

Headquarters United States Air Force

Acquisition Improvement Plan

*Prepared by the Office of the Assistant Secretary of the Air Force
(Acquisition)*

4 May 2009



U.S. AIR FORCE

Integrity – Service - Excellence



THE SECRETARY OF THE AIR FORCE
CHIEF OF STAFF, UNITED STATES AIR FORCE
WASHINGTON DC



MAY 4 2009

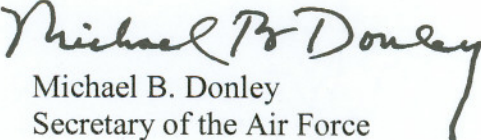
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SUBJECT: Air Force Acquisition Improvement Plan

The United States Air Force is committed to recapturing acquisition excellence by rebuilding an Air Force acquisition culture that delivers products and services as promised—on time, within budget and in compliance with all laws, policies and regulations. To do so, we have developed the attached Acquisition Improvement Plan.

This plan focuses our efforts and will serve as our strategic framework for the critical work of modernizing and recapitalizing our air, space and cyber systems. It builds on lessons learned from past shortfalls in our procurement processes; but more importantly, it establishes five goals and 33 actions that ensure rigor, reliability and transparency across the Air Force acquisition enterprise.

The Assistant Secretary of the Air Force for Acquisition (SAF/AQ) is designated as the lead for developing a detailed implementation plan, and will incorporate inputs from Air Force Materiel Command, Air Force Space Command, and the appropriate HQ USAF/MAJCOM staffs by June 15, 2009. We are confident that this plan and your focused leadership will enable the Air Force to regain its reputation for acquisition excellence.


Michael B. Donley
Secretary of the Air Force


Norton A. Schwartz
General, USAF
Chief of Staff

Attachment:
Acquisition Improvement Plan

Introduction

The Air Force acquisition system performs a vital role in rapidly adapting current and new capabilities in support of the wars in Afghanistan and Iraq; it is a cornerstone in our ability to develop and deliver future warfighting capabilities for air, space, and cyberspace systems. For that reason, the Air Force acquisition system must deliver products and services that perform as promised – on time, within budget, and in compliance with all laws, policies and regulations. We owe our fellow Airmen and fellow taxpayers no less. Air Force capability, credibility, and pride are on the line, and all are damaged each time the process falters.

Background

In 2008, the Government Accountability Office (GAO) upheld protests and overturned United States Air Force contract award decisions related to the CSAR-X helicopter and KC-X tanker programs. In addition, the GAO concluded that the DoD acquisition process does not deliver the promised capabilities to the nation's warfighters in a timely and efficient manner. Budgets are overrun routinely and requirements continue to creep well beyond their initial scope. We find that the Air Force acquisition process reflects many of the same problems reported by GAO.

In response to these events and related GAO reports, the Secretary of the Air Force and the Assistant Secretary of the Air Force (Acquisition) met with GAO leadership to

discuss the strengths and weaknesses of the Air Force acquisition process. In addition, they directed a comprehensive internal look at our source selection process and an assessment of Air Force acquisition as a whole, as well as an independent assessment of Air Force acquisition conducted by the Center for Naval Analyses (CNA).

The assessments concluded that there have been numerous factors contributing to Air Force acquisition concerns which we summarized into the following five critical areas:

1. Degraded training, experience and quantity of the acquisition workforce;
2. Overstated and unstable requirements that are difficult to evaluate during source selection;
3. Under-budgeted programs, changing of budgets without acknowledging impacts on program execution, and inadequate contractor cost discipline;
4. Incomplete source selection training that has lacked “lessons learned” from the current acquisition environment, and delegation of decisions on leadership and team assignments for MDAP source selections too low; and
5. Unclear and cumbersome internal Air Force organization for acquisition and Program Executive Officer (PEO) oversight.

As directed by the Secretary of the Air Force, we are responding to these findings with numerous improvements to ensure the Air Force continues to be a responsible steward of the taxpayers' money and a responsible provider of capabilities for our nation's warfighters.

Our Challenge

Recapturing acquisition excellence requires an experienced, skilled, empowered, and accountable workforce, and begins with proper requirements and adequate and stable funding. The following five initiatives and their associated actions set forth a comprehensive improvement plan for addressing the foregoing acquisition issues.

#1: Revitalize the Air Force Acquisition Workforce

A return to acquisition excellence must start with a concentrated effort to improve the acquisition workforce as a key to providing the best warfighting capability. Regardless of other improvements the Air Force may make in the acquisition process, they will not endure without sufficiently educated, trained and experienced professionals capable of executing the acquisition mission in the modern industrial environment. The complexity of the governing legislation, regulations, policies, procedures, and practices requires specialized education and training, and many years of experience to master. To operate effectively, today's acquisition workforce must be supported by a human resource environment that recognizes the complexity of the acquisition mission and grooms professional journeymen as well as future leaders in all of the acquisition functional specialties.

The Air Force acquisition workforce is staffed with outstanding men and women dedicated to their mission and their country. They perform heroic feats daily to ensure our Air Force has the best weapon systems in the world. However, while they perform top quality work, we have failed to adequately manage their professional development and maintain sufficient numbers of these experienced professionals. The result is an acquisition workforce eager and willing to take on any challenge, but in many cases one that is inadequately prepared for the task at hand. In some cases, the workforce lacks the necessary training or education to accomplish the mission. In others, the workforce simply does not have the depth of experience or specific skill sets necessary to accomplish the critical tasks.

As we better develop our workforce, we must also ensure it is appropriately sized to perform essential, inherently governmental functions and is flexible enough to meet continuously evolving demands. The size of the Air Force acquisition workforce, as currently defined, was decreased from a total of 43,100 in 1989 to approximately 25,000 in 2001 where it has remained since. A proposal to increase the workforce by over 2,000 employees (247 officers, 11 enlisted, and 1,804 civilian) is currently under consideration for the critical areas of systems engineering, cost estimating, program management, contracting, logistics, financial management, and legal. If approved, all new military authorizations would be added in FY10 and civilian authorizations added between FY10 and FY13.

The Air Force will undertake the following actions in support of revitalizing the Air Force acquisition workforce:

1. Exploit newly delegated expedited hiring authority to fill current civilian vacancies;
2. Increase and fund military and civilian personnel authorizations, as required;

3. Fully utilize the recruitment, training, and retention funding derived from Section 852 of the FY08 National Defense Authorization Act (NDAA);
4. Develop and implement recruitment and retention initiatives, including management training programs and bonuses where appropriate;
5. Increase manning priority for civilian and military acquisition positions;
6. Examine the mix of military and civilian acquisition personnel and the mix of Senior Executive Service and General Officers to ensure we have the right balance of military and civilian personnel to ensure leadership, experience and stability;
7. Develop a succession planning procedure for acquisition leadership in functional specialties;
8. Establish training and experience objectives as part of the career paths for each acquisition specialty and increase the availability of specialized training;
9. Assess the acquisition workforce to determine the appropriate level of personnel needed to accomplish inherently governmental work and the level of support contractors needed to assist with work that is not inherently governmental; and
10. Examine the possibility of re-assigning responsibility for acquisition workforce management to AFMC as the lead command.

#2: Improve Requirements Generation Process

A world class acquisition effort is not only the responsibility of the acquisition community – it requires the cooperation and support of other organizations across the Air Force. Most importantly, it requires a coordinated effort to develop requirements that can meet the users' needs and, at the same time, be reasonably incorporated into effective

acquisition strategies that maximize competition and allow for a fair and open source selection process.

Requirements must be acquisition-friendly and produced in a format that is readily adaptable for use during source selection and throughout the acquisition process. The acquisition team must be involved early in the requirements trade-off decision process, with experienced systems engineers to help guide the requirements community in this complex process. The warfighters must resist the temptation to pursue high risk requirements that are too costly and take too long to deliver in favor of an incremental acquisition strategy that delivers most, if not all, requirements in the initial model with improvements added as technology matures – the “block” acquisition approach. We must recognize the majority of requirements might be satisfied at a lower cost using alternative approaches, so trade-space options are critical.

In the future, there will be acquisition involvement earlier in the Air Force requirements development process and systems engineering techniques will be applied to assist in the tradeoffs that occur as part of the process. Further, incremental acquisition strategies that deliver early, if only partial, operational capability will be pursued rather than strategies that deliver the 100% solution, as often the 100% solution is too costly, takes too long to deliver, or performance risk is too high.

The Air Force will undertake the following action items in support of an improved requirements development process:

1. Ensure acquisition involvement and leadership in support of the lead command early in the development of program requirements;

2. Require that the Service Acquisition Executive (SAE) and, when applicable, the Commander, Air Force Materiel Command (AFMC/CC) or Commander, Air Force Space Command (AFSPC/CC), when appropriate, certify that the acquisition community can successfully fulfill the requirements in the Capabilities Development Documents (CDD) in conjunction with the Air Force Requirements for Operational Capabilities Council (AFROCC);
3. Require the PEO to coordinate the Request for Proposal (RFP) and the associated attachments with the lead requiring MAJCOM/CC or his/her designee based on ACAT level;
4. Carefully minimize the number of Key Performance Parameters (KPP) and other requirements to the appropriate level for acquisition programs; ensure all requirements are finite, measurable, prioritized, and can be evaluated during a source selection;
5. Require incremental acquisition strategies that reduce cost, schedule and technical risk and produce operational capability earlier; and
6. Freeze program requirements at contract award, and require subsequent changes to Major Defense Acquisition Program (MDAP) KPPs be accompanied with adequate funding and schedule considerations that are reviewed and agreed upon by Chief of Staff of the Air Force prior to JROC validation; and similarly require changes to other requirements be reviewed or proposed by the lead Command (MAJCOM) Commander or his/her designee before presentation to AFROCC.

#3: Instill Budget and Financial Discipline

Regardless of the quality of our acquisition workforce and processes, and regardless of having clearly defined and validated requirements, we will be unable to deliver on time and within budget if we do not exercise budget and financial discipline. Budget instability is disruptive to program execution and a contributor to cost growth and schedule slips. Establishing adequate and stable budgets is critical for program success. Program baselines must be based on realistic schedule and technical assumptions and accurate cost estimates – not just the cost of the lowest bid. In addition, as budgeting, performance or schedule deviations occur, our acquisition process must have the flexibility to adjust requirements or cancel programs that become unexecutable. Without this flexibility, programs will be forced to move ahead under unrealistic expectations on the part of Congress and the public.

We must also strive to control the costs of our programs during contract performance. In this regard, we are joining with the Defense Contract Management Agency and the Defense Contract Audit Agency to scrutinize contractor costs with the objective of driving improvements in contractor and subcontractor cost discipline. In particular, it is time to begin a systematic review of contractor overhead costs to assure ourselves that these costs are reasonable. Contract profits will also be examined to ensure they are commensurate with risk and performance. Controlling the cost of programs is vital to ensuring our acquisition system delivers as promised and within budget.

As part of this acquisition improvement plan, the Air Force will emphasize realistic budgeting based on realistic program cost estimates. Once budget baselines are established,

achieving program stability and cost control will be given the same priority as technical performance and schedule.

The Air Force will undertake the following action items to instill budget and financial discipline in the acquisition of major programs:

1. Establish program baselines for cost, schedule and technical performance after Preliminary Design Review (PDR);
2. Identify and implement means to increase cost estimating confidence levels and establish more realistic program budgets;
3. Stabilize program funding – once funds are committed to a major acquisition program, funding will not be changed without the informed advice of the SAE;
4. Establish a formal review of contractor overhead costs for reasonableness;
5. Review individual development contract profitability to ensure profits and award fees are comprehensively tied to cost, performance, and schedule; and
6. Place renewed emphasis on ensuring contractor earned value management systems meet minimum requirements to provide confidence that such systems are effective for evaluating program progress and properly used by both contractor and government managers.

#4: Improve Air Force Major Systems Source Selections

An effective source selection process is also an essential element of acquisition excellence. When our process is challenged by a contractor and found lacking by the GAO or the courts, essential capability is delayed and public trust is damaged. In general, we know how to conduct source selections; the vast majority of Air Force source selections are

performed correctly and without protest. In fact, the Air Force source selection process has produced remarkably good results for many years.

However, a small number of recent high profile contractor protests of source selection outcomes motivated us to re-examine our processes. This review revealed weaknesses in our procedures for large system acquisition source selections. It also became apparent that the training of acquisition professionals in this highly specialized, technical acquisition process was inadequate. In the interest of perfecting the procedures, we allowed the process to become overly complicated, which led to unnecessary opportunities for error. We also found that some of the skill sets required to conduct a major source selection had become very scarce, particularly for organic military and civilian personnel. While source selection is a very narrow piece of the acquisition mission, it is a highly visible and important piece. The Air Force considers improvement of the source selection process to be one of its most critical acquisition improvement goals.

So we must go back to the basics. We must ensure our personnel have the required experience and training to conduct source selections. Where necessary, we must revise our processes and policies to ensure they do not hinder our efforts.

The Air Force will undertake the following action items in support of an improved source selection process:

1. Modify Air Force source selection procedures to strengthen governance of the process, including Service Acquisition Executive (SAE) approval of source selection leadership for major acquisitions, and use of realistic source selection schedules;

2. Improve source selection training to include the most current lessons learned and ensure this training is available and mandatory for all MDAP source selection teams prior to initiation of new source selections;
3. Require the use of Multifunctional Independent Review Teams (MIRTs) in the Air Force business clearance process by employing additional internal Air Force reviews during all phases of the source selection process from RFP preparation through contract award and debriefing of competitors;
4. Appoint a team of the most qualified Air Force source selection experts to provide on-call augmentation/consultation to source selection teams across the Air Force;
5. Create a designation for both civilian and military personnel records to identify individuals with competency and experience in source selection procedures and ensure this competency and experience are considered in assigning personnel to key acquisition positions;
6. Review the current acquisition planning process as it relates to RFP and source selection planning; and
7. Simplify the source selection process wherever possible.

#5: Establish Clear Lines of Authority and Accountability within Acquisition

Organizations

The current wing/group/squadron structure was established to provide additional command opportunities and promotion success for our most experienced uniformed acquisition experts. The structure appears to have created a number of negative unintended consequences. For example, establishing a hierarchical military structure diminished the functional mentoring and support that once provided our contracting officers with the sense

of authority that allows necessary independent decision-making. The current structure also resulted in a top-heavy management structure whose manning requirements have drawn many of our limited number of acquisition experts out of “hands-on” acquisition work and into less connected management/command roles. We found that the current organization structure inhibits efficient reallocation and rotation of personnel resources, disconnects employees from what should be their functional mentors, and in many ways inhibits proper career management, including workforce training. Most importantly, we have not been successful in meeting our goals for Below the Promotion Zone (BPZ) promotion percentages nor for Senior Development Education (SDE) selection for those that are In the Promotion Zone (IPZ).

The Air Force PEO construct has been criticized for being cumbersome and failing to eliminate what many believe to be excessive program briefings at multiple management levels before every major decision. Further, the PEOs report to the SAE in their role as acquisition officials, and they report through an entirely different chain of command in their role as commanders. This dual reporting creates the propensity for conflicting mission priorities and divided attention that can lead to ineffective acquisition leadership.

The Air Force will undertake the following action items to establish clear lines of authority and accountability within the acquisition organizations:

1. Reassess the wing/group/squadron structure and determine if the shortcomings can be corrected without a reorganization – provide specific actions that could be taken within the existing structure or recommend change in the structure;

2. Explore a realignment of the rating and reporting chain for the contracting function to ensure the independence of the contracting officers, who are matrixed back to the Wings/Groups/Squadrons, to ensure compliance with OSD policy;
3. Reassess the PEO construct and offer recommendations for improvement; and
4. Assess the value of re-establishing functional matrix management at the centers.

Conclusion

Many of the planned actions contained in this document are already underway. For example, we are working hard to improve the source selection process, starting with improved requirements definition and improved training of our source selection teams. We have plans for increasing the size of the workforce in the near future. We are also moving forward with plans to examine contractor overhead rates and contract profit as part of a joint project with the Defense Contract Management Agency.

We are also developing more detailed implementation plans for the individual actions within each issue category, including the specifics of each action, the planned date of completion, and the offices responsible for completing each action. While our plan is beginning to firm up, we will remain flexible with the ability to adjust to suggestions and initiatives proposed by Congress and the Office of the Secretary of Defense. Progress will be reported internally during monthly updates with the Secretary and the Chief of Staff through the end of FY09. Thereafter, progress will be reported quarterly until completed.

The Air Force is committed to strengthening its acquisition processes. It will take the involvement of the entire senior leadership of the Air Force – in particular, the Secretary and the Chief of Staff and the Assistant Secretary for Acquisition – to maximize improvement. It will also require the full support of the uniformed Air Force, including the Commanders of

Air Force Materiel Command and Air Force Space Command, the military deputy to the Assistant Secretary for Acquisition and the Director for Space Acquisition.

We are dedicated to providing our Airmen, joint force, the United States and our international partners the best equipment – on time, and on cost – to fly, fight and win in air, space and cyberspace. We will develop, shape and size our workforce and ensure adequate and continuous training of our acquisition, financial management and requirements generation professionals. In so doing, we will re-establish the acquisition excellence in the Department of the Air Force that effectively delivered the Intercontinental Ballistic Missile; the early reconnaissance, weather, and communications satellites; the long-range bombers like the venerable B-52; and fighters like the ground-breaking F-117 stealth aircraft – all world class accomplishments.

In all aspects of this work, the Air Force remains committed to our core values: Integrity first, Service before self, and Excellence in all we do.

Integrity – Service – Excellence



U.S. AIR FORCE

*A Roadmap to
Recapture Acquisition
Excellence*