

July 1995

**Acquisition Policy,
Technology, and
Competitiveness Issue
Area**

Active Assignments

Foreword

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Acquisition Policy, Technology, and Competitiveness issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact David Cooper, Director, Acquisition Policy, Technology, and Competitiveness Issues on (202) 512-4587.

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Acquisition Policy, Tech. & Competitiveness

DEFENSE INDUSTRIAL BASE

TITLE: RESULTS OF THE 1993 TECHNOLOGY REINVESTMENT PROJECT (TRP) COMPETITION (705032)

BACKGROUND : In FY 93, 2,800 proposals, totaling \$8 billion, competed for \$481 million in TRP funding for defense conversion. An annual TRP competition is projected through FY 97. The HASC minority staff has asked GAO to review the TRP evaluation and award process and overall proposal quality and awardee characteristics.

KEY QUESTIONS : (1) What are the demographics of the winning and losing TRP proposals? (2) Did the TRP competition result in high quality proposals directed to achieving program goals? (3) Should the TRP system be adopted for allocating government funds for similar programs?

TITLE: REVIEW OF DOD CONTRACTOR EXECUTIVE COMPENSATION AND DEFENSE CONVERSION EFFORTS OF THE CONTRACTOR (705073)

BACKGROUND : Requesters asked for and we have agreed to provide compensation data on DOD contractor top 5 executives' and on production workers' pay. We also agreed to provide information on how these companies are downsizing or restructuring and assisting employees who lose their jobs.

KEY QUESTIONS : (1) What salaries, bonuses, and benefits are paid to executives and production workers? (2) What are corporate restructuring efforts during DOD downsizing? (3) What corporate efforts are these firms engaged in to assist workers who may lose or have lost jobs?

TITLE: REVIEW OF THE ADEQUACY OF DOD'S RESTRUCTURING REGULATIONS (705078)

BACKGROUND : The FY 1995 National Defense Authorization Act requires GAO to report on whether (1) DOD's regulations on restructuring costs conform with applicable laws, the FAR & section 818 of the FY 1995 Defense Authorization Act; & (2) established policies, procedures, & standards ensure that restructuring costs are paid only when in the best interests of the United States.

KEY QUESTIONS : (1) Are DOD's regulations consistent with section 818 in defining restructuring costs and specifying when restructuring costs should be paid? (2) Do the DOD regulations contain deficiencies that weaken assurances that the government's interests are protected?

Acquisition Policy, Tech. & Competitiveness

DEFENSE INDUSTRIAL BASE

TITLE: DOD EFFORTS TO ADDRESS DEFICIENCIES IN THE OPERATION AND MANAGEMENT OF FEDERALLY FUNDED RESEARCH AND DEVELOPMENT CENTERS (705084)

BACKGROUND : Several recent studies and reports concluded that federal oversight of FFRDCs is inadequate, and that FFRDCS have lax and inconsistent management controls and weak accounting, auditing, and cost controls. The reports stated that these deficiencies have contributed to the inappropriate use of federal dollars and recommended improvements.

KEY QUESTIONS : (1) What key issues concerning DOD's management and funding of FFRDCs have been raised? (2) What past, present, and future plans has DOD made to address these deficiencies? (3) What issues has DOD not adequately addressed that will continue to pose problems in operating and managing its FFRDCS? (4) How might DOD address these issues?

TITLE: TRP AWARDS TO ADVANCE AND ENHANCE NATIONAL SECURITY OBJECTIVES OR POLICY OBJECTIVES OF 10 USC, CHAPTER 148 (705092)

BACKGROUND : The Defense Authorization Act requires that no later than April 3, 1995, GAO submit an assessment of the extent to which TRP 1993 awards meet congressional objectives. TRP has received about \$1.5 billion in funding over the last 3 years.

KEY QUESTIONS : To what extent are specific national and economic security policy objectives advanced by each TRP award?

TITLE: REVIEW OF THE IMPLEMENTATION OF DOD REGULATIONS ON DEFENSE CONTRACTOR RESTRUCTURING ACTIVITIES (705104)

BACKGROUND : Section 818 of the National Defense Authorization Act of 1995 required DOD to prescribe regulations on the allowability of restructuring costs associated with defense contractor business combinations and provide annual reports to the Congress. The Act also requires GAO to review DOD's implementation of the new regulations.

KEY QUESTIONS : (1) Is DOD implementing the restructuring cost regulations in accordance with the intent of the Congress? (2) What assurance does DOD have that the savings associated with each restructuring exceeds the costs associated with the restructuring? (3) How effectively is DOD complying with the congressional reporting requirements of the act?

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DEFENSE INDUSTRIAL BASE

TITLE: DEPARTMENT OF DEFENSE FEDERALLY FUNDED RESEARCH DEVELOPMENT CENTERS (FFRDCS) FACT SHEET (705106)

BACKGROUND : In 1988, GAO issued a fact sheet on the size and scope of Federally Funded Research and Development Centers (FFRDCs) (GAO/NSIAD-88-116FS). The requester has asked us to update this fact sheet and to provide additional staffing, compensation, and contracting information.

KEY QUESTIONS : For each DOD FFRDC, what is the: (1) purpose, mission, and scope of work, (2) DOD oversight and/or chain of command, (3) placement of work, (4) number of employees, and (5) extent to which taskings are contracted out to other private companies.

TECHNOLOGY AND COMPETITIVENESS

TITLE: ARE SPECIAL SECURITY AGREEMENTS, VOTING TRUSTS, AND PROXIES EFFECTIVE? (463831)

BACKGROUND : Special Security Agreements (SSA), Voting Trusts, and Proxies are methods used to protect U.S. classified information and technology when foreign-owned companies work on classified Defense Department contracts. The arrangements are to limit or remove foreign nationals from company functions that involve the use of U.S. classified information.

KEY QUESTIONS : (1) Are SSA, Voting Trusts, and Proxies effective in protecting classified information and technology on DOD contracts performed by foreign-owned companies? (2) Has DOD taken actions to remedy weaknesses GAO identified in its 3/90 testimony on SSAs?

TITLE: FOREIGN DIRECT INVESTMENT IN THE U.S. DEFENSE INDUSTRY (705039)

BACKGROUND : As defense budgets shrink, defense industries are increasingly merging with or selling components of their businesses to foreign interests. While there are benefits from foreign direct investments, there are also risks to U.S. national security and competitiveness. Congress is concerned that oversight of foreign takeovers of defense firms is inadequate.

KEY QUESTIONS : (1) Are reviews of foreign acquisitions adequately considering the impact on national security? (2) What are the national security and competitiveness risks? (3) What are the foreign investment patterns, by industry and country? (4) What is DOD's role in assessing risks?

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TECHNOLOGY AND COMPETITIVENESS

TITLE: GOVERNMENT SUPPORT FOR EXPORTS OF DEFENSE GOODS AND SERVICES (705042)

BACKGROUND : As DOD's demand for goods and services decreases, defense manufacturers are looking increasingly to the international market to make up some of the lost sales. Several initiatives have been proposed by the administration and in the Congress. European governments are also looking for ways to enhance the competitiveness of their producers.

KEY QUESTIONS : (1) What government support for exports of defense goods and services is provided for U.S. firms and their major competitors? (2) Are current trading rules sufficient to identify and correct unfair practices?

TITLE: COMMERCE LICENSING OF MUNITIONS ITEMS (705055)

BACKGROUND : State is responsible for granting export licenses for munitions items under the Arms Export Control Act. Commerce is responsible for licensing dual-use items under the Export Administration Act. Commerce, over State objections, has claimed authority to license certain items with clearly military applications (e.g., stealth technology).

KEY QUESTIONS : (1) Which commodities has Commerce placed on its control list that are also controlled by the State Department on the U.S. Munitions List, and why are they on Commerce's list? (2) To what extent has Commerce approved export licenses for those commodities designed for military purposes? (3) How many companies also applied for similar licenses at State but were denied?

TITLE: ASSESSMENT OF DOD'S SCIENCE AND TECHNOLOGY (S&T) SPENDING (705081)

BACKGROUND : In an era of flat defense budgets, it is essential that defense dollars be spent on technologies that are clearly focused on meeting high priority military requirements. Key parts of DOD's Science and Technology spending include (1) funding technologies and projects that support Joint Chiefs of Staff's mission areas and (2) funding non-war-fighting relevant S&T efforts.

KEY QUESTIONS : (1) What process is DOD using to determine which technologies and projects will meet future technology needs? (2) What technologies and projects support the Joint Chiefs of Staff's five joint war-fighting capabilities? (3) What technologies and projects do not support the war-fighting capabilities (i.e., non-war-fighting relevant S&T efforts)?

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TECHNOLOGY AND COMPETITIVENESS

TITLE: MITRE CORP. MANAGEMENT CONTROLS AND USE OF MANAGEMENT FEES (705085)

BACKGROUND : In fiscal year 1994, MITRE received about \$400 million of reimbursed costs and about \$18 million in fees. Questions have been raised about how FFRDC fees are determined and used and whether changes are needed in the process. This assignment examines the determination and use of fees by Mitre and alternatives to the current fee granting process.

KEY QUESTIONS : (1) How is Mitre using its management fees? (2) What is the process by which Mitre sponsors award Mitre its fees and assures itself the the fees are being used as intended? (3) Are there alternatives for more effective management of the fee-granting process?

TITLE: USE OF FEES AND OTHER EXPENSE CHARGES BY THE AEROSPACE CORPORATION (705086)

BACKGROUND : Aerospace operates an FFRDC providing technical support to the Air Force. This assignment examines Aerospace's use of its management fee and Air Force management of the fee process. The assignment addresses broader Congressional concerns over the FFRDC fee-granting process and ties into similar work being performed at Mitre Corporation, which operates another DOD FFRDC.

KEY QUESTIONS : 1. How is Aerospace using its management fee? 2. What is the process by which the Air Force determines the amount of fee to be provided Aerospace? 3. Are there alternatives for more effective management of the fee-granting process?

TITLE: FOREIGN COUNTRIES' LAWS, POLICIES, AND PRACTICES REGARDING FOREIGN INVESTMENTS IN THEIR DEFENSE AND KEY STRATEGIC INDUSTRIES (705101)

BACKGROUND : DOD is looking increasingly at opportunities for international cooperation to leverage limited procurement dollars. DOD supports international industrial partnerships, subject to national and economic security considerations. Commercial industry has concluded that international alliances can be an effective way to gain access to foreign technologies and products.

KEY QUESTIONS : (1) What are the patterns of U.S. investment in the defense and key strategic industries of Japan, Germany, France, and the United Kingdom? (2) What are their laws, policies and practices and how do they relate to international agreements on foreign investment in these industries? (4) What are the selected countries' incentives and barriers to U.S. investment?

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TECHNOLOGY AND COMPETITIVENESS

TITLE: U.S.-JAPAN COOPERATIVE DEVELOPMENT: PROGRESS ON FS-X PROGRAM ENHANCES JAPANESE AEROSPACE CAPABILITIES (705102)

TITLE: ARE VOTING TRUSTS, PROXY AGREEMENTS, AND SSAS EFFECTIVE? (705103)

TITLE: EVALUATION OF DOD'S TECHNOLOGY REINVESTMENT PROJECT (TRP) (705105)

Acquisition Policy, Tech. & Competitiveness

TECHNOLOGY AND COMPETITIVENESS

TITLE: FOREIGN INVESTMENT IN THE U.S. DEFENSE INDUSTRY (705107)

TITLE: OFFSET REQUIREMENTS ON DEFENSE EXPORTS (705108)

BACKGROUND : Foreign governments often require US and other defense companies to offset military purchases by purchasing their domestic goods, investing in production facilities, or transferring technology. Recent information indicates that foreign governments have increased offset demands and are becoming more rigid in the criteria for giving U.S. companies offset credits.

KEY QUESTIONS : (1) How have buying countries' offset requirements and criteria for granting offset credit changed? (2) What kinds of activities have U.S. companies undertaken to meet offset requirements and what are the positive and negative effects of these arrangements? (3) What are the merits of, opportunities for and obstacles to an international agreement governing offsets?

TITLE: EXPORT CONTROLS: ISSUES CONCERNING SENSITIVE STEALTH-RELATED EXPORTS (TESTIMONY) (705111)

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TECHNOLOGY AND COMPETITIVENESS

TITLE: EVALUATION OF THE U.S. GOVERNMENT'S EXPLOSIVES AND NARCOTICS DETECTION TECHNOLOGY (705112)

BACKGROUND : Following the bombing of the World Trade Center, details became known about new terrorist techniques to bomb U.S. airlines. The committee would like to know what explosives and narcotics detection technology is available to counter the threat of terrorist attacks as well as to detect narcotics, which the committee believes poses even more of a threat to this country.

KEY QUESTIONS : (1) What explosives and narcotics detection technologies are available from the U.S. government? (2) Are the U.S. Government detection technology efforts organized to coordinate interagency resources and establish priorities? (3) What additional research and development is needed in order to make available reliable, effective detection equipment?

DEFENSE ACQUISITION REFORM

TITLE: IMPLEMENTING REGULATIONS FOR THE 1994 ACQUISITION STREAMLINING ACT (705091)

BACKGROUND : Section 10002 of the Federal Acquisition Streamlining Act (FASA) mandates proposed revisions to the Federal Acquisition Regulation (FAR) and other regulations necessary to implement FASA. Under FASA section 10003, GAO is required to report on compliance with section 10002 within 180 days after final regulations are issued.

KEY QUESTIONS : (1) Are all regulations necessary to implement FASA being issued? (2) Is the executive branch complying with requirements for timeliness, public comment, and clarity? (3) Are the regulations consistent with the purposes of FASA to streamline the acquisition process?

TITLE: IMPLEMENTING ELECTRONIC COMMERCE FOR FEDERAL ACQUISITIONS (705096)

BACKGROUND : Electronic commerce (EC), a governmentwide initiative to drastically alter federal procurement processes, is being rapidly implemented in line with the 10/93 Presidential Memorandum and the Federal Acquisition Streamlining Act (FASA). EC offers efficiencies and savings, but introduces legal, audit, and security risks because agencies must reengineer processes.

KEY QUESTIONS : (1) What progress has been made in implementing EC as required by FASA and 10/93 Memorandum? (2) Will the EC infrastructure being developed ensure adequate risk management for internal control, security, and legal issues? (3) What changes in laws, regulations, and business and management practices may be necessary to ensure successful implementation of EC?

Acquisition Policy, Tech. & Competitiveness

DEFENSE ACQUISITION REFORM

TITLE: DEMOGRAPHICS OF THE WORKFORCE AFFILIATED WITH FEDERAL ACQUISITION ORGANIZATIONS (705097)

BACKGROUND : The federal acquisition workforce has expanded without commensurate growth in work load. From 1980 to 1992, the number of contract specialists increased 64 percent while constant 1992 contract actions increased only 6.5 percent. Estimates of the federal acquisition workforce range from 160,000 to over 500,000. Therefore, its true dimensions may be significantly understated.

KEY QUESTIONS : (1) How have previous studies and ongoing efforts defined the workforce associated with federal acquisitions? (2) Is there an accounting of the personnel associated with all federal acquisition organizations? (3) Will federal agency efforts reduce acquisition management personnel?

TITLE: BASELINE DATA TO MEASURE EFFECTIVENESS OF ACQUISITION REFORM (705098)

BACKGROUND : Section 10003 of the Federal Acquisition Streamlining Act (FASA) of 1994 requires GAO to report on the results of implementing the reforms envisioned by the Act. To meet this mandate, we need to collect baseline procurement data and other information.

KEY QUESTIONS : (1) What Federal Procurement Data System (FPDS) data elements are appropriate and useful in evaluating the effectiveness of FASA reforms? (2) What other data can be collected to supplement FPDS data? (3) What indicators do agency procurement staff consider useful for evaluating the effectiveness of FASA reforms?

TITLE: PERFORMANCE-BASED ACQUISITION MANAGEMENT REQUIREMENTS OF FASA/TITLE V (705099)

Acquisition Policy, Tech. & Competitiveness

DEFENSE ACQUISITION REFORM

TITLE: RESTRUCTURING AND CONSOLIDATING DEFENSE ACQUISITION ORGANIZATIONS (705109)

BACKGROUND : Congressman Kasich asked GAO to examine DOD's plans, progress, and opportunities for streamlining and restructuring acquisition organizations, a subject of great concern to several Committees. This work provides empirical data on manpower, budget, and scope; assesses the potential for consolidations; and examines ongoing internal DOD efforts.

KEY QUESTIONS : (1) Has the decline in the acquisition work force resulted in budgetary savings? (2) Has the composition of the work force changed concomitantly with the decline in the work force? (3) What evidence exists that the proposed streamlining initiatives will achieve projected work force reductions?

CONTRACT MANAGEMENT

TITLE: EXTENT OF CONTRACT PAYMENT DISCREPANCIES FOR SELECTED DOD CONTRACTORS (705074)

BACKGROUND : Our August 1994 interim report on nine DOD contractor locations disclosed significant payment discrepancies in contractors' receivables--overpayments of \$30 million and underpayments of \$88 million. This assignment will determine the extent of contract payment discrepancies by obtaining information from a larger sample of DOD contractors.

KEY QUESTIONS : How extensive is DOD's contract payment discrepancy problem?

TITLE: DOD VOLUNTARY DISCLOSURE PROGRAM (705079)

BACKGROUND : The Defense Industry Initiative on Business Ethics led to the establishment of the voluntary disclosure program which is the formal administrative process used by contractors to advise DOD of matters discovered through internal compliance programs. Senator Grassley asked GAO to review the administration of DOD's voluntary disclosure program.

KEY QUESTIONS : 1. What has been the performance of the voluntary disclosure program as a vehicle for contractor disclosure of fraud? 2. What can be done to improve the structure and/or administration of the program? 3. To what degree are there overlaps between contractor voluntary disclosures and related qui tam actions?

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CONTRACT MANAGEMENT

TITLE: PRICING OF SPARE PARTS FOR THE C-17 AIRCRAFT (705082)

BACKGROUND : Within defense procurements, pricing of spare parts has been a high visibility issue in the past. Congressman Rose has expressed concern about procurement practices within DOD and believes that a review of pricing of spare parts for the C-17 would be an appropriate start for determining if prior mismanagement/abuses continue to exist.

KEY QUESTIONS : (1) Are the prices being paid for C-17 spare parts fair and reasonable? (2) Are the processes being used to negotiate and finalize the prices for parts in accordance with prescribed regulations?

TITLE: REVIEW OF EXECUTIVE COMPENSATION ASSOCIATED WITH LOCKHEED MARTIN MERGER (705110)

OTHER ISSUE AREA WORK-APTC

TITLE: PRACTICES FOR ACQUIRING R&D SERVICES (705045)

BACKGROUND : Declining budgets and evolving missions have led DOD's \$9.5 billion science and technology community to expand the use of dual-use technology and better integrate the civil-military industrial base. To facilitate these efforts, Congress passed legislation enabling the use of cooperative agreements and other transactions.

KEY QUESTIONS : (1) What instruments are available to DOD to facilitate their dual-use and civil-military integration goals? (2) What has been DOD's experience in using these instruments? (3) Do these instruments appear to be achieving either the goals of the enabling legislation or DOD's dual-use or civil-military integration goals?

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OTHER ISSUE AREA WORK-APTC

TITLE: COMPARISON OF DOD-FFRDC PROFESSIONAL STAFF AND MANAGERS COMPENSATION TO SIMILAR POSITIONS IN THE CIVIL SERVICE (705064)

BACKGROUND : Assignment derives from the FY 92 Defense Appropriations Conference Report 102-328, requesting that GAO compare the compensation of DOD FFRDC professional staff and management to similar positions in the federal civil service to see which personnel costs isignificantly increase when doing research at DOD's FFRDCs.

KEY QUESTIONS : (1) What compensation data are available on the 11 DOD FFRDCs' personnel and similar federal civil service positions? (2) How can these data be accessed, recorded, and aligned for the purposes of comparison? (3) Can the methodology developed for this assignment be used to add comparisons of personnel data from other federal and private sector operations?

TITLE: REVIEW OF IMPLEMENTATION STATUS OF DOD'S PILOT PROGRAMS (705065)

BACKGROUND : Congress authorized the Defense Acquisition Pilot Program (DAPP) in FY 91 as a means to test the use of commercial practices and streamlined acquisition procedures. DOD could not implement the DAPP until it received a variety of statutory waivers. The Federal Acquisition Streamlining Act of 1994 approved waivers and DOD is proceeding with 5 acquisitions.

KEY QUESTIONS : The key questions are: (1) What waivers have been approved for the DAPP program and have they enabled major innovation in DOD acquisitions? (2) How were acquisitions selected for the DAPP and what is the current status of each acquisition? (3) How and when will DOD measure the success of the DAPP program?

TITLE: ALLOWABILITY OF DEFENSE CONTRACTOR CLAIMS FOR LEGAL COST FROM STOCKHOLDER DERIVATIVE LAWSUITS (705068)

BACKGROUND : The House Subcommittee on Oversight and Investigations, Committee on Commerce is investigating the adequacy of disclosures required of major defense contractors. The Ranking Minority member (formerly Chairman) has requested GAO to assist the Subcommittee by investigating defense contractor claims for legal fees resulting from wrongdoing on DOD contracts.

KEY QUESTIONS : 1.Does DCAA question the allowability of contractor claims for legal costs for stockholder derivative lawsuits? 2.Do defense contractors routinely seek reimbursement for legal costs incurred in defending against stock holder suits? 3.What is the dollar amount(itemize) of contractor claims for legal costs associated with defending against these type suits ?

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OTHER ISSUE AREA WORK-APT

TITLE: DOD CONTRACT OFF-LOADING TO THE VOLPE NATIONAL TRANSPORTATION SERVICE CENTER (705071)

BACKGROUND : Contract off-loading is where Federal agencies obtain services through another party. It can be abused if it is done to avoid internal funding and procurement controls. The Subcommittee report on this practice identified Volpe as one of the organizations abusing the practice and asked GAO to review off-loads to Volpe.

KEY QUESTIONS : (1) To what extent are Federal agencies contracting with the Volpe National Transportation Service Center? (2) What procedures are in place to prevent inappropriate off-loading? (3) What more can be done to further strengthen the process?

TITLE: DOD-FFRDC TRUSTEES' ACTIVITIES (705087)

BACKGROUND : On 10/6/94 the Def. Appr. Subcommittee staff expanded assignment 705064 in several ways including the request that GAO issue a separate product describing the FFRDC trustees' positions in management or on the boards of other public or private sector companies, and noting which trustees or other FFRDC employees now occupy executive positions in the federal government.

KEY QUESTIONS : (1) Which FFRDC trustees have positions in management or on the boards of other public or private sector companies? (2) Which trustees or other FFRDC employees now occupy executive positions in the federal government?

TITLE: DOD-FFRDC TRUSTEE AND DIRECTOR COMPENSATION (705088)

BACKGROUND : On 10/6/94 the Defense Appr. Subcommittee staff expanded assignment 705064 in several ways including the request that GAO issue a separate product comparing the compensation of the Defense Science Board members with FFRDC trustees and other employees brought in to direct or evaluate DOD FFRDC operations.

KEY QUESTIONS : (1) What FY 1993 compensation was paid to FFRDC trustees and other part-time management advisory employees? (2) What compensation is available to DSB members? (3) How does DOD FFRDC compensation compare to DSB compensation?
