountability and increased time spent actually doing rather than learning the job can help improve the management of multibillion dollar systems.

Defense Acquisition Workforce Policy

Chapter 87 of United States Code, title 10, sections 1701 through 1764 (10 U.S.C. 1701-1764), "Defense Acquisition Workforce," November 5, 1990, establishes a statutory and regulatory structure for management of the Defense acquisition workforce and establishes a professional acquisition corps. Sections of the statute discuss civilian personnel and military essentiality, assignment periods to critical acquisition positions, and qualifications for general and flag officers.

Military Essentiality and Increase of Civilians in Acquisition Positions. Section 1722, "Career development," attempts to increase the number of civilian personnel as compared to military personnel serving in critical acquisition positions.

> **(b) Limitation on preference for military personnel.--(1)** The Secretary of Defense shall ensure that no requirement or preference for a member of the armed forces is used in the consideration of persons for acquisition positions, except as provided in the policy established under paragraph (2).
>
> (2) (A) The Secretary shall establish a policy permitting a particular acquisition position to be specified as available only to members of the armed forces if a determination is made, under criteria specified in the policy, that a member of the armed forces is required for that position by law, is essential for performance of the duties of the position, or is necessary for another compelling reason.
>
> (B) Not later than December 15 of each year, the Under Secretary of Defense for Acquisition and Technology shall submit to the Secretary a report that lists each acquisition position that is restricted to members of the armed forces under such policy and the recommendation of the Under Secretary as to whether such position should remain so restricted.
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> * * * * *
>
> **(e) Management of workforce.**--The Secretary of Defense shall ensure that the acquisition workforce is managed such that, for each fiscal year from October 1, 1991, through September 30, 1996, there is a substantial increase in the proportion of civilians (as compared to

armed forces personnel) serving in critical acquisition positions in general, in program manager positions, and in division head positions over the proportion of civilians (as compared to armed forces personnel) in such positions on October 1, 1990.

Assignment Period to Critical Acquisition Positions. Section 1734, "Career development," establishes a 3-year minimum assignment period for individuals assigned to critical acquisition positions.

> **(a) Three-year assignment period.**--(1) Except as provided under subsection (b) and paragraph (3), the Secretary of each military department, acting through the service acquisition executive for that department, shall provide that, on and after October 1, 1993, any person who is assigned to a critical acquisition position shall be assigned to the position for not fewer than three years. Except as provided in subsection (d), the Secretary concerned may not reassign a person from such an assignment before the end of the three-year period.
>
> (2) A person may not be assigned to a critical acquisition position unless the person executes a written agreement to remain on active duty (in the case of a member of the armed forces) or to remain in Federal service (in the case of an employee) in that position for at least three years. The service obligation contained in such a written agreement shall remain in effect unless and until waived by the Secretary concerned under subsection (b).
>
> * * * * *
>
> **(d) Waiver of assignment period.**--(1) With respect to a person assigned to a critical acquisition position, the Secretary concerned may waive the prohibition on reassignment of that person (in subsection [a][1] or [b][1]) and the service obligation in an agreement executed by that person (under subsection [a][2] or [b][2]), but only in exceptional circumstances in which a waiver is necessary for reasons permitted in regulations prescribed by the Secretary of Defense.

Qualifications for General and Flag Officers. Section 1735, "Education, training, and experience requirements for critical acquisition positions," stresses experience for general and flag officers and civilians assigned to high-level critical acquisition positions.

> **(d) General and flag officers and civilians in equivalent positions.**- Before a general or flag officer, or a civilian serving in a position equivalent in grade to the grade of such an officer, may be assigned to a critical acquisition position, the person must have at least 10 years experience in an acquisition position, at least four years of which were performed while assigned to a critical acquisition position.

Tenure of BMDO Division Heads in Critical Acquisition Positions

Tenure of Current BMDO Division Heads in Critical Acquisition Positions. Although the 3-year minimum assignment period for personnel assigned to critical acquisition positions was not effective until October 1, 1993, tenure for current BMDO personnel in critical acquisition positions was significantly less than the minimum assignment period. The median tenure of the 25 current BMDO division heads in critical acquisition positions was 1.3 years; in fact, 14 of the division heads had been in the position for 1.3 years or less. The arithmetic mean (average) tenure was 1.7 years. The division heads included top-management and high-level critical acquisition positions.

Table 3 shows the tenure by position category for current BMDO division heads in critical acquisition positions as of May 1995, as well as their overall tenure at BMDO.

Table 3. Tenure by Position Category for BMDO Personnel Serving as Division Heads in Critical Acquisition Positions (as of May 1995)

Critical Acquisition Position Category	Number of Division Heads	Years Tenure in Position		Years Tenure at BMDO	
		Mean	Median	Mean	Median
Program Management	18	1.8	1.4	3.0	2.9
System Planning, Research, Development, and Engineering	3	1.2	1.3	2.6	2.8
Test and Evaluation Engineering	1	0.2	0.2	1.9	1.9
Acquisition Logistics	1	1.3	1.3	1.6	1.6
Contracting	1	0.4	0.4	0.4	0.4
Business, Cost Estimating and Financial Management	1	4.8	4.8	8.2	8.2
Total or Average for All Division Heads	**25**	**1.7**	**1.3**	**2.9**	**2.8**

See Appendix D for a breakdown within each critical acquisition position category of the tenure of current BMDO division heads in their positions.

Tenure of Former BMDO Division Heads in Critical Acquisition Positions. The median tenure of former BMDO division heads in critical acquisition positions was 1.3 years; in fact, 20 of the 38 division heads served in the position for 1.3 years or less. The mean tenure for the former division heads in critical acquisition positions was 1.6 years. In addition, from 1988 through 1994, BMDO had six different deputy directors.

Table 4 shows the tenure by position category for former BMDO division heads in critical acquisition positions.

Table 4. Tenure by Position Category for Former BMDO Personnel Serving as Division Heads in Critical Acquisition Positions From May 1990 through May 1995

Critical Acquisition Position Category	Number of Division Heads	Years Tenure in Position		Years Tenure at BMDO	
		Mean	Median	Mean	Median
Program Management	26	1.6	1.4	3.2	2.8
System Planning, Research, Development, and Engineering	6	1.3	1.2	2.8	2.3
Test and Evaluation Engineering	4	1.4	0.8	3.3	2.9
Contracting	2	2.8	2.8	5.5	5.5
All Former Division Heads	**38**	**1.6**	**1.3**	**3.3**	**2.9**

See Appendix E for a breakdown within each critical acquisition position category of the tenure of former BMDO division heads in their positions.

Actions Needed to Improve Tenure

Career Civilian Employees Provide Program Stability. Career civilian employees provide more program stability than military personnel because of longer tenure. Civilian promotion, assignment, and retirement policies all contribute to longer tenure for civilians than for military personnel. Defense acquisition workforce legislation requires that the Secretary of Defense ensure that the acquisition workforce is managed so that, for each fiscal year from October 1, 1991, through September 30, 1996, a substantial increase occurs in the number of civilian personnel, as compared to military personnel, serving in critical acquisition positions as division heads. In addition, BMDO has overall control over its civilian acquisition workforce, while the Services ultimately

control the military acquisition workforce. Consequently, BMDO needs to request the conversion of military to civilian positions through the budget process.

Control Over Military Promotion, Assignment, and Retirement Policies. Military personnel assigned to BMDO were part of the acquisition workforce of each Service and not part of the BMDO acquisition workforce. Although normal assignment periods for military personnel at BMDO were 3 years, the Services sometimes rotated military personnel before the completion of the assignment period. When a military person was promoted, the Service to which the person belonged normally rotated the military person out of BMDO, ending the person's tenure in the position. Also, sometimes the military person served in more than one critical acquisition position during the assignment period, which also shortened tenure in each position.

The single factor that most affected tenure at BMDO, however, was the retirement of military personnel. Of the 38 former division heads in critical acquisition positions, 15 were military personnel who retired, and 6 of the retirements were mandatory. We believe that the Director, Acquisition Education Training and Career Development, Office of the Deputy Under Secretary of Defense (Acquisition Reform), should determine what actions can be taken to improve the tenure of military personnel serving as division heads in critical acquisition positions at BMDO.

BMDO Military and Civilian Personnel Mix. BMDO has not requested through the budget process the conversion of military to civilian positions to increase the proportion of career civilian personnel serving as division heads in critical acquisition positions. Of the division heads in critical acquisition positions at BMDO, 64 percent were military officers and 36 percent were civilian employees. In addition, two of the civilian employees were temporary employees hired from support services contractors. Consequently, only 28 percent of the division heads in critical acquisition positions at BMDO were career civilian employees.

Table 5 shows a summary of the military and civilian personnel mix by position category for division heads in critical acquisition positions at BMDO.

Table 5. Summary of Military and Civilian Personnel Mix for BMDO Division Heads in Critical Acquisition Positions

Critical Acquisition Position Category	Military	Civilian	Total	Percent Military	Percent Civilian
Program Management	12[1]	6[2]	18	66.7	33.3
System Planning, Research Development, and Engineering	2	1	3	66.7	33.3
Test and Evaluation Engineering	1		1	100.0	0.0
Acquisition Logistics	1		1	100.0	0.0
Contracting		1	1	0.0	100.0
Business, Cost Estimating, and Financial Management		1	1	0.0	100.0
Total or Average	**16**	**9**	**25**	**64.0**	**36.0**

[1]Includes two critical acquisition positions that were not designated as such.

[2]Includes one Presidential appointee and one limited term appointee.

Appendix F shows a breakdown by critical acquisition category of military and civilian personnel serving as division heads in critical acquisition positions.

Comparison of BMDO Personnel Mix with Total DoD Personnel Mix. Using a weighted average based on the number of BMDO personnel assigned to the different critical acquisition position categories, DoD as a whole had 59.4 percent more civilian personnel (57.4 percent) serving as division heads in critical acquisition positions than BMDO (36 percent).

Table 6 shows a summary of the military and civilian personnel mix by position category for all DoD division heads in critical acquisition positions.

Table 6. Summary of Military and Civilian Personnel Mix by Position Category for all DoD Division Heads in Critical Acquisition Positions

Critical Acquisition Position Category	Military	Civilian	Total	Percent Military	Percent Civilian
Program Management	625	617	1,242	50.3	49.7
System Planning, Research Development,and Engineering	178	1,019	1,197	14.9	85.1
Test and Evaluation Engineering	129	267	396	32.6	67.4
Acquisition Logistics	131	257	388	33.8	66.2
Contracting	244	654	898	27.2	72.8
Business, Cost Estimating, and Financial Management	43	169	212	20.3	79.7
Total or Average	**1,350**	**2,983**	**4,333**	**31.2**	**68.8**
Weighted Average*				**42.6**	**57.4**

*Percentages were weighted to BMDO totals for critical acquisition position categories.

Source: Secretary of Defense, "Annual Report to the President and the Congress," February 1995.

Continuity in Top-Management Critical Acquisition Positions. BMDO does not have adequate continuity in top-management critical acquisition positions. Within the next 2 years, all three top-management critical acquisition positions at BMDO will most likely turn over. The three top-management critical acquisition positions at BMDO are the Director, Deputy Director, and Architecture Integrator. The individuals in those positions are responsible for planning, development, execution, and architectural design of the ballistic missile defense program. However, all three individuals will probably depart the program as Government employees within the next 2 years. The Director is a Lieutenant General who is eligible to retire at any time but must retire by June 1997 (mandatory retirement date). The Deputy Director is a political appointee, and the General Accounting Office (GAO) has shown that the median tenure of a political appointee is 2.1 years (see Appendix B). The Architecture Integrator is a limited term appointee (maximum 3 years).

Instead of using career civilian employees, BMDO fills its top-management critical acquisition positions with personnel hired from the same support services contractor from which it hires personnel on a temporary basis. The former Architecture Integrator at BMDO (who also served as acting Deputy Director) was also a limited term appointee and previously was the president of

W. J. Schafer Associates, Inc., a BMDO support services contractor. The current Deputy Director and Architecture Integrator also previously worked at W. J. Schafer Associates, Inc., as president and vice president, respectively. The former Architecture Integrator is now the president of W. J. Schafer Associates, Inc. In January 1995, that individual was the project leader for a task that supported the current Deputy Director in reviewing national missile defense program goals and objectives, conducting top-level analyses of candidate architectures, compiling material presented at reviews, and documenting findings and recommendations. Originally, the support was only for the month of January 1995, but the current Deputy Director found the services useful and the effort was extended. From FYs 1988 through 1994, BMDO spent more than $114 million on prime contracts with W. J. Schafer Associates, Inc. The amount of money that the support services contractor received as a subcontractor could not be determined.

The experience and program insight that those individuals gain in the top-management critical acquisitions positions at BMDO are invaluable to the program. Although BMDO may not be able to improve the tenure of political appointees, BMDO can refrain from hiring limited-term appointees to fill top-management critical acquisition positions. Consequently, BMDO needs to review the practice of hiring personnel from support services contractors on a temporary basis to fill civilian top-management critical acquisition positions and to determine whether the policy supports the long-term goals of BMDO and the purposes of the Government.

Designation of Positions as Critical Acquisition Positions

BMDO has not designated the Deputy for Acquisition/Theater Missile Defense position and the Assistant Deputy for Theater Missile Defense Programs position as critical acquisition positions. Both positions are clearly division head critical acquisition positions in the program management area. However, the positions were not designated as critical acquisition positions because of difficulty staffing the positions with general officers that had the required acquisition experience to fill general officer critical acquisition positions. BMDO needs to designate both positions as critical acquisition positions and should staff the positions with personnel with the appropriate acquisition experience or obtain the necessary waivers to staff the positions with personnel without the required acquisition experience.

Stability of the Ballistic Missile Defense Program

BMDO division heads in critical acquisition positions were not assigned for sufficient time to provide the stability necessary to effectively carry out the duties of the position. Also, the tenure was too brief to allow for the establishment of responsibility and accountability for actions taken in the

position. From FYs 1985 through 1995, ballistic missile defense program costs exceeded $34 billion. Planned ballistic missile defense program costs for FYs 1996 through 2001 will exceed $19 billion. Despite the fact that the ballistic missile defense program is costly to the Government, and, therefore, should be headed by experienced personnel, the median tenure of BMDO division heads in critical acquisition positions for the program was only 1.3 years. Longer tenure with increased accountability should help improve the management of the multibillion dollar ballistic missile defense program.

Management Comments on the Findings and Appendixes and Audit Response to the Comments

See Appendix G for a summary of management comments on the findings and appendixes and audit response to the comments.

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Director, Ballistic Missile Defense Organization:

a. Request the conversion of military to civilian positions as part of the budget process to increase the proportion of career civilian personnel, as compared to military personnel, serving as division heads in critical acquisition positions.

Management Comments. BMDO nonconcurred with the recommendation and stated that the conversion of military to civilian positions was not warranted. While it acknowledged in comments to the finding that all Defense organizations were included in the mandate in the Defense Acquisition Workforce Improvement Act (DAWIA) to increase the proportion of civilians to military, BMDO said that it, alone, was not required to satisfy the increase in proportion of civilians to military specified in the statute. BMDO said it had complied with the law in achieving its current mix of military to civilians. BMDO also cited in its nonconcurrence the depth of experience provided by the military personnel assigned there.

Audit Response. BMDO comments did not address the audit issue of short tenure. The audit showed that the primary reason for the short tenure of division heads in critical acquisition positions at BMDO (1.3 years) was because of the use of military officers to staff the positions and the problems associated with keeping the military officers in the positions for a sufficient period of time. Although BMDO has increased the overall number of civilians in critical acquisition positions, the number of division heads in critical acquisition positions at BMDO is still about two military to each civilian, while DoD as a whole has about 60 percent more civilians serving as division heads in critical acquisition positions than BMDO has. In addition, the increase in civilians in

critical acquisition positions cited by BMDO is primarily related to the replacement of support services contractors with civilian employees recommended in Inspector General, DoD, Report No. 94-077. We request that BMDO reconsider its position and provide comments on the recommendation in response to the final report.

b. Review the practice of hiring personnel from support services contractors on a temporary basis to fill top-management civilian critical acquisition positions and discontinue the policy if it does not support long-term goals of the ballistic missile defense program and the purposes of the Government.

Management Comments. BMDO nonconcurred with the recommendation, stating that BMDO did not have a "practice" of hiring personnel from support services contractors on a temporary basis to fill top-management civilian critical acquisition positions. The individuals cited were hired on the recommendation of the Director, BMDO, and had been professional associates of and personally known to the Director for 20 years. BMDO also stated that appropriate steps would be taken to request the establishment of the Architect Integrator position as a permanent, nonlimited term position. BMDO stated the action must be staffed and approved by the Director, Administration and Management, Office of the Secretary of Defense, and would be submitted for approval by June 30, 1996.

Audit Response. Although BMDO nonconcurred with the recommendation, planned action to establish the Architect Integrator position as a permanent, nonlimited term position satisfies the intent of the recommendation.

c. Designate the Deputy for Acquisition/Theater Missile Defense position and the Assistant Deputy for Theater Missile Defense Programs position as critical acquisition positions and ensure that appropriate waivers are obtained if the positions are filled by individuals without appropriate acquisition workforce qualifications.

Management Comments. BMDO concurred with the recommendation, stating that the positions will be reviewed and designated as critical acquisition positions, if appropriate, and if required, appropriated waivers will be obtained for incumbents to fill the positions. The estimated completion date is May 31, 1996.

A.2. We recommend that the Director, Acquisition Education Training and Career Development, determine what actions can be taken to increase the tenure of military personnel serving as division heads in critical acquisition positions at the Ballistic Missile Defense Organization.

Management Comments. The Director concurred with the recommendation and issued a memorandum that requests that the Directors of Acquisition Career Management initiate a thorough review of tenure of military officers in critical acquisition positions and if a tenure issue exists, identify remedies and any policy issues requiring Department-level solutions. Results were required within 90 days after issuance of the memorandum.

Finding B. Role of Support Services Contractors

Although BMDO has significantly reduced its dependence on support services contractors over the past few years, BMDO inappropriately used support services contractors to draft material that could potentially be used in congressional testimony and in responses to congressional correspondence. In addition, BMDO lacked a sufficient number of trained and experienced staff to retain the technical capability to prescribe, monitor, and evaluate the work of support services contractors. The inappropriate use of support services contractors occurred because BMDO used inaccurate guidance on consulting services and because BMDO contracting officers' technical representatives, who tasked support services contractors to work on items for Congress, did not follow a memorandum from the BMDO General Counsel on the subject. Also, BMDO did not adequately control work by support services contractors because of the tenure issue discussed in Finding A. As a result, the potential increased for an appearance of private influence with respect to documents prepared for Congress and the risk increased of support services contractors performing inherently governmental functions.

Policy on Services Contracting and Inherently Governmental Functions

Office of Management and Budget Policy. Office of Management and Budget Policy Letter 92-1, "Inherently Governmental Functions," September 23, 1992, establishes executive branch policy relating to contracting for services and inherently Governmental functions. The purpose of the policy letter is to assist executive branch officers and employees in avoiding an unacceptable transfer of official responsibility to contractors.

Part 6, "Policy," discusses accountability for work prepared by support services contractors.

> (a) Accountability. It is the policy of the Executive Branch to ensure that Government action is taken as a result of informed, independent judgments made by Government officials who are ultimately accountable to the President.
>
> * * * * *
>
> (c) Drafting of Congressional testimony, responses to Congressional correspondence, and agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit entity. While the approval of a Government document is an inherently governmental function, its drafting is not necessarily such a function. Accordingly, in most situations the drafting of a document,

> or portions thereof, may be contracted, and the agency should review and revise the draft document, to the extent necessary, to ensure that the final document expresses the agency's views and advances the public interest. However, even though the drafting function is not necessarily an inherently governmental function, it may be inappropriate, for various reasons, for a private party to draft a document in particular circumstances. *Because of the appearance of private influence with respect to documents that are prepared for Congress or for law enforcement or oversight agencies and that may be particularly sensitive, contractors are not to be used for the drafting of Congressional testimony; responses to Congressional correspondence; or agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit agency.* [emphasis added]

Part 7, "Guidelines," explains the need for agencies to have a sufficient number of trained and experienced staff to manage Government programs properly.

> (h) Degree of reliance. The extent of reliance on service contractors is not by itself a cause for concern. Agencies must, however, have a sufficient number of trained and experienced staff to manage Government programs properly. The greater the degree of reliance on contractors the greater the need for oversight by agencies. What number of Government officials is needed to oversee a particular contract is a management decision to be made after analysis of a number of factors. These include, among others, the scope of the activity in question; the technical complexity of the project or its components; the technical capability, numbers, and workloads of Federal oversight officials; the inspection techniques available; and the importance of the activity. Current contract administration resources shall not be determinative. The most efficient and cost effective approach shall be utilized.

BMDO Policy. BMDO Directive No. 4200 (revision 1), "Consulting Services (CS) Contracts," April 1993, provides policy for planning, managing, evaluating, and reporting consulting services. Enclosure 2 provides examples of inherently governmental functions, including the "approval of" congressional testimony prepared for delivery by a Federal official and "approval of" agency responses to congressional correspondence.

BMDO DCTO [contracts operations] operating instruction 11, "Monitoring Cost Reimbursable Service and Scientific, Engineering and Technical Assistance (SETA) and Service Contract Performance," December 16, 1994, requires that contractor monthly status reports be reviewed for apparent performance of inherently governmental functions by an individual at a level higher than the contracting officer's technical representative.

Efforts to Reduce Reliance on Support Services Contractors

BMDO has significantly reduced its dependence on support services contractors in the last few years. Funding for support services contractors decreased from about $231 million in FY 1992 to about $91 million in FY 1995. To

compensate for the reduced contractor support, BMDO was authorized a total of 205 additional civilian employees for FYs 1994 through 1996. The additional civilian employee authorizations were based on recommendations made in Inspector General, DoD, Report No. 94-077, "'Super' Scientific, Engineering and Technical Assistance Contracts at the Ballistic Missile Defense Organization," April 8, 1994, which showed cost savings in converting from contractor support to DoD civilian employees to accomplish the BMDO mission.

Congressional Correspondence and Testimony

BMDO inappropriately used support services contractors to draft material that could potentially be used in congressional testimony and in responses to congressional correspondence. Although the BMDO External Affairs Office officially prepares congressional testimony and responses to congressional correspondence, BMDO contracting officers' technical representatives have in numerous instances inappropriately tasked support services contractors to provide input for the material required for Congress. For example, support services contractors were tasked to:

o identify questions relating to theater missile defense and national missile defense that might be asked during congressional testimony and develop responses for inclusion in a notebook of white papers;

o identify, analyze, and prepare technical information on national missile defense issues to support Government preparation of testimonies for the Director;

o provide technical support for quick-reaction responses in support of the BMDO staff relating to the congressional testimony cycle and the program objective memorandum cycle; and

o provide a background paper on "What Have We Developed in NMD [National Missile Defense] For Our Investment?" in preparation for the Director's testimony to Congress.

Additional information on tasks performed by support services contractors is included in Appendix H.

Controls Over the Use of Support Services Contractors

BMDO Policy and Procedures. BMDO had issued policy and procedures to prevent support services contractors from performing inherently governmental functions. The BMDO policy states that support services contractors should not approve either congressional testimony prepared for delivery by a Federal

official or agency responses to congressional correspondence. However, the Office of Management and Budget policy is more restrictive, stating that support services contractors are not to be used to draft congressional testimony or responses to congressional correspondence. Consequently, BMDO needs to revise its guidance to prohibit support services contractors from "drafting" congressional testimony and responses to congressional correspondence unless the material is clearly identified as such.

Responsibility of Contracting Officers' Technical Representatives. In December 1993, the BMDO General Counsel issued a memorandum to all BMDO personnel that addressed the Office of Management and Budget Policy Letter 92-1 on inherently governmental functions. The BMDO memorandum stated:

> Henceforth when any BMDO employee gives material to External Affairs for submission to Congress, it should be implied that the employee can affirm that it was prepared by Government personnel unless otherwise identified.

The BMDO Director, External Affairs, stated that none of the material provided by the directorates for submission to Congress was identified as prepared by support services contractors. Consequently, BMDO should reissue the policy, provide appropriate training, and review the performance of contracting officers' technical representatives who continue to task support services contractors to prepare material for Congress.

Program Continuity, Corporate Knowledge, and Management and Control of the BMDO Program

BMDO lacked a sufficient number of trained and experienced staff members to retain the technical capability to prescribe, monitor, and evaluate the work of support services contractors. When support services contractors prepare documents for Congress and provide the answers to congressional questions, an appearance of private influence is created with respect to the documents and information in the answers. Since 1987, the same support services contractors have provided continuous support to BMDO in the management and control of the ballistic missile defense program. Those support services contractors have provided program continuity and have much of the corporate knowledge for the ballistic missile defense program needed to manage and control the program. Appendix G provides information on tasks performed by support services contractors.

Despite the fact that BMDO uses support services contractors to support key aspects of the ballistic missile defense program, the management and control of the program must be firmly in the hands of full-time Government officials clearly responsible to the Secretary of Defense, Under Secretary of Defense for Acquisition and Technology, and the Congress. For a program the size and complexity of the ballistic missile defense program, BMDO requires a staff of

exceptionally knowledgeable and experienced executives, scientists, and engineers. The staff should be fully qualified to do the following:

- o weigh the views and advice of support services contractors;
- o make policy decisions concerning who should undertake work and the type, timeframe, and cost of the work;
- o supervise the execution of work undertaken; and
- o evaluate the results.

The tenure issue is discussed in Finding A. That finding discusses other aspects of concerns over the management and control of the program. Recommendations made to Finding A, if implemented, should improve tenure at BMDO and help ensure that the management and control of the ballistic missile defense program is clearly in the hands of full-time Government officials.

Recommendations and Management Comments

B. We recommend that the Director, Ballistic Missile Defense Organization:

1. Revise Ballistic Missile Defense Organization policy to prohibit support services from drafting material for congressional testimony and responses to congressional correspondence unless the material is clearly identified as such.

2. Reissue the policy on material given to External Affairs for submission to Congress, provide appropriate training, and review the performance of contracting officers' technical representatives who continue to task support services contractors to prepare material for Congress.

Management Comments. BMDO concurred and reissued the policy statement on inherently governmental functions from the Office of the General Counsel on October 26, 1995. Additionally, the BMDO External Affairs Directorate has reemphasized the present policy statement issued with each staff action in response to a congressional inquiry to ensure that all contractor-provided material will be specifically identified as contractor products. BMDO General Counsel, Contracts, and External Affairs offices will coordinate efforts to ensure policy is followed. All contracting officers' technical representatives and BMDO office directors have been apprised of the policy in writing, and appropriate training courses will be enhanced in this area by March 31, 1996.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope

Audit Scope. We reviewed the tenure of BMDO personnel that served as division heads in critical acquisition positions for the last 5 years and the tasks performed by support services contractors from July 1993 through March 1995. Only current data on tasks performed by support services contractors (January through March 1995) were used in the report.

Audit Period, Standards, and Locations. We performed this program audit from July 1993 through July 1995 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Office of the Inspector General, DoD. The audit was suspended from September 1994 through May 1995 because of a higher priority project. We included tests of management controls considered necessary. Appendix J lists the organizations we visited or contacted.

Methodology

Tenure of BMDO Division Heads in Critical Acquisition Positions. We reviewed BMDO organization charts from May 1990 through May 1995 and identified the BMDO division heads in each position. We interviewed BMDO personnel to determine which positions had been designated as critical acquisition positions, reviewed personnel records to determine tenure in positions, and questioned BMDO personnel about tenure, qualifications, and the acquisition workforce at BMDO.

Role of Support Services Contractors. We reviewed BMDO support services contracts and contractor-prepared monthly status reports for January, February, and March 1995 to determine the types of services provided by the contractors.

Use of Computer-Processed Data. We relied on computer-processed data from the BMDO financial data base to determine ballistic missile defense program costs and BMDO support services costs without performing tests of system general and application controls to confirm the reliability of the data. We did not evaluate the controls because we used the data only as background information. Not evaluating the controls did not affect the results of the audit.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of Management Control Program. We reviewed the adequacy of BMDO management controls over the acquisition career management program and support services contractors. The adequacy of management's self-evaluation was not assessed.

Adequacy of Management Controls. BMDO management controls we reviewed were adequate in that we identified no material control weaknesses. BMDO has a thorough management control program that has specific objectives and that provides reasonable assurance that the BMDO system of internal accounting and administrative control, taken as a whole, complies with the requirement to provide reasonable assurance that the stated objectives are achieved. BMDO had issued Policy and Procedure Directives No. 5001, "Acquisition Career Management Program," August 1993, and No. 4200, "Consulting Services (CS) Contracts," April 1993, relating to the audit objectives.

Appendix B. Summary of Prior Audits and Other Reviews

During the last 5 years, the General Accounting Office (GAO) issued five reports that address tenure, civilian and military labor mix, acquisition workforce, and inherently governmental functions. The Inspector General, DoD, issued two reports that specifically address support services contractors at BMDO.

General Accounting Office

GAO Report No. NSIAD-95-5 (OSD Case No. 9755), "DOD FORCE MIX ISSUES Greater Reliance on Civilians in Support Roles Could Provide Significant Benefits," October 19, 1994. The report states that, although DoD and the Services have general policies to use civilian personnel where possible, the Services currently use thousands of military personnel in support positions that, according to DoD and Service officials, could be civilian. Replacing military personnel with civilian employees would reduce peacetime personnel costs and could release military members for use in more combat-specific duties. Some DoD-sponsored cost studies indicate that, on average, a civilian employee in a peacetime support function costs the Government about $15,000 less per year than a military person of comparable pay grade. However, GAO reports that managers are reluctant to replace military personnel with civilian employees because, with current downsizing, the civilian position might be lost after the military position has been converted to a civilian one.

GAO recommended that the Secretary of Defense establish a joint review board and provide it with a mandate to work with the Services to ensure a thorough and consistent review of military support positions that may have potential for conversion to civilian. GAO also recommended that the Secretary of Defense direct the Services to identify military positions that should be converted to civilian positions and eliminate, to the extent possible, existing impediments to using civilians when using civilians would be less costly. DoD concurred with the findings and recommendations.

GAO Report No. NSIAD-93-129 (OSD Case No. 9302), "ACQUISITION MANAGEMENT Implementation of the Defense Acquisition Workforce Improvement Act," April 26, 1993. The report states that major uncertainties and concerns exist within DoD regarding the intent and implementation of the Defense Acquisition Workforce Improvement Act requirement to select the best qualified individual for an acquisition position and ensure that no preference for military personnel is used in considering candidates. Further, the report states that uncertainties exist within DoD regarding the intent of the act to "substantially" increase the proportion of civilians in critical acquisitions positions. Positions designated for military personnel only are based on

somewhat subjective determinations that have been unevenly applied by the Services.

GAO recommended that Congress clarify the act's requirement to substantially increase the proportion of civilians in critical acquisition positions and clarify whether the requirement applies to each Service individually or to DoD as a whole. GAO recommended that DoD ensure that the Services were consistent in providing authority to the management positions required by the act to effectively and efficiently carry out the provisions of the act and that Navy and Air Force proposals for selecting the best qualified individual for an acquisition position be assessed. DoD generally agreed with the findings and recommendations.

GAO Report No. GGD-94-115FS (OSD Case No. 9701), "POLITICAL APPOINTEES Turnover Rates in Executive Schedule Positions Requiring Senate Confirmation," April 21, 1994. The report states that many public administration authorities believe that frequent changes in key leadership positions can cause disruption in program management, lead to key positions remaining vacant for long periods, and prevent clear assignment of accountability for program outcomes. GAO found that the median length of service for persons appointed by the President to Federal Executive Schedule positions with the advice and consent of the Senate was 2.1 years (over a recent 10-year period). The report made no recommendations.

GAO Report No. NSIAD-93-128 (OSD Case No. 9302-A), "ACQUISITION MANAGEMENT Waivers to Acquisition Work Force Training, Education, and Experience Requirements," March 30, 1993. The report states that during FY 1992, Service officials approved 33 waivers (exceptions for not meeting training, education, or experience requirements) for program managers, general officers, and program executive officers. The two most common reasons for waivers were that individuals assigned to the positions lacked either the program management course or the requisite for acquisition experience. The practice of assigning general officers who did not satisfy qualification requirements to critical acquisition positions was of particular concern. The report made no recommendations.

GAO Report No. GGD-92-11 (OSD Case No. 8772), "GOVERNMENT CONTRACTORS Are Service Contractors Performing Inherently Governmental Functions?" November 18, 1991. The report states that a key criterion in determining whether support services are appropriate is whether the Government maintains sufficient in-house capability to be thoroughly in control of the policy and management functions of the agency. In that context, Government decisionmaking power means more than simply being a final authority or signatory to a document. Government officials should be active throughout the decisionmaking process. The Government must maintain a core capability of sufficiently trained and experienced staff to properly manage and be accountable for its work.

GAO recommended that the Office of Management and Budget clarify guidance to agencies on contracting for consulting services, compile a short list of functions that should never be contracted out, and require agency-specific

implementing instructions on contracting for support services. GAO obtained comments from six Federal agencies that generally agreed with most of the GAO conclusions and recommendations.

Inspector General, DoD

Inspector General, DoD, Report No. 95-062, "Small Business Administration Section 8(A) Support Services Contracts at the Ballistic Missile Defense Organization," December 30, 1994. The report states that BMDO had not established or had not followed existing procedures to effectively manage three support services contracts, valued at about $47.5 million. Subcontracts, valued at about $12.9 million, were administered as prohibited cost-plus-a-percentage-of-cost contracts, and 588 labor hours that were not actually worked were charged to one contract.

The report recommended that BMDO establish additional contract management and cost control procedures, verify that the procedures were implemented, and initiate action to recover questioned costs. The report recommended that the Director, Defense Logistics Agency, perform a contractor purchasing system review or provide consent to subcontract and determine reasonable prices for subcontracts administered as prohibited cost-plus-a-percentage-of-cost contracts. Management agreed with most recommendations.

Inspector General, DoD, Report No. 94-077, "'Super' Scientific, Engineering and Technical Assistance Contracts at the Ballistic Missile Defense Organization," April 8, 1994. The report states that contracted support services were not cost-effective, and although the contract type offered BMDO flexibility, the contracts provided inadequate financial accountability and little incentive for contractors to control costs. The audit showed that BMDO could reduce costs about $46 million for FYs 1995 through 1999 by gradually reducing its contracted support services and by hiring DoD civilian employees to accomplish its mission.

The report recommended that BMDO reduce contracted services and use more DoD civilian personnel to accomplish its mission, use completion and fixed-price-type contracts, establish additional contract management and cost control procedures, perform cost realism analyses, justify contract-acquired Government property, document contract changes, and initiate action to recover questioned costs. A recommendation was also made to notify a contractor of the contractor's noncompliance with Cost Accounting Standard 402. Management agreed with most recommendations.

Appendix C. Reports and Testimony That Address Tenure of Managers of Major Defense Acquisition Programs

In 1955, the Second Hoover Commission noted that officers in major Defense acquisition positions were averaging only about 2 years in the positions and that the length of time was too short "for either efficient management or effective training." The Commission recommended the use of more civilians and proposed longer tours for military officers.

In a 1962 book by personnel at the Boston Division of Research, Harvard Business School, "The Weapons Acquisition Process: An Economic Analysis," the authors wrote that the rapid turnover of program managers, who had a 26-to-32-month tenure range, was a chronic problem. The authors also wrote, "But since it usually takes one or two years for a person to obtain a thorough working knowledge of the technology and personalities involved in a complex weapons program, rotation can interfere seriously with the smooth administration of programs."

A July 1970, Blue Ribbon Defense Panel, "Report to the President and the Secretary of Defense on the Department of Defense," noted that the rotation policies of the Services were counter-productive.

> It is clear from the evidence that the rotation practices which have been followed result in a) excessive and wasteful cost, b) inefficiencies in management, and c) difficultly in fixing responsibility . . . . Officers assigned for such limited periods simply cannot acquire a knowledge of the work, become familiar with the qualifications of the people, make plans, set goals and push the work ahead . . . . The services' current rotation policies and rates are counter-productive.

In 1971, Admiral Hyman G. Rickover testified before the Senate Armed Services Committee about program managers.

> Under our rotation system, they are never kept long enough on the job to acquire such skill and knowledge [as they need to perform their jobs] . . . . Before the results of decisions are in, the manager will have moved and a new manager, equally unqualified technically, will take his place. Naturally, the new manager will feel no responsibility for prior decisions and actions; his primary ambition will be to keep the project moving in the hope that it will not fail during his own tour. Thus responsibility cannot be fixed and there is bound to be little continuity in technical direction for most of the defense developments under way today.

An October 1979, a Rand Corporation study concluded that frequent changes in program managers can lead to "unnecessary shifts in program emphasis . . . [and] loss of direction while the newly assigned program mangers settled in and learned their jobs." The study states that short tenure tends to focus attention on near-term issues to the detriment of long-term concerns. Immediate decisions

frequently have a significant impact on the outcome of the program in the long term, but the individual making the decision today will not be around to be held accountable. Decisions commonly involve making a trade-off between a short-term issue against a long-term cost or benefit.

Appendix D. Tenure of Current Ballistic Missile Defense Organization Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Number of Division Heads	Years Tenure in Position	Years Tenure at BMDO
Program Management			
Director	1	2.4	7.3
Deputy Director[1]	1	0.6	0.6
Architecture Integrator[2]	1	1.5	2.9
Director, BMC[3]	1	0.3	0.3
Deputy for Acquisition/TMD[3]	1	1.6	1.6
Principal Deputy for Acquisition/TMD	1	0.1	0.8
Director, Program Management and Operations Office	1	2.9	2.9
Assistant Deputy for TMD Programs[3]	1	0.5	0.5
Director, System Applications	1	1.5	2.9
Director, System Acquisition	1	1.4	3.9
Director, System Integration/BMC[3]	1	4.3	4.3
Assistant Deputy for TMD Operations	1	1.3	2.8
Director, Modelling and Simulation	1	1.3	1.4
Deputy for Technology Readiness	1	0.8	6.1
Director, Program Management and Operations Office	1	1.3	1.9
Assistant Deputy for NMD Readiness	1	7.0	7.0
Director, NMD Readiness	1	2.0	2.0
Director, BMC[3] Integration	1	1.3	4.3
Subtotal/Mean Tenure	**18**	**1.8**	**3.0**
Median Tenure		**1.4**	**2.9**
System Planning, Research, Development, and Engineering			
Director, Systems Engineering	1	1.3	3.0
Assistant Deputy for Technology	1	0.3	2.8
Director, Interceptor Technology	1	1.9	1.9
Subtotal/Mean Tenure	**3**	**1.2**	**2.6**
Median Tenure		**1.3**	**2.8**
Test and Evaluation Engineering			
Director, Test and Evaluation	1	0.2	1.9
Subtotal/Mean Tenure	**1**	**0.2**	**1.9**
Median Tenure		**0.2**	**1.9**

See acronym list and footnotes at end of table.

Appendix D. Tenure of Current Ballistic Missile Defense Organization Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Number of Division Heads	Years Tenure in Position	Years Tenure at BMDO
Acquisition Logistics			
Director, Logistics Readiness	1	1.3	1.6
Subtotal/Mean Tenure	**1**	**1.3**	**1.6**
Median Tenure		**1.3**	**1.6**
Contracting			
Director, Contracts	1	0.4	0.4
Subtotal/Mean Tenure	**1**	**0.4**	**0.4**
Median Tenure		**0.4**	**0.4**
Business, Cost Estimating, and Financial Management			
Director, Cost Estimating and Analysis	1	4.8	8.2
Subtotal/Mean Tenure	**1**	**4.8**	**8.2**
Median Tenure		**4.8**	**8.2**
Total/Overall Mean Tenure	**25**	**1.7**	**2.9**
Median Tenure		**1.3**	**2.8**

BMC[3]	Battle Management, Command, Control, and Communications
NMD	National Missile Defense
TMD	Theater Missile Defense

[1]Political appointee.
[2]Limited term appointee.
[3]Critical acquisition position not designated as such.

Appendix E. Tenure of Former Ballistic Missile Defense Organization Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Number of Division Heads	Years Tenure in Position		Years Tenure at BMDO	
		Mean	Median	Mean	Median
Program Management					
Director	3	3.3	2.5	3.3	2.3
Deputy Director	6	1.0	0.8	3.7	3.6
Architecture Integrator	1	3.0	3.0	3.0	3.0
Director, BMC^3	1	1.1	1.1	1.3	1.3
Deputy for Acquisition/Theater Missile Defense	2	1.3	1.3	3.6	3.6
Principal Deputy for Acquisition/Theater Missile Defense	1	3.0	3.0	5.9	5.9
Director, Program Management and Operations Office	1	1.3	1.3	4.6	4.6
Assistant Deputy for TMD Programs	0	0.0	0.0	0.0	0.0
Director, System Applications	2	0.9	0.9	2.8	2.8
Director, System Acquisition	1	2.6	2.6	3.3	3.3
Director, System Integration/BMC^3	0	0.0	0.0	0.0	0.0
Assistant Deputy for TMD Operations	0	0.0	0.0	0.0	0.0
Director, Modelling and Simulation	0	0.0	0.0	0.0	0.0
Deputy for Technology Readiness	3	1.8	1.8	3.0	2.7
Director, Program Management and Operations Office	0	0.0	0.0	0.0	0.0
Assistant Deputy for NMD Readiness	0	0.0	0.0	0.0	0.0
Director, NMD Readiness	4	1.1	1.0	2.0	1.6
Director, BMC^3 Integration	1	2.1	2.1	2.6	2.6
Subtotal Program Management	**26**	**1.6***	**1.4***	**3.2***	**2.8***
System Planning, Research, Development, and Engineering					
Director, Systems Engineering	4	1.1	0.9	1.9	2.0
Assistant Deputy for Technology	1	1.2	1.2	7.7	7.7
Director, Interceptor Technology	1	2.0	2.0	2.0	2.0
Subtotal System Planning, Research, Development, and Engineering	**6**	**1.3**	**1.2**	**2.8**	**2.3**
Test and Evaluation Engineering					
Director, Test and Evaluation	4	1.4	0.8	3.3	2.9
Subtotal Test and Evaluation Engineering	**4**	**1.4**	**0.8**	**3.3**	**2.9**

*Mean and median subtotals represent subtotal values for the 26 individual program management division heads.

Appendix E. Tenure of Former Ballistic Missile Defense Organization Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Number of Division Heads	Years Tenure in Position		Years Tenure at BMDO	
		Mean	Median	Mean	Median
Acquisition Logistics					
Director, Logistics Readiness	0	0.0	0.0	0.0	0.0
Subtotal Acquisition Logistics	**0**	**0.0**	**0.0**	**0.0**	**0.0**
Contracting					
Director, Contracts	2	2.8	2.8	5.5	5.5
Subtotal Contracts	**2**	**2.8**	**2.8**	**5.5**	**5.5**
Business, Cost Estimating, and Financial Management					
Director, Cost Estimating and Analysis	0	0.0	0.0	0.0	0.0
Subtotal Business, Cost Estimating, and Financial Management	**0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**38**	**1.6**	**1.3**	**3.3**	**2.9**

Appendix F. Mix of Military and Civilian Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Current Status of Position	
	Military	Civilian
Program Management		
Director	X	
Deputy Director		X[1]
Architecture Integrator		X[2]
Director, BMC[3]	X	
Deputy for Acquisition/Theater Missile Defense[3]	X	
Principal Deputy for Acquisition/Theater Missile Defense		X
Director, Program Management and Operations Office	X	
Assistant Deputy for TMD Programs[3]	X	
Director, System Applications	X	
Director, System Acquisition	X	
Director, System Integration/BMC[3]	X	
Assistant Deputy for TMD Operations		X
Director, Modelling and Simulation	X	
Deputy for Technology Readiness		X
Director, Program Management and Operations Office	X	
Assistant Deputy for NMD Readiness		X
Director, NMD Readiness	X	
Director, BMC[3] Integration	X	
Subtotal Program Management	**12**	**6**
System Planning, Research, Development, and Engineering		
Director, Systems Engineering		X
Assistant Deputy for Technology	X	
Director, Interceptor Technology	X	
Subtotal Planning, Research, Development, and Engineering	**2**	**1**
Test and Evaluation Engineering		
Director, Test and Evaluation	X	
Subtotal Test and Evaluation Engineering	**1**	**0**

See footnotes at end of appendix.

Appendix F. Mix of Military and Civilian Personnel Serving as Division Heads in Critical Acquisition Positions

Division Head Positions Identified as Critical Acquisition Positions	Current Status of Position	
	Military	Civilian
Acquisition Logistics		
Director, Logistics Readiness	X	
Subtotal Acquisition Logistics	**1**	**0**
Contracting		
Director, Contracts		X
Subtotal Contracts	**0**	**1**
Business, Cost Estimating, and Financial Management		
Director, Cost Estimating and Analysis		X
Subtotal Business, Cost Estimating, and Financial Management	**0**	**1**
Total Division Head Positions Identified as Critical Acquisition on Positions	**16**	**9**

[1]Presidential appointee.
[2]Limited term appointee.
[3]Critical acquisition position not designated as such.

Appendix G. Management Comments on the Findings and Appendixes and Audit Response to the Comments

Management Comments on Finding A., Tenure of Division Heads in Critical Acquisition Positions

Management Comments on Compliance by BMDO with the 3-year Minimum Assignment Period. BMDO stated that 10 U.S.C. 1734(a) requires that on or after October 1, 1993, any person who is assigned to a critical acquisition position must be assigned for not fewer than 3 years. Therefore, data compiled on personnel who were assigned prior to October 1, 1993, is not relevant in determining compliance by BMDO with the law. Compliance with the 3-year assignment period should be reviewed on an individual basis after the effective date of the statute.

Audit Response. The intent of the finding was not to cite BMDO for noncompliance with the law. The intent of the finding was to address the unacceptable short tenure (1.3 years median) for current and former BMDO division heads in critical acquisition positions. Short tenure of managers at the center of the decisionmaking process for multibillion dollar major Defense Acquisition Programs has historically been a problem. Longer tenure provides increased time spent actually doing rather than learning the job, improves program stability, and allows for the establishment of responsibility and accountability for actions taken by the decisionmakers.

Management Comments on Recently Filled Positions. BMDO commented that several positions were filled after the effective date of the Defense Acquisition Workforce Improvement Act (DAWIA) and that it was not appropriate to include those division head positions in the computations of the arithmetic mean and median tenure for division heads currently assigned to BMDO.

Audit Response. Division heads in critical acquisition positions that were assigned after the effective date of DAWIA must be included in the computations of the arithmetic mean and median tenure to present an accurate picture of tenure of division heads currently assigned to BMDO.

Management Comments on Tenure of Former BMDO Division Heads in Critical Acquisition Positions. BMDO commented that the statistics on the tenure for former BMDO division heads in critical acquisition positions were not relevant since no statutory or regulatory requirement for tenure of individuals in the positions was in effect.

Audit Response. From FYs 1985 through 1995, BMDO was responsible for controlling and managing the ballistic missile defense program, which cost more than $34 billion. Although no statutory or regulatory requirement was yet in place, a problem existed in that the median tenure for the division heads in critical acquisition positions (decisionmakers) was 1.3 years. Therefore, the statistics in the report are relevant.

Management Comments on Military Versus Civilian Employees. BMDO commented that DAWIA requires the Secretary of Defense to increase the proportion of civilians to military in critical acquisition positions and that BMDO alone is not required to satisfy the increase in the proportion of civilians to military required by the statute. BMDO also stated that as of March 1993, BMDO had a ratio of 1.4 military to each civilian in critical acquisition positions and that currently BMDO has a ratio of 2 civilians to each military in critical acquisition positions. BMDO stated that it feels strongly that its military personnel bring a mix of education, training, and operational experience that is essential to the successful development, production, and deployment of ballistic missile defense.

Audit Response. We believe that when a statute requires the Secretary of Defense to increase the proportion of civilians to military in critical acquisition positions, the Military Departments and Defense agencies, including BMDO, must follow suit. One of the primary reasons for the increase in the ratio of civilians to military in critical acquisition positions is to increase tenure. We commend BMDO for increasing the ratio of civilians to military in critical acquisition positions. However, the ratio of division heads in critical acquisition positions is still about 2 military to each civilian. In addition, one of the reasons for the increase in civilians in critical acquisition positions at BMDO was due to a recommendation made in Report No. 94-077 to replace support services contractors with civilian Government employees. We also agree that military personnel are essential to the successful development, production, and deployment of ballistic missile defense. However, as addressed in the finding, various factors work against military personnel serving in critical acquisition positions at BMDO acquiring adequate tenure.

Management Comments on Control over Military, Promotion, Assignment, and Retirement Policies. BMDO generally agreed with the audit assessment of the problems in retaining military officers for sufficient periods at BMDO. BMDO also cited several examples wherein military officers had more than one assignment to BMDO, which increased tenure. BMDO also noted that a large number of military officers have retired in recent years due to the downsizing of the Military Departments, as well as voluntary retirements due to nonselection for promotion, which is a factor that BMDO cannot control.

Audit Response. The examples cited by BMDO where military officers had more than one assignment to BMDO were excellent examples where military officers stayed at BMDO for extended periods. The tenure for those military officers was included in the overall tenure at BMDO addressed in the finding. The reason we recommended increasing the number of civilians to military as

division heads in critical acquisition positions was to address the tenure problems associated with military officers, which as stated by BMDO is a factor BMDO cannot control.

Management Comments on Table 6, "Summary of Military and Civilian Personnel Mix by Position Category for all DoD Division Heads in Critical Acquisition Positions." BMDO stated that the table was informative but had no relevance since BMDO, alone, was not required to satisfy the increase in proportion of civilians to military as specified in the statute.

Audit Response. The table was used to show that DoD as a whole had 59.4 percent more civilian personnel serving as division heads in critical acquisition positions than BMDO had. The comment on whether BMDO was responsible to increase the proportion of civilians to military was previously addressed.

Management Comments on Continuity in Top-Management Critical Acquisition Positions. BMDO commented that it is not unusual that an acquisition agency has as its most senior personnel general officers and political appointees. BMDO further stated that appropriate steps would be taken to establish the position of Architect Integrator as a permanent, nonlimited term position and that BMDO did not have a "practice" of hiring personnel from support services contractors.

Audit Response. We recognize that the most senior personnel are often general officers and political appointees, and the finding addresses the problems with adequate tenure for those individuals. We commend BMDO for taking appropriate steps to establish the position of Architect Integrator as a permanent nonlimited term position.

Management Comments on Designating Certain Positions as Critical Acquisition Positions and Obtaining Waivers to Staff the Positions With Personnel Lacking the Required Acquisition Experience. BMDO commented that it would review the positions and designated them as critical acquisition positions, if appropriate. If required, it would obtain appropriate waivers to enable it to fill the positions with incumbent personnel.

Audit Response. BMDO comments are responsive to the finding.

Management Comments on Intent to Comply with Provisions of the Law. BMDO commented that BMDO would comply fully with the provisions of the law regarding tenure of personnel in critical acquisition positions and will seek appropriate waivers when necessary.

Audit Response. BMDO should recognize the importance of tenure for division heads in critical acquisition positions for major defense acquisition programs, whether or not a statutory or regulatory requirement is in place.

Management Comments on Finding B., Role of Support Services Contractors

Management Comments on Congressional Correspondence and Testimony. BMDO commented that BMDO did not concur with the finding and was concerned about the apparent misperception that support services contractors were inappropriately used to perform inherently governmental functions. BMDO stated that in light of the significance attached to the misperception, BMDO would implement the recommendations in the finding.

Audit Response. BMDO actions are responsive to the finding.

Management Comments on Support Services Contractors Tasked to Identify Questions Relating to NMD that Might be Asked During Congressional Testimony and Develop White Papers. BMDO commented that none of these questions or answers were provided to Congress. The External Affairs Directorate compiles hearing preparation materials prepared by program office staff. The Director, BMDO, reviews the materials and asks his civilian and military staff members questions based on the materials. Consequently, when the Director responds to a question during a hearing, the response is clearly and entirely his own.

Audit Response. If the BMDO program office staff are preparing potential questions and answers for congressional testimony by the Director, BMDO, then support services contractors should not be tasked to prepare the material, and the monthly status reports prepared by these contractors should not indicate that the contractors prepared such material.

Management Comments on Support Services Contractors Tasked to Identify, Analyze, and Prepare Technical Information on NMD to Support Government Preparation of Testimonies for the Director. BMDO commented that for the last 3 years, the BMDO External Affairs Directorate prepared congressional testimonies. The External Affairs Directorate requests suggested inputs for specific program overviews for the draft testimony, and the Director for External Affairs personally coordinates the material with other deputies and directors at BMDO before forwarding a coordinated draft to the Director, BMDO. The Director, BMDO, then asks questions of his Government staff and modifies the text to his style. Contractor support services personnel do not interact with External Affairs staff on testimony, provide no input to the draft testimony, and have no influence or input on the revisions by the Director, BMDO.

Audit Response. If support services contractors are not involved in the process, then support services contractors should not be tasked to identify, analyze and prepare technical information on NMD to support Government preparation of testimonies for the Director, and the monthly status reports prepared by these contractors should not indicate the contractors prepared such material.

Management Comments On Support Services Contractors Used to Provide Technical Support to BMDO Staff for Quick-Reaction Responses Relating to Congressional Testimony Cycle. BMDO commented that 3 years ago, the External Affairs Directorate created a BMDO "legislative issues team," composed only of Government employees, to serve as key points of contact within each BMDO Directorate. The points of contact, in turn, rely on their Government staff, who work with support contractors who provide technical inputs, to develop the answers, staff them internally in their offices, and provide coordination with the rest of BMDO. Support services contractors do not write, review, or approve any documents that will ultimately be forwarded to Congress.

Audit Response. We do not object to BMDO using support services contractors for technical support as long as BMDO maintains a sufficient number of trained and experienced staff to retain the technical capability to prescribe, monitor, and evaluate the work.

Management Comments on Support Services Contractor Tasked to Provide Background Paper on "What have we developed in NMD for our investment?" in Preparation for Testimony by the Director to Congress. BMDO commented that the degree of impact of the cited document on the testimony by the Director, BMDO, was negligible at best.

Audit Response. If the impact of the cited document was negligible, no reason is apparent for tasking the support services contractors to prepare the background paper.

Management Comments on Program Continuity, Corporate Knowledge, and Management and Control of the BMDO Program. BMDO commented that the audit asserts that support services contractors prepare finished documents for submission to Congress or otherwise play a direct communication role with Congress. The finding implies a dominant role by support services contractors that does not exist. Given the thorough review process for BMDO congressional actions, no single draft input remains unchanged. The final product reflects the position of the Government staff and best available judgments. No "private influence," either actual or apparent, exists in the process.

The Director for External Affairs commented that members of a "legislative issues team" composed of representatives from each BMDO office work with BMDO program integrators to prepare answers to congressional inquiries. The "legislative issues team" approach also ensures Government Staff are in control of the process of preparing, reviewing, coordinating, and approving all responses to the congressional inquires.

BMDO commented that the team relied on monthly status report statements from selected support services contractors without meeting with contracting officer technical representatives to determine how they handle inputs and without assessing the veracity of the reports or their actual influence. The selected statements do not reflect a practice or policy at BMDO, and further effort and analysis would have revealed that reality.

Audit Response. The finding did not assert that support services contractors prepared finished documents for submission to Congress, but that support services contractors prepared material that could potentially be used in finished documents submitted to Congress. Based on the tenure issue discussed in Finding A, concerns were raised that BMDO may not have a sufficient number of trained and experienced staff to retain the technical capability to prescribe, monitor, and evaluate the work of support services contractors.

We commend BMDO for its use of a "legislative issues team" to assist program integrators in preparing answers to congressional questions.

We agree that contractor monthly status reports were used to determine the work performed by support services contractors, but we also reviewed the tenure of the BMDO program integrators and determined that the tenure of the program integrators was far shorter than the tenure of the support services contractors.

Management Comments on Appendix A., Scope and Methodology

Management Comments on Audit Period, Standards, and Locations. BMDO commented that even though the subject audit officially began in July 1993, information on acquisition personnel assigned to BMDO was obtained as early as April 1992.

Audit Response. The information obtained on BMDO acquisition personnel in April 1992 was primarily used to identify former BMDO staff that were currently employed by support services contractors supporting BMDO. That issue was addressed in Inspector General, DoD, Report No. 94-077 (see Appendix B).

Management Comments on Appendix E., Tenure of Former Ballistic Missile Defense Organization Personnel Serving as Division Heads in Critical Acquisition Positions

Management Comments on Relevancy of Appendix. BMDO commented that the appendix was not relevant, since there was no statutory or regulatory requirement for 3-year assignment periods prior to October 1, 1993.

Audit Response. As previously stated, statutory or regulatory requirements are not needed to determine a problem exists with tenure at BMDO when the median tenure for current and former division heads in critical acquisition positions is 1.3 years. Therefore, the appendix is relevant.

Appendix H. Tasks Performed by Support Services Contractors

BMDO division heads in critical acquisition positions use support services contractors to support various acquisition functions. The support services contractors prepare monthly status reports that describe the tasks performed each month. The following are excerpts from the monthly status reports for January, February, and March 1995 that show the types of support provided to various BMDO division heads in critical acquisition positions by support services contractors.

Excerpts were chosen to illustrate Finding B. Work described generally shows that contractors were performing work done in support of key aspects of the ballistic missile defense program. The emphasized passages show work done relating to congressional testimony or responses to congressional questions.

Deputy for Acquisition/Theater Missile Defense (AQ)*

> Task 1 has two parts. The first part is to support the Program Update Study II (PROGRUS II), a study to review the basis for the BMDO program considering the events since the PROGRUS I was completed last year, to pilot the BMDO TMD COEA [Cost and Operational Effectiveness Analysis], and to prepare white papers on critical questions . . . . The second part is to review the documents compiled by the Architecture Integration Study and ensure that the material did not contain ambiguities that might be misconstrued by general readers.
>
> * * * * *
>
> *For both TMD and NMD, we [the contractor] continued to identify questions that might be asked during Congressional testimony and developed responses for inclusion in a notebook of white papers.* [emphasis added]
>
> * * * * *
>
> We continue to update the Capstone TMD COEA Analysis Plan that we wrote, and have submitted another draft version (Feb 17) currently under review by the BMDO staff and the Services.

*Letters enclosed in parentheses represent office code designations.

Director for Program Management and Operations (AQP)

Included in this task are program contract management, research and administrative support, TMD program strategy and implementation support, and TMDI [Theater Missile Defense Initiative] acquisition planning support.

* * * * *

During this period, Task 1 completed the 1995 TMD Master Plan and processing of TMD exhibits to support submission of the FY 1996-1997 President's Budget.

* * * * *

The PM [contractor program manager] recommends studies, experiments, and demonstrations, and coordinates, manages, and reports to the COTR [Contracting Officer's Technical Representative] on all contract issues, both technical and financial.

* * * * *

The [contractor] Team provides comprehensive assistance in researching and assessing objectives; cost, schedule, and performance criteria; and risk assessments for the TMD projects. This includes preparing and assessing draft documentation, assessing alternate and critical program options, and providing support for program reviews and coordination of actions across the four pillars of the TMD development.

Director for Systems Applications (AQS)

Included in this task is support for systems improvements, advanced capabilities, risk mitigation, systems applications planning and assessment, and Marine Corps TMDI systems engineering.

* * * * *

The team drafted the AQS Advanced Planning Briefing to Industry and prepared a Current Systems Improvements Program (CSIP) information paper.

Director for System Acquisition (AQQ)

Included in this task is support for ground- and sea-based TBMD [Theater Ballistic Missile Defense] weapons and planning, assessment and integration.

* * * * *

Assisted in planning and conducting several meetings of the Commonality Study Group and drafted the final Commonality Study Report and briefing for the OSD Review Group. Also, in preparation for the TMD COEA IPR [In Progress Review], drafted briefing to be presented by the Systems Subpanel and Data Validation Group chairmen.

Further, actively participated in the annual BMDO Lethality Program Review at MIT/Lincoln Laboratory, drafted the Systems Acquisition Directorate portion of the Advance Planning Briefing to Industry and a briefing on the acquisition process for the new BMDO Assistant Deputy for Acquisition Management.

* * * * *

Continued developing chapters on THAAD [Theater High Altitude Area Defense] topics of interest and issues for [the TMD Deputy for Acquisition] Tool Box. Presented a briefing to the THAAD Division Chief on DAB [Defense Acquisition Board] preparation and lessons learned from the PAC-3 DAB.

Director for System Integration/BMC3 (AQI)

Included in this task is support for defining and integrating BMC3; for developing and applying threat and systems engineering documentation; for monitoring test bed programs and TMD test and evaluation activities; and for assessing both technical and programmatic issues for TMD integration and planning for their resolution.

Director for Joint Force (AQJ)

Included in this task is support for program planning; for assistance in evaluating requirements, CONOPS [United States Space Command Concepts and Operations], and doctrine for TMD; for planning and supporting UOES [User Operational Evaluation System]; for assisting the CINCs [Commanders in Chief] in understanding, planning, assessing and assimilating TMD concepts and assets; for execution of international programs; and for extension of U.S. interoperability approaches to our allies.

Director for Modelling and Simulation (AQM)

Included is monitoring and providing technical and fiscal direction, assessment, documentation, and presentation materials for AQM managed EADTB [Extended Air Defense Test Bed], EADSIM [Extended Air Defense Simulation], and STB [Surveillance Test Bed]) resources; assessing the quality and need for BMDO and Service simulation tool (ST) capabilities; recommending approaches for cost-effective leveraging of existing capabilities regardless of source or cooperative development where a suitable capability does not exist; and developing ST management approaches.

Task also involves the monitoring of ST acquisition and life cycle management; evaluation of ST quality and suitability for a specific task; and use of STs to conduct performance and effectiveness evaluations.

Task responsible for advising on DoD and commercial standards, best accepted practices, and future simulation technology direction.

* * * * *

Continued to support the development of a BMDO Directive on Simulation Tool Management, including consolidation of comments and recommended updates to the draft Policy Document.

Assistant Deputy for NMD Readiness (TR/R)

During the reporting period [task order] activities were largely focused on analyzing technical and programmatic issues for TR/R to support Government preparation for the Director's March testimonies. [Task order] personnel were also involved in supporting the development of the Director's briefing on excursions to the NMD Technology Readiness Program, particularly in supporting the costing of the Emergency Response System option. [emphasis added]

* * * * *

Congressional Analyses and Support *The major activity this reporting period was supporting TR/R in preparing to respond to technical and programmatic issues. Twenty-four specific NMD issues were identified [and] analyzed and technical information provided to TR/R to support Government preparation for the Director's upcoming testimonies. The issues were in the areas of threat assessment, proliferation, ABM treaty, NMD system operational requirements, and NMD system development. In addition, [task order] personnel researched and provided TR/R with background data on deployment statements and cost statements made in prior testimonies.* [emphasis added]

Director for NMD Readiness (TRN)

The primary focus of activity during March 1995 was providing analytical support to the National Missile Defense (NMD) Technology Readiness Program, developing program briefings, updating program planning documents, reviewing the NMD technology impacts caused by budget reductions, and analyzing the impact of alternative budgetary levels on the FY95 program and beyond. Technical support continues to be provided to the element managers and the functional integration managers. *Technical support for quick reaction responses in support of BMDO/TRN staff continues to be a priority area as we move through the Congressional Testimony cycle and into the POM [Program Objective Memorandum] cycle . . . .* [emphasis added]

Updated and delivered final draft of the NMD User Operational Evaluation System (UOES) Plan to the Task Director (TD). Drafted a coordination memorandum and several point papers covering the comments to and content of the NMD UOES Plan.

Updated the NMD Technology Readiness Program story board and oversaw the graphics personnel while the changes were being make for the Task Director.

* * * * *

Evaluated a concept for a rapidly deployable National Ballistic Missile Defense. Provided draft letter and Staff Summary Sheet (SSS) to the Director, NMD Readiness for BMDO coordination and signature by the BMDO Director.

Provided Background Paper on "What Have We Developed in NMD For Our Investment?" in preparation for the Director's testimony to Congress on 9 March. [emphasis added]

Researched and revised chart on NMD Funding Data Extracted From BMDO Annual Reports to Congress, 1991 - 1994. Reviewed and consolidated comments on the Capstone Ballistic Missile Defense Operational Requirements Document (ORD) Update, providing draft transmittal letter with attached classified comments for review and signature by the Director, NMD Readiness.

Reviewed and extensively revised the facing page text for the NMD Excursion Briefing to the Deputy Secretary of Defense.

Director for Logistics Readiness (TRL)

Activities for this reporting period centered on two areas; 1) general programmatic support, and 2) contingency deployment planning. For programmatic support, the [contractor] Team provided assistance to BMDO/TRL in analyzing the National Missile Defense (NMD) Tiger Team early capability excursion and developing necessary briefing materials. The analyses supported assessment of feasibility and cost.

* * * * *

Contingency deployment planning efforts have focused on developing the management plan portion of the Contingency Deployment Plan. The management plan has been staffed through BMDO/TR/R for comments and is being prepared for staffing throughout the Ballistic Missile Defense community.

Director BMC^3 Integration (TRB)

The [contractor] team provided both ongoing and quick turn-around rapid response BMC^3 analyses required to support NMD technical integration, inter-organization coordination, Government response to Congressional inquiries, program status and performance positions. [emphasis added]

* * * * *

Support to the Director, Battle Management, Command, Control, and Communications (BMC^3) Integration Directorate (BMDO/TRB) was provided in a number of areas during the month of March 1995. *These areas included researching and providing draft technical information for Government use in responding to potential BMC^3 related external questions [Congressional inquiries];* [emphasis added] supporting the BMC^3 Program Review; working costing and other problems associated with excursions to the Technology Readiness Program (TRP) baseline program; working issues related to National Missile Defense (NMD) Maturity Matrix (NMM), Key Technical

Parameters (KTPs) and BMC^3 Critical Performance Parameters (CPPs); and finalizing preparation and initiation of off-site activities in support of source selection activities.

* * * * *

The major activities provided under Task 1 included numerous quick reaction draft technical inputs for Government use in preparing responses to potential external questions, [emphasis added] development of draft inputs for BMC^3 Program Objective Memorandum (POM) FY 1997-2001 and support to numerous program reviews.

Director for Systems Engineering (TRE)

Reviewed System Simulator Requirements highlighting the lack of representation that BMC^3 prototypes should form the central core of the system representation.

* * * * *

Assisted BMDO/TRE in the preparation for the upcoming NMD Maturity Matrix (NMM) Integrated Product Team (IPT) meeting by preparing draft meeting notification, agenda, and objectives.

* * * * *

At Director/TRE's request, assisted with the initial preparation for a System Design Board (SDM) for TR/R [Assistant Deputy for NMD Readiness]. Work in this area included creating several flow diagrams to depict TRE's roles and responsibilities in a SDB, as well as a detailed draft agenda and objectives for the SDB.

* * * * *

In response to external questions to BMDO/TRE, wrote draft inputs describing NMD TRP threat scenarios.

Director Program Management and Operations Office (TRP)

Support to the Program Management and Operations Directorate (BMDO/TRP) was provided in a number of areas during the month of January. Primary focus was in the area of R-2 and R-3 draft development, analysis, and coordination in preparation for BMDO's FY96 budget submission. The Team also provided on-site coordination and tracking support of Program Management Agreement (PMA) Parts I and II, TRP daily execution support, financial execution support, and assistance in preparation for a TR [Technology Readiness] Technical Program Review tentatively scheduled for 8 and 9 February 1995.

* * * * *

Daily interaction with the Director and Assistant Director, TR, was provided during the month of January to facilitate Program Integrator and BMDO TR Director development of R-2 and R-3 documentation. Contractor personnel provided an independent programmatic

assessment of all TR R-2 and R-3 documentation. The goal of these assessments was to improve the defense of TR's budget submission, ensure appropriate connectivity and consistency between projects, and facilitate interfaces between TR/T [Assistant Deputy for Technology] and TR/R Program Integrators.

* * * * *

The [contractor] Team provided support to a number of activities related to the upcoming BMDO POM submissions. Early February activities included support to the Congressional Descriptive Summary (CSD) lessons learned session with BMDO/POF [Financial Management]. The goal of this meeting was to identify issues and appropriate responses for preparing future budget justification documentation. A draft POM preparation key events schedule was also developed and updated during the month to provide a tentative framework for TR POM documentation development. [emphasis added]

* * * * *

The Team also provided support in the identification of top-level POM issues and a process for their resolution for BMDO/TRP. The goal of this activity was to develop an issue oriented response mechanism to allow the Government to respond to Congressional redirection and anticipate likely OSD [Office of the Secretary of Defense] questions related to BMDO resource allocation actions.

The Team assisted in analysis of proposed BMDO related legislation. Specifically, technical input for a draft response was prepared as a result of a proposed Ballistic Missile Defense Act of 1995 that would drastically reduce resources applied to Ballistic Missile Defense. *The Team also supported TRP in the coordination of Congressional Questions For the Record (QFRs). It is anticipated that the level of effort necessary to support the Government in its response to Congressional QFRs will increase during the spring and summer months.* [emphasis added]

Director Cost Estimating and Analysis (POE)

Cost Analysis Structure and Interface. During March, the project team planned for, participated in, and prepared minutes for three Cost Analysis Board (CAB) meetings held 1 Mar, 15 Mar, and 29 Mar; prepared five updates to the CARD [Cost Analysis Requirement Document] Status Report; facilitated outside contractor access to the BMDO cost library; attended one MDART [Major Defense Acquisition Review Team] meeting; and investigated the difference between Navy and BMDO inflation indices.

* * * * *

Cost Estimating. Our cost estimating efforts in March supported the TMD COEA, NMD Program Planning (Option 2+2) and POM preparation. We continued to develop BLCCEs [BMDO Life Cycle Cost Estimates] for THAAD [Theater High Altitude Area Defense], TMD-GBR [Ground Based Radar], PAC-3 [Patriot Advanced Capability-3], Navy Area, Navy Theater Wide, MEADs [Medium

Extended Air Defense System], BPI-ABI [Boost Phase Intercept-Airborne Interceptor], BPI-ABL [Boost Phase Intercept-Airborne Laser], THEL [Theater High Altitude Area Defense], and SBL [Space Based Lasers], reconcile with the Project Offices, perform risk analysis, and develop cost-quantity curves. For NMD, we prepared cost estimates for EKV [Exoatmospheric Kill Vehicle], BMC3, T&E [Test and Evaluations] and UEWR for the 2 + 2 option. Related cost-estimating issued were raised.

Appendix I. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.1.a.	Program Results. Improves tenure and management and control of the program and reduces costs by assigning career civilians versus military personnel as division heads in critical acquisition positions.	Nonmonetary.
A.1.b.	Program Results. Improves tenure and management and control of the program by filling top-management critical acquisition positions with full-time career civilian employees versus temporary support services contractor personnel.	Nonmonetary.
A.1.c.	Program Results. Staffs critical acquisition positions with individuals with appropriate acquisition workforce qualifications or obtains waivers.	Nonmonetary.
A.2.	Program Results. Determines actions that can be taken to improve tenure for military personnel serving as division heads in critical acquisition positions.	Nonmonetary.
B.1.	Compliance With Regulations or Laws. Prohibits support services contractors from preparing material for Congress.	Nonmonetary.
B.2.	Compliance With Regulations or Laws. Prevents contracting officers' technical representatives from using support services contractors to prepare material for Congress.	Nonmonetary.

Appendix J. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology, Washington, DC
Deputy Under Secretary of Defense (Acquisition Reform), Washington, DC

Department of the Army

Space and Strategic Defense Command, Huntsville, AL

Other Defense Organizations

Ballistic Missile Defense Organization, Washington, DC

Appendix K. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology*
  Deputy Under Secretary of Defense (Acquisition Reform)*
Under Secretary of Defense (Comptroller)*
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Personnel and Readiness*
Director, Defense Procurement
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Ballistic Missile Defense Organization*
Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency

*Recipient of draft report.

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Honorable David Pryor, U.S. Senate

Part III - Management Comments

Deputy Under Secretary of Defense Comments

ACQUISITION AND TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

December 29, 1995

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE (DIRECTOR, CONTRACT MANAGEMENT DIRECTORATE)

THROUGH: DEPUTY DIRECTOR, CONGRESSIONAL ACTIONS AND INTERNAL REPORTS DIVISION, OD(API)

SUBJECT: Audit Report on Acquisition Management Staffing at the Ballistic Missile Defense Organization (BMDO) (Project No. 2CH-5031.02)

The following information responds to your recommendation (A.2., pg. 16) of the subject report dealing with the tenure of military personnel serving as division heads in critical acquisitions positions in the BMDO.

We carefully reviewed the report of tenure patterns for incumbents of critical acquisition positions (CAPs) at the division head level in the Ballistic Missile Defense Organization (BMDO). However, without dates of assignments for the CAP incumbents you refer to in the report, we cannot relate the tenure data to any specific provision of the Defense Acquisition Workforce Improvement Act (DAWIA). We note that you could improve the report by providing more precise data to support this finding.

Nonetheless, we take it that the purpose of the finding is to generally encourage longer tenure for military incumbents of CAPs, as obviously intended by statutory provisions which specify minimum periods of obligated service in such positions. To this end, we concur, provided that the routine exceptions to tenure (i.e., discharge, retirement, promotion) which DoD Instruction 5000.58 (Defense Acquisition Workforce) delineates shall continue to be operative.

Accordingly, we will request that the Directors of Acquisition Career Management of the Military Departments initiate an appropriate review of military officer assignment practices with respect to the BMDO to assure that the requirements for assignment duration are adhered to in all cases not covered by the authorized exception. We will further request that the Military Departments and Defense Agencies review their assignment and promotion practices, in particular, with a view to optimizing military officer assignment duration in CAPs in the BMDO, even in cases where routine exceptions are authorized. Attached is a draft of this correspondence.

Colleen A. Preston
Deputy Under Secretary of Defense
(Acquisition Reform)

Attachment
As stated

ACQUISITION AND TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

DRAFT

MEMORANDUM FOR DEPUTY DIRECTOR, ACQUISITION CAREER MANAGEMENT, OASA(RD&A)
DIRECTOR, ACQUISITION CAREER MANAGEMENT, OASN(RD&A)
ASSOCIATE DIRECTOR, ACQUISITION CAREER MANAGEMENT OASAF(A)

SUBJECT: Military Officer Tenure in Critical Acquisition Positions

A recent DoD Inspector General (IG) draft report of acquisition workforce assignment practices in the Ballistic Missile Defense Organization (BMDO) found a basis for recommending increased tenure of military officers assigned to critical acquisition positions (CAPs).

Although the report did not provide sufficient detailed information, the DoD IG found that the mean duration of military officer assignments to CAPs in the BMDO undergoing review ranged from 1.6 - 1.7 years. The DoD IG report appears to be a sufficient basis to initiate a review of military officer tenure in CAPs. Therefore, I'm requesting that the Directors of Acquisition Career Management (DACMs) initiate a through review of:

- your respective service's tenure of military officers in CAPs assigned to BMDO,
- assignment or other policy/procedural bases that impact tenure,
- and any policy or procedural recommendations for improvement.

While the basis for routine exceptions (waivers) to the obligated service periods for military officers should continue to be observed, your review should specifically evaluate whether there are any military personnel practices that automatically sub-optimize the tenure period of officers assigned to CAPs at BMDO. The goal of this review is to determine if a CAP tenure issue exists, remedies if it does, and any policy issues requiring department level solutions. I would request each of you provide your results NLT ninety days after issuance of this memorandum. My POC for this action is LTC Bill Weir, 697-8080.

DRAFT

James S. McMichael
Director, Acquisition Education, Training and Career Development

Ballistic Missile Defense Organization Comments

DEPARTMENT OF DEFENSE
BALLISTIC MISSILE DEFENSE ORGANIZATION
7100 DEFENSE PENTAGON
WASHINGTON, DC 20301-7100

DMO

November 30, 1995

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD

SUBJECT: Draft Audit Report on Acquisition Management Staffing at the Ballistic Missile Defense Organization (BMDO) (Project Number 2CH-5031.02)

The BMDO reviewed the draft audit report dated September 22, 1995, subject as above. The attached comments indicate our concurrence or nonconcurrence with the findings and recommendations. Contact Chief Master Sergeant Ray Vallee at 693-1532 concerning the acquisition workforce or Mr. Tom Johnson at 695-8743 on congressional matters.

MALCOLM R. O'NEILL
Lieutenant General, USA
Director

Attachment:
As stated

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FINDING A

FINDING **A: Tenure of Division Heads in Critical Acquisition Positions**

Pages 5-15

PAGE NUMBERS: **5-16**

PARAGRAPH HEADING: **See below**

CONCUR/NONCONCUR: **Nonconcur except as noted**

PAGE/PARA	AUDIT COMMENT
5/first	Tenure (the length of time a position is held) of BMDO division heads in critical acquisition positions generally was significantly shorter than the 3-year minimum assignment period established under United States Code, Title 10, Section 1734 (10 U.S.C 1734) for the Defense Acquisition Workforce. The median was 1.3 years for 25 current division heads in critical acquisition positions, as well as for 38 former employees in those positions.

Revised

BMDO COMMENTS:

10 U.S.C. 1734(a) requires that, on or after October 1, 1993, any person who is assigned to a critical acquisition position must be assigned for not fewer than three years. Chapter 9 of DOD 5000.58-R, "Acquisition Career Management Program," provides that any individual who was assigned to a critical acquisition position on or before September 30, 1993, is not required to execute service agreements to remain in the position for at least three years. Therefore, data compiled on personnel who were assigned prior to October 1, 1993, is not relevant in determining BMDO's compliance with the law. Compliance with the 3-year assignment period should be reviewed on an individual basis after the effective date of the statute.

PAGE/PARA	AUDIT COMMENT
8/second	**Tenure of Current BMDO Division Heads in Critical Acquisition Positions.** Although the 3-year minimum assignment period for personnel assigned to critical acquisition positions was not effective until October 1, 1993, tenure for current BMDO personnel in critical acquisition positions was significantly less than the minimum assignment period. The median tenure of the 25 current BMDO division heads in critical

acquisition positions was 1.3 years; in fact, 14 of the division heads had been in the position for 1.3 years or less. The arithmetic mean tenure was 1.7 years. The division heads included top-management and high-level critical acquisition positions.

BMDO COMMENTS:

It is not appropriate to compute arithmetic mean and median tenure for division head positions since some of the positions were not filled until after the effective date of the Defense Acquisition Workforce Improvement Act (DAWIA) (October 1, 1993). For example, the Director for Contracts was assigned in January 1995 and the Director for Battle Management, Command, Control, and Communications was assigned in May 1995. Any computation of their service time in the BMDO will skew downward the arithmetic mean and median. To use the "3-year minimum assignment period" to measure compliance with the DAWIA is incorrect since the law has been in effect for less than two years as of the date the statistics were compiled.

PAGE/PARA	AUDIT COMMENT
9/last	**Tenure of Former BMDO Division Heads in Critical Acquisition Positions.** The median tenure of former BMDO division heads in critical acquisition positions was 1.3 years; in fact, 20 of the 38 division heads served in the position for 1.3 years or less. The mean tenure for the former division heads in critical acquisition positions was 1.6 years. In addition, from 1988 through 1994, BMDO had six different deputy directors.

BMDO COMMENTS:

Unless statistics were derived for personnel assigned on or after October 1, 1993, and who departed before the date statistics were compiled, this finding is not relevant. Since there was no statutory or regulatory requirement in effect for personnel to remain in their assigned position until after the effective date stated in the DAWIA, this portion of the report, and any other similar finding in the draft report, should be deleted.

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PAGE/PARA	AUDIT COMMENT	
10/last	**Career Civilian Employees Provide Program Stability.** Career civilian employees provide more program stability than military personnel because of longer tenure. Civilian promotion, assignment, and retirement policies all contribute to longer tenure for civilians than for military personnel. Defense acquisition workforce legislation requires that the Secretary of Defense ensure that the acquisition workforce is managed so that, for each fiscal year from October 1, 1991, through September 30, 1996, a substantial increase occurs in the number of civilian personnel, as compared to military personnel, serving in critical acquisition positions as division heads. In addition, BMDO has overall control over its civilian acquisition workforce, while the Services ultimately control the military acquisition workforce. Consequently, BMDO needs to request the conversion of military to civilian positions through the budget process.	Page 9

BMDO COMMENTS:

The DAWIA requires the Secretary of Defense to increase the proportion of civilians to military in critical acquisition positions throughout the DOD, including the Services, Defense agencies, and DOD field activities. The BMDO, alone, is not required to satisfy the increase in proportion of civilians to military as specified in the statute. As of March 1993, BMDO had 40 military and 28 civilian critical acquisition positions, a ratio of 1.4 to 1 military to civilian. Today, we have 64 civilian and 37 military critical acquisition positions for a ratio of nearly 2 to 1 civilian to military. In the last 18 months, we reduced the number of military serving in critical acquisition positions by three and increased the number of civilian personnel by 39. During this process, two senior positions formerly held by military officers were converted to civilian Senior Executive Service positions. These positions are the Director for Contracts and the Director for Battle Management, Command, Control, and Communications. They are two of our most critical acquisition positions. In short, the BMDO has complied with the law in managing our number of military and civilian personnel in acquisition positions. We do feel strongly that our military personnel bring a mix of education, training, and operational experience that are essential to the successful

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development, production, and deployment of ballistic missile defense. As in the past, we will continue to evaluate the number of military and civilian personnel to ensure the successful fulfillment of our mission.

PAGE/PARA	AUDIT COMMENT
11/first	**Control Over Military, Promotion, Assignment, and Retirement Policies.** Military personnel assigned to BMDO were (sic) part of the acquisition workforce of each Service and not part of the BMDO acquisition workforce. Although normal assignment periods for military personnel at BMDO were 3 years, the Services sometimes rotated military personnel before the completion of the assignment period. When a military person was promoted, the Service to which the person belonged normally rotated the military person out of BMDO, ending the person's tenure in the position. Also sometimes the military person served in more than one critical acquisition position during the assignment period, which also shortened tenure in each position. The single factor that most affected tenure at BMDO, however, was the retirement of military personnel. Of the 38 former division heads in critical acquisition positions, 15 were military personnel who retired, and 6 of the retirements were mandatory.

Page 10

BMDO COMMENTS:

The information contained in the above paragraphs is generally accurate. However, there are cases where military assignments have worked to the benefit of the BMDO. The Director for BMDO, based on two assignments to BMDO and the former Strategic Defense Initiative Organization (SDIO), has more than 7 years experience in this organization. The Director for System Acquisition served as a program integrator as a lieutenant colonel for 2 1/2 years, and was elevated to the director position when promoted to the grade of colonel. He now has over four years of continuous experience in BMDO with at least one more year remaining on his current tour. The previous Director for Test and Evaluation retired in May 1995 with nearly eight years of continuous service in BMDO and SDIO. Like the Director for System Acquisition, he served as a program integrator for

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four years and turned down an assignment as a commanding officer to remain in BMDO for another four years before retiring.

Some military officers are board selected to become commanders, product managers, or program managers in key programs in their parent Service and must leave prior to the completion of a 3-year assignment. The BMDO would not generally withhold release of an officer by not approving a required waiver. A large number of officers have retired from military Service. The downsizing of the Military Departments in recent years, as well as voluntary retirements due to nonselection for promotion or in lieu of reassignment, is a factor that BMDO cannot control nor can the Military Services. This is not strictly a BMDO problem, other organizations across the DOD are also affected. The Services are not likely to disapprove retirement requests. DOD Instruction 5000.58, "Defense Acquisition Workforce," allows the release of officers from their military Service obligation in critical acquisition positions for reasons including retirement or reassignment in the interest of the DOD.

PAGE/PARA	AUDIT COMMENT	
11/last	**BMDO Military and Civilian Personnel Mix.** BMDO has not requested through the budget process the conversion of military to civilian positions to increase the proportion of career civilian personnel serving as division heads in critical acquisition positions. Of the divisions heads in critical acquisition positions at BMDO, 64 percent were military officers and 36 percent were civilian employees. In addition, two of the civilian employees were temporary employees hired from support services contractors. Consequently, only 28 percent of the division heads in critical acquisition positions at BMDO were career civilian employees.	Page 10

BMDO COMMENT:

No action is required. We believe that we have complied with the law in significantly improving the mix of military and civilian personnel. Nevertheless, BMDO, alone, is not required to satisfy the increase in proportion of military to civilian as specified in the statute. We do feel strongly that our military personnel bring a mix of education, training, and operational experience that is essential to the successful development, production, and deployment of ballistic missile defense.

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PAGE/PARA	AUDIT COMMENT
Page 11 12/last	**Comparison of BMDO Personnel Mix with Total DOD Personnel Mix.** Using a weighted average based on the number of BMDO personnel assigned to the different critical acquisition position categories, DOD as a whole had 59.4 percent more civilian personnel (57.4 percent) serving as division heads in critical acquisition positions than BMDO (36 percent).

BMDO COMMENT:

This comparison is not relevant. BMDO is not solely required to satisfy the increase in proportion of civilians to military as specified in the statute.

PAGE/PARA	AUDIT COMMENT
Page 12 13/Table 6	Table 6 shows a summary of the military and civilian personnel mix by position category for all DOD division heads in critical acquisition positions. (Table 6 follows.)

BMDO COMMENT:

This table is informative but has no relevance. BMDO, alone, is not required to satisfy the increase in proportion of civilians to military as specified in the statute. In addition, we believe that our military personnel bring a mix of education, training, and operational experience that is essential to the successful development, production, and deployment of ballistic missile defense.

PAGE/PARA	AUDIT COMMENT
Page 12 13-14/first-third	**Continuity in Top-Management Critical Acquisition Positions.** BMDO does not have adequate continuity in top-management critical acquisition positions. Within the next 2 years, all three top-management critical acquisition positions at BMDO will most likely turn over. The three top-management critical acquisition positions at BMDO are the Director, Deputy Director, and Architecture Integrator....Instead of using career civilian employees, BMDO fills its top-management critical acquisition positions with personnel

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hired from the same support services contractor from which it hires personnel on a temporary basis....BMDO can refrain from hiring limited-term appointees to fill top-management critical acquisition positions. Consequently, BMDO needs to review the practice of hiring personnel from support services contractors on a temporary basis to fill civilian top-management critical acquisition positions and to determine whether the policy supports the long-term goals of BMDO and the purposes of the Government.

BMDO COMMENTS:

As an acquisition agency, it is not unusual that BMDO's most senior personnel are senior general officers and political appointees. BMDO will take appropriate steps to establish the position of Architect Integrator as a permanent, nonlimited term position. Further, BMDO does not have a "practice" of hiring personnel from support service contractors.

PAGE/PARA	AUDIT COMMENT
14-15/last	BMDO has not designated the Deputy for Acquisition/Theater Missile Defense position and the Assistant Deputy for Theater Missile Defense Programs position as critical acquisition positions. Both positions are clearly division head critical acquisition positions in the program management area. However, the positions were not designated as critical acquisition positions because of difficulty staffing the positions with general officers that had the required acquisition experience to fill general officer critical acquisition positions. BMDO needs to designate both positions as critical acquisition positions and should staff the positions with personnel with the appropriate acquisition experience or obtain the necessary waivers to staff the positions with personnel without the required acquisition experience.

Page 13

BMDO COMMENT:

We will review these positions and designate them as critical acquisition positions, if appropriate. If required, we will seek waivers for incumbent personnel to fill the positions.

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PAGE/PARA	AUDIT COMMENT
Pages 13 15/first	BMDO division heads in critical acquisition positions were not assigned for sufficient time to provide the stability necessary to effectively carry out the duties of the position. Also, the tenure was too brief to allow for the establishment of responsibility and accountability for actions taken in the position....Despite the fact that the ballistic missile defense program is costly to the Government, and, therefore, should be headed by experienced personnel, the median tenure of BMDO division heads in critical acquisition positions for the program was only 1.3 years. Longer tenure with increased accountability should help improve the management of the multibillion dollar ballistic missile defense program.

BMDO COMMENT:

We intend to comply fully with the provisions of the law regarding tenure of personnel in critical acquisition positions and will seek appropriate waivers, when necessary.

RECOMMENDATIONS FOR CORRECTIVE ACTION

A.1. We recommend that the Director for BMDO:

a. Request the conversion of military to civilian positions as part of the budget process to increase the proportion of career civilian personnel, as compared to military personnel, serving as division heads in critical acquisition positions.

BMDO RESPONSE: Nonconcur. We do not believe that the conversion of military to civilian positions is warranted. BMDO, alone, is not required to satisfy the increase in proportion of civilians to military as specified in the statute. However, the current mix of military and civilians is in compliance with the law and is appropriate, given the depth of experience provided by our military personnel.

b. Review the practice or hiring personnel from support services contractors on a temporary basis to fill top-management civilian critical acquisition positions and discontinue the policy if it does not support long-term goals of the ballistic missile defense program and the purposes of the government.

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BMDO RESPONSE: Nonconcur. BMDO does not have a "practice" of hiring personnel from support service contractors on a temporary basis to fill top-management civilian critical acquisition positions. The two individuals hired on the recommendation of the Director, BMDO, had been professional associates of and personally known to the Director for twenty years. Both individuals served in government with the Director--the present Deputy Director had been the GM-15 supervisor and the Architecture Integrator had served as an O-4 peer of the Director. During the period 1974-1977, the Director and these individuals had been associated as members of an Army team to plan and execute a high-visibility, advanced technology acquisition program for improved battlefield air defense. The significant achievements of these members of the team and the very positive rapport exhibited by them were the principal reasons that the individuals were recruited by the Director, BMDO. BMDO will take appropriate steps to request the establishment of the Architect Integrator as a permanent, nonlimited term position. This action must be staffed and approved by the Director, Administration and Management, Office of the Secretary of Defense. Estimated completion date for submitting this action will be June 30, 1996.

c. Designate the Deputy for Acquisition/Theater Missile Defense position and the Assistant Deputy for Theater Missile Defense Programs position as critical acquisition positions and ensure that appropriate waivers are obtained if the positions are filled by individuals without appropriate acquisition workforce qualifications.

BMDO RESPONSE: Concur. We will review these positions and designate both positions as critical acquisition positions, if appropriate. If required, we will seek necessary waivers, for incumbents to fill the positions. Estimated completion date for this action will be May 31, 1996.

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FINDING B

FINDING **B: Role of Support Services Contractors**

Pages 16-20 **Page Numbers:** **17-22**

Paragraph Heading: **See Below**

Concur/Nonconcur: **Nonconcur**

PAGE/PARA	AUDIT COMMENT
Page 18 19/third	**Congressional Correspondence and Testimony.** BMDO inappropriately used support services contractors to draft material that could potentially be used in congressional testimony and in responses to congressional correspondence. Although the BMDO External Affairs office officially prepares congressional testimony and responses to congressional correspondence, BMDO contracting officers' technical representatives have in numerous instances inappropriately tasked support services contractors to provide input for the material required for Congress.

BMDO COMMENT:

The BMDO does not concur with these findings. The basis of BMDO's nonconcurrence is outlined in specific comments below. However, BMDO is concerned about the apparent misperception that support service contractors are inappropriately used to perform inherently governmental functions. In light of the significance attached to this misperception problem, BMDO will implement the audit's recommendations.

PAGE/PARA	AUDIT COMMENTS
Page 18 19/fourth	Support services contractors were tasked to identify questions relating to theater missile defense and national missile defense that might be asked during congressional testimony and develop responses for inclusion in notebook of white papers.

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BMDO COMMENTS:

None of these questions or answers were provided to Congress. The External Affairs Directorate compiles a book of hearing preparation materials that are prepared by program office staff. The Director for BMDO reviews these materials and asks his civilian and military staff questions based on these preparation materials. When he responds to a question during his hearing, the response is clearly and entirely his own. The finding could be read to imply that contractors directly interface with congressional staff to ascertain likely questions. This does not happen. The BMDO External Affairs' staff alone works with the congressional staff. Support service contractors are not allowed to interact with congressional staff. The BMDO government employees are only permitted to interface with congressional staff when External Affairs legislative liaison officers are present.

PAGE/PARA	AUDIT COMMENTS	
19/fifth	Support services contractors were tasked to identify, analyze and prepare technical information on national missile defense issues to support Government preparation of testimonies for the Director.	Page 18

BMDO COMMENTS:

For the past three years, the BMDO's congressional testimonies were prepared by the External Affairs Directorate. The Director for External Affairs personally wrote the opening statement for congressional hearings with the Director, BMDO. The External Affairs Directorate requests suggested inputs for specific program overviews for the draft testimony. The Director for External Affairs writes the first draft statement, coordinates it personally with the BMDO's Deputies and Directors, and then forwards the coordinated draft to the Director for BMDO. In reviewing the prepared draft, the Director for BMDO asks questions of his government staff and modifies the text to his style. Contractor personnel do not interact with the External Affairs' staff on the testimony. They provide no inputs to the draft; they have no influence or input to the Director's revisions.

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PAGE/PARA	AUDIT COMMENTS
Page 18 20/first	Support services contractors were used to provide technical support for quick-reaction responses in support of BMDO staff relating to congressional testimony cycle and the program objective memorandum cycle.

BMDO COMMENTS:

The BMDO agrees with this finding. In accordance with U.S. laws and the Office of Federal Procurement Policy, the BMDO uses support service contractors to provide technical assistance in responding to congressional questions for the record and other time-urgent questions or actions. However, the key is "technical support." Three years ago, the External Affairs Directorate created a BMDO "legislative issues team," composed of only government employees, to serve as key points of contact within each BMDO Deputate. The External Affairs Directorate uses this in-house network to task out time-urgent, congressional queries and to identify the proper coordination required for a specific question or action. These points of contact, in turn, rely on their government staff, who work with support contractors who provide technical inputs, to develop the answers, staff them internally in their office, and provide coordination within the rest of BMDO. Support service contractors do not write, review, or approve any documents that will ultimately be forwarded to Congress. Following coordination with relevant BMDO government staff, these materials are forwarded to BMDO's General Counsel for review, where they are subject to change. They are then forwarded to BMDO's front office for final approval, where again they are subject to revisions. A more detailed overview of this review process is outlined below.

PAGE/PARA	AUDIT COMMENTS
Page 18 20/second	Support services contractors were tasked to provide a background paper on "What have we developed in NMD [National Missile Defense] for our investment?" in preparation for the Director's testimony to Congress.

BMDO COMMENTS:

The BMDO was specifically asked to testify earlier this year on the program's accomplishments over the past decade. The Director for External Affairs tasked BMDO deputates for their inputs. A large amount of material was provided by each office.

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The background paper cited was included in the NMD office's input. The document was an historical, factual account of the NMD program's development and accomplishments. For example, it listed significant technical achievements in the development of NMD system elements and noted past tests and experiments that helped prove the technology as feasible. The document was reviewed, revised, and approved by government staff prior to being forwarded to External Affairs for consideration as input.

The Director for External Affairs personally drafted the BMDO Director's testimony--over the course of four days of reviewing materials, outlining major themes, and writing the text. No text was imported from any document unless it was a specific quote (i.e., Director, CIA; combatant commands; or official DOD documents). When technical questions arose, the Director for External Affairs personally met with the office directors and their government staff to resolve technical issues and translate information into layman's terms. The final draft was coordinated personally by the Director for External Affairs and the relevant BMDO deputies and directors. Upon collating their comments, the draft was forwarded to the Director for BMDO. The Director for BMDO, who has spent a total of seven years in BMDO and SDIO and 23 years as an acquisition professional, made substantive improvements to the text. The final text reflected his own thoughts and opinions about the program and its accomplishments. The text was further coordinated within DOD, OMB, and NSC staff. Comments were received by all relevant offices and those changes were accommodated. The degree of impact of the cited document on the Director's testimony is negligible at best.

PAGE/PARA	AUDIT COMMENTS	
21/first	**Program Continuity, Corporate Knowledge, and Management and Control of the BMDO Program.** BMDO lacked a sufficient number of trained and experienced staff to retain the technical capability to prescribe, monitor, and evaluate the work of support services contractors. ***When support services contractors prepare documents for Congress and provide the answers to congressional questions, an appearance of private influence is created with respect to the documents and information in the answers.*** [Emphasis added.]	Page 19

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BMDO COMMENTS:

The audit asserts that support service contractors prepare finished documents for submission to Congress or otherwise play a direct communication role with Congress. This is not true. The highlighted statement above is misleading and implies a dominant role by the support service contractors that does not exist. These contractors do not prepare documents for Congress. They do not prepare final testimony or final answers to questions.

Given the thorough review process for BMDO congressional actions, no single draft input remains unchanged. The final product reflects the government staff's position and best available judgments. No "private influence"--whether actual or apparent--exists in this process. At best, this assertion reflects the auditor's lack of understanding of the process by which congressional actions are handled at BMDO. It is important to note that the audit team never requested to meet with the External Affairs staff to review how congressional testimony or congressional responses are handled, what process is used, how these items are tracked, coordinated, approved, and forwarded to OSD offices or Congress. Similarly, the audit team did not seek to interview any of the COTRs who are alleged to have tasked their support service contractors to "prepare materials for Congress."

When the Director for External Affairs joined the exit meeting for the audit, he outlined these items for the audit staff. In particular, he expressed how BMDO had created a "legislative issues team" composed of representatives from each BMDO office. Only government employees were members of the team. The group's function is to facilitate preparing responses to congressional inquiries and to ensure their efficient coordination. Moreover, the group comprises a core of government employees who specifically have program experience and understanding of the congressional process to perform this important staff function. They work directly with BMDO program integrators specifically to prepare answers to congressional questions, thereby relieving program integrators of the task of directly responding. In this manner, BMDO also minimizes any temptation a busy program integrator may have to task his support service contractors to prepare a draft response for his consideration. The "legislative issues team" approach also ensures government staff are in control of the process of preparing, reviewing, coordinating, and approving all responses to congressional inquiries.

This process was outlined to the audit staff after the audit was concluded and an unofficial draft report prepared. Subsequent to this meeting, the draft audit report was not modified to reflect the dominant role of government staff throughout this process. The team relied on selected support service contractors monthly status report statements without meeting with COTRs to determine how they handle inputs and without assessing the veracity of the reports or their actual influence. In this manner, the audit team has allowed support service contractors inputs to inappropriately influence the audit's findings. These selected statements do not reflect a practice or policy at BMDO, and further analysis and effort would have revealed that reality.

RECOMMENDATIONS FOR CORRECTIVE ACTION

B. We recommend that the Director for BMDO:

1. Revise BMDO policy to prohibit support services [contractors] from drafting material for congressional testimony and responses to congressional correspondence unless the material is clearly identified as such.

2. Reissue the policy on material given to External Affairs for submission to Congress, provide appropriate training, and review the performance of contracting officers' technical representatives who continue to task support services contractors to prepare material for Congress.

BMDO RESPONSE: Concur. The BMDO recognizes the perception but disagrees with the findings that conclude the support service contractors are used to directly prepare congressional testimony or responses to inquiries. Nonetheless, we do agree it is prudent to reiterate our internal policy statements. The BMDO General Counsel's policy statement was reissued on October 26, 1995. Additionally, the BMDO External Affairs Directorate has reemphasized the present policy statement issued with each staff action in response to a congressional inquiry:

> "Preparation of responses to congressional inquiries is a government employee function and responsibility. Contractors will not be tasked to draft responses. However, contractors may be used to provide technical input for government consideration. In such cases, contractor-provided material will be specifically identified as contractor products. If you have any questions, please consult External Affairs."

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In light of the significance BMDO attaches to any lingering perception over the inappropriate use of support service contractors, we will be vigilant in ensuring the staff is adequately trained on the appropriate use of contractors. The BMDO will investigate improvements to existing procedures in our continued attempt to minimize the potential for and perception of contractors performing inherently governmental functions. In this regard, BMDO General Counsel, Contracts, and External Affairs offices will coordinate efforts to ensure this policy is followed. All COTRs and BMDO office directors have been apprised of the policy in writing. In addition, all new government employees at BMDO will be briefed on the policy and their responsibilities with respect to congressional inquiries and the BMDO COTR training course will be enhanced in this area. Actions will be completed by March 31, 1996.

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APPENDIX A
SCOPE AND METHODOLOGY

PAGE/PARA	AUDIT COMMENT	
24/second	**Audit Period, Standards, and Locations.** We performed this program audit from July 1993 through July 1995....The audit was suspended from September 1994 through May 1995 because of a higher priority project.	Page 22

BMDO COMMENT:

Even though this audit officially began in July 1993, information was provided to the DOD (Inspector General) as early as April 1992 when a previous audit was being conducted on the role of support service contractors. Information included status and acquisition qualifications of personnel assigned to the organization.

APPENDIX E
TENURE OF FORMER BALLISTIC MISSILE DEFENSE ORGANIZATION PERSONNEL SERVING AS DIVISION HEADS IN CRITICAL ACQUISITION POSITIONS

PAGE/PARA	AUDIT COMMENT	
34-35/entire	As titled	Pages 31-32

BMDO COMMENT:

This appendix is not relevant since positions occupied before October 1, 1993, did not require incumbents to be assigned for a 3-year period since there were no statutory of regulatory requirements in effect.

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto
Garold E. Stephenson
Henry F. Kleinknecht
Robert A. McGriff
Kathryn M. Hoffman
Ana M. Myrie