

STATEMENT OF

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BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

April 30, 2003

STATEMENT OF THE DIRECTOR, DEFENSE PROCUREMENT AND
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OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
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BEFORE THE U.S. HOUSE OF REPRESENTATIVES
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Chairman Davis, Congressman Waxman and Members of the Committee:

I appreciate the opportunity to come before you today to discuss the proposed Services Acquisition Reform Act of 2003 (SARA) and your ideas for improving the acquisition of services within DoD.

In my testimony before you in March 2002 Mr. Chairman, I stated that our business environment within the Department of Defense remains very complex, particularly in the acquisition of services. The same is still true today. The amount of money the Department spends on services has increased significantly over the past decade, to the point where we now spend approximately an equal amount of money for the acquisition of services as we do for equipment. Because of this shift, we continue to increase our focus on how we acquire services and continue to develop new and strategic approaches to acquiring them.

We fully support the efforts of the Committee in a number of areas related to how the Department acquires goods and services. As SARA has not been reintroduced yet, my testimony is largely based on the prior version of SARA introduced in the last session.

The Department appreciates the Committee exempting our participation from the proposed Acquisition Workforce Training Fund. By centralizing the funding for training within the Department of Defense, we have demonstrated a commitment to and provided stability to training our acquisition workforce. The Defense Acquisition University (DAU) has a very robust training program. To ensure that we have a trained and highly qualified acquisition workforce to meet our changing missions, we are transforming DAU.

We are moving from purely classroom training to more web-based learning modules and we are no longer solely teaching the use of the Federal Acquisition Regulations. DAU is now also emphasizing critical thinking skills and business case reasoning to equip our workforce with the right skills, tools and knowledge to operate in a more business-like manner. The Department looks forward to working with the civilian agencies and the Federal Acquisition Institute in developing a comprehensive training program that ensures the acquisition workforce acquires the right skills and capabilities to be able to contribute effectively in the changing acquisition environment.

The Department supports specific provisions of the proposed legislation pertaining to the adaptation of business acquisition practices. We support the concepts

contained in Sections 201 and 202 for the appointment of a Chief Acquisition Officer for each agency and the establishment of a Chief Acquisition Officer's Council and appreciate the Committee exempting DoD from these provisions as we currently have such a position, namely the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)). The Department has no objection to the proposed Section 205 to review the laws and regulations that hinder the use of commercial practices and performance-based contracting. We embrace continuing efforts to improve our acquisition processes and to remove barriers that prevent us from making the best possible business decision.

To continue, we support certain revisions to share-in-savings initiatives. The share-in-savings authority, as defined by the Clinger-Cohen Act and the E-Government Act of 2002, has not been fully implemented by the Department for a number of reasons. A primary concern within the DoD has been to ensure that funds spent for payment of savings are the right type of funds. Additionally, there may have been some reluctance by contractors to providing all of the non-recurring funds for the investment even with the long-term payback. We need a policy for using share-in-savings contracts that not only encourages our contractors to undertake aggressive cost reduction programs but one that also stimulates agency interest by allowing them to retain a portion of the savings after contractor payment.

Finally, the Department fully supports extending the procurement authorities granted by the Homeland Security Act and the Temporary Emergency Procurement

Authority granted in the National Defense Authorization Act for Fiscal Year 2002. These authorities enable the Department to use these bold opportunities to achieve significant results for our customers. The situations that necessitated these authorities are still with us today and will remain so for the foreseeable future. Providing continued access to these authorities is needed as long as they are tied to specific objectives such as combating terrorism or other emergencies.

With regard to increasing our focus on how we acquire services and developing strategic approaches to acquiring them, we are conducting an analysis of how we acquire services. This analysis, known as a “spend” analysis, will encompass several issues including reviewing what type of services we acquire, who we acquire them from, and who does the acquiring. To support this effort, we are in the process of awarding a contract to conduct a commercial type “spend analysis” to assist us in the development of more global, strategic acquisition plans. The goal of this analysis is to provide the Department with baseline procurement information packaged in a format to facilitate the development of new, more effective and cost efficient acquisition plans. While we are seeking to leverage our buying power across the Department, we will also emphasize supporting small business initiatives, which will be addressed in the strategic acquisition plans.

In addition, to increase our focus on the acquisition of services, the USD(AT&L) issued a memorandum on May 31, 2002 to all of the military components. This implemented the requirements of Section 801 of the National Defense Authorization Act

for Fiscal Year 2002 to develop and institutionalize a process for the management and oversight of the acquisition of services. The USD(AT&L) recently approved each of the three military departments' Management and Oversight of Acquisition of Services processes. My staff has also been working with representatives from the General Accounting Office, who are currently auditing our compliance with the provisions of Section 801.

In closing, I would like to affirm my commitment to achieving excellence in the acquisition of services within DoD. The Department is frequently hampered by a demanding set of statutory requirements, which restricts our flexibility, and thus our ability to adapt to changing circumstances. I look forward to working with you on your proposals to improve the acquisition of services within the Department.

Thank you for the opportunity to appear here today. I will be happy to address any questions you may have.

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