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DEFENSE REFORM: EMPOWERING SUCCESS IN ACQUISITION

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

HEARING HELD
JULY 10, 2014

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DEFENSE REFORM: EMPOWERING SUCCESS IN ACQUISITION

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
Washington, DC, Thursday, July 10, 2014.

The committee met, pursuant to call, at 10:06 a.m., in room 2118, Rayburn House Office Building, Hon. Howard P. "Buck" McKeon (chairman of the committee) presiding.

OPENING STATEMENT OF HON. HOWARD P. "BUCK" MCKEON, A REPRESENTATIVE FROM CALIFORNIA, CHAIRMAN, COMMITTEE ON ARMED SERVICES

The CHAIRMAN. Committee will come to order. Good morning. I would like to welcome you and give a warm welcome to our witnesses here today. We have the Honorable Frank Kendall, Under Secretary of Defense for Acquisition, Technology and Logistics, and Ms. Stephanie Barna, Acting Assistant Secretary of Defense for Readiness and Force Management.

I want to thank both of you for your flexibility in scheduling this hearing. I know we have gone through several iterations of the schedule, and I appreciate you and your staff working with us on these changes.

This is a very important hearing, and your knowledge and perspectives are essential to our reform initiative. This is the fourth hearing we have scheduled as part of the committee's long-term defense reform effort. Thus far, we have reviewed past reform efforts, discussed challenges and opportunities, and examined case studies that highlight the strengths and weaknesses of the acquisition process. We have sought to understand the root causes behind why, after decades of various reform efforts, many DOD [Department of Defense] acquisition programs still run over cost and behind schedule, delivering less capability to the warfighter.

However, today we have heard only from outside experts. While we appreciate and value their input, today is our first opportunity to discuss these issues with the Department of Defense officials and to better understand the Department's recent efforts to improve productivity and outcomes related to acquisitions.

A key theme that has emerged from previous hearings is that you cannot affect the acquisition system if you don't affect the people. We hear it referred to as a need for cultural change, professionalism of the workforce, or personal accountability. This is why we are grateful to have both Secretary Kendall and Ms. Barna here to look at acquisition reform holistically and to examine the issues related to the recruitment, development, and retention of our military and civilian workforce.

Again, I thank both of you for being here today and look forward to your testimony and to the question and answers that we will have an opportunity to move this process forward.

Mr. Smith.

[The prepared statement of Mr. McKeon can be found in the Appendix on page 47.]

STATEMENT OF HON. ADAM SMITH, A REPRESENTATIVE FROM WASHINGTON, RANKING MEMBER, COMMITTEE ON ARMED SERVICES

Mr. SMITH. Thank you, Mr. Chairman. I, too, want to thank our witnesses.

Mr. Kendall, Ms. Barna, thank you for being here. Thank you for your work in the Pentagon on these and many other very difficult issues.

I think this is a very, very important hearing. On the other hand, people look at acquisition reform and they say, yes, we have done that a dozen times. It is the holy grail. And I think a certain cynicism gets bred into that. And I hope in this hearing we can remove some of that cynicism, because there is no question that we can do better, and there is no question that whatever efforts have come in the past, we have learned a lot of lessons in the last decade. I think there are many ways, and I know, Mr. Kendall, you and I have spoken about this, that we can clean up and improve the acquisition process.

And we simply have to. I mean, there has been a number of reasons for that, but the two that stand out, over the course of the last 13 years we have had a lot of very expensive mistakes in the area of acquisition reform. Those costs are difficult to bear at any time. But the second big reason why we have to get this right is now that our budgets are undeniably shrinking, nobody is debating that—well, I guess the proper way to put it is we are going to have less money to spend than we thought we were going to have. You can debate about what is growth and what is not growth. But without question, if you went back to 2010 and projected out to what we were going to spend over the course of the next 10, 12 years in the Department of Defense, it is a lot less now. So we have to be smarter, we have to figure that out.

At the same time, we have arguably started more programs than we can afford to finish even if we had the 2010 money. So as we make choices going forward we are going to have to be much smarter about it.

And the things that I am most particularly interested in, as with all things—great thing about politics, it is very easy to describe the problem. If I had a wish, that would be my sole responsibility as a Member of Congress, just describe the problem, leave the solutions to somebody else. But the solutions are going to be the key. The problem I think everyone here is very good at describing, too many requirements, too many people in charge, the requirements change, they move around, we go for too much. We see something on a computer screen, we think we can make it work, and we wind up going for something that is impossible to achieve. With an ode to the movie, I refer to this as the "sharks with fricking laser beams attached to them" problem. You can envision that, but try-

ing to achieve it winds up taking you down, down a very, very long rabbit hole.

But the thing I think I am most interested in is the layers of personnel, because I think if there is an overarching concern that I hear back from industry is they are very, very aggressively regulated. You go out to a place where industry is making anything, the F–35, and there are dozens, if not hundreds of regulators there watching their every move. So you have got a lot of that.

And then also you have the layers of program managers. I heard Senator McCain complain about a program that didn't work out, basically going back in to look at it, there were five program managers in 18 months. So who was accountable? Answer: Nobody. There are so many people who have a say in it, but at the end of the day nobody is responsible. How can we better empower the workforce and then hold them accountable, for good or for ill? If they do the job well, terrific; if they don't, we can hold that person accountable. But these multiple layers not only lead to the requirements problem, because every one of those layers is going to have a slightly different way of looking at it, and then it gets changed, rearranged, and makes it very, very difficult to stay on track, but then also you lack the accountability.

But I think, more importantly, to put a positive spin on this, you rob yourself of the talent and expertise of your personnel, because if that personnel knows at the end of the day that he or she isn't really in charge, it undermines their desire to say, okay, I am going for fix this, I am going to make this work.

So I really want to empower our personnel over at the acquisition shop, figure out how to give them greater authority, greater responsibility, and work our way around that. So despite what we have heard before about acquisition reform always being out there, I think some real positive changes can be made. Look forward to working with you to do that and hearing from you today about how we can get started.

So thank you, Mr. Chairman. I yield back.

[The prepared statement of Mr. Smith can be found in the Appendix on page 48.]

The CHAIRMAN. Thank you.

Mr. Secretary.

STATEMENT OF HON. FRANK KENDALL, UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, U.S. DEPARTMENT OF DEFENSE

Secretary KENDALL. Thank you, Chairman McKeon. I have a short opening statement, and Ms. Barna has one also.

The CHAIRMAN. Is your mike on?

Secretary KENDALL. Thank you, Mr. Chairman. I have a short opening statement, and Ms. Barna has one also. And then we will be delighted to take your questions.

Chairman McKeon, Ranking Member Smith, committee members, thank you for the opportunity to discuss the measures the Department of Defense is taking to improve the productivity and performance of defense acquisition activities with an emphasis on the acquisition workforce.

I want to begin by expressing my appreciation for the work this committee has done in this area. Statutes like the IMPROVE Act [Implementing Management for Performance and Related Reforms to Obtain Value in Every Acquisition Act of 2010], Defense Acquisition Workforce Development Fund authorization, and the Weapon Systems Acquisition Reform Act are very beneficial to the Department and the Nation. I am also very appreciative of the opportunity to work with Congressman Thornberry on his ongoing acquisition reform initiatives. Frankly, it is extremely refreshing and encouraging to be able to work across both sides of the aisle and both sides of the Hill on an issue on which we all fully agree, the need to improve the effectiveness and productivity of our acquisition system.

My written testimony has more detail, and I ask it be admitted to the record.

The CHAIRMAN. Without objection, both of your written testimonies will be included in the record. So ordered.

Secretary KENDALL. Thank you, Mr. Chairman.

I have spent most of my professional life in defense acquisition, either on the government side or in industry, a period of about 40 years. During that time, I have seen any number of attempts to improve defense acquisition. My view is that many of the things we have tried have had little discernable impact. The evidence, in terms of major program costs and schedule slips, shows very little statistical change.

I am tempted to draw three conclusions from that fact. The first is that fixing defense acquisition isn't as easy as a lot of people seem to think it is. The second possibility is we have not been patient enough or sufficiently tenacious with acquisition policies. We don't always leave policies in place long enough to find out if they work or not. The frequent rotation of leadership, particularly political appointees and career military people, makes it hard to sustain initiatives long enough to determine if they are succeeding or not.

The third conclusion I am tempted to draw is that maybe we have been focusing too much on the wrong things. Defense acquisition is a human endeavor, and my view is that we have focused too much on organizational structures, processes, compliance with policy, and oversight mechanisms, and not enough on providing people with the skills and incentives they need to succeed. I think the committee's emphasis today is very well chosen, and I am going to echo Congressman Smith's remarks in that regard.

The approach I am taking is the one that Dr. Carter and I decided upon 4 years ago when he was under secretary and I was his principal deputy. We introduced the first set of what we called Better Buying Power initiatives. This is an approach of continuous incremental improvement based on pragmatism and evidence. I can report to you today that after 4 years, I believe we are seeing changes for the better, and I am encouraged that organizations like the GAO [Government Accountability Office] agree with that conclusion.

Acquisition of a new cutting-edge weapon system is a complex job. It requires getting every one of hundreds of decisions right in an environment where the real incentives systems are not always aligned with the goal of increased efficiency. This is particularly

true in the current budgetary situation, where there is great uncertainty about future budgets and planning is excessively difficult.

The Better Buying Power approach identifies areas of acquisition where the greatest good can be achieved and tries to attack those opportunities. As we learn from our experience, we periodically make adjustments and bring in new ideas. We reject ideas that don't work.

My approach is, again, a pragmatic, incremental approach that spans actions like setting affordability caps to constrain program costs, bottoms-up should-cost estimates, and management goals to force cost-reduction initiatives, strong contractual incentives, creation of competitive pressures wherever possible, a new emphasis on the acquisition of contracted services, and a focus on the professionalism in the Department's acquisition workforce.

This is hard, detailed work. It takes time, constancy of purpose, and tenacity to be effective. But I don't believe there is any other way to achieve lasting improvement.

Embedded in this process of continuous improvement on multiple fronts there are some important cultural changes I am trying to implement. The academic business literature suggests that two things are necessary to effect major change in an organization: a period of 4 or 5 years of sustained commitment by senior leadership and a crisis. I am trying to supply the leadership, and the budget situation is supplying the crisis.

The first cultural change is to move our workforce from a culture that values spending over controlling cost. In government, the built-in incentive system is to spend one's budget so that funds are not rescinded or reduced in subsequent budgets. Many of the Better Buying Power initiatives are intended to reverse this situation.

The other cultural change is to move the government workforce away from a check the box, or school solution approach to acquisition, to one based on professionalism, sound business and technical analysis, and, most of all, critical thinking. The vast array of product and service types the Department buys makes this a necessity. One-size-fits-all rules are not the right answer to our acquisition problems and cannot substitute for the effective professional judgments that are needed for success in defense acquisition.

I do believe we are making progress, but I also believe we have ample room for additional improvement. And with your support I am determined to build upon the progress we have made. I look forward to your questions.

[The prepared statement of Secretary Kendall can be found in the Appendix on page 50.]

The CHAIRMAN. Thank you.

Ms. Barna.

STATEMENT OF STEPHANIE BARNA, ACTING ASSISTANT SECRETARY OF DEFENSE FOR READINESS AND FORCE MANAGEMENT, U.S. DEPARTMENT OF DEFENSE

Ms. BARNA. Chairman McKeon and Ranking Member Smith, distinguished members of the committee, good morning. I appreciate the opportunity to be with you here today, together with Under Secretary Kendall, to discuss empowering success in defense acquisition, with a focus on the Department of Defense acquisition work-

force. As the Acting Assistant Secretary of Defense for Readiness and Force Management, I report directly to the Under Secretary of Defense for Personnel and Readiness and serve as her principal advisor on all matters relating to military and civilian personnel policy, readiness of the force, and total force planning and requirements.

The defense acquisition workforce is responsible for equipping and sustaining the world's most capable, powerful, and respected military force. The Office of the Under Secretary of Defense for Personnel and Readiness shares Under Secretary Kendall's view that, at its core, defense acquisition is a human endeavor, that the development and management of a highly skilled professional acquisition workforce, both military and civilian, is inextricably linked with the success of our acquisition program.

Congress has vested broad functions and duties in Secretary Kendall with respect to his leadership of the acquisition workforce, but it is the Under Secretary of Defense for Personal and Readiness who is responsible for the civilian and military personnel policies and guidelines, the human resources tools that facilitate Secretary Kendall's efforts.

In 2009, with the help and support of Congress, DOD embarked on a comprehensive and ultimately very successful initiative to recapitalize its acquisition workforce. In 5 years, we have added almost 20,000 new civilian employees to our acquisition cadre, which presently totals 135,000 civilian personnel, or about 90 percent of our acquisition workforce writ large.

The military component of our acquisition workforce also increased during this period, from approximately 14,500 members in fiscal year 2009 to slightly more than 16,000 in the second quarter of fiscal year 2014. The military comprises about 10 percent of our acquisition workforce.

Today our civilian employees and military members together comprise an acquisition workforce that is 151,000 members strong. And although the program management of major defense weapon programs is what first may come to mind when thinking about what the acquisition workforce does, the requirements brought to bear on this community are legion. They are significantly more diverse. They encompass at least 14 different career fields, including contracting for both goods and services, engineering, information technology, lifecycle logistics, testing and evaluation, auditing, to name but a few.

The fiscal challenges, shifting operational requirements, the current budget instability deriving from sequestration, years of pay freezes, furloughs, military end strength reductions, and the requirement for commensurate reductions in our civilian workforce, more than a decade of conflict, inevitably all of these things have affected the acquisition workforce as they have the Department's workforce as a whole.

If one believes, as I know Secretary Kendall does and as I do, that our people, civilian and military, are the strength of our Department and its components, it is then of paramount importance to our national security that we continue to focus on improving the professionalism of the acquisition workforce.

Personnel and Readiness views the Office of the Under Secretary of Defense for Acquisition, Logistics and Technology as both our partner in this endeavor and as a valued customer of our services. In this vein, we will first continue to work very closely with the acquisition community to promote awareness of the variety of human resources tools at its disposal. These are the tools essential to recruit, assess, educate, train, develop, incentivize, and hold accountable those persons serving in acquisition positions.

Second, the personnel community will do all in its power to enable ready access to these tools to ensure that the acquisition functional community can leverage the special human resource authorities and flexibilities that Congress has authorized us to employ.

And finally, should new tools or new policies or processes be required to meet the challenges, we will work side by side with the acquisition community to develop and tailor these new tools to their unique needs. In short, the acquisition and personnel communities are working together and will continue to work together to ensure that the Department of Defense maintains a highly qualified and professional acquisition workforce.

Mr. Chairman, this concludes my statement. I thank you and the members of this committee for your interest in and commitment to the professionalism of the defense acquisition workforce, and I look forward to taking your questions. Thank you.

[The prepared statement of Ms. Barna can be found in the Appendix on page 60.]

The CHAIRMAN. Thank you very much.

In one of his last acts as Deputy Secretary of Defense, Ash Carter signed a memo that put in place a DOD instruction designed to streamline the acquisition process. As I understand it, this new instruction was intended to, and I quote, "create an acquisition policy environment that will achieve greater efficiency and productivity in defense spending and effectively implement the Department's Better Buying Power initiatives."

Secretary Kendall, how is this effort being implemented in the Department? What sort of results should we expect? What obstacles are in your way as you work with Congress, industry, and other stakeholders to improve the acquisition process?

Secretary KENDALL. Mr. Chairman, I think that the directive you are referring to applies to the rapid acquisition process used for urgent needs for combat operations, primarily, but also where there is an imminent threat. And essentially what Dr. Carter was doing was establishing more formally within the Department something we have been doing for some time.

There is a body called the Warfighter Senior Integration Group that I now chair, that Dr. Carter used to chair, which basically brings together the key leadership of the Department across the Department to essentially meet on roughly a monthly basis now and make quick decisions about our programs that are urgently needed for operations in theater. It has been very successful. We have been doing this for several years. So we institutionalized it with that directive. We are trying to institutionalize this so we don't lose that capability going forward. As we wind down operations in Afghanistan, we need to be able within the Department

to do that sort of thing without having to recreate it from whole cloth. So we are continuing that.

I don't know that we need any assistance from the Congress at this time with doing that. I think we have the tools generally that we need. But let me take it for the record, see if there is anything else that we need that would help us with that.

[The information referred to was not available at the time of printing.]

The CHAIRMAN. Thank you.

Ms. Barna, I know that you are new to the job, and it is important that you are here with us today. We appreciate it.

What recommendations do you have for the committee on how we strengthen the acquisition workforce? And, in your view, are there military or civilian personnel policies that are obstacles to what the Secretary is trying to achieve?

Ms. BARNA. Sir, I have no recommendations at the present time. Certainly, there are obstacles in many regards. But we believe that those are obstacles that we can work through at the Department level. And, again, I believe that the partnership that we have with the Acquisition Corps to examine those obstacles and to address them together is probably the most fruitful way to move forward.

The CHAIRMAN. Thank you.

You know, I was mentioning a little bit before the meeting, before we started, to Secretary Kendall that while I am sure none of us here in Congress now had any problems that we have created, but maybe others have. But I think that over the years we pass a bill every year, and I am sure we have unintentionally put together some regulations or we have written laws that then the regulations were written to comply with those laws that have made your jobs harder. And I think probably in going forward in the bills that you all do in future years, that probably would be something that we should keep at the foremost, is if we require a report, is somebody going to read it? In all well-intentioned things, are we looking at the end of the road? Is this going to make things better or harder? And start with ourselves here in Congress.

I know you are working in the Department to try to do these things. And this is something that we are working on together, and it has been done and tried before, and it is a huge job. But if we look at it as not a project that we are just going to finish in a year or two and then it is all good and from then on we will always do everything just perfectly, I think if we look at it more as in this cultural change, that we change our culture here in the committee also, that we try to keep this kind of relationship going, that as an ongoing thing every year we look at ways that we can improve the process.

Because I don't know that you ever quite achieve perfection, but if we can be constantly moving toward that, that would be the ultimate, I think, that we could come up with in this project. And I am hopeful that that will be the end result of these hearings and the process we work together, that we create the culture that every year we are going to strive to do things a little bit better and eliminate obstacles and things that are put in your way.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Just sort of two areas of questions. One, one of the things that we really focus on is how can we make quicker decisions. The process drags out, and you can pick your favorite program and walk through the number of years that it has taken and all the different decision points and everything that is involved in it that has really dragged out the process. I mean, just the length of that creates cost. But also the more time you have to look at something, the more likely you are to add something, subtract something, then add it again and subtract it again and complicate it.

I am struck by the fact the people who are building the newest carrier, the *Ford,* accused of cost overrun, they said, look, if we were building the same ship that we bid on, we would be right on budget. And I have had people confirm that. That may be slightly off. But basically everything that has changed since they took that contract is what has driven the cost up by $2 billion.

Just to give you one example, and I am curious why we can't do this differently, and that is the Expeditionary Fighting Vehicle [EFV]. Now, we know the first part of that story, classic tale of too many requirements. That is my sharks and laser beams thing, in reality. But the second part of the story is once that program was killed, the Marine Corps has gone out and identified amphibious vehicles that are made now, I think it was, like, four of them by four different companies, they have tested them and they have said any one of these is good enough for where we want to go.

Now, in a better universe—these four things have been made, they exist—the Marine Corps could go out there and say, okay, we have tested them. I want that one. All right? And we are done. They buy how much ever they buy and they move forward.

That is not going to happen, because you got to send out an RFP [request for proposal], and inevitably in that RFP they are going to go, we like that one, but what if you put this on it?

And I guess I will just ask a wide-open-ended question. Isn't there some way that we can get to the point where we can buy more off the shelf, more directly, empower people to say—and, look, I admit a couple things. Number one, it might not be perfect. There might be something that you might say that down the line, well, I wish we would have had that. But that is true no matter what you do, and at least this would save money.

Second, there is a risk, if you put that type of power, of conflict of interest, of somebody favoring one client over another for one reason or not. But if that happens, we have accountability measures, first of all. Second of all, it happens anyway. I mean, I hate to keep citing this example for obvious parochial reasons, but people tried to bribe procurement officials on the tanker deal back in 2004. And they went to jail. Okay. And that is the way it should be.

Then we come back along and say, well, we have to people-proof the system so that nobody can ever be bribed again. Well, good luck with that. Meanwhile, you just dragged it all out and made it more difficult.

So why can't we just tell the Marine Corps, okay, you are in charge. There are the four vehicles, pick the one you want, and let's buy it?

Secretary KENDALL. That is a great question. My familiarity with the EFV goes back to about 1993, I think, when I saw the demonstration of the prototype at Pax River, the planing armored vehicle that was the first version. You are right, we were ambitious, overly ambitious in our requirements. Budgetary situations changed. I think the Marine Corps rightly recognized it could not afford that vehicle. And we went into a requirements generation cycle, analysis cycle, and that basic requirement just resurfaced, as what the Marines desire. We had already determined that was unaffordable. I think the Commandant made exactly the right decision when he decided to change the acquisition strategy and go with essentially an off-the-shelf solution, as you alluded. So I think we are headed in the right general direction here.

Let me comment on the process of source selection. I often marvel at the differences between the government acting as a purchaser and private industry. In private industry, you are spending your own money; if you screw it up, you screw it up. There is no appeal by the people who didn't win, say, hey, you weren't fair to me. There is no such metric that is applied.

But when we are spending public money, we are spending the taxpayers' money, there is a high standard of fairness to those who can bid and there is a high policy interest in having competition, which leads to us doing an RFP and so on.

So we are working our way through that one now. But basically I think we have got the right overall approach. I am aware of the risk that we would put a bunch of requirements in that would bring it back more in the direction of a traditional system, and we don't want to do.

Mr. SMITH. What is the prediction? Okay, so those vehicles are out there. When are we going to buy one? You know, how many years is it going to be before, with the process in place, before we actually have that vehicle for the Marine Corps?

Secretary KENDALL. I don't recall the schedule. I will get you that for the record.

[The information referred to was not available at the time of printing.]

Secretary KENDALL. It is going to take us a lot to go through the source selection process. Obviously, there is a time associated with just getting the RFPs out, doing the evaluation, picking the winner. We think that people can generally deliver prototypes to us very quickly because these are vehicles that are reasonably mature with whatever modifications we end up asking for.

For one thing, we are going to have to put our own communication suites on these vehicles. That is a necessity. We have to do that. Then there are questions about the armaments and so on, and perhaps other modifications.

I share your concerns, though, about going in the wrong direction of using requirements to stretch out and increase the costs for a very small marginal return on this program. So we will be looking at that very closely.

Mr. SMITH. The second area I want to explore, if we could—and I will use the SpaceX, United Launch area as an example—is, one, the value of competition; and, two, the value of expanding the number of potential contractors out there. That one of the problems is,

particularly with technology and services—and I think my staff gave me, it is, like, 52 percent of what we acquire now is services as opposed to actual hardware—there are a lot of smaller companies that could be very good at that, but they look at the Pentagon bureaucracy and go "yee-ah" and walk away. It is hard to move people forward.

Now, in the case of the United Launch Alliance [ULA], we have had very expensive launch vehicles for a very long time. And I understand the argument. The argument has been made to me that competition would be bad here because we can't afford the infrastructures for two people to make these things. I am reluctant to agree with that argument.

And yet we have got this 10-year contract. We don't seem to be as encouraging of competition in this area as I would think we should be, without skipping into the details. You know, we have given United Launch Alliance, and I have heard arguments, a 10-year, 5-year contract, is it 80 vehicles, I don't know.

But at any rate, they have gotten a pretty substantial amount when there is a competitor on the horizon there that could potentially give us the competition that would drive down price. And it does not seem to be being well received at the Pentagon.

Now, it could be they have looked at it and said, we don't think you are going to be able to make what we need. I don't know. Seems like they can. But it also seems like there is an incumbent bias there that is robbing us in some instances of the innovation of the sort of new companies and new technologies.

If you could comment both specifically and broadly on that.

Secretary KENDALL. Sure. Well, first of all, I completely agree with you about competition. Competition is the single most effective thing we can do to drive cost down.

Mr. SMITH. Right.

Secretary KENDALL. And my personal motivation on the—and I think the Air Force's as well—on the ELV [Expendable Launch Vehicle] situation has been to try to get competition as quickly and as much as we can. So we work through the manifest of launches. Let me give you a little bit of background here. And the decision to go with a certain number what we call cores, rocket engines basically, for the existing incumbent was based on their ability and no one else's ability to do those launches. That was the original decision criteria.

So everything we thought we could compete we put into the competition category. It was 14 of those at the time. Since then, because of a combination of budget changes and increased lifetime of some of our satellites, some of those launches have slipped. We still are going to compete them, we are just going to compete them later than we had originally intended.

We have also, once we went on contract with ULA for a certain number of cores, we basically were in a position of having to fulfill our side of that contract. So one launch, I think, is moved into the ULA basket because of that, because of a cancellation.

But we are committed to competition here. And there is no, I think, desire by anybody to keep new entrants out. That said, we are also very concerned about mission assurance. We have had a

very large number of successful launches, and it is very expensive to dump a satellite, a billion-dollar satellite in the ocean.

Mr. SMITH. And have it not work.

Secretary KENDALL. So we want to have reasonable assurance that new entrants are going to have the capability to deliver with high reliability. So we are going through that process. We have been aggressive about bringing—SpaceX is the one that is currently going through the process—about bringing SpaceX in.

When I did the decision memorandum on this over a year or so ago, I guess, the guidance I put out was let's go ahead and let people compete if they are on the path to certification. Let them put a bid in——

Mr. SMITH. Right. This is the problem. It is a long-term thing. They are saying, we are going to be ready to compete, but now 10 years you have locked us out. So 3 years from now we are ready to compete.

Secretary KENDALL. Locked them out is not really the intent. The intent is to do launches with ULA that only ULA can do, with the exception I mentioned because of changes in the manifest and changes in the schedule, which is on the margins.

So I share your commitment to competition. That is what we are trying to do. And I believe we have moved in that direction as aggressively, pretty much, as we could.

Mr. SMITH. And one last—this is really more of a comment than a question—on the subject of competition. And this is stated or asked out of my respect for Doug Roach. On the competition issue we up here took a whole lot of grief on the second engine. Is there anybody over at the Pentagon now F–35-wise who is wishing they had a second engine?

Secretary KENDALL. I don't think so. The problem we have right now, we have had two or three issues with the engines come out of the development program, is the type of thing we would have likely encountered with any engine in development. Secretary Gates years ago made a decision that we could not afford the development costs and the capitalization costs associated with a second engine. It was based on the economic analysis at the time. I think it was the right decision at the time. It doesn't really benefit us to look back in hindsight.

I am a huge advocate for competition. But unfortunately for the Department, in any number of areas—you mentioned carrier earlier—we can't have competition because we simply can't afford it. There is an upfront cost associated with it. So one of the things I have tried to do is where we can't have direct competition is at least create the threat of loss of business in some way so that there is a competitive environment, so some of the competitive pressures are there.

Interestingly, in the ELV case we were able just with the threat of future new entrants to substantially drive down the price we were paying for that core contract, that multiyear contract that we just talked about, that block buy. So it is successful. Competition works. It is just that we can't always afford it.

Mr. SMITH. Understood. Actually, a lot of us up here took a lot of grief. We have mentioned a lot of things that Congress does wrong. I think a lot of times Congress also puts pressure on the

Pentagon in a good way. Whenever people say, well, the Department of Defense has said that they don't want this, who is Congress to say otherwise? And it is like, okay, why don't we shut us down and let the Department of Defense do whatever they want to do? We are supposed to exercise oversight. And every once in a while we are right. So we are going to keep exercising that oversight.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Thornberry.

Mr. THORNBERRY. Thank you, Mr. Chairman.

Thank you both for being here. And in all the conversations one has on this topic, I think the thing on which there is universal agreement is that people are the key. And recruiting, keeping good people, giving them the authority to do their job, and then having the accountability for that is the most important part of this. And obviously your two organizations working together is a key part of that. And finding a way to get to yes, rather than finding excuses on why things can't be done, I think is critical. And if laws get in the way, we want to hear that.

Mr. Kendall, I appreciate all of the work that we have been able to start together. The one comment I would make from your written testimony is, I am really glad you all are working on a legislative initiative. I hope we can exchange ideas as we go along rather than wait till the budget comes up next year, which may be too late for our process. I mean, we don't have to have all the t's crossed and the i's dotted, but through the fall and so forth, as we come up with ideas, we want to run them past you, and I hope that works both ways.

Secretary KENDALL. Absolutely, Congressman Thornberry. I think Andrew Hunter, who is leading this effort for me, he is a former committee staff member, and I think he is in conversations with your staff and the committee staff on this routinely. And we are going to continue that. I think it is, as I mentioned earlier, the cooperation I think is terrific, and very happy to work with the committee on this.

Mr. THORNBERRY. Well, I appreciate that.

Ms. Barna, as I said, everybody agrees people are the key. If you are in industry, there are tools that they have to use, like bonuses and so forth, to encourage behavior and decisionmaking that they want to see. You talked about this a little bit, or some, in your written testimony. But if you are a civilian program manager today in the Department of Defense, what are the tools that the supervisor or the system has to encourage or to reward good performance?

Ms. BARNA. Sir, the system has a plethora of tools that we can use. And when I look at the statistics, the acquisition community is using them well and using them often. In the case of someone who already is employed, we have relocation bonuses that will allow someone to move to a new location if they wished and serve in a new duty position. We have retention bonuses.

And, again, the acquisition community uses these frequently with—and again, I will put in a pitch for the continuation of the Defense Acquisition Workforce Development Fund [DAWDF]—has

been able to use those because of their commitment and your commitment to funding the DAWDF.

Another tool that we see frequently is the student loan repayment program. Under that program, a program manager can be paid a student loan repayment of up to $10,000 per year, up to $60,000 over the life of the employee. That accounts for about 40 percent of the incentives that the acquisition workforce is paying in the last year, 40 percent.

And then there are the more intangible sort of rewards that come from working in an important mission, contributing to the national security, working with people who are like-minded, the ability to serve in unique and interesting places and to do unique and interesting work.

Mr. THORNBERRY. I agree with you on the intangible. Of course, the sooner you can see the fruits of your labor come to be, there is more reward there.

But just one question. On the student loan repayment, is that a judgment call that the supervisor makes about whether someone is doing a good enough job to get that? Or is it more of an automatic thing?

Ms. BARNA. It is actually a judgment call. It is used very frequently. Again, we have a number of graduates coming out of schools with great amounts of debt. And so this is also an incentive to recruit.

Mr. THORNBERRY. What percentage of the acquisition workforce hired in the last 10 years would you say gets the student loan repayment?

Ms. BARNA. I will have to take that for the record, sir, and come with the accurate amount.

[The information referred to can be found in the Appendix on page 75.]

Ms. BARNA. But right now, 40 percent of the incentives that are paid in the corps involve student loan repayment. It is very effective.

Mr. THORNBERRY. Well, I would be interested in following up with your office for some more statistics so that I can at least understand how often some of these tools are used and on whom and in what circumstances.

Ms. BARNA. I am happy to provide that information, sir.

Mr. THORNBERRY. I appreciate it.

Thank you, Chairman.

The CHAIRMAN. Thank you.

Mr. Kilmer.

Mr. KILMER. Thank you, Mr. Chairman.

Thank you both for being here.

My first question is to Secretary Kendall. Before we get acquisition professionals to make smart decisions, we need to provide them with the means to execute acquisition programs, and under Better Buying Power 2.0 advocated for the achievement of affordable programs and implementation of a system of investment planning.

With that in mind, I am interested in understanding your thoughts on how the Department will plan to fully support the *Ohio* Replacement Program and the SCN [Shipbuilding and Con-

version, Navy] budget as a whole. This committee offered the National Strategic Deterrence Fund as a solution. I am sure you know the most recent 30-year shipbuilding plan says the Navy cannot afford to do it all.

In the spirit of acquisition reform, I was hoping you could speak a bit about how we can best protect the investment in our undersea nuclear deterrent and in other shipbuilding programs.

Secretary KENDALL. We have an affordability issue as we enter the 2020s in general. The *Ohio* replacement is a big part of that. It is not the only piece of it. The strategic deterrent across the board, the bomber, ICBM [intercontintental ballistic missile], and the SSBN [ballistic missile submarine] all need to be replaced in about the same timeframe.

That is not the only place in the budget where we have a problem like this. What we have been trying to do under Better Buying Power is discipline our programmers and service leadership really to look long term at the lifecycle of their products that they are trying to buy so that we avoid starting things that we can't afford in the future.

We have had reasonable success with that. But that doesn't get us out of the problem of all those things that we need to buy out in the 2020-ish timeframe. I don't know how we are going to solve that problem, but we are going to have to solve it somehow if we are going to have the force structure that we need.

Mr. KILMER. I also want to ask a bit about the subject that Mr. Smith mentioned of commercial kind of off-the-shelf solutions. There was a feature story in Government Executive this week called "Daring Deal." And the focus was on how the IC [Intelligence Community] is leveraging a leading commercial cloud provider, in this case it was Amazon, to build a community cloud for the Intelligence Community based on the utility model.

We also know the Navy is already utilizing commercial cloud to move level 1 and 2 workloads to a commercial solution. Civilian agencies, like HHS [Health and Human Services], are even moving sensitive but unclassified workloads to commercial cloud. But up to this point the Defense Department has been lagging in that category, particularly for levels 3 through 5 data.

Could you talk to the committee about how the DOD as part of the overall defense acquisition reform effort is going to better leverage commercial cloud technologies, both in the short and the long term? And also can you speak to the Pentagon's plan to use commercial service providers to build a community cloud for classified data?

Secretary KENDALL. I am going to have to take that for the record.

[The information referred to was not available at the time of printing.]

Secretary KENDALL. But in our major what I would call IT [information technology] infrastructure projects, and I am thinking right now of the Navy's Next-Generation, for example, we are using essentially commercial products. Now, whether we are using a commercial cloud which merges defense data with nondefense data in a storage facility, for example, which is really what we are talking

about I think here, I don't know the answer to that question or how much that solution implemented that.

We do have, obviously, privacy issues, we have security issues that we have to ensure are enforced. So if a commercial cloud can meet those requirements and there are economic advantages to it, I don't think I would have any objection to going that way. But I am going to have to take for the record where we are in terms of exploring that and implementing it.

Mr. KILMER. With the time I have permitting, Secretary Barna, professional education is obviously an important aspect of preparing our acquisition workforce, both in terms of their ability to develop realistic requirements and buy what we need.

I think one of the values of the Better Buying Power initiative is that it asks acquisition professionals to think. To what extent does the Defense Acquisition University use case studies to educate its students on best practices and lesson learned and the rationale behind the curriculum? And how are we empowering our acquisition professionals to make good decisions?

Secretary KENDALL. Congressman, if I could take that one. We do use case studies extensively at the Defense Acquisition University, and I have encouraged the new president to use them more. My business school training kind of, I didn't go to Harvard, but I kind of follow the Harvard model. I think case studies are a great learning tool. They do help people with critical thinking. They teach principles at the same time. But they force people to confront problems and address them. And we have no shortage of case studies historically at the Defense Department that we can use to help our learning process.

Mr. KILMER. Thank you.

Thank you. I yield back.

The CHAIRMAN. Thank you.

Mr. Forbes.

Mr. FORBES. Thank you, Mr. Chairman. Thank you for holding this hearing. I also want to thank Mr. Thornberry for his work in this area, and it is an important area for us to get right.

And thank both of you for your service to our country and for being here today.

For as long as I have been in Congress, whenever I go to any facility anywhere, the base commander is always telling me the same thing. They say that oftentimes when they have a need, it is the small or medium-sized businesses that can go from idea to deployment utilization the quickest. But they get so frustrated with the acquisition process that they just walk away and they don't do it, and they use the bigger companies.

When I talk to the smaller or medium-sized companies, what they are enormously frustrated with is if they see a need that is out there and they make investment in that need, they feel like when they come up with that idea that everybody recognizes is very important and novel, that they have no way of really protecting the idea for themselves because it is taken away from them and given to a larger company. And I hear this over and over again.

If I could put an ink pen in both of your hands and say, write for the chairman the number one thing we could do as a committee

to help on either one of those problems, what would you tell us we could do?

Secretary KENDALL. I am not sure what procedural things we could change that would help small businesses in the way that you describe, in terms of barriers to entry because of government rules and regulations. And by the way, I share your views on small businesses. They are incredibly important contributors to the Department. And we have worked extensively over the last few years to try to increase their involvement with the Department.

And the Federal Government, overall, for the first time, I think, ever, met its small business goals last year in terms of percentage of business going to small businesses. Defense Department didn't quite meet its, but I think we are on track to do better this year. I am very hopeful about our performance there. So we have reached out to small business a great deal.

There are barriers to entry because doing business with the government is a little bit different. We have a lot of things in place to kind of educate and inform small businesses about what it takes and how to get into government business. I meet on about a monthly basis with all of our small business leaders, and this is one of the subjects that we routinely discuss.

The protection of intellectual property. I do hear from small businesses concerns and fears, often, particularly startups for new technologies, that if they share their ideas with big firms, that the big firms will steal their ideas. We need to protect that intellectual property. They need to establish those rights and then need to protect them. And the government is very happy work with them to do that.

Also, the other thing I hear mostly from small businesses is that they are brought into a proposal, to strengthen a proposal, with a major firm, and then when the business is actually awarded they don't get the business. That is another issue that we are working.

I want to make the comment finally on this topic that the single best thing that Congress can do for us in terms of small businesses is to stabilize the budget. The uncertainty we have right now about how much budget we are going to have and the cuts we are going to take potentially under sequestration I think are going to fall disproportionately on small businesses, because they are going to hit our service contractors, which is where a lot of small businesses are, it is going to hit a lot of our smaller suppliers very hard.

So I would urge you and I would urge the entire Congress to get the specter of sequestration off of our backs, because——

Mr. FORBES. Could I ask you one more thing, just because my time is running out. But I appreciate that. What specifically could we do or should we do to leverage modeling and simulation in the early stages of acquisition to ensure mission or operational relevance for new capabilities and continued mission operational relevance of existing capabilities?

Secretary KENDALL. I think that is an area where we need to do some building. I was out of the Defense Department for about 15 years and came back 4 years ago, and I was struck by how much our capability to do modeling and simulation to support decision-making about programs and so on had atrophied. We have been

working on the margins to restore that. I think we need do more there.

I have an initiative with the Defense Advanced Research Projects Agency that I was briefed on yesterday, and they highlighted that. It is one of the critical needs they have, to help us sort out our requirements and determine what really makes sense from an operational requirements perspective.

So I share your concern. I think we need to do more there. It is just, again, in the environment that we are in it is incredibly difficult to add resources to any specific area because we are taking so much away from so many areas.

Mr. FORBES. We would love to work with you on that and try to help it.

And, Mr. Chairman, thank you. And I yield back the balance of my time.

The CHAIRMAN. Thank you.

Ms. Speier.

Ms. SPEIER. Mr. Chairman, thank you.

And thank you both for being here today.

Secretary Kendall, I think you said all the right things in your opening statement. I believe that you are committed to Better Buying Power and that we have got to change the culture from spending whatever is in the budget for fear that you are going to lose it the next year. I think that is a phenomenon that we have really got to address throughout government.

But I am deeply troubled by the fact that 25 years ago we were complaining about $600 toilet seats and $8,500 coffee urns, and the truth of the matter is, we are still dealing with those same issues today. And I want to focus on spare parts in particular. And the Inspector General report that was just released this week looking exclusively at Bell Helicopters and the sole-source commercial contract for spare parts.

This particular part that they take note of should cost about $409, and we paid about $3,500 per part for this, and we bought 116 of them, costing us $367,000. The report suggests that because it is a sole-source contract that, in fact, the analysts are not relying on the kind of data they should be relying on in order to determine whether or not it is a fair price or not. And so we continue to have the same problems.

And I want to know what you think you are going to do to change an Inspector General report so we don't get another one like this.

Secretary KENDALL. This is an ongoing and difficult problem to address. Let me explain why. It is a question partly of capacity. We buy hundreds of thousands of parts, and the workforce that does that has to go establish that they have a reasonable price for those parts. And the workforce has a limited size. They only have so much capacity. My director of pricing has worked very hard with this community and DLA, Defense Logistics Agency, which does a lot of this, has worked very hard, Admiral Harnitchek there has worked very hard on this.

The standard that we have for a lot of these parts is one that applies to commercial parts, or what we call commercial "of a type" parts. We have an ongoing dialogue with industry on this. Because

our policy right now is fairly flexible, it says that the government can rely on commercially established prices for commercial products or commercial "of a type" products, but if there is a question about that price, then we can ask for anything up to certified cost and pricing data, which is a very high requirement for people to meet and which commercial companies normally are not in a position to provide. So that puts a burden on industry.

And we talked earlier about barriers to commercial companies trying to get into the DOD and sell things to us. And I have had companies, large companies who do a lot of commercial aerospace work, for example, say they will walk away from DOD business if they are forced to put certified cost and pricing data on all their commercial products. It is just too big a burden for them, and the business isn't worth it to them.

So it cuts both ways here. What happens, unfortunately——

Ms. SPEIER. So tell us how to fix it.

Secretary KENDALL. What we have to do I think is, first of all, increase our capacity. We have to use auditing tools. We have to do sampling to try to catch as much of the fraud, if you will. I think what you describe is basically fraud. Someone who is charging us 10 times what something costs is not doing——

Ms. SPEIER. Okay. But here is the problem. It is fraud, and we will continue to do business with Bell Helicopter, and they will continue to rip us off. Correct?

Secretary KENDALL. What we have to do is hold them accountable for the thing you just described, and they can pay the penalty that is appropriate for that.

There will be audits based on—I just got the report—but based on the report that I have, we will be auditing an awful lot of what they do to us to see how widespread this is. And if it is an isolated case, that is one thing. But if it is systemic, that is a much bigger deal.

Ms. SPEIER. Will you then report back to us?

Secretary KENDALL. Absolutely.

[The information referred to was not available at the time of printing.]

Ms. SPEIER. All right. Let me ask you about the F–35 engine. Do you believe, based on what you have learned so far, that it stemmed from an isolated incident or was it a systemic engine flaw?

Secretary KENDALL. I don't want to get ahead of the safety evaluation process. I have gotten some reports on where we are on that. We have inspected all of the existing engines that are in service. We have not found, as far as I know, anything that suggests the type of problem that we think caused this failure.

So we are examining the actual engine that did fail, the parts of it that we have, to try to determine what caused the failure. We really want to get at the root cause of this to determine exactly what caused it. I, as a political appointee, don't want to get involved in or influence the safety process that the safety professionals and the airworthiness professionals need to conduct.

So we will get to the bottom of this. We will do the right things technically to get to the bottom of this, and then we will take the right action. But safety of flight is a primary consideration here,

and that is what is going to govern us. So I don't want to get ahead of that process.

From what I know now, I will go this far, there is a growing body of evidence that this may have been an individual situation, not a systemic one. But we don't know that for certain at this point in time. And until we do have real good technical answers on this, I don't want to get ahead of the process.

Ms. SPEIER. Thank you. My time is up.

The CHAIRMAN. Thank you.

Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman.

I want to thank you and Vice Chairman Mac Thornberry for your leadership on these issues as we work to improve the system.

And both Secretaries, thank you all for being here today. I note that you are concerned and want to make changes.

And I appreciate Ms. Speier's questions, and join with her expressing concern. And I just am so hopeful that changes can be made. I am particularly concerned about the Department of Defense, how they acquire information, IT, technology systems. The concern is that we waste money on systems like the Air Force's Expeditionary Combat Support System that was canceled after $1.2 billion was invested and nothing was produced. But we also have competing IT systems within the services that do not speak to one another. And this causes waste.

In the most recent example, the DOD destroyed $1.2 billion in ammunition because DOD's inventory systems cannot share data effectively. That is $2.4 billion in waste. How can we analyze both of these examples to avoid waste in the future?

Secretary KENDALL. Congressman, I am familiar with the first issue, dealing with the Air Force. I am not familiar with the ammunition issue. Let me address IT in general, because the phrase "IT" is incredibly broad. It applies, actually, to a large number of the things that we do. It applies to the infrastructure that we buy that supports our networks, the clouds that were referred to earlier, this data storage capability, the communications capability and the processing capability, which is largely commercial products that we buy. It also applies to the business systems, which is what the system that you talked about earlier was, the ECSS system, Expeditionary Combat Support System, for the Air Force. So there what we do is we acquire largely commercial products that are used for commercial-like processes, paying personnel, logistics support, and so on. And we adopt them to the military's needs, to meet the military's requirements. So there is a lot of work done to do that. And then we field them basically while we are still operating the legacy system that we have to make sure that they are running before we shut off the system we already have. We have to do changes as we go in process. Then to the national security IT systems, the battle command and control systems, and then there are the embedded IT that we buy that is in all of our weapons systems. So IT covers a huge amount of ground.

Let me focus on what I think is the heart of your question, which is the business systems and the networks that they run on. Okay. I have recently brought those business systems more under my control. And I am working closely with the new CIO [Chief Infor-

mation Officer], Terry Halvorsen, on the infrastructure, which he is more responsible for. I think we can do a lot better in this area. One of the things we have to do is build up a greater body, again coming back to people, we need professionals in this area. Business systems are somewhat unique. IT infrastructure is somewhat unique. And we need people who really understand these areas technically, both in terms of how they work, but also how to acquire them and how to transition them. We also need to do a better job across the Department of homogenizing our requirements. And the CIO is well into this with what we call the JIE, Joint Information Environment effort, which was started a couple of years ago now, which is doing things like consolidating databases in Europe, for example. And there is a roadmap for how we are going to get there.

So we are tackling this problem. We would like to make a larger investment in this area so that we can move faster in this area, but it is very difficult to do that in the current climate.

Mr. WILSON. So, clearly, you are looking at the Air Force problem and learning from that and making changes. And I will be getting information to you relative to the ammunition.

Another issue, of course, is the traditional one. This one is the intelligence system, the Distributed Common Ground System. And there is a concern among the military of an inability for this system to work, when in fact if you were to go and acquire a commercial, off-the-shelf system, it would work. And in fact, the FBI [Federal Bureau of Investigation], CIA [Central Intelligence Agency], DEA [Drug Enforcement Administration], NSA [National Security Agency] have been using commercial systems as opposed to what DOD is pursuing. Are you looking into this?

Secretary KENDALL. Yeah, I am familiar with that case. It is an Army program that I have seen in the field. I have actually seen both the commercial system and the Army system in the field being used in an operational command. The two systems bring different virtues to the table, basically. You are referring to Palantir is the commercial system. Palantir is very good at some things, it is a more intuitive system. And a lot of our operators who are not essentially career intelligence people like it because of its intuitiveness and easiest to work with.

DCGS–A [Distributed Common Ground Systems–Army] on the other hand brings an awful lot of other capabilities that our intelligence analysts need. And I believe the Army is working to bring the Palantir-like technology into DCGS–A.

Mr. WILSON. As I conclude, I, in my military service, worked with SenGuard, and it was just a disaster when I could use my cell phone. And so I was at the National Training Center at Fort Irwin, and gosh, please look into commercial, off-the-shelf systems. Thank you.

Secretary KENDALL. We are moving very much in that direction for tactical radios. We are doing commercial acquisition for tactical radios now.

The CHAIRMAN. Thank you. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman.

First, Secretary Kendall, can you give us examples of the flip side of the acquisition problem? That is, the Department of Defense

having to buy things that you no longer want to buy? And what would be on that list?

Secretary KENDALL. Well, there were a number of things that, unfortunately, this committee did not approve that we sent up. A lot of cost-saving measures that—I know BRAC [Base Closure and Realignment] is very unpopular, but that is one of the things we tried to do. We tried to do some things with compensation that we really need to do. Compensation cost growth is excessive for us.

We did some efficiency things with Navy cruisers that we think were a very smart management approach to how we manage that part of the force structure. Take them out of service, take the people out for a while, do the modernization, then bring them back in. We think that was a wise thing to do. The F–18 E, F, G models of the F–18, unfortunately, that production line is going to come to an end at some point. We are not going to keep buying those airplanes forever. And when we did our priorities, even though the Navy has asserted that there is a need for additional, we need an awful lot of things we can't afford right now. So that is another example. And I probably could give you some more for the record if I went back and took a look at it.

Mr. LARSEN. I thought you might have examples.

I think it is sort of the flip side of this argument as well. There are changes that we ought to make in how we buy things. There are also changes in what we ought to be buying and what we ought not to be buying. And maybe we can look at that.

I want to underscore Mr. Kilmer's comments about commercial cloud services and really hope that you will look hard at whether the Department itself has the kind of skills, abilities, knowledge, to either create, recreate, or if you are going to end up with a similar kind of situation that Mr. Smith has brought up about the—I understand the laser sharks, I wasn't here for that comment, but I can certainly understand it—that is the Department doing something and just keep adding and adding and adding on top of something that is already easily available that you can use without too many changes, and pretty soon you have something that is wholly unworkable.

Finally, this isn't an indictment of the acquisition workforce, and I don't mean it this way, but before sequestration, before pay freezes, before budget uncertainty, we had acquisition problems. So those aren't necessarily—those are important that you have to deal with, but I don't see that as necessarily—they may be part of the solution set, but it is not the solution, because we were having those issues in the 2000s, when there was certainly no budget uncertainty in the Department of Defense. There was in fact way too much money being spent, and there was no discipline in how it was being spent. Little discipline in how it was being spent, I should say. Certainly, again, there was a lot of certainty. There weren't pay freezes, and we didn't have sequestration.

So, given that context, what would you say about the workforce itself? If you could be more objective in terms of taking out some of those issues, what would be specific to what we can do about the workforce itself?

Secretary KENDALL. I think flexibility in managing the workforce is important to us. Ms. Barna mentioned some of the tools that we

have that we are using. The AcqDemo [Army Acquisition Demonstration Project] personnel management system basically is a good tool that we would like to expand on and appreciate the increased authorization of that. But we would like to have it permanently available to us. We would like to expand it. A lot of what we need to do with our force is cultural, and it is chain of command management throughout the structure. It is not just in the acquisition side of the house where I am, but also the services and their personnel management practices. We need to make it clearer how important acquisition people are to us, how valued they are. We need to reward them for what they do, acknowledge its importance. We need to reinforce the criticality of those jobs and set high standards for those people that are well recognized and appreciated. We want people to aspire to take leadership positions in acquisition and to feel that they have accomplished something when they get to one of those positions.

We are looking at our own qualification requirements, and we are strengthening them. We have a system that is statutory that I don't think needs to be modified particularly but that I think has become somewhat inflated over time. It has become sort of a check-the-box thing to get to a certain level of acquisition certification. And we want to move beyond that. We want that to be meaningful. So we are doing a number of things in that area. We are trying to recognize professionally people who are top performers so we hold those people up and what they have done as the standards of what we expect of people. So there are a lot of things that are just leadership things that we can do that I think are kind of foremost there. And that, again, takes time. You have to build that over time.

Now, there is a lot, obviously, in this area that I think we are doing already. I just think we can do more. And the things you mentioned, I take your point that we had acquisition problems far before we had pay freezes and furloughs and sequestration and so on. That is true. But those things are compounding our problem with recruiting and retention. We are using DAWDF very effectively. That is one of the tools that we have. We have an awful lot of our workforce that is going to be retiring in the next few years. And we really need to build up the middle of the workforce, in particular, its expertise. So we need help doing that.

Mr. LARSEN. That is fair.

Thank you, Mr. Chairman.

Mr. THORNBERRY [presiding]. Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Secretary Kendall, Ms. Barna, thanks for joining us today.

Secretary Kendall, if you look at what Congress has done in the past about major defense acquisition programs, the focus has been on research and development and production.

Secretary KENDALL. Yes.

Mr. WITTMAN. But if you look at the costs associated with the lifecycle of those programs, 70 percent is in sustainment. Can you tell me, are sustainment costs looked at upfront in the development of major acquisition programs? And if not, what can be done to reform the programs so we look at those lifecycle costs and so we

truly get to the best value when we are making decisions about these major acquisition programs?

Secretary KENDALL. That is a great point. We focus, partly because it is so visible, and because they tend to be rather dramatic sometimes, on overruns in development, which is the riskiest part of all of our programs. On the average, our systems overrun by about 30 percent in development, and only overrun by about 10 percent in production because that is easier to forget. And the 30 percent number is driven by a few outliers that are very dramatic cases that we focus on. But development is only 10 percent of the lifecycle costs of most of our programs. As you say, half of the cost is in sustainment, it is in paying to keep it in service and do all the logistics. When we establish affordability caps on programs, what I am doing is establishing a cap for production and a cap for sustainment. So the sustainment considerations are forced into the design process early. We are also requiring—we have been doing this for a couple of years now—reliability growth curves. So that as programs come through development, they demonstrate the reliability that we need for them when they are fielded. And we don't trade those things away trying to keep schedule or to keep performance high, other metrics. So there is a strong focus on sustainment. It is also an area of service contracting that we are focusing on, particularly maintenance and use of techniques, like performance-based logistics, as a tool to try to drive out costs. We are trying to implement that more broadly, and we are also looking for other best practices to use in sustainment.

Mr. WITTMAN. Looking also at what Congress has done over the past 25 years in another realm, and that is changing the laws as it relates to acquisition, much of that churn results in different legal frameworks that both folks within the acquisition community and the contracting community look at and then respond accordingly. That also changes the dynamic about how decisions are being made. Is there something that Congress can do, not to complicate that by another law, but to simplify that, to make things more determinable by both acquisition professionals, the acquisition community, and by contractors to where we get away from this churn and this act-react sort of dynamic that we find ourselves in?

Secretary KENDALL. Absolutely. I share your observation. That is what my team, led by Andrew Hunter, is working on with Congressman Thornberry and his people, to try to address exactly that issue. When I rewrote DOD 5002, the document that governs the acquisition process, there is a section in there which is essentially tables of compliance requirements, almost all statutory. And it struck me, as I looked at page after page after page of very dense requirements, the kind of nightmare world in which our programs managers have to live. Now, many of those statutes that have created what has led to those tables were very well intended and had a good solid purpose behind them. What we need to do, though, is simplify and rationalize that body of law so it is more coherent, so it is logical, so it is consistent. And that is a fundamental task that we are working on right now.

Mr. WITTMAN. Another element of what we look at within acquisition, and that is consistency in decisionmaking. And that is about people, and making sure, too, that we have the same people in

place through the decisionmaking process of a program. Can you tell me how do you better align tenure with individuals, both in the civilian side but also in the uniform side to make sure that there is consistency there? Because we have seen in the past—we don't have to reinvent the wheel—we have seen in the past where we have had successful programs there has been continuity in individuals, in decisionmaking there where we aren't back and forth with one person that has gone down one track, and then a new person is in, they have to relearn or go down a different track, and then we have this uncertainty or back and forth. How do you address that with tenured individuals, both in the civilian side and in the uniform side, through the lifecycle of the program?

Secretary KENDALL. Another great point. We have looked at the data on tenure and tried to correlate it to program results. And we don't see a high correlation. But I believe intuitively that it matters. I believe more strongly that the quality of the leadership matters a great deal. The change that I have made that I think is important is that what I am asking our program managers to do, our product services to do, is to assign program managers a few months before a major decision starting a phase so that they are there and they have basically ownership of that decision. But they stay in place after that decision for the next few years so they are responsible for executing the program that they said was executable. So that they are held accountable for the performance, not just getting the decision. Because there is a tendency in our system to look at getting to milestone approval or getting the contract awarded as success. That is not success. Success is delivering the product on cost and schedule and time and to meet the performance requirements. And I want our program managers held accountable for that.

The other thing I have done is, I have been doing this for 4 years now, I put the names of the chain of command in each acquisition decision memorandum. The service acquisition executive, of course, I assign them. The program executive officer and the program manager. So there is a permanent record of who came in and said this is an executable program that we can go do. And I want that on the record so that that is there forever. So those steps I think will help hold people accountable and will help us measure as part of that overall cultural change. What do we really want to hold people responsible for? What is success? And what are the incentives to people in terms of how they do their jobs?

Mr. WITTMAN. Thank you, Mr. Chairman.

Mr. THORNBERRY. Thank you.

Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

Mr. Secretary, I, too, agree that small businesses are a real engine for the economy and can really help with innovation. I appreciate your comments on some of the things that we can do here in Congress to help small businesses. But I have to tell you that I have small businesses in my district that are still struggling. I have one business that does advanced hearing protection, Etymotic Research, and they have been waiting over 2 years, almost 3 years now, simply for an NSN [National Stock Number] number. And they keep being told that they are just weeks away from getting

an NSN number, even though they have potential military units that are interested in testing out their product. And because they don't have the resources of a large corporation, they just keep going through the grind. And that I think is what wears down these small businesses who don't have the capacity. So if there is something we can do to work on that, that would be very helpful.

Secretary KENDALL. If you give me the information, we will look into it and see what we can do for that specific case. But I think, in general, we will take a look at the backlog for that area and see if there is anything that we can do about that.

Ms. DUCKWORTH. That would be great. I think that NSN number, there is a real backlog there for businesses trying to get those numbers.

Secretary KENDALL. I think it gets to the issue I talked about earlier, which was the capacity right now in the workforce. But we will take it on and see what we can do to be more efficient.

Ms. DUCKWORTH. Great. Thank you.

I also would like to talk with you about the office for Cost Assessment and Program Evaluation, the CAPE. I think that it is doing a great job in terms of taking an increasingly forward position assessing acquisition programs and level of costs and looking at scheduled risk in the programs. Is there any way of leveraging the CAPE analysis so that it can be used to build risk mitigation into programs? Because they don't generally take public stands on programs, nor do they offer feedback to industry. And I just think that their programmatic assessments, if it were available to industry, could really help industry understand the analysis and to address the risks and concerns earlier in the programs before issues arise. Is this something that could be done?

Secretary KENDALL. CAPE does independent cost analysis primarily. It looks at the realism of the costs and the service projections. And I rely on them very heavily for that. The cost estimates that have been coming from the services, it is a little bit surprising to me, given my experience years ago, are generally very consistent with CAPE's today. There are only a few percent differences in most cases. That analysis is very valuable to us. CAPE has a huge cost database they use as—a historical database they use as a basis for that. Some of that information is proprietary, I believe, so we would have a hard time sharing that.

On the risk of execution, I rely more heavily on my own system engineering office and developmental test office to look at those issues, and my research and engineering assistant secretary to look at the technical risks of the programs.

We try to communicate with the services certainly. I think communication goes through the industry about where we see the risk and where we see adjustments needed in programs because of that. I recently added a year of testing, essentially, to one of the programs that came before me recently because I thought there was too much concurrency in the program. I am not sure—you make a good point in terms of getting lessons learned out to the broader community. Let me take that one, and I will think about what we can do to do more of that. I think, communication—we talk about case studies at DAU [Defense Acquisition University]. That is one

vehicle we have. But I think, in general, we can put out more on why we are doing what we are doing and what is leading to it.

The PARC organization that works for me, the Program Assessment Root Cause analysis organization, does do analysis of Nunn-McCurdys. And as part of my annual report in the performance of the acquisition system provide data on their assessments and where they are seeing root cause issues. So that is one vehicle that we have. I might be able to add additional data from CAPE to that volume as well. That would be one way to do it. Let me take that on and see what I can do, because it is an interesting idea.

Ms. DUCKWORTH. Great. Thank you. My final question is back to the F–35. I know you can't talk about—I absolutely understand the process, the safety review that has to happen with the engines. But can you address a little bit the issue with reports that the F–35 is now actually damaging runways? Certain types of runways that are not especially reinforced? And which would then reduce its capacity to be forward deployed on certain surface areas. Which really takes away one of the advantages of the design of the aircraft.

Secretary KENDALL. Yeah. I think the issue you are referring to, I believe it is, let me take it for the record to give you a good answer, but what I think you are referring to is the heating that comes from the STOVL [Short Take-Off/Vertical Landing] variant when the nozzles are oriented down, so the exhaust goes down onto the runway. That was a concern originally on carrier decks. And we discovered that we could handle that. That was all right for us. But I am not sure how much of a problem it is for normal tarmac, for normal runways or concrete runways. Let me take that one on and see how much of an issue it is there. I don't know the answer to your question.

Ms. DUCKWORTH. There was a recent report that came out said that unless it was a specially reinforced tarmac or runway, that it would not be useful.

Secretary KENDALL. I think there may be some operational limitations on how we can use the STOVL variant on standard runway surfaces. Let me check on that one.

[The information referred to was not available at the time of printing.]

Ms. DUCKWORTH. Thank you.

Thank you, Mr. Chairman.

Mr. THORNBERRY. Thank you.

Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

Mr. Secretary, first question is about an icebreaker. I chair the Coast Guard and Maritime Subcommittee on the Transportation Committee. We are talking about icebreakers, which we don't have one. In the Coast Guard, we talk about a whole-of-government approach, we talk about the Arctic, the Antarctic, and they have no answer. Because of the way the CBO [Congressional Budget Office] scores a lease, it is a billion dollars scored upfront, and frankly, I don't think the Coast Guard or Homeland Security is capable of going through the acquisition process because it is just newer. They haven't been around as long as the Navy and the DOD. I think it is going to be, have to be a DOD effort. I am just curious what your

take is on getting an American icebreaker, which we don't have right now.

Secretary KENDALL. I have not looked at that. I would be happy to take it for the record and try to get you an answer.

[The information referred to was not available at the time of printing.]

Mr. HUNTER. Okay. I am just curious. Thank you. Because a lot of the problems with it are technical, the way it is scored. And there needs to be a whole-of-government approach as opposed to the Coast Guard's entire budget would be the icebreaker, literally.

Secretary KENDALL. We run into that sort of issue fairly often, where CBO scoring rules or OMB [Office of Management and Budget] scoring rules make it difficult for us to do things which look like good business from just a business perspective. I think that is one of the things on that list apparently. Let me take a look at it and see if I can get anything back to you.

Mr. HUNTER. Thank you.

Next thing, I guess it is kind of the same question. When it comes to commercial-off-the-shelf products and DOD still requiring the business to disclose its cost accounting of how they come up with what they are selling to you for when it is a commercial product that they have to compete on the open market. You talk about competition, the competition is there in the open market. That is what brings the cost down. DOD is not going to drive the cost down further than the market does. So let's talk specifically, if you don't mind, about the ITEP, the Improved Turbine Engine Program, something like that, where it is a commercial product, but it seems really hard to get it going because there is only one or two companies that have it right now, that have a good improved engine program going. But they are not being bought right now because DOD wants to compete it. And the problem is there aren't any other companies that do it. Does that make sense? There is two questions there in one.

Secretary KENDALL. Yeah. If there is an off-the-shelf product that meets our requirements. We would have to assess—normally what we do is we would do an analysis of the business environment.

Mr. HUNTER. Let's just say you have a kid—a kid—a young person, let's say, in their late 20s that doesn't have any industry experience, that is out of school, got their master's in business, and you try to make them replicate what really smart folks that work for a really big company do to assess what their cost is and find out if you are getting a good deal. It is really hard to do. In fact, it is impossible to do. And it is turning off the folks that would be supplying you with good stuff that is done competitively and cheaply because of the open market.

Secretary KENDALL. That is the issue we talked about earlier. What cuts against that is things like the Bell Helicopter issue that was brought up earlier where we had paid multiple times the price we should have paid for a product. And it is the $600 hammer issue, right. So when one of those occurs, it is a very public event. The Department is chastised for it. And so we are asked, because of that, to go impose tighter controls on the costs and prices we are paying. When something is truly commercial, purely a commercial product, and it is out there in the market and it is widely sold to

a lot of people, then that competitive market is efficient at setting the price. Where we get into trouble is things that are kind of on the margins, where there may be a modified commercial product, or where, even though it may be sold through a GSA [General Services Administration] catalog, it is really unique to say—we had an incident a couple years with an Apache helicopter oil drip pan, where we were paying an excessive amount; as it turned out, it made it onto 60 Minutes. So somebody should have realized that that was not really a commercial product and asked a few more questions about what the basis was for the price to go get at that. We didn't until we were embarrassed by that fact, just as we are probably going to be embarrassed by what Bell has done and some of their pricing. So we have got to strike the right balance between relying on what are asserted to be commercial prices and doing due diligence to make sure we are getting a fair and reasonable price. That is what we are trying to strike, is the right balance there.

Mr. HUNTER. Okay. It is going to be hard to ask free companies. I guess if they want to do business with you, they are going to have to disclose their stuff. I guess they just won't do business with you.

Secretary KENDALL. It depends on their products. If their products do have a well-established commercial basis, we should be fine. If there is none——

Mr. HUNTER. If it is a new product of which that company is the very first one to innovate and create it, then you don't have any cost basis to go against. Let me ask one last question.

Secretary KENDALL. Then what we need is some way to determine it is a fair and reasonable price. It doesn't have to be fully certified cost and pricing data. But we need some way to have a reasonable assurance that it is a fair price. That is what we have. That is the criteria.

Mr. HUNTER. Thank you.

My time is up. I yield back.

Mr. THORNBERRY. Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Secretary Kendall and Secretary Barna, thank you for being with us this morning. Thank you for your service. This committee has been a strong supporter of the inventory of contract services because it is integral to the implementation of a robust total force management policy, which depends in large part on the Department's capability to more intelligently manage its acquisition of services.

GAO determined that to improve the Department's capability there needed to be a dedicated office resourced to develop and implement a common inventory system and associated business processes among the military components and defense agencies for contract services management specifically modeled after the Army's system, as this committee has long recommended.

Now, earlier this year, GAO reported that the Department approved plans to establish a dedicated office within Personnel and Readiness to support these implementation efforts. But I understand the office's roles and responsibilities and how it will be staffed have not been fully determined. So my question, Secretary Kendall, when will this office be up and running?

Secretary KENDALL. Congresswoman, I ask my colleague to answer that one. That falls under her area.

Ms. BORDALLO. Secretary Barna.

Ms. BARNA. Yes, ma'am. We are working on the staffing and the structure of the office as we speak. I think our next meeting on the issue is this coming Tuesday. This is certainly a matter about which we have great interest, and we understand the committee's interest and the GAO's interest.

We are working on the enterprise contractor manpower requirements assessment, which I believe is the data tool to which you are referring. It is the data tool that will actually fuel and feed the inventory of contracted services. So we are very aware of the interest. We are very aware of the laws and regulations that have been passed in this regard, and we have been moving out to implement it.

Ms. BORDALLO. Madam Secretary, we have been discussing this for some time. Do you have a final date on when it will be fully implemented?

Ms. BARNA. I don't have a final date. We do have the money in next year's budget to actually bring on board in P&R [Personnel and Readiness] the six personnel slots. And adding personnel slots to the Department at this particular time is a very difficult, challenging thing. But we do have the money and the personnel authorizations effective in fiscal year 2015.

Ms. BORDALLO. So you don't have an approximate timeframe or——

Ms. BARNA. I do not yet, I am sorry. I can go back and take a look at exactly where we are and provide you some additional information. But I don't have an exact timeframe.

[The information referred to can be found in the Appendix on page 75.]

Ms. BORDALLO. Thank you. Thank you very much.

I yield back, Mr. Chair.

Mr. THORNBERRY. I appreciate the gentlelady bringing this up. It has been in the works for a long time.

Mr. Bridenstine.

Mr. BRIDENSTINE. Thank you, Mr. Chairman.

Mr. Kendall, I wanted to ask you about the way we go about purchasing satellite communications, specifically commercial satellite communications [COMSATCOM], which we have been purchasing in mass volumes for about 13 years now as things in the world have required us to do. We currently still buy COMSATCOM on the spot market, 1-year contracts, very inefficient, very expensive. Of course, this committee in the 2014 NDAA [National Defense Authorization Act] required your office to put forth a strategy to get to multiyear procurement to make things more efficient. Can you share with us where you are on that and how things are going?

Secretary KENDALL. I tasked my Assistant Secretary for Acquisition, Katrina McFarland, to work with the CIO on this issue. And it came to my attention originally because of one of our business board advisory board studies. So I think we are very close to having a proposal. I have not been briefed to the final product yet. I am told they are ready to brief me. So, hopefully within the next

few weeks, we should have a position on this that we can talk to you about.

Mr. BRIDENSTINE. One of the challenges that I have heard is we are purchasing COMSATCOM with OCO [Overseas Contingency Operations] dollars, which are year to year. So it makes it impossible really to do multiyear procurement when you don't know next year what the OCO money is going to look like.

Secretary KENDALL. That is largely to support, obviously, the wars in Afghanistan.

Mr. BRIDENSTINE. Right.

Secretary KENDALL. And I think it is an appropriate use of OCO to do that.

The issue I think we have run into in part is one that came up earlier, which was how we score. If we cut a multiyear business deal, how is that scored? Which is unfortunate, because I think our process and our bureaucracy is getting in the way of us trying to do the smart thing from a business perspective, and we shouldn't allow that to happen.

Mr. BRIDENSTINE. I agree with you that this is appropriate for support for the wars in Iraq and Afghanistan. The question is we know that there is going to be a demand for commercial satellite communications, you know, 5 years from now, 10 years from now, in this region of the world. We know there is a baseline. Can we define that and can we count on you to come up with a definition of what that is?

Secretary KENDALL. That is what I am trying to get out of the work that has been going on. We have a certain baseline that we buy to. We have some organic capability, obviously. And then, of course, the spot market, as you mentioned, is expensive. So we can forecast our needs with some confidence, we ought to be able to acquire some capability with a better business deal than the ones we are currently cutting. There might be some much smaller but still residual need to use the spot market occasionally, but I would like to reduce the amount that we are relying on that. I think we are in agreement on the goal here. It is just a question of how we get there.

Mr. BRIDENSTINE. If we do come up with that baseline, can we move it out of OCO funding and move it into some kind of programmatic funding?

Secretary KENDALL. I don't know the answer to that. Let me take that one for the record.

[The information referred to was not available at the time of printing.]

Mr. BRIDENSTINE. Okay.

Secretary KENDALL. I don't have an answer for you right now.

Mr. BRIDENSTINE. Okay. Great. I appreciate you doing that. Some other questions. I wanted to talk to you about some of the interoperability issues. As somebody who has spent a lot of time in these parts of the world and relied on satellite communications, when we purchase commercial satellite communications from the commercial sector and then we have MILSATCOM [military satellite communications] for the military sector, and they use different bandwidths, they use different waveforms, some are secure, some are insecure, encryption, anti-jam, all the different types of

things that go into each system, now we have some devices that are usable with some satellites and other devices that are not usable with the same satellites. We have a real interoperability issue, which goes to my point, which is it seems to me we have to get to a place—right now we have DISA [Defense Information Systems Agency] purchasing COMSATCOM and we have got SMC [Space and Missile Systems Center] purchasing MILSATCOM. We have to get to a place where we have one agency responsible so that we can have this interoperability so we can actually maximize our efforts, maximize the ability of our warfighters to be effective. Can you address that? Is that an issue you guys have been looking at?

Secretary KENDALL. Yeah, we have. It is kind of a shared responsibility between myself and the CIO. What we have done in the past is gone out and tried to put every possible waveform onto some of our radars. The JTRS [Joint Tactical Radio System] program, which you are probably familiar with, was an example of trying to spec every single waveform on every radio. I am exaggerating slightly, but not too much. And we had to back away from that for cost reasons. So then we got to, okay, what do different people at different levels really need, and what is the best way to provide it? So I think we made progress in that area, but I think we also probably have a lot more work do.

Mr. BRIDENSTINE. Okay. One last question. I know I am out of time, Mr. Chairman, so we will just do this one for the record. But when it comes to hosted payloads for our satellites, we can leverage the commercial satellite industry in a major way when it comes to efficiencies, the efficiencies of the bus, the efficiencies of the truss structure, the launch, the ground support mechanisms. All these things the commercial satellite industry currently uses, we could leverage that to reduce the cost and increase the capacity for our warfighters in the satellite area. So if you could respond, your thoughts on that for the record, that would be great.

Secretary KENDALL. Very briefly, I agree with you. We do that to a degree now, but I think we can do it more. And as we need higher resilience because of threat developments in the space control, I think we are going to want to diversify our assets in space more than they are today. And that is one way to do that.

Mr. BRIDENSTINE. Roger that. Sir, I yield back.

Mr. THORNBERRY. Thank you.

Mr. Johnson.

Mr. JOHNSON. Thank you.

Mr. Kendall, a key tenet of acquisition reform should be the use of competition to drive down costs and increase customer service, which will create best value for the taxpayer. A heavy focus of acquisition reform should be placed on the way DOD buys its major weapon systems. Yet DOD's fourth largest acquisition program, the space launch program, is a sole-source program. It appears that the Air Force has completely ignored your directives to introduce meaningful competition aggressively. And it appears that the Air Force has deferred meaningful competition for many years in the future by protecting its sole-source arrangement with the incumbent provider of space launch services. The current sole-source arrangement for launch services is a cost-plus arrangement, which has resulted in payments to the sole-source incumbent of in excess

of $6 billion. This means that the taxpayers pay ULA's operating costs plus profits for its infrastructure and business operating expenses. Why was this program sole-sourced in the beginning? What factors justify continuing it as a sole source? Why are we doing it on a cost-plus basis, as opposed to a fixed-price basis?

Secretary KENDALL. Congressman, first of all, I completely agree with you on competition. It is a basic tenet. And we are trying to have as much of it as possible, including the launch business. We are moving towards a more competitive environment as quickly as we can there. The situation with regard to ULA was originated several years ago. It is before my time. So I don't know the reasons for the specific arrangements that were made several years ago. I think basically the conclusion that was reached was that there was inadequate business to sustain two providers and that the more efficient thing to do was to merge them and have one. In hindsight, one can obviously question that.

Mr. JOHNSON. I mean, does that factor exist currently?

Secretary KENDALL. Up to a point. Because we are reliant on ULA for certain launches. There is no competitor yet. And it will be some time before we have a competitor for some of those launches. SpaceX is coming along. There are other potential competitors coming along that need to go through the certification process. Our intent is to get them into competition as quickly as possible. We are going to be very soon releasing an RFP for our first competitive bids for launch. That is a fiscal year 2015 acquisition.

Mr. JOHNSON. Now UAL does not—is not a sole-source provider of launch services for NASA [National Aeronautics and Space Administration], is it?

Secretary KENDALL. I don't honestly know the answer to that question. I don't believe so. I think they use others that the U.S. military may not be able to use.

Mr. JOHNSON. So NASA uses other launch providers. What about in the commercial sector? We have got all of these commercial satellites orbiting the Earth. Are they sole-sourced to UAL or are there competitors that handle those launches?

Secretary KENDALL. I think it is a mix. I don't know that ULA does any of the launches or not, frankly.

Mr. JOHNSON. What would cause the DOD to not be able to utilize the services of other launch providers, who appear to be doing a great job, just as good as UAL, in launching for NASA and all of the other commercial vendors?

Secretary KENDALL. There are two reasons that initially come to mind. One is security. Foreign providers of launch can be a security issue for us because many of our payloads are highly classified.

Mr. JOHNSON. Well, now, currently, is it not a fact that we are using Russian rockets under the UAL sole-source agreement to launch DOD payloads?

Secretary KENDALL. Yes. A Russian rocket engine is integrated into our Atlas launch vehicles. But basically, they provide us with that product and then we integrate it. And the Russians have no access to our payloads whatsoever. The other consideration I wanted to mention was mission assurance. We have had 70 successful launches, roughly, with ULA. And getting these multibillion dollar payloads successfully into orbit instead of into the ocean is a very

important consideration for us. So those are the two things that impact on our decision.

Mr. JOHNSON. And the cost-plus contract as opposed to the fixed-price.

Secretary KENDALL. The cost-plus for the services piece of it is because of the difficulty in predicting those costs because of changes to the manifest and so on.

Mr. JOHNSON. I yield back.

Mr. THORNBERRY. Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. Kendall, I wanted to follow up on the subject area that Mr. Bridenstine visited with you a few minutes ago, and that is this commercial satellite opportunities. As you are aware, I chair the Strategic Forces Subcommittee, and one of my concerns has been the inadequate number of satellite resources that we have. And I have had the chance to visit with the acquisition folks from the Navy, the Air Force, and the Army, and it always comes down to a scoring issue. Everybody recognizes, as you said a little while ago, it is good business to figure out a way to do these multiyear leases, and to do, as Mr. Bridenstine suggested, and that is that we piggyback on some of these commercial satellites for narrow opportunities or needs that we have. I do know, in March of 2013, you all announced a 90-day study on acquisition that might have addressed this. Do you know what came of that?

Secretary KENDALL. I am sorry, sir. Which study was that?

Mr. ROGERS. It was a 90-day study to address the acquisition of commercial satellites in March of 2013. And I didn't——

Secretary KENDALL. That is the study I think that I asked Ms. McFarland and Teri Takai to conduct, which I mentioned earlier is I believe finished at this point essentially, and just hasn't been briefed to me yet.

Mr. ROGERS. Okay. Good. Well, what I would like to know is, aside from that study, you know, who is in charge of trying to address this? I think you recognized the need here, and that there is a smarter way to deal with it. And I ask this for this reason: You know, we have already done this in military housing very successfully. But it took statutory involvement. So I guess my question is, are you to the point to where you recognize that it needs to be done and whether or not we need to address CBO scoring statutorily, or what?

Secretary KENDALL. Great question. Let me take it for the record. I don't have the answer for you yet. But I do think there is a better way to do business. And we need to see what the obstacles are to doing that and see what we can do to remove them. So let me get back to you on that one for the record.

[The information referred to was not available at the time of printing.]

Mr. ROGERS. Who is in charge of this kind of thing? Is it General Polakowski? Is it you? Who is in charge of kind of——

Secretary KENDALL. Shared responsibility between the CIO, right now Terry Halvorsen, and myself. We have worked it jointly.

Mr. ROGERS. Great. I appreciate that. I know it is very complex, but it is also very important that we start dealing with this. And the commercial side is getting really frustrated with us. And one

of the concerns I am seeing from them is they are recognizing their real growth and opportunity is in the private sector. They are moving away from a focus on the Defense Department. We need that partnership. You and I both know that we can't do what we do in any realm of the defense infrastructure without the private sector's involvement in a robust way.

Last question. You know I have been frustrated with the NNSA [National Nuclear Security Administration]. And we have this committee that is working on NNSA reform. Can you shed some light on what you think we should do with NNSA, since you give them billions of dollars a year?

Secretary KENDALL. That is a tough question. We work closely with NNSA, have a good cooperative relationship. I chair the Nuclear Weapons Council, which met yesterday actually, with the director of the NNSA and all the relevant DOD people involved. We oversee the nuclear weapons modernization program, the LEP [life extension] programs primarily. And we try to correlate them so that they are aligned with our platform programs. The problem we have had over the last few years has been that because of budget cuts largely, it has been sort of a moving target, and it has been hard to stabilize that program so we could execute it effectively. We have also been transferring resources from DOD, which started with Secretary Gates several years ago, to NNSA to kind of make up some of their budget shortfalls, which because of the way it happens is late in the budgeting process within the administration is very disruptive of our plans.

We need a better way to do business. I know that the Augustine—Myers—Myers committee is working on that. I met with them recently to discuss where they are. And I think they are going to be coming forward with some findings soon. I hope they come up with something that rationalizes the way we do business here, because in my view the current situation is just not workable.

Mr. ROGERS. Yeah. I agree. Fortunately, we have a good guy that has taken on leadership there, and I have a lot of confidence in him.

But thank you for your presence, and know I am very serious about the public-private partnership on satellites and other things, and I look forward to hearing back from you on that.

Thank you, Mr. Chairman, I yield back.

Mr. THORNBERRY. Thank you.

I have to say, Mr. Kendall, you have an amazing array of issues on your plate. Mr. Peters.

Mr. PETERS. Thank you, Mr. Chairman.

And thank you for holding the hearing today. And I just wanted to thank the witnesses for being here, and to acknowledge that we are in an interesting time for procurement with such innovation going on. And it strikes me that the foundational law, if I am not mistaken, is from 1990, which when I was in a law firm, we were arguing about whether we should put personal computers on each desk. So things have changed quite a bit, because you now have a personal computer in most pockets. And what struck me, too, is in visiting, I visited 50 or 60 companies in my district in my first term here in Congress, many of them are inventing military tech-

nologies, communicating from areas where—in two areas where you didn't think you could communicate.

Cybersecurity and unmanned systems are really big in San Diego. And the problem you find across—you often come across is that the military doesn't even know that this invention that they could use exists. So it is not going to be in the requirements contracts. And so the challenge I think is—I think satellites is one obvious answer. We have dealt with that somewhat, a little bit in the NDAA this year. Again, a company in my district had the same issue. The challenge is to take advantage of what the private sector is doing and the innovations that it is creating, and to empower a culture within the Department of Defense where people are willing to make the changes that are out there.

And what I will say from my perspective is we would like to support a culture and a management where the right kind of mistakes are encouraged. And you won't have me ever dragging someone in front of a hearing if they have made an honest mistake. I think what we should do in Congress is support that kind of appropriate risk taking and innovation within the Department that will ultimately match the great innovation that is happening out in the country and often in my own district.

Thank you for being here. I look forward to working with you on these procurement reforms and hope we can have a productive partnership.

Thank you, Mr. Chairman. I yield back.

Secretary KENDALL. If I may, Mr. Chairman.

I couldn't agree with you more. And as I look forward over the next few years, the next iteration of Better Buying Power is going to be innovation and the movement of technology to the warfighter. We have been focusing for the last few years on business practices, on efficiency and productivity in general, and getting better business deals, and executing them effectively. I want us to turn toward focusing more on what we are providing for the warfighter and how we are getting technology into the warfighter's hands. The last time I testified before this committee, I talked about my concerns for technological superiority. We need to move faster. It has come up a few times today. We also need to access technologies that we are not accessing today. So the next iteration of Better Buying Power, which I am starting to work on now, will be focused on and emphasizing that. So I am very in line with your thinking about that. Thank you.

Mr. THORNBERRY. Let me go back over a few of the things we have talked about. But I want to start with Mr. Peters' point, because I think it is really important.

And I am struck, we have had so many conversations about satellites and other sorts of technology, that just emphasizes basically where we started today, and that is we have to have top-quality people trained and experienced to even understand the commercial business and the vast pace of change in order to make these decisions. And I think that a lot of what we talk about comes down to that judgment call. Sometimes it is not going to go well. But if you are learning something, you know, then maybe that is okay. If you are just trying to minimize the risk, then that is kind of where I think so much of the system is these days, at least as far as I hear.

And I don't know if this is an analogous situation or not. I want to go back for a second to the Bell issue that Ms. Speier raised. I hadn't heard about it before I came in here. But as I read the report, what they find is that the contracting officer automatically paid what DOD had previously paid for the spare part, and did not do the market analysis for how we might get it for a better deal.

Mr. Kendall, is that your understanding of the bottom line of that?

Secretary KENDALL. I have just seen the 1-page summary, but that is my understanding of what happened in this instance. As a very busy purchasing person is trying to go through things and focus his or her attention on all the different parts that they are trying to buy, one way to sort through them is to say, is there an already well-established price that I think I can rely on because somebody in the past determined that was a good price? We have to at least sample those to make sure that we are not consistently making mistakes there. But the new item, such as the one that came up later in the testimony, is the one where you want to focus your attention more because you didn't have an established price. So when you have—I am not making excuses for anything here, by the way.

Mr. THORNBERRY. I just want to flesh this out a little bit.

Secretary KENDALL. And to your point about people making honest mistakes, I don't know what happened here, I am not going to comment on the specific case. But if someone is doing their best, working extra hours, overtime, trying to get the things that the warfighter needs and makes that kind of a mistake, that is understandable. But if the company is trying to consistently overcharge us for something, that is not acceptable.

Mr. THORNBERRY. Absolutely.

Secretary KENDALL. We have to get at that.

Mr. THORNBERRY. I think everybody is in complete agreement. I guess the point I am making is that we will be buying more and more commercial things. And so we need government folks who are familiar with not only the technology but the contracting practices, how all that works.

Secretary KENDALL. Yeah. What we have established is a body of—many times the purchasing people don't have the technical expertise to assess whether they can look at the product, they can look at the price, and if it is a $10 hammer, that is probably reasonable; if it is a $600 hammer, red flags should go up all over the place. But some things it is a lot harder than that to make an assessment. You have exotic materials potentially, you have an unusual design that is difficult to manufacture. We have put together teams of technical experts that our purchasing people can call on now when they have a question, if something raises a flag in their minds about is this really reasonable or not, do I have enough data, so they can get a better technical assessment about what that product should cost to get a determination as to whether it is reasonable or not. That can expedite the process, but it also gives them somebody to go to who has the right kind of relevant expertise to assess that object.

Mr. THORNBERRY. And Ms. Barna, just on that topic, technical expertise, do you all keep any sort of statistics on the people who

are hired into the acquisition force and what sort of certifications, background, experience they have with information technology, for example?

Ms. BARNA. Sir, we don't maintain specific statistics in the personnel realm. That may be maintained in the acquisition realm with regard to certification of each individual that comes onboard.

Mr. THORNBERRY. And just so I can understand, so a hiring decision is made by somebody to fill a vacancy——

Ms. BARNA. Yes, sir.

Mr. THORNBERRY [continuing]. In the acquisition. They have got to then come to you to process it through the normal way. And I want to get to expedited way in just a second. And so your job basically is to go through that normal civil service process for a civilian that is—that somebody in either Mr. Kendall's shop or one of the services wants to hire to do acquisitions.

Ms. BARNA. We make the policy, sir, in P&R. Acquisition has servicing, human resources, personnel experts who actually would engage in that hiring process. And, of course, that process would rely extensively on what is called the crediting plan, which is created by the acquisition, the technological specialists who know particularly the capability that they are looking for from the person they are seeking to fill a particular position.

Mr. THORNBERRY. Okay. And I realize this will be hard, but you all don't really keep statistics on qualifications, experience, attributes of people who are brought into the system.

Ms. BARNA. Not specifically to——

Mr. THORNBERRY. Along that line.

Ms. BARNA. Yes, sir.

Secretary KENDALL. Congressman Thornberry, we are doing that for good managers and people who take some of the key acquisition positions. I have been looking carefully at that, trying to understand whether we are getting the right kind of skill sets or not, and how that correlates to results in the field. But the hiring process in general is somewhat decentralized. I mean people—the immediate supervisor might make a selection with or without the support of a board. And then it goes to that person's supervisor, I believe, and then to the human resources organization for whatever organization that is for final check. I think that is the general process we follow for hiring at whatever organization is doing the hiring.

Mr. THORNBERRY. Let me pursue that for just a second, because Ms. Barna, in your testimony, you talk about the hiring flexibilities available Department-wide, including expedited hiring authority.

Ms. BARNA. Yes, sir.

Mr. THORNBERRY. So Mr. Kendall, how often does that help you all?

Secretary KENDALL. There are a number of tools that we can use. We can use expedited hiring authority for certain specialties. I think that there is a statutory provision now that gives us some flexibility for scientists and engineers, which we are still implementing. We have cases like individual program augmentees that we can bring in from industry on a temporary basis, highly qualified experts we can bring in. So there are a number of tools like that we use as well.

Ms. BARNA. Sir, our statistics show that the acquisition corps is using the expedited hiring authority almost 40 percent of the time.

Mr. THORNBERRY. Okay. Thank you. That is interesting. And the other thing you mentioned in your testimony is the Acquisition Demonstration project. And you say that you just submitted to OPM [Office of Personnel Management] a Federal Register notice. Can you explain if they approve that, what then will that allow?

Ms. BARNA. That will essentially streamline the process of allowing new organizations to join the AcqDemo project as we call it. Previously, an individual organization that believed that AcqDemo could benefit, the way it was structured and operated, had to go through the process with human resources assistance of putting together their own Federal Register notice that would describe how they were going to compensate workers, how they were going to organize their particular pay structure, their particular grading structure. That was all done by the independent organization and then submitted separately to the Federal Register. What we hope to do with this common notice is streamline that process with a view to allowing organizations to join the AcqDemo project more easily. We have taken that tranche of work and done it for them. And as long as they are willing to comply with some rather flexible but general terms, they can move into the AcqDemo project without further delay. And we have identified that under the use of this Federal Register notice, we see almost an additional 40,000 employees, as many as 39 new organizations that will be able to join very quickly.

Mr. THORNBERRY. Mr. Kendall, is this demonstration project, do you have an opinion on its value at this point? Is that something we need to look to expand or——

Secretary KENDALL. All the inputs I have on AcqDemo are positive. It is a system that people I think feel very positively about. And we have had a few years of experience with it right now. So, even though it is sort of on a pilot basis, I think we are far enough along to know that it is a solution that we are very comfortable with.

Mr. THORNBERRY. Ms. Barna, you heard maybe a few minutes ago some conversation about tenure in a particular position, particularly a program manager and how long he or she stays in the job through the course of a program. If you are a civilian, under the civil service rules, is there any problem in leaving somebody in a program manager position 5 years, 7 years, to maintain some continuity of management?

Ms. BARNA. Certainly, sir, from a personnel perspective there is not. There is a requirement under the law that at least every 5 years there is an evaluation taken, particularly of individuals in critical acquisition positions, as to whether or not their continued presence in that position is in the best interest of the government and the individual. Of course, that gives management the opportunity to assess whether it is good to continue or whether perhaps another option is better.

But from the civilian perspective, there is nothing on the personnel side. I would defer to Mr. Kendall as to whether there is something on the operational side that might weigh in favor of either answer.

Secretary KENDALL. In practice, what we find is a couple things. One is that civilians who become program managers and do it for a period of years and then are ready to move on to some other responsibilities, it is often hard to find that next position for them. They have groomed themselves to become a sensitive program executive officer, but those are all essentially military slots, and there are deputies often that these people can move into. So a career progression that takes someone and has become a program manager.

Now, I think, frankly, that for an ACAT I [Acquisition Category], multibillion dollar program, becoming the program manager and staying in it until you retire isn't a bad thing. If you are really good at it, that is what I want those people do, because I need really good program managers. That is one issue.

The other issue that we encounter in practice is with senior executives and civil servants in general who are reluctant to move geographically. Our military people, it is part of their culture, they move routinely, it is what they do. But getting civil servants to move to take a position in another location can be a difficulty for us that gets in the way of putting talent where we really need it in some cases.

Mr. THORNBERRY. But, Ms. Barna, I suspect that it is a very different situation with military program managers. Do you all monitor career progression for folks who do acquisition work and then how their career progresses after that?

Ms. BARNA. Sir, we absolutely do, and we are very interested in that. Of course the law requires that they be essentially promoted at the same rate as other officers of the line, if you will. And our statistics show that, as to the grades of lieutenant colonel and colonel, in all of the services, with relative consistency over the last 5 years, acquisition officers have been promoted at or above the averages for their compatriots in other professions.

Mr. THORNBERRY. And then the question is, if it is deemed advisable to leave a military person in that position for a longer period of time than is the normal military rotation, what effect would that have on their promotion ability? I think it is important to know what is happening now, but as we kind of think about the other options, that is something that we will certainly want to stay on top of.

Mr. Kendall, let me just finish up just with a couple thoughts that came to mind during the conversation. One is, going back actually to something the chairman said at the beginning, we pass a law with the best of intentions, and then sometimes there is no telling what is going to happen with it.

So, for example, corrosion is a big deal for a lot of the systems. But as I understand it, you can correct me if you know differently, we passed some requirement on corrosion, the Department's regulations make it apply to everything, including software. So now if you are going to go buy software, you have got to fill out some piece of paper that it is not going to rust.

Secretary KENDALL. I actually am familiar with that. Because of a statute, I believe that the person in my office who is responsible for corrosion is a direct report to me. I have aligned that person and his staff with my system engineering office as part of specialty

engineering, because that is where it really belongs. But I do get monthly reports from him.

And what you said I think may actually be true, that because of the way we have implemented this, it is laughable that software would have a corrosion requirement. I think I saw it, and it may have been in a business system came through. We do try to temper our practices with some degree of common sense, but occasionally that kind of thing gets by us, I am afraid.

Mr. THORNBERRY. Well, it is kind of an extreme example of things that surely between the two bodies we can figure out to put some common sense into it.

The other thing, this has stuck in my mind, somebody told me that a program manager is a lot like a bus driver, except every passenger on the bus has a brake and a steering wheel. And so the whole focus that we have talked about today is getting and keeping top-quality people in these key acquisition jobs. But then the next step is they have to have the authority to do the job. And if they don't, that obviously makes it very difficult to get and keep top-quality people. I mean, it is interrelated.

There is not an easy answer for that. But it does strike me as a kind of a vivid metaphor for lots of people can stop it or change it, but there is not very many people who are responsible for making it happen at the end of the day.

Secretary KENDALL. I agree with you. And I have tried to get my staff out of the program management business. And one of the Better Buying Power initiatives is to emphasize the chain of command, particularly the program manager. I think within the services there are some issues as well where a lot of people who have interest in the product want to affect how events unfold. But we need to have our program managers empowered and capable and held accountable. I think we are moving more in that direction.

If I could pick up very briefly on something that came up earlier. The promotion rate for acquisition people is consistent with the promotion rate for nonacquisition people, but that promotion rate is very low, particularly when you go from, say, the O–6, the colonel or Navy captain level to one-star. And I have seen some of our most capable people basically forced to retire just at the peak of their performance.

And I would like to work with you to find some way to keep those people around if they want to stick around and help the government, because that is an enormous amount of talent going out the door. There are a variety of ways we could do this. I could talk to you about it separately. But I think it is an area in which we could do some good.

Mr. THORNBERRY. Good. Well, we need to because of what you said before. We have this demographic problem. Lots of people are about to retire, and there is a big hole in the middle. And so that is even more reason to keep on top-quality people. So we will definitely do that.

You all have been generous with your time. We are past when we told you we would let you go. Thank you. It has been very helpful. And we look forward to continuing to work together.

With that, the hearing is adjourned.

[Whereupon, at 12:09 p.m., the committee was adjourned.]

A P P E N D I X

July 10, 2014

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 10, 2014

Opening Statement of Chairman Howard P. "Buck" McKeon

HEARING ON

Defense Reform: Empowering Success in Acquisition

July 10, 2014

Good morning. I would like to give a warm welcome to our witnesses today:

The Honorable Frank Kendall, Under Secretary of Defense for Acquisition, Technology & Logistics; and Ms. Stephanie Barna, Acting Assistant Secretary of Defense for Readiness and Force Management.

I want to thank you both for your flexibility in scheduling this hearing. I know we have gone through several iterations of the schedule and I appreciate you and your staff working with us on those changes. This is an important hearing and your knowledge and perspectives are essential to our reform initiative.

This is the fourth hearing we've scheduled as part of the committee's long-term defense reform effort. Thus far, we've reviewed past reform efforts, discussed challenges and opportunities, and examined case studies that highlight the strengths and weaknesses of the acquisition process. We've sought to understand the root causes behind why – after decades of various reform efforts – many DOD acquisition programs still run over cost and behind schedule, delivering less capability to the warfighter. However, to-date, we have heard only from outside experts. While we appreciate and value their input, today is our first opportunity to discuss these issues with DOD officials, and to better understand the Department's recent efforts to improve productivity and outcomes related to acquisitions.

A key theme that has emerged from previous hearings is that you cannot affect the acquisition system if you don't affect the people. We hear it referred to as a need for "culture change", "professionalization of the workforce", or "personal accountability." This is why we're grateful to have both Secretary Kendall and Ms. Barna here to look at acquisition reform holistically, and to examine the issues related to the recruitment, development, and retention of our military and civilian workforce.

Again, I thank you both for being with us today and I look forward to hearing your thoughts on what we can do to empower success in DOD acquisitions.

Statement of Ranking Member Adam Smith

HEARING ON

Defense Reform: Empowering Success in Acquisition

July 10, 2014

House Armed Services Committee Ranking Member Adam Smith made the following statement at today's hearing: Defense Reform: Empowering Success in Acquisition:

Thank you, Mr. Chairman. I wish to thank Mr. Kendall and Ms. Barna for appearing today and for sharing with us their valuable expertise on this important topic. Their contributions are instrumental to this committee's continuing efforts to assess and remediate the defense acquisition system.

The Department of Defense depends on its acquisition system to provide the products and the services necessary to perform its roles and missions. However, cost overruns, schedule delays, and performance failures continue to undermine the defense acquisition system's overall effectiveness.

We on this committee are eager to help the Department in identifying the root causes of dysfunction and to assist the Department in boosting its buying power and in optimizing the cost-effectiveness of its acquisition system. Reform will only become more essential as budgetary resources become scarcer.

Congress and the Department must work together to build on the achievements of previous reform efforts and to support a concerted and sustained undertaking to solve problems inherent to the defense acquisition system. In doing so, we should: sharpen the requirements generation and validation processes; empower the acquisition work force with appropriate resources, education, training, and incentives; develop integrated acquisition data management systems that facilitate informed decisions; enhance the vitality of the defense industrial base; and improve oversight of contractor performance.

Any effort to reform defense acquisition must consider the Department's purchases of services, which include everything from grass-cutting services to transportation and information technology services. Contracts for services now outstrip DOD spending on supplies and equipment by a margin of 52% to 48%. In fiscal year 2013, the Department spent nearly $161 billion on services, which is far more than any single military department's proposed budget for fiscal year 2015 and goes well beyond what the Department plans to spend on equipment procurement in fiscal year 2015 ($90.4 billion).

The acquisition workforce must provide robust oversight of the execution of hundreds, if not thousands, of service contracts to ensure that we do not repeat past failures, including some that led to grievous personal harm, and even death, for contractor personnel. Acquisition spending levels place a heavy burden on the acquisition workforce. So, it is imperative that the acquisition workforce have the resources and capabilities to effectively allocate and oversee the impact of every tax dollar spent.

We often hear that a more streamlined, less burdensome acquisition process will produce better acquisition outcomes, and I am very interested in exploring how we might promote greater

efficiency across the board. We should remember, however, that the effectiveness of the acquisition system relies ultimately on the proficiency of its practitioners. An adept and energetic workforce is the key element of any nimble and responsive system, especially one as complex and as sophisticated as the defense acquisition system. Sequestration, government shutdowns, congressionally-directed workforce downsizings, furloughs, and pay freezes are hardly the ingredients to a recipe for success.

Mr. Chairman, this hearing is dedicated to empowering success in acquisition. Empowerment of the acquisition system should begin with enabling the very people charged with making it work, and, in the pursuit of success in acquisition, the Congress should be a help, and not a hindrance.

I look forward to discussing with our witnesses how we might help to effectuate improvements to the defense acquisition system and its workforce going forward.

Testimony

Before the House Committee on Armed Services

Witness Statement of

HON Frank Kendall

Under Secretary of Defense

Acquisition, Technology & Logistics

July 10, 2014

Chairman McKeon, Ranking Member Smith and distinguished members of the committee, I appreciate the opportunity to testify today. I look forward to sharing with you some concerns I have and actions I am taking with regard to our defense acquisition system. Specifically, I would like to discuss potential actions that would improve what I believe is the most important factor affecting the productivity and effectiveness of our defense programs: the Defense Acquisition Workforce.

An Emphasis on Professionalism

For the last four years the Department's efforts to improve acquisition performance have focused on a set of initiatives called "Better Buying Power." The original version of Better Buying Power was announced by then Under Secretary Ashton Carter and me in 2010. In 2012, I introduced the second edition, which I called Better Buying Power 2.0. One of the modifications we made at that time was to add a new seventh category of initiatives; Improving the Professionalism of the Total Acquisition Workforce—which includes the roughly 150,000 DoD people who work in critical acquisition fields to include; program management, engineering, test and evaluation, contracting and contract management, logistics, quality assurance, and several other specialties. All of these fields require high degrees of professionalism. I am proud of our workforce; it is highly professional, but there isn't a single person in the workforce, including myself, who can't improve his or her professional abilities. The goal of this category of Better Buying Power initiatives is to do just that. The specific initiatives in this category include the following: establish higher standards for key leadership positions; establish stronger professional qualification requirements for all acquisition specialties; increase the recognition of excellence in acquisition management; and finally, continue to increase the cost consciousness of the acquisition workforce—change the culture.

I added this emphasis on professionalism because I believe that at the end of the day the quality of our people, the standards we set for them, the incentives we provide for them all matter much more than anything else we can do to improve acquisition performance. In my 40 odd years in this field I have seen any number of attempts to reform acquisition through rule set, organizational, and process changes. Defense acquisition professionals have a special body of knowledge and experience that is not easily acquired. No one should expect an amateur without acquisition experience to exercise professional judgments in acquisition. Making those judgments requires years of training and experience in the field. Like other highly skilled professions such as attorneys, physicians and military officers, expertise sets acquisition professionals apart.

Our workforce must deal with enormous complexity. The problems defense acquisition professionals are asked to solve are not simple—our professionals are entrusted to develop and field the most complicated and technically advanced systems in the world and to conduct efforts spanning a huge variety of products and services. The ability to do any aspect of this well is not acquired in a day. It is also an illusion to believe that defense acquisition success is simply a matter of applying the right, easily learned "check-list" approach to doing our jobs. There are no one-size-fits-all solutions that apply to all acquisition situations. A primary goal of Better Buying Power 2.0 is to help the workforce to think critically about their programs and focus on sound decisions tailored to the problem at hand. It's about understanding through education, training, and experience, what works, what doesn't, and most importantly the *why* and *how* to best implement a specific decision. At my level, I make a handful of decisions about our major acquisition programs. Most of the thousands of decisions that will be made on any program are made by a range of acquisition professionals throughout our workforce and in industry. We won't get acquisition "right" unless these decisions are sound.

Under the Defense Acquisition Workforce Improvement Act (DAWIA) of 1990, the Department selected specific acquisition positions and designated them "critical" acquisition billets. We also implemented three levels of acquisition proficiency to begin to define the levels of professionalism in our workforce. We have learned from our experience with these designations and believe the standards for the highest of these three levels as currently defined and implemented is not adequate for the important acquisition positions that carry our greatest levels of responsibility. We are in the process of creating and implementing higher standards for specific Key Acquisition Leadership Positions as a first step. That process should conclude within the next year. We are also taking steps to better define the qualification requirements for all our acquisition functions. In general the intent is that these qualifications will rely more heavily on specific hands on work experience than we have in the past.

As part of the initiatives to increase professionalism we are also conducting a pilot program to establish DoD-level professional qualification boards by acquisition career field. The pilot is being conducted by the Developmental Test and Evaluation community under the leadership of the DASD(R&E) for Developmental Testing. The intent of these professional qualification boards is to help to establish a uniform standard and a culture of excellence across DoD. The concept is analogous to the professional board certifications physicians receive. We will assess the success of the pilot effort before making a determination to expand this concept to other acquisition career fields.

Demonstrating to our workforce that their efforts are recognized and appreciated is an important incentive. At my level this includes "spotlight" awards as well as our standard periodic DoD-level awards. We are making a particular effort to recognize the contributions of teams as well as individuals and to recognize exceptional performance in the full range of defense acquisition activities. Recognizing good performance is also a way to let our employees know how the standard for good performance is defined. One change in this area is to refocus our recognition at all levels on successful program or contract execution and the achievement of cost savings or efficiencies as opposed to obtaining approval to award contracts or to spend money. Success is delivering services or products to our warfighters at good value to our taxpayers; it is not getting a bureaucratic approval to proceed or putting money on contract to an arbitrary schedule.

The Defense Acquisition Workforce Development Fund

Since 2009, we have actively used the Defense Acquisition Workforce Development Fund (DAWDF) to build and sustain the highly qualified workforce the Department requires. The President's FY15 budget request specifically addresses the continued effort to strengthen the acquisition workforce with DAWDF. We appreciate this critical tool extended with bi-partisan Congressional support in the 2013 NDAA from FY15 to FY18 and I encourage continuation of the fund on a permanent basis. The value to the Department of a centralized and stable fund dedicated to building the workforce is huge, particularly during periods of declining and uncertain budgets as we are now experiencing. DAWDF increases our effectiveness in the long-term talent management of our workforce and helps sustain capability and capacity for future years.

The benefits of DAWDF to-date are many. Rebuilding critical acquisition functions is one. With the help of the DAWDF, we reshaped the workforce and started to address the demographic imbalance between early, mid and senior year career groups. Further, we rebuilt the Defense Contract Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA). At DCMA we established a specialized center of excellence comprised of contract cost and pricing experts. This team efficiently fills a significant DoD-wide skill gap and provides a capability critical to accurately establishing the cost and therefore the price of our billion dollar contracts. All functional acquisition career fields benefit from DAWDF. The science, technology, engineering and mathematics (STEM) element of the acquisition workforce increased by 17 percent since 2008. The acquisition information technology (IT) workforce increased by 46 percent; the acquisition logistics/sustainment workforce increased by 33 percent;

the audit workforce by 18 percent, and contracting workforce by 17 percent. Sustaining these recent improvements on a long-term basis is difficult with the continued budget uncertainty. I believe it takes approximately a decade of experience to develop a qualified professional who is ready to tackle the complexities of defense acquisition responsibilities. The complex technical and business work we do requires a stable and balanced workforce.

DAWDF increasingly contributes to the sustainment of a sufficient and robust acquisition workforce training capability, an essential element of the DoD acquisition enterprise. In FY13 Defense Acquisition University classroom graduates represented a 50 percent increase over graduates in 2008 and 28 percent increase in online graduates. This capacity improvement enabled workforce certification at higher levels than previously reported. In 2008, 58 percent of the acquisition workforce met or exceeded their position certification requirements. As of second quarter FY14, 76 percent now meet or exceed certification requirements—all of this made possible due to DAWDF. The fund also enabled components to provide targeted training for specific organization needs, including increased leadership training for civilians such as the Defense Civilian Emerging Leadership Program. Further, we utilize DAWDF as an incentive for the workforce through student loan repayment programs, tuition assistance and rotational assignments. All of this benefits the taxpayer and leads to better acquisition system results.

Measuring the Performance of Our Workforce

Historically, we have not tried to measure the outcomes of acquisition policies or to track the comparative performance of acquisition organizations. Measuring and understanding our performance is essential to improving the effectiveness of our workforce. I recently released the second edition of the Annual Report on the Performance of the Acquisition System. This year's report builds upon last year's report and continues to analyze root causes for the outcomes of our acquisitions.

While these annual reports focus on program outcomes, policy correlations, and performance by institutions, in the end they are really measuring the performance of our workforce. Industry will respond to the best of its ability to the incentives that the government provides. Our acquisition professionals need to ensure that we get "win-win" business deals where the incentives are effective and aligned with our interests. I know that industry will respond to appropriate incentives, but our acquisition professionals have to provide them.

Legislative Initiative

In the process of re-writing the Department's document that governs the acquisition process, DoDI 5000.02, one fact became strikingly apparent to me: our system, over time, has accumulated excessive levels of complex statutory and regulatory requirements that are imposed on our program managers and other acquisition professionals. The page after page of DODI 5000.02 tables listing these requirements convinced me of the need for simplification- without sacrificing the positive intent behind the requirements. The layers of well-intended statutory requirements and piles of regulation make the task of managing an acquisition program harder than it needs to be and does not empower our workforce for success. Independently, Congressman Thornberry from this Committee came to a similar conclusion and I'm happy to note that our staffs are cooperating on this acquisition reform initiative. I have also reached out to the leadership and staff of the Senate Armed Services Committee for their cooperation as well. One thing I hope we can all agree on is the need to simplify and rationalize the bureaucratic burdens we place on our acquisition professionals.

The DoD team, led by Mr. Andrew Hunter—a former staff member of this committee, is working closely with Congressional leadership and staff on this project. We appreciate the bipartisan support we have received for this project.

The main body of work is scheduled for finalization in time for congressional review and potential inclusion in FY16 National Defense Authorization Act. In general, we are focused on statutory and regulatory requirements that generate large paperwork burdens but may not drive a commensurate positive difference in program execution, duplication in regimes for program oversight, and requirements that impose a one-size-fits-all approach to issues that are inherently more complex. We have shared some initial insights on these issues with the Committee and we appreciate the consideration they've been given. These early insights include a record keeping requirement for reports generated by defense labs and an alternative certification at Milestone B for preliminary design review for programs where no technology development is required. Next year's proposal will address more substantial changes in milestone certification requirements as these requirements directly impact the incentives and burdens faced by program managers. In addition, we will ask to eliminate the duplication of oversight regimes for major automated information systems and defense business systems and streamline our process for Clinger-Cohen Act compliance. We look forward to our continued cooperative work in this area with both the House and Senate.

Concerns

I am fundamentally concerned about the way we are treating our people and the impact it will have on the professionalism of the workforce. I refer in particular to the adverse effect of budget cuts and pay freezes and the uncertainty about precipitous cuts mandated through sequestration. There is a culture in the Pentagon and the military that getting the job done is what matters. We by and large do not have a workforce of "clock-watchers." Instead, the professional men and women that comprise our military and civilian acquisition workforce worry about getting the job done: because our nation's security depends on their efforts. However, years of pay freezes, last summer's unavoidable sequestration related furloughs, the government shut down, and the insecurity brought about by continued budgetary uncertainty, have all taken a toll on our workforce. The continuing threat of sequestration makes acquisition planning and efficient execution impossible, and it imposes a corrosive impact on our workforce. It is not a good climate for recruiting or retaining talent in the government workforce.

Relatedly, in the next few years, the Department faces challenges due to retirement losses from the workforce and a shortage of seasoned experienced professionals. DAWDF has allowed us to bring new people into our career pipeline, but we have a "valley" in the mid-career part of the pipeline and many people who are at or close to retirement. This is particularly prominent within the acquisition community, where seasoned and experienced professionals are leaving and newly-hired junior members of the workforce are not yet properly experienced and qualified to take on key leadership roles. This puts a huge burden on a limited number of experienced staff to coach and mentor the less experienced workforce.

Right now 21,000 members of our workforce are eligible for retirement, and 25,000 more soon will be. Those approaching retirement represent 50% of our workforce. Behind them the "bathtub"—the mid-career workforce with low year groups—represent only 22% of our workforce—they were largely hired during the significant downsizing efforts in the 1990s.

Where Congress Can Help

We would like to continue to work with the Congress on the task of simplifying the bureaucratic complexity imposed on our program managers and their staffs. The team working with congressional staff on this legislative proposal is intended to provide a simpler and more easily understood and implementable set of requirements for our program managers—without sacrificing the good intent behind original legislation.

I would ask that the Congress avoid imposing highly restrictive rules, which particularly limit our ability to make the best decision about risk management actions or business arrangements. The Department acquires a huge range of products and services with widely varying risk profiles, degrees of urgency and business situations. We need the flexibility to tailor how we do business to the situation at hand. No best practice is universally applicable. I have seen far too many program plans in the last four years where our managers have tried to force fit a program into what they thought was the approved "school solution" way of doing business. There is no one type of contract, or one set of decision points, or one set of risk mitigation techniques that apply to all programs.

Our obligation rate policies tend to provide counter-productive incentives to our acquisition professionals to obligate funds on a fixed schedule. For four years I have worked to train and encourage our acquisition workforce to take the time to negotiate the best business deals for the taxpayer, to conduct appropriate upfront analysis, and to do the systems engineering and planning necessary for successful programs. At the same time our program managers live in a world in which they are punished for not obligating the funds they control on set schedules. We should have realistic plans to execute our budgets, but when a manager has sound reasons to delay obligation, that behavior should not be punished. I have worked successfully with the Under Secretary of Defense (Comptroller) to provide a more balanced approach to how we handle obligation reviews within the Department, and we would like to work closely with Congress in striking a similar balance on this matter.

I would like to work with Congress to find additional ways to reward our acquisition professionals and to make it attractive to talented military and civilian people to work in the field of defense acquisition. I don't have specific proposals today, but I believe we should be open minded and work together to identify practical measures that can be implemented within a civil service or military personnel management context. I believe that the return on a small investment, either financially, or with other incentives, in our acquisition workforce could have a high payoff.

Lastly, end the threat of sequestration. Nothing is causing more inefficiency in the Department than the continuing uncertainty about future budgets. The threat of sequestration makes sound planning impossible and causes inefficient execution as our managers try to cope with unpredictable program profiles for both development and production.

Conclusion

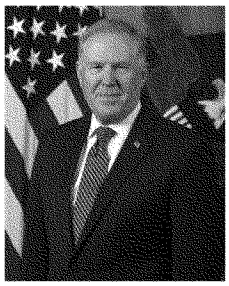
Defense acquisition is a complex human endeavor that requires a high degree of professionalism in multiple disciplines for success. I would like to work with Congress to find creative ways to recruit, retain, and incentivize our professional government workforce. These are the people we depend on to structure and implement successful programs.

We must not forget that we have the best-equipped military in the world and we have prevailed in multiple modern conflicts with unprecedented battlefield dominance. Above all, our success is dependent upon our people—military, civilian, and industry. While I also have concerns for the health of the industrial base, I believe that we have the tools we need to motivate industry using contract financial incentives; we just need to use them effectively. We do have a large number of high quality government acquisition professionals doing their best to support the Warfighter and protect the Taxpayer every day, but we can do more to build on what we already have.

If there is one legacy I would like to leave behind it is a stronger and more professional defense acquisition workforce than the one I inherited from my predecessors. The tide would seem to be against me because of events like pay freezes, sequestration, furloughs, shutdowns, and workforce reductions—all brought about by the current budget climate. However, if there is one thing that has impressed me during my 40 plus years in defense acquisition, most of it in government, it is the dedication, positive attitude, resilience, and desire to serve the taxpayer and our servicemen and women well that characterizes this country's defense acquisition professionals. We all owe a lot to these people and they, together with our industry partners, are the reason we currently have the best-equipped military in the world.

Frank Kendall

Under Secretary of Defense for Acquisition, Technology and Logistics



Senate Confirmed in May 2012, Mr. Frank Kendall currently serves as the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L). In this capacity, he is responsible to the Secretary of Defense for all matters pertaining to acquisition; research and engineering; developmental testing; contract administration; logistics and materiel readiness; installations and environment; operational energy; chemical, biological, and nuclear weapons; the acquisition workforce; and the defense industrial base. He is the leader of the Department of Defense's efforts to increase the Department's buying power and improve the performance of the defense acquisition enterprise. Prior to this appointment, from March 2010 – May 2012 he served as the Principal Deputy Under Secretary and also as the Acting Under Secretary.

Mr. Kendall has over 40 years of experience in engineering, management, defense acquisition, and national security affairs in private industry, government, and the military. He has been a consultant to defense industry firms, non-profit research organizations, and the Department of Defense in the areas of strategic planning, engineering management, and technology assessment. Mr. Kendall was Vice President of Engineering for Raytheon Company, where he was responsible for management direction to the engineering functions throughout the company and for internal research and development. Before assuming his current position, Mr. Kendall was a Managing Partner at Renaissance Strategic Advisors, a Virginia-based aerospace and defense sector consulting firm.

Within government, Mr. Kendall held the position of Director of Tactical Warfare Programs in the Office of the Secretary of Defense and the position of Assistant Deputy Under Secretary of Defense for Strategic Defense Systems. Mr. Kendall is a former member of the Army Science Board and the Defense Intelligence Agency Science and Technology Advisory Board and he has been a consultant to the Defense Science Board and a Senior Advisor to the Center for Strategic and International Studies. Mr. Kendall also spent ten years on active duty with the Army serving in Germany, teaching Engineering at West Point, and holding research and development positions.

Mr. Kendall is an attorney and has been active in the field of human rights, working primarily on a pro bono basis. He has worked with Amnesty International USA, where he served as a member of the Board of Directors, with Human Rights First, for which he was an observer at Guantanamo, and with the Tahirih Justice Center, where he was Chair of the Board of Directors.

Over the course of his career as a public servant, Mr. Kendall was awarded the following federal civilian awards: Defense Distinguished Civilian Service Medal, Secretary of Defense Meritorious Civilian Service Medal, Presidential Rank Award of Distinguished Executive (Senior Executive Service), Presidential Rank Award of Meritorious Executive (Senior Executive Service), and Army Commander's Award for Civilian Service. He also holds the following military awards (US Army): Meritorious Service Medal with oak leaf cluster, Army Commendation Medal, and National Defense Service Medal.

Mr. Kendall is a Distinguished Graduate of the U.S. Military Academy at West Point and he holds a Masters Degree in Aerospace Engineering from California Institute of Technology, a Master of Business Administration degree from the C.W. Post Center of Long Island University, and a Juris Doctor degree from Georgetown University Law Center.

Prepared Statement

of

Ms. Stephanie Barna

Assistant Secretary of Defense (Acting)

(Readiness and Force Management)

Before the

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Committee on Armed Services

"Defense Reform: Empowering Success in Acquisition"

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Introduction

Chairman McKeon, Ranking Member Smith and distinguished members of the Committee, I appreciate the opportunity to appear before you to discuss the Department of Defense's (DoD) acquisition workforce. As the Acting Assistant Secretary of Defense for Readiness and Force Management, I report directly to the Under Secretary for Personnel and Readiness (USD(P&R)) and serve as her principal advisor on all matters relating to civilian and military personnel policies, readiness of the force, and Total Force planning and requirements.

As was the case with most of the Department's workforce, during the post-Cold War drawdown, the acquisition workforce (both military and civilian) was substantially reduced. After 9/11, there was a significant increase in procurement and contracting associated with support to the requirements generated by Operations Enduring Freedom and Iraqi Freedom. At the peak of operations, culminating in the 2003-2007 timeframe, we found that the acquisition workforce simply did not have the capacity to address the ever increasing, and more complex workload. After a series of highly publicized contracting scandals and a number of unfavorable internal and external audits of Department of Defense (DoD) wartime contracting (issued by the DoD Inspector General, Government Accountability Office, Commission on Wartime Contracting, etc.), Congress reacted by passing the Weapons System and Acquisition Reform Act, enacted the Defense Acquisition Workforce Development Fund, and legislated hiring authorities for acquisition professionals.

Beginning with the 2009 submission of the Department's Fiscal Year 2010 Budget, DoD embarked on a comprehensive initiative to recapitalize its acquisition

workforce, providing for an increase of 20,000 civilian employees. The number included growth in the form of 10,000 civilian employees to meet the additive requirements generated by the war effort and requirements associated with recommendations of various bodies. It also included the addition of 10,000 civilian positions to perform acquisition program work that had been or was currently being performed by contractors. The Military acquisition workforce also increased during this period from 14,658 in Fiscal Year 2009 to 16,234 in the second quarter of Fiscal Year 2014. The Department was highly successful in executing many aspects of this recapitalization program; those successes have been detailed on numerous occasions by the Office of the Under Secretary of Defense for Acquisition Technology and Logistics (USD (AT&L)).

However, recent fiscal challenges and budgetary pressures, coupled with the drawdown of forces in Iraq and Afghanistan, have had an effect on the overall civilian workforce of the Department. Constraints on the size of the civilian workforce, together with pay freezes and Congressional direction to reduce civilian employees commensurate with military end-strength reductions, inevitably have had some impact on the acquisition workforce also. More recently, the sequester-related personnel actions undertaken by the Department: hiring freezes, release of term and temporary employees, and furloughs, undoubtedly had an adverse impact on the acquisition workforce, as they did on the whole of the Department's dedicated civilian workforce.

In order to maximize the Department's operational capability during budget constraints, its flexibility to meet changing mission objectives and requirements, and respond appropriately to human capital challenges, it is imperative that our personnel policies provide the overarching guidance that enables leadership and management to

manage their workforce effectively within the bounds of law, regulation, and policy. Historically, the quality of our personnel has been the hallmark of our professional total force and is the most vital and valuable resource of the Department. From the airman on the flight line turning a wrench, to the dental technician, to the acquisition program manager, our people are the strength of our Department and the strength of our Nation. With such a diverse workforce supporting incredibly dynamic missions across all of the Services, it is critical that the Department's personnel policies remain broad-based and clear, yet also consistent and fair. We must adhere to all federal laws, regulations, and policies, while leveraging the special and exceptional human resources authorities that Congress has authorized us to employ, in recognition of the unique nature of both our mission and our entire workforce.

Civilian Workforce

Our civilian employees are vital to the Department's ability to serve the Nation. Our appropriated fund civilian workforce of more than 730,000 civilian employees provides the critical support to ensure our soldiers, sailors, airmen, and marines are ready to deploy world-wide. Our committed civilian workforce serves as a critical enabler in the performance of essential functions—including acquisition—and our civilians are a key component of our national security strategy.

Across the Department, we have a common responsibility to foster and engender successful recruitment, retention, and development strategies to achieve and retain the highest quality civilian workforce. The role of the Office of the Under Secretary for Personnel and Readiness (OUSD (P&R)) is to provide the warfighter and support staffs

with the personnel authorities, processes, and tools they need to enable them to carry out their missions. Given that, we recognize the importance and imperative of the acquisition mission, and regularly partner with the acquisition functional community to identify and implement the right workforce planning and development strategies, and to secure the authorities and flexibilities essential for recruiting, retaining, and incentivizing the highest quality acquisition professionals.

In addition to the hiring flexibilities available Department-wide, the acquisition community has an Expedited Hiring Authority for certain acquisition positions. This authority allows the Secretary of Defense to designate categories of acquisition career fields, in which a shortage of candidates exists or for which there is a critical need, and to streamline the hiring process for positions in those fields, subject to public notice and the principles of veteran's preference. The Department may also use recruitment, relocation, and retention incentives, as needed, to attract, manage, and retain the civilian workforce. The OUSD(P&R) stands ready to work with the acquisition community to identify the additional authorities and necessary policy modifications needed to enhance existing human resources flexibilities with a view to employing the most effective strategies to meet the mission needs of the acquisition workforce.

The Acquisition Demonstration (AcqDemo) Project, which currently covers more than 16,000 employees throughout the Department, features other simplified hiring, examining, and appointment flexibilities that provide participating organizations greater control over the hiring process. Under the AcqDemo Project, pay-banding, a simplified classification system, and a Contribution-based Compensation and Appraisal system also

offer greater capability and flexibility, as necessary to select, retain, develop, recognize, and reward employees for successful contributions to the acquisition mission.

DoD Components have expressed a strong interest in expanding the demonstration project to better meet the workforce challenges they are facing. The OUSD (P&R) is strongly committed to the AcqDemo Project, and supports its expansion. To that end, we recently submitted to the Office of Personnel Management a Federal Register Notice that if approved, will establish the process parameters for interested DoD civilian acquisition organizations to request approval to participate in AcqDemo. The Department greatly appreciates Congress's support in making such flexibilities available in support of the acquisition workforce. Of particular note, we thank Congress for the extension of the AcqDemo Project through September 30, 2017, as provided by the Ike Skelton National Defense Authorization Act for Fiscal Year 2011. The USD (P&R) will continue to work closely with the USD (AT&L) and all DoD Components to ensure the Department is effectively positioned to appropriately expand the AcqDemo Project to a greater number of organizations and covered employees.

The Department also recognizes that learning is a key enabler for developing and retaining talent. Despite extraordinary budget pressures, the Department continues to conduct three enterprise-wide leader development programs, to include the Defense Civilian Emerging Leader Program (DCELP), which was developed to meet the requirements established in section 1112 of the National Defense Authorization Act for Fiscal Year 2010, and provides entry- and mid-level personnel with the leadership skills they need to progress to the next level of professional responsibility. Acquisition is one of three functional communities represented in DCELP, and we have graduated over 140

civilian emerging leaders from the acquisition community to date, with an additional 70 expected to graduate from the program this year. The Department is focused on developing civilian leaders who will lead effectively in increasingly complex environments, and is committed to preparing civilians for advanced leadership opportunities and positions in the acquisition functional community.

Military Workforce

Today's acquisition workforce also includes more than 16,000 military members, representing each of the Services. These professionals work hand-in-hand with their civilian counterparts and bring military operational experience and expertise to the workforce. Military acquisition officers serve in all facets of the acquisition workforce, from contracting to program management.

As we move forward to address the challenges faced by the Military Departments in managing a highly professionalized military Acquisition Corps, OUSD(P&R) will rededicate itself to meeting the needs of the acquisition community in this regard. To this end, we will provide sound and responsive policies for the recruitment, life-cycle management, and compensation of the military workforce, writ large, to include the acquisition professionals.

Most military acquisition officers enter the acquisition workforce with several years of experience in their respective Service. The Army, Navy, and Marine Corps do not designate or assign officers into the acquisition field until they attain at least the grade of Captain (Lieutenant in the Navy). This ensures that these officers have time and experience in positions that afford them extensive grounding in the doctrine and

operations of their respective Service. In contrast, however, the Air Force assesses officers into six related career fields that feed the military acquisition workforce.

The life-cycle management of the military acquisition workforce is a complex and dynamic endeavor for the Military Services. Provisions of law, regulation, and policy require that the promotion rates of acquisition officers be monitored and reported. Specifically, title 10, United States Code section 1731 provides that the Secretary of Defense shall ensure that the qualifications of commissioned officers selected for the acquisition workforce are such that those officers are expected, as a group, to be promoted at a rate not less than the rate for all line (or equivalent) officers of the same armed force (both in the zone and below the zone), in the same grade. Additionally, Department of Defense Instruction 1320.04 (Military Officer Actions Requiring Presidential, Secretary of Defense, Under Secretary of Defense for Personnel and Readiness Approval, or Senate Confirmation) requires Acquisition Corps promotion selection statistics to be provided to the USD (AT&L) prior to submission of the Military Departments' promotion selection boards to OUSD (P&R). Promotion board results are closely monitored to ensure equity for all considered and to identify areas of concern. This allows the Services to adjust their personnel policies or review aspects of their mission dynamics and career field management that may have unintended impacts on the competitiveness of specific career fields. With regard to Acquisition Corps promotion rates, over the past year, acquisition officers have been promoted at equal or higher rates than the average for their grade.

Also critical to the retention of a professional and experienced military acquisition workforce is the active management of separations during the periods when reductions in

the size of the force are required. The Department is most appreciative of Congress's support in providing force management legislation that authorizes the Services to reduce their overall strength, while maintaining a healthy mix of skills necessary to meet mission requirements. Included among these authorities is the ability to selectively target for separation or retirement, officers in over-manned career fields while protecting officers in high demand or low density skills. The Services use these tools judiciously to maintain readiness. If the Services determine that acquisition officers should be exempted from selective early retirement or involuntary separation processes, they have the authority necessary to do so.

Although current military compensation compares favorably with the private sector, the Military Departments do have at their disposal an array of monetary incentives they can use to address specific military force manning challenges when the need arises. These special and incentive pays and bonuses represent a cost effective and efficient set of tools that can be selectively and precisely targeted to meet recruiting and retention goals for specific military career fields, as well as to influence military members to accept hard-to-fill jobs or tours of duty at less desirable locations. The Air Force provides an illustrative example of how these tools can be used in relation to the military acquisition career field. From fiscal year 2009 through fiscal year 2011 they successfully offered a targeted Critical Skills Retention Bonus (CSRB) to their qualified active duty contracting officers. Employing the bonus led to increased retention at the mid-grades. The Air Force has again received approval to utilize a CRSB for qualified contracting officers should they find it necessary to do so.

Education and Training

According to its annual report, in Fiscal Year 2013, the Defense Acquisition University (DAU), operated under the auspices of the USD(AT&L), graduated 53,784 students in classroom courses and 146,196 in on-line courses. In addition, the annual report advises that DAU expanded its online continuous learning module offerings, with more than 600,000 class module completions. With the support of the OUSD(P&R), the DAU has taken advantage of distributed learning technologies to modernize and improve its content by implementing increasingly interactive and engaging online courseware. Classes use a variety of techniques, such as game- and scenario-based learning technologies, with periodic learning assessments throughout. These courses are more engaging for the learner and are accessible anytime, anywhere.

OUSD(P&R) establishes the policy authorizing Service members and civilian personnel to gain industry experience through training-with-industry (TWI) programs. These programs partner military and civilian personnel with leading private sector companies to provide hands on, career broadening training opportunities. The assignments must meet professional development requirements and can be either Service specific or interagency. TWI programs include Education with Industry; Secretary of Defense Corporate Fellowships; Navy Supply Systems Command Training with Industry; and the U.S. Chamber of Commerce, Federal Express, and General Electric Aviation programs.

The Dwight D. Eisenhower School Industry Fellows Program, open to both military and civilian personnel is designed to enhance the leadership skills of designated Industry Fellows, enabling them to work effectively with government customers, and to

promote successful partnerships that will benefit both the government and industry over time. The Eisenhower School provides professional military education through postgraduate, executive-level courses of study and associated research focusing on the "resources" component of national power, with special emphasis on Senior Acquisition and Supply Chain Management and the integration of those disciplines into our national security strategy in periods of both peace and conflict. Beginning in academic year 2006-2007, 57 Eisenhower School seats have been reserved annually for the Senior Acquisition Course, including 24 military seats (8 per Military Department) and 33 civilian authorizations, distributed across all DoD Components. They account for 20 percent of all students attending the Senior Acquisition Course in FY13. Additionally, the Eisenhower School serves as the "course provider" for the Senior Acquisition Course directed by the Defense Acquisition Workforce Improvement Act (DAWIA), in this capacity, acting as a consortium college of the DAU. Both the USD(AT&L) and DAU provide oversight of the Senior Acquisition Course to ensure its relevance to acquisition personnel and its quality as the highest level acquisition course in the Department of Defense.

In addition, the Army Acquisition Corps offers TWI opportunities to highly motivated and skilled officers in the grades of Captain through and including Lieutenant Colonel; applicant backgrounds are matched up the skills required and desired by the companies participating in the program. Ten TWI slots per fiscal year are reserved solely for Army Acquisition officers. In most cases, the unique training received in TWI is generally not available through either the military school system or civilian university system.

Conclusion

Mr. Chairman, in conclusion, I want to thank you and the members of this Committee for your advocacy on behalf of the men and women of the Department of Defense. We understand that our requirements-driven operating environment, coupled with fiscal uncertainty and ever-changing mission objectives, presents significant challenges to our leaders and managers.

OUSD(P&R) is committed to assisting our leaders and managers in meeting these challenges by ensuring that DoD's acquisition workforce is comprised of the most highly qualified and best trained military and civilian personnel. We will continue to endeavor to work in full collaboration with USD(AT&L) and the acquisition community as a whole to meet this worthy objective.

Ms. Stephanie Barna has served as the Acting Assistant Secretary of Defense (Readiness and Force Management) since June 14, 2014 after joining the office as the Principal Deputy Assistant Secretary on April 20, 2014.

As Acting Assistant Secretary, Ms. Barna is the principal advisor to the Secretary of Defense and the Under Secretary of Defense (Personnel and Readiness) on all matters relating to civilian and military personnel policies, readiness of the force, military community and family policy, Total Force Planning and Requirements, transition policy, and diversity management and equal opportunity. Additionally, she exercises day-to-day supervision of the Department of Defense Education Activity and the Defense Commissary Agency and provides oversight of the Armed Forces Retirement Homes.

Prior to her current appointment, Ms. Barna served as the Deputy General Counsel (Operations and Personnel) in the Office of the Army General Counsel. A career member of the Senior Executive Service, she advised three Army Secretaries, while managing a diverse legal portfolio and leading a staff of senior attorneys working in myriad areas of the law and policy, including military operations and personnel; civilian personnel and labor law; international law; criminal law; litigation; intelligence oversight, counter-intelligence, and special operations; public affairs; legislative relations; and the organization and institutional functions of the Department of the Army. Of note, she served as the liaison to the District of Columbia National Guard, for which the Secretary of the Army acted as Commander.

Ms. Barna began her public service career in 1989 as a lieutenant in the Army Judge Advocate General's Corps and, over the years, served in leadership positions in commands across the Army, including U.S. Army Special Forces Command, headquartered at Fort Bragg, North Carolina, and the 7th Infantry Division (Light), at Fort Ord, California. She retired from the U.S. Army Reserve in 2008 in the grade of Colonel, having last served with U.S. European Command in Stuttgart, Germany and as an adjunct professor with the U.S. Army Command and General Staff College.

Ms. Barna holds a Bachelor of Arts in Political Science from Washington & Jefferson College, a Juris Doctor from the University of Pittsburgh School of Law, and a Master of Laws degree from the U.S. Army Judge Advocate General's School. She is a member of the bar of the Commonwealth of Pennsylvania and has been admitted to practice before the U.S. Army Court of Criminal Appeals and the U.S. Supreme Court.

She is a 2012 Meritorious Executive Presidential Rank Award winner and a recipient of the Secretary of the Army's Exceptional Civilian Service Award. Her military awards and decorations include the Legion of Merit and the Defense Meritorious Service Medal and she is qualified as an Army Jumpmaster.

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

JULY 10, 2014

RESPONSE TO QUESTION SUBMITTED BY MR. THORNBERRY

Ms. BARNA. In the last 10 years, there have been more than 230,000 DOD acquisition workforce employees. During this period, more than 9,100 student loan repayments were granted to more than 5,000 of these employees. By our calculation, approximately 2.2% of all acquisition employees benefitted from student loan repayments during the last 10 years. [See page 14.]

RESPONSE TO QUESTION SUBMITTED BY MS. BORDALLO

Ms. BARNA. The Department's processes for the Inventory of Contracted Services (ICS), and subsequent reviews thereof, have shown marked improvement since the inception of the requirement in 2008. The Department is committed to continued improvement going forward. Although instantiations of the Enterprise-wide Contractor Manpower Reporting Application (ECMRA) are currently available for use by all DOD components, the Department cannot yet advise of the date certain on which an office dedicated to ECMRA enhancement will be established. The exact information technology requirements associated with this capability, the operational and administrative alignment of personnel, as well as the specific roles and responsibilities to be undertaken are undergoing thorough assessment. [See page 30.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JULY 10, 2014

QUESTIONS SUBMITTED BY MR. MCKEON

Mr. MCKEON. With all the oversight mechanisms in place, why does the system continue to routinely deliver weapon systems over cost and behind schedule? What steps should the Congress, the DOD and industry take to improve the DOD acquisition system?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. Why do decisionmakers accept cost estimates for weapon systems that are inaccurate and do not reflect the actual risks in the program?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. Historically, the Congress has focused on the R&D and production associated with major defense acquisition programs or other special interest programs related to national security. Sustainment, however, usually accounts for approximately 70 percent of the system's total lifecycle cost, yet it typically receives little attention. Are the long-term sustainment costs adequately assessed during the development and procurement processes? How is this information factored into determining the feasibility and appropriateness of initiating a new acquisition program?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. This committee has long advocated for competition in defense acquisitions and we've passed many laws requiring it. Is the defense industrial base healthy enough to support competition and if not, what can be done to improve it?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. How does the 2-year budget cycle effect DOD acquisitions and planning? What suggestions do you have for how to mitigate some of the challenges of major technology development, production, and fielding with the current 2-year budget process?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. Previous acquisition reform efforts have put heavy focus on reforming the way we buy major weapon systems. What are your views on the way we contract for services? Is this an area we should consider as we look to try to improve the way the DOD does business?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. Do you have any suggested improvements to the requirements generation and validation process?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What are the biggest challenges the Department faces in improving the professionalism of the acquisition workforce; in particular those supporting the acquisition of major weapon systems? [QFR #14, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. Have there been signs of improvement with the program management of major defense acquisition programs? If so, what are the most prevalent signs or indicators? If not, why not and what additional steps should be taken? [QFR #15, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What steps is the Department taking to better align program manager tenure with DOD policy that indicates the tenure should be 4 years or through the completion of a development phase for major defense programs? [QFR #16, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What are the biggest challenges to aligning program manager tenure to the completion of the development phase? [QFR #17, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What steps could the Department and military services take to help deconflict the requirements for the career track for military officers in the acquisition field and their tenure on programs? [QFR #18, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What other steps or actions can be done to help keep officials in these position for longer periods of times? [QFR #19, for cross-reference.]

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MCKEON. What are the biggest challenges the Department faces in improving the professionalism of the acquisition workforce; in particular those supporting the acquisition of major weapon systems?

Ms. BARNA. This issue does not fall under P&R's purview. We believe AT&L is best suited to answer this question and we defer to their answer as stated in QFR #14.

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Ms. BARNA. This issue does not fall under P&R's purview. We believe AT&L is best suited to answer this question and we defer to their answer as stated in QFR #19.

QUESTIONS SUBMITTED BY MR. THORNBERRY

Mr. THORNBERRY. What challenges does the Department face in establishing a joint analysis capability to better protect and assess loss of controlled unclassified technical information from compromise by a determined adversary?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. THORNBERRY. What special authorities are provided to the development of the acquisition workforce (hiring, education, retention bonuses, etc.)?

Ms. BARNA. In addition to hiring flexibilities available Department-wide, the acquisition community has an Expedited Hiring Authority (EHA) that allows the Secretary of Defense to recruit and appoint qualified persons directly to certain career field positions for which there exists a shortage of candidates or for which there is a critical need. Use of the authority requires public notice and application of veterans' preference, whenever practicable. This authority is slated to expire on September 30, 2017.

The DOD Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo) is an Office of Personnel Management Demonstration Project unique to the DOD civilian acquisition workforce, and was designed to provide an encouraging

environment that both promotes employee growth and development, and improves management's ability and authority to manage the acquisition workforce effectively. To facilitate this environment, AcqDemo managers have been provided personnel management flexibilities in hiring and pay setting that allow their organizations competitively to seek and attract to Federal service highly qualified and talented candidates available within the marketplace. Key features of the AcqDemo project include streamlined hiring processes, pay bands, a simplified classification system, and a contribution-based compensation and appraisal system; these features both contribute to workforce development and contribute to the retention of talented employees with appropriate pay. In addition, the project offers delegated examining authority and modified term appointments, which provide organizations greater control over the hiring process. AcqDemo employees also have the ability to participate in sabbaticals, which offer additional training, education, and experience.

As of January 29, 2014, there were approximately 16,254 employees in the DOD AcqDemo project. The Department recently submitted an omnibus Federal Register Notice (FRN) amendment to OPM which recommends establishment of the parameters for any interested and eligible DOD civilian acquisition organization to request approval to participate in the project. Once the FRN is published by OPM, populations meeting the requisite acquisition workforce criteria may request participation in the AcqDemo Project. At the present time, it is anticipated that ten additional organizations, representing approximately 9,355 employees, will meet eligibility criteria, and will be able to join AcqDemo once the FRN is published, raising the total population to more than 46,000 participants. The AcqDemo Project will continue seeking and promoting increased participation to the greatest extent practical.

Despite extraordinary budget pressures, the Department continues to conduct three enterprise-wide development programs, which offer development opportunities for entry-, mid-, and senior-level personnel. Specifically, acquisition is one of three functional communities represented in the Defense Civilian Emerging Leader Program (DCELP); DCELP has graduated more than 140 future leaders from the acquisition community, and anticipate that an additional 70 will graduate in 2014.

Like the rest of the Department, the acquisition community continues to use student loan repayment incentives, as well as recruitment, relocation, and retention (3R) incentives, as needed, to attract and retain a high quality workforce.

Mr. THORNBERRY. Private industry has tools they can use to hire the best talent available and then reward that talent with performance-based incentives. You mentioned that the defense acquisition system has a plethora of tools to encourage or reward good performance, and you cited student loan repayments, relocation bonuses, and retention bonuses. You also mentioned intangible benefits such as working with like-minded people on an important mission, contributing to national security, and doing unique and interesting work in unique and interesting places. How do these benefits compare to industry compensation packages, especially regarding student loan repayments, relocation bonuses, and retention bonuses? Are the intangible benefits unique to government service, or can industry offer the same intangible benefits? Are there other tools you would use, if available, to lure and reward high-performing professionals into the acquisition workforce?

Ms. BARNA. Student loan repayments, as well as recruitment, relocation and retention incentives are tools used to attract and retain mission critical talent for the Department. These incentives are used only in cases of critical need and management carefully considers the individual circumstances of each situation in deciding whether to offer such incentives to an individual employee. Of greater importance to the Department's ability to attract and reward its workforce is the strength of our total rewards programs, including a generous benefits package, work-life benefits, the opportunity to pursue personal and professional development, ample career opportunities, and a broad spectrum of award and recognition programs.

Although most employers can cite to some set of intangible rewards associated with joining their workforces, the Department of Defense is truly unique in this regard. Because of its critical mission and the often unique aspects of the work to be performed, the Department attracts professionals from a broad spectrum of backgrounds, with a diversity of experiences and expertise. The Department of Defense offers prospective employees an exceptional opportunity to work alongside other highly talented professionals in a challenging, mission-oriented environment. The Department's combination of monetary and intangible rewards, available in the context of the unique employment experience it provides and the intrinsic rewards it offers, enables it to remain competitive and effective in attracting high-performing acquisition professionals.

QUESTIONS SUBMITTED BY MS. TSONGAS

Ms. TSONGAS. The ability to rapidly assess needs and field new technologies is critical for IT and cyber. Many program managers and area experts discuss the need for "flexibility" beyond a traditional multi-year, sometimes multi-decade, weapon systems acquisition. However, when you start drilling down on what "flexibility" really means, there is not a lot of clarity. Can you describe what flexibility in Cyber/IT acquisition means to you and what it looks like? In order to do these things, what types of authorities does the DOD need from Congress to realize that type of flexibility?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Ms. TSONGAS. I am constantly told that DOD needs to provide the right incentives for acquisitions personnel, just as you mentioned in your opening statement. Unfortunately this has been a common theme for many years. Nearly all of the major comprehensive DOD Acquisition reviews throughout the years have stated the exact same thing; DOD does not provide the right incentives to its acquisition workforce. What incentives can Congress or the Defense Department put in place that would strengthen the DOD's acquisition system?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Ms. TSONGAS. Congress funds most acquisition programs one year at a time; however, DOD acquisition is planned for several years out and contracts often last for much more than a year. Thus, there are situations where we in Congress make decisions that completely disrupt the funding profile of a particular program, causing uncertainty for the program managers and the contractors. How much does this funding uncertainty affect the ability of Program Managers to effectively do their jobs? Would you suggest a different method for funding acquisition programs, such as multi-year appropriations for major programs?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Ms. TSONGAS. I am constantly told that DOD needs to provide the right incentives for acquisitions personnel, just as you mentioned in your opening statement. Unfortunately this has been a common theme for many years. Nearly all of the major comprehensive DOD Acquisition reviews throughout the years have stated the exact same thing; DOD does not provide the right incentives to its acquisition workforce. What incentives can Congress or the Defense Department put in place that would strengthen the DOD's acquisition system?

Ms. BARNA. The Department has a number of hiring flexibilities and incentives in place to assist it in competing for top talent in the current job market. However, we are continuously reviewing our authorities and programs to ensure that we have the right workforce planning and development strategies, and the authorities and flexibilities needed to recruit a highly qualified workforce.

In addition to the hiring flexibilities available Department-wide, the acquisition community has an Expedited Hiring Authority for certain acquisition positions. This authority allows the Secretary of Defense to designate categories of acquisition career fields, in which a shortage of candidates exists or for which there is a critical need, and to streamline the hiring process for positions in those fields, subject to public notice and the principles of veteran's preference. The Department may also use recruitment, relocation, and retention incentives, as needed, to attract, manage, and retain the civilian workforce.

The Acquisition Demonstration (AcqDemo) Project, which currently covers more than 16,000 employees throughout the Department, features other simplified hiring, examining, and appointment flexibilities that provide participating organizations greater control over the hiring process. Under the AcqDemo Project, pay-banding, a simplified classification system, and a Contribution-based Compensation and Appraisal system also offer greater capability and flexibility, as necessary, to select, retain, develop, recognize, and reward employees for successful contributions to the acquisition mission.

The Department greatly appreciates Congress's support in making such flexibilities available in support of the acquisition workforce.

QUESTIONS SUBMITTED BY MR. SHUSTER

Mr. SHUSTER. Given the cost of bureaucratic requirements and regulations associated with the Department of Defense acquisition process, small or emerging businesses in the defense industry struggle to compete with the larger corporations who already benefit from the established acquisition resources. Does the Department of

Defense have any current initiatives or policies aimed at reducing the barriers that these small or emerging businesses face when competing for a defense contract?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. SHUSTER. We've heard multiple times that the "upfront cost of competition" can, at times, be the reason new competition does not surface. When considering the upfront cost of competition does the Department of Defense also consider the long-term benefits of competition and the incentives to keep costs down? If so, what are the determining factors to perform this cost-benefit analysis?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

QUESTIONS SUBMITTED BY MS. SPEIER

Ms. SPEIER. The Department told Congress and the GAO in May that using the Enterprise-wide Contractor Manpower Reporting Application will improve its inventory and workforce management decisions. Is DOD "there yet" with the promised improvements for services contracts and workforce shaping, with a central oversight capability for this undertaking? By what date certain are you personally committed to having fully funded and in operation a dedicated office resourced to develop and implement a common system and associated business processes for contract services management, specifically modeled after the Army's system?

Ms. BARNA. The Department is steadfastly committed to improving visibility into, and accounting for, contracted services across the Department. This includes compliance with the information collection and review requirements associated with the statutorily-required Inventory of Contracted Services (ICS). The Department's processes for the ICS, and subsequent reviews thereof, have shown marked improvement since the inception of the requirement in 2008. The Department is committed to further improvement going forward. Although instantiations of the Enterprise-wide Contractor Manpower Reporting Application (ECMRA) is currently available for use by all DOD components, the Department cannot yet advise of the date certain on which an office dedicated to ECMRA enhancement will be established. The exact information technology requirements associated with this capability, the operational and administrative alignment of personnel, as well as the specific roles and responsibilities to be undertaken are undergoing thorough assessment, to ensure prudent expenditure of taxpayer dollars while providing necessary oversight with respect to the ICS.

Ms. SPEIER. In May, GAO also reported that DOD would be collecting information on the level of individual organization's use of the Reporting Application to compile its inventory for FY2013 which was just sent to the Hill. In line with prior commitments to Congress and the GAO—do you know what that level of reporting is?

Ms. BARNA. The Department's recently submitted FY13 Inventory of Contracted Services (ICS) was retrospective and reported on contracts executed/performed during FY13. All DOD Components reported data on contracted services as part of this submission. However, Departmental guidance to Components that directed the inclusion of the reporting requirements in performance work statements and statements of work for contractors to use the Enterprise-wide Contractor Manpower Reporting Application (ECMRA) to capture direct labor hours and associated costs, was signed in November 2012, after FY13 began. Because the guidance for inclusion of these contract reporting requirements was directed to be on a bilateral and prospective basis, many of the Department's contracts were not subjected to the ECMRA reporting requirement during FY13. In compiling their respective FY13 ICS submissions, approximately half of the Components relied, in part and to varying degrees, on data collected directly from contractors via ECMRA in reporting contracted services. For those Components that did not rely on data collected from ECMRA for the FY13 ICS, it does not mean that they did not submit inventory data nor do it mean that ECMRA was not being utilized.

Ms. SPEIER. Last year's NDAA lauded the Army taking the lead in developing a Standardized Services Contract Approval Form process for determining whether to issue a new service contract or exercise a new option and directed the Department to model similar processes based on what the Army developed. What progress has been made to create a contracting checklist and when do you expect it to be used? By what date certain are you personally committed to having the Army's contract approval checklist adopted and fully implemented Department-wide?

Ms. BARNA. The Department is in the process of reviewing, streamlining, and standardizing a process for reporting on service contracts. The Department cannot yet advise of the date certain on which the form will be fully implemented for use

across the Department. We are committed to investing the time and effort associated with fully coordinating this form, or other commensurate process, and companion policy, with stakeholders across the Department, and to implementing the form, or process, in a manner wholly consistent with applicable statutes, regulations, and DOD policies and procedures.

QUESTIONS SUBMITTED BY MR. MAFFEI

Mr. MAFFEI. This Administration's key defense reform efforts were the much-ballyhooed Better Buying Power and Better Buying Power 2.0. Headline efforts in BBP 2.0 included "Employ appropriate contract types" and "Promote effective competition." As you are aware, however, the United States Air Force just last year issued an $11 billion contract for 36 rocket engine cores that did not promote competition, effective or otherwise, nor, if rumor is to be believed, did it employ an appropriate contract type, as we are now hearing from the contractor that the price of the contract may increase.

Could you explain how the Department reconciles its Better Buying Power initiatives with these ongoing activities?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MAFFEI. A key component of increasing competition, access to innovation, and cost controls is the allowance of new entrants to compete for defense contracts. However, even small, off-the-shelf competitions can require costly qualifications and certifications. Furthermore, new requirements can be added to protect incumbents. For instance, the Evolved Expendable Launch Vehicle program now requires new entrants to meet standards that were not applied to the incumbent contractor, something that delays implementation and raises costs.

How will the Department regulate the qualification and certification practice to ensure that incumbents are not provided with unfair advantages?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MAFFEI. Major acquisition reform will follow in the footsteps of previous efforts, including Better Buying Power 2.0. A key theoretical concept of many of these prior efforts has been the continued integration and exploitation of commercial solutions into defense acquisitions. I think it's fair to say, however, that practice has not always lived up to theory. We have seen multiple instances, ranging from information technology to the $70 billion dollar EELV program, in which commercial competitors have been excluded from contracts or delayed by red tape and bureaucratic indifference. How specifically did this happen with the EELV program and how will it be corrected moving forward?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. MAFFEI. The U.S. Air Force has claimed that the EELV "block buy" contract will save the Department $4.4 billion. GAO, however, has stated that the Department hasn't been able to properly account for the program for years, and this year noted that the overall size of the contract ballooned from $34.3 billion to $70 billion. Furthermore, the block buy contractor is now hinting that it will have to increase the price of the contract if the Atlas V becomes unavailable.

Given these developments, how much confidence do you have in the Air Force's $4.4 billion claim?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

QUESTIONS SUBMITTED BY MR. KILMER

Mr. KILMER. One of the most critical components of any acquisition, especially for cost reimbursement contracts and those for services, is oversight. Adequate oversight requires a knowledgeable and experienced workforce that has the time to analyze the contract requirements, the contractor's performance, and any differences that may occur. Has the Department of Defense analyzed the workload of its contract specialists and contracting officers and determined that they have a workload that allows for adequate oversight? I am particularly concerned with the workloads of those 1102s in the Defense Contract Management Agency and the Defense Contract Audit Agency. What is the average workload for 1102s in each of these agencies?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Where is the Department in its effort to implement a portfolio management system to ensure adequate requirement definition across the various portfolios of services and products? Has a uniform chain of command been established throughout the Defense enterprise (services and agencies) outlining a coordinated opportunity for the department to collect and implement best practices and maximize the use of strategic sourcing?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. I understand that the Department is currently re-writing the DODI 5000.02 and believe that such an effort could be beneficial to the acquisition of major defense weapons programs and major automated information systems. However, this only accounts for roughly 40% of the overall DOD budget. What efforts is the Department undertaking to address program management challenges for the smaller and more diverse set of acquisitions that constitute the other 60% of the Department's budget?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. To what extent does the curriculum of the Defense Acquisition University include realistic problem-sets, real-life case studies, court opinions, and other forms of non-simplistic examples for its students?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. The Department of Defense is correctly working to minimize overclassification of requirements and acquisitions where necessary. However, a noticeable number of acquisitions are justifiably classified. How does the Department educate acquisition professionals in the art of conducting classified acquisitions?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. One thing this committee is trying to bring to the Department's acquisition process is accountability. There are many regulations, statutory requirements, and existing contract provisions that the Department does not adhere to as strictly as it should. How can we ensure accountability inside the Department and how can our oversight role aid the Department in that effort?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Procurement of information technology encompasses everything from major weapons program all the way to desktop solutions and mobile devices. When developing weapons systems there is usually no commercial comparison; however, many other information technology solutions not only have a commercial solution but are also contracted for differently in the private sector than in the Department of Defense. Knowing there isn't a one-size-fits-all approach to IT procurement, how is the Department approaching these differences in order to provide the warfighter with the most secure and technologically advanced solution in an efficient manner?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. The current DOD Certification and Accreditation of software is a fragmented process between DOD Service components and is often not standardized for all vendors. This often results in delayed and inconsistent certification and accreditation of IT products, as much as 18 months to certify a product for deployment as I am told. What is the Department doing to streamline this process so there is one standard that incorporate a Service's specific needs rather than separate processes for each and to standardize the requirements for all vendors?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Please comment on the Department's efforts to drive more cost savings and agility in DOD's IT spend by transitioning to cloud computing services offered by the commercial sector?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. What acquisition and procurement policy changes are necessary over the next year to enable the broader adoption of "pay as you go" (OPEX vs. CAPEX) commercial cloud services throughout the DOD?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Why aren't government provided "cloud" services such as MilCloud being held to the same 3rd Party (3PAO) security evaluation processes as commercial Cloud Services Providers (i.e. FedRAMP)? If not, then would that make sense?

What changes can be made in DOD acquisition and procurement processes in the short term to address this?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Will the Department of Defense utilize the Strategic Nuclear Deterrence Fund to meet Congressional intent or another means to ensure stability in the *Ohio* Replacement Program? If the Department will not utilize the Fund, what other mechanism will it use to satisfy the concern of the committee?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. Under Secretary Kendall, there was a featured story in Government Executive this week titled "Daring Deal" and the focus was on how the IC is leveraging a leading commercial cloud provider—Amazon—to build a community cloud for the Intelligence Community, based on the utility model of cloud (e.g. paying for storage and compute based on actual usage).

Please tell this committee how DOD, as part of the overall defense acquisition reform effort, is going to better leverage commercial cloud technologies in both the short and long term?

For example, the Navy is already utilizing commercial cloud services to move Level 1 and 2 workloads to Amazon; civilian agencies such as HHS are moving sensitive but unclassified workloads (such as PHI and PII information to commercial cloud), but the Defense Department has been lagging in that category, particularly for Level 3–5 data (sensitive but unclassified). Longer term, what about Level 6/classified data—what is the Pentagon's plan to use commercial service providers to build a community cloud for that classified data?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mr. KILMER. The Department relies on the student loan repayment program to attract and maintain qualified acquisition professionals. What percent of acquisition professionals who apply for student loan repayment? What percent of percent of acquisition professionals who apply are awarded student loan repayment?

Ms. BARNA. DOD use of the Student Loan Repayment Program (SLRP) as an incentive for early career civilian acquisition professionals increased significantly starting in 2009 in conjunction with DOD's initiative to rebuild its acquisition workforce. From 2006 through 2008 an average of 425 student loan repayment incentives were approved each year. From 2009 through 2013 the use of SLRP incentives increased over threefold, to an average of 1,400 each year. While the latter years' increase represents approximately 30 percent of early career gains, data indicates a shift to use of the incentive from new hires to use as a retention incentive for early career acquisition professionals with four to six years of service.

Mr. KILMER. How did sequestration impact the Department's ability to offer monetary incentives such as performance bonuses to acquisition professionals throughout the past few years? How is the Department going to safeguard this tool going into the next several years of sequestration level budget caps?

Ms. BARNA. Budget uncertainty and spending reductions have significantly impacted use of monetary incentives. Sequestration and other actions to reduce spending resulted in a 52 percent reduction from FY12 to FY13 in monetary incentives for DOD civilian acquisition professionals. In FY 2012, 74,582 individual cash awards were made within the 136,714 civilian acquisition workforce members totaling $88,570,906. In FY 2013, 37,598 individual cash awards were made within the 135,513 civilian members totaling $42,700,028. Subject to OMB limitations and available funding, DOD will continue to use its authorities to provide monetary incentives and at the same time explore additional ways to reward acquisition professionals.

QUESTIONS SUBMITTED BY MR. COOK

Mr. COOK. To date, the GAO has been unable to verify the Air Force's claim of a $4.4 billion savings on a block buy contract for the EELV. GAO also noted an increase of over $35 billion to a total cost of $70 billion to the department. In the wake of this cost increase, the block buy contractor has indicated the unavailability of the Atlas V will cause even further cost increases. How much faith can we put in the Air Force's claim of a $4.4 billion savings without independent verification, given these externalities?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

QUESTIONS SUBMITTED BY MRS. WALORSKI

Mrs. WALORSKI. Previous acquisition reform efforts have put heavy focus on reforming the way we buy major weapon systems. What are your views on the way we contract for services? Is this an area we should consider as we look to try to improve the way the DOD does business? Do you see trust and communication between government and industry as a concern?

Secretary KENDALL. [The information referred to was not available at the time of printing.]

Mrs. WALORSKI. Congress established the Defense Acquisition Workforce Development Fund in order to grow and develop the DOD's acquisition workforce. Is enough being done to motivate and incentivize high-quality young professionals not only to select acquisition as a career field, but also to stay in that field so that the nation benefits from their experience 10, 15, or even 20 years down the road? [QFR #53, for cross-reference.]

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Ms. BARNA. This issue does not fall under P&R's purview. We believe AT&L is best suited to answer this question and we defer to their answer as stated in QFR #53.

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