

Testimony

of

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Thank you, Mr. Chairman, and members of the Committee. I am very pleased to be here with Director Walker, Under Secretary Krieg, and Vice Chairman Giambastiani to discuss the important topic of acquisition reform.

Let me open my remarks – speaking as a relatively recent addition to the Comptroller’s office – that the process to acquire weapon systems and services to meet current and future capability needs can – and should – be better, especially in this era of multiple combat operations abroad, terrorist threats at home, and competition for budget.

To that end, the goal of the Office of the Under Secretary of Defense, Comptroller is to provide the Department with a rational, balanced budget with sufficient internal controls to achieve efficient, effective acquisition programs that meet cost objectives.

There is nothing new about the challenge to develop more efficient, effective and less costly ways of acquiring weapon systems and services.

General George Washington complained in 1777 about the risk averse, fledgling industrial base that was not responsive to the need for cannon castings.

In 1861 Congress expressed concern about fraud, waste and abuse in defense acquisition.

General George Custer found too late that commercially available repeating rifles would have been helpful at Little Big Horn. His adversary had the Winchesters.

The historical literature is replete with descriptions of efforts to improve the Defense Department’s acquisition processes. To my knowledge, before the completion of the most recent Defense Acquisition Performance Assessment (DAPA) some 128 studies had been conducted, over the course of the last several years, to address perceived and real problems with the Defense Acquisition system.

In the 1980s the focus was fraud, waste and abuse. The 1990s reflected the desire to make the process faster, better, cheaper. More recently, the goal has been to make the process more flexible and responsive.

Indeed, for nearly 60 years, the Department has been engaged in a continuous process of self-assessment to identify and improve the way it acquires weapons systems. Many of the same problems – particularly those related to cost and the timely delivery of needed capabilities – have been themes in most of the studies.

In many of the reviews conducted, almost since the Department was established in 1947 with the Hoover Commission, the focus was on procurement practices, but not necessarily budget issues. And this is significant, because those practices that impact the ability of the procurement process to deliver effective capabilities on time and within cost require the Department to create a stable budget environment.

Past reviews were also limited in their assessment of the interrelationship between workforce performance, industry responsibility, and the oversight and control mechanisms intended to make the system work efficiently with financial discipline.

While many improvements were made as a result of all of these reviews, the ability of the acquisition process to deliver major systems consistently on schedule and within predicted costs have not improved appreciably during the last 20 years.

Last June, in response to the growing concern of Congress and the Department, Deputy Secretary of Defense Gordon England authorized an assessment of every aspect of the acquisition process – from requirements, organization, and legal foundations, such as Goldwater-Nichols, to decision methodology, oversight, and checks and balances – with the goal of integrating all acquisition reform activities into a single coordinated roadmap.

That project became the Defense Acquisition Performance Assessment or DAPA Project.

Lieutenant General Ron Kadish (USAF, Ret.) spoke to you last Wednesday about the details of the Defense Acquisition Performance Assessment or DAPA report. Though I served as the Director for the DAPA Project, I've read General Kadish's testimony and believe he covered well the details of that study.

However, it is important to note that, broader than previous studies, the DAPA Panel's approach addressed not only the "little a" acquisition process – which tells us how to buy things, but the "big A" Acquisition System that integrates the three interdependent processes of budget, acquisition, and requirements.

Among the important findings of the Panel that are relevant here today is the idea that program stability leads to predictability in the program as measured by cost schedule and performance.

When program progress is predictable – in other words when milestones are being met, estimated costs are actual costs and performance to contract specifications and Key Performance Parameters are achieved – the senior leadership in the Department of Defense and the Congress will have their confidence in the acquisition process strengthened or renewed.

Additionally, it is critical for acquisition program success that clear lines of accountability are established and maintained. When program managers have stable programs with predictable funding, it is much easier to hold the program managers accountable for program performance and cost discipline.

Achieving stable program budgets as a key element in building and maintaining stable acquisition programs is a Department of Defense objective for implementation.

To achieve that goal, the Department has an initiative underway, as part of the Quadrennial Defense Review recommended roadmap, on improved governance and management to implement a DAPA report recommendation for a “stabilization account” or capital funding of programs.

We have established a working group that is;

- First – preparing a description of exactly what such a funding program would look like; there are several ideas of what capital funding process would be;
- Second – determining how rigorous internal controls would be established and maintained; gaining the confidence of Congress and the Department demands that strong spending controls be in place, and
- Third – identifying which programs would be the best candidates for successful implementation of a capital or stabilization account for major programs. Not all program profiles lend themselves to capital funding.
- Lastly, we are looking for solutions to the challenges that will be encountered by implementing capital funding of major defense programs.

The outcome of this working group will provide the body of the report on this subject due to Congress in July 2006. But, any worthwhile solution to achieving budget stability, and the resulting acquisition program stability, will require a collaborative effort among the major Department players and Congress.

I'm pleased with the opportunity to discuss the important subject of acquisition reform and answer your questions.

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