



## **Chairman Thornberry's Defense Acquisition Reform Proposals for FY18**

This draft legislation represents the third installment of the committee's acquisition reform initiative. These latest proposals build on two rounds of foundational reforms aimed at promoting the agility and innovation we need for our warfighters to maintain their technological advantage. This discussion draft, which streamlines bureaucracy, drives efficiency through competition, and gives the Pentagon the tools it needs to make better business decisions, will inform provisions to be offered in the FY 18 National Defense Authorization Act. **Included in the measure are provisions to:**

***Streamline and Modernize the Acquisition System:*** The current acquisition process prohibits rapid purchases of goods at the best prices because DoD is restricted to using the expensive GSA schedule or the onerous contracting process when purchasing commercial-off-the-shelf-items. It has no mechanism to buy goods cheaply or efficiently. Similarly, while contract auditing is critical to ensuring that the Department gets what it is paying for, certain contract audit processes used by the Department take too long and often do not provide good value to the taxpayer. The proposal will greatly streamline the Department's acquisition system by:

- **Bringing E-Commerce to the Pentagon:** Authorize the Department to buy commercial-off-the-shelf-items through the same online marketplaces that businesses use to acquire goods. Marketplaces would provide a dynamic selection of products from numerous suppliers; ensure the Department receives competitive market prices for products; provide procurement oversight controls and near real-time transparency into items purchased; and enable screening of vendors and products to ensure compliance with suspension and debarment, domestic sourcing, and related statutes.
- **Reforming the Defense Contract Audit Process:** Two primary types of audits are used to ensure that the prices contractors charge the government are fair and reasonable: forward-pricing (pre-work) and incurred cost (post-work). Right now, the Defense Contract Audit Agency's audits of incurred costs are slow, time-consuming, and often generate little value to the taxpayer. In 2016, it took an average of 885 days to close out an incurred cost audit and these audits account for only a small amount of DCAA's reported savings to the government. In this proposal, materiality standards for incurred cost audits would be raised to avoid spending time and resources on low-value auditing. Acquisition officials would be able to choose either the Defense Contract Audit Agency or a qualified private auditor to conduct incurred cost audits, which would be required to be completed within one year.

***Empower Better Decision Making:*** The Department lags well behind the private sector in using enterprise-wide data analyses for decision-making and in sharing information among stakeholders to ensure effective program management and oversight. To move the Department forward in this area, this proposal would:

- **Reform the Acquisition of Services:** In fiscal year 2015, the Pentagon spent \$274 billion through contracts, 53% of which (\$144 billion) was on contracted services. Yet, the Department and Congress are unable to perform effective oversight on services contracting. Further, the decision-making process for acquiring services is neither data-driven nor strategic in focus, encouraging inefficient use of funds. Right now, decision-makers lack information on past and anticipated future contracted services and focus more on processing the contract action than evaluating the underlying need for the service.

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Under this proposal, the Department would collect and analyze the information necessary to evaluate and plan for contracted services. Tying the services contracting process to the annual budget submission will improve transparency and accountability, while also allowing Congress to exercise better oversight. The Department would also have to specify needs earlier to enable better planning and evaluate requirements more strategically.

**Empower Data-Driven Decisions:** DOD has massive amounts of data, but it is locked up in stovepipes controlled by individual military services or defense agencies. Reducing bureaucracy is directly linked to getting this data in the hands of decision makers, rather than building large staffs to find and generate reports. This proposal removes barriers to sharing data, by requiring data within the Department's business systems to be readily available to the Office of the Secretary of Defense, the Joint Staff, and the military departments. To facilitate data management and analysis across services and agencies, data would be required to be collected to populate common enterprise data structures.

**Invest Early in Acquisition Programs:** It is widely acknowledged that the defense acquisition system incentivizes near-term cost, schedule, and performance tradeoffs to the detriment of long-term sustainment costs. Yet, more than 70 percent of the life-cycle costs of a weapon system are incurred in the operation and sustainment of the weapon. To alter these incentives, this proposal would:

- **Emphasize Reliability and Maintainability Early in the Process:** These factors would be considered more heavily in the requirements and contracting processes for major acquisition programs to increase their focus during system design, when they are easier and less costly to address than after a weapon system is fielded.
- **Make Intellectual Property Decisions Earlier:** DoD would work with contractors earlier in the acquisition process to determine prices for the necessary, not all, technical data to support weapon systems. Obtaining prices for technical data while competition exists among contractors encourages the DoD to plan early and affords the Department more competitive prices. A small cadre of experts in intellectual property would advise, assist, and provide resources to program offices as they develop their intellectual property strategies and negotiate with industry.
- **Increase the focus on developmental testing:** An assessment would be required to ensure that major defense acquisition programs are planning and resourcing developmental testing appropriately. The Department also would evaluate the tools it needs for cost-effective developmental testing, such as automated test methods and modeling and simulation tools.

**Strengthen the Accountability and Professionalization of the Acquisition Workforce:** A highly-skilled and accountable workforce is a cornerstone of the acquisition system. While DoD has made substantial strides in increasing the size of its acquisition workforce, concerns remain across several key career fields. This proposal would:

- **Improve career paths and incentives for civilian program managers:** The Department would implement a new career development program for high-potential civilian program managers to help increase the professionalization, accountability, and tenure of personnel in these critical positions.
- **Enhance training of the acquisition workforce:** To help improve the knowledge of industry motivation and operations, the Department would identify increased opportunities for acquisition workforce personnel to serve a rotation outside of government within industry and to take classes taught by industry or academics outside of the Department.

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