

Testimony
Before the House Committee on Armed Services

Witness Statement of
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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.