



DEFENSE ACQUISITIONS

DOD's Revised Policy Emphasizes Best Practices, but More Controls Are Needed

Highlights of [GAO-04-53](#), a report to the Senate and House Committees on Armed Services

Why GAO Did This Study

The Department of Defense's (DOD) investment in new weapon systems is expected to exceed \$1 trillion from fiscal years 2003 to 2009. To reduce the risk of cost and schedule overruns, DOD revamped its acquisition policy in May 2003. The policy provides detailed guidance on how weapon systems acquisitions should be managed.

The Senate report accompanying the National Defense Authorization Act for Fiscal Year 2004 required GAO to determine whether DOD's policy supports knowledge-based, evolutionary acquisitions and whether the policy provides the necessary controls for DOD to ensure successful outcomes, such as meeting cost and schedule goals.

The report also required GAO to assess whether the policy is responsive to certain requirements in the Bob Stump National Defense Authorization Act for Fiscal Year 2003 concerning DOD's management of the acquisition process.

What GAO Recommends

GAO recommends that the Secretary of Defense strengthen DOD's acquisition policy by requiring additional controls to ensure decision makers will follow a knowledge-based, evolutionary approach. DOD partially concurred with GAO's recommendations.

What GAO Found

DOD's new policy supports knowledge-based, evolutionary acquisitions by adopting lessons learned from successful commercial companies. One of those lessons is a knowledge-based approach, which requires program managers to attain the right knowledge at critical junctures—also known as knowledge points—so they can make informed investment decisions throughout the acquisition process. The policy also embraces an evolutionary or phased development approach, which sets up a more manageable environment for attaining knowledge. The customer may not get the ultimate capability right away, but the product is available sooner and at a lower cost. Leading firms have used these approaches—which form the backbone of what GAO calls the best practices model—to determine whether a project can be accomplished with the time and money available and to reduce risks before moving a product to the next stage of development.

By adopting best practices in the acquisition policy, DOD's leadership has taken a significant step forward. The next step is to provide the necessary controls to ensure a knowledge-based, evolutionary approach. Implementing the necessary controls at all three knowledge points along the acquisition process helps decision makers ensure a knowledge-based approach is followed. Without controls in the form of measurable criteria that decision makers must consider, DOD runs the risk of making decisions based on overly optimistic assumptions. Each successive knowledge point builds on the preceding one, and having clearly established controls helps decision makers gauge progress in meeting goals and ensuring successful outcomes.

DOD Policy Incorporates Best Practices but Does Not Have Sufficient Controls

Knowledge point	Best practices' intent in DOD policy?	Sufficient controls in DOD policy?
Knowledge point 1 (at program launch): Technologies, time, funding, and other resources match customer needs	Yes	No
Knowledge point 2 (between integration and demonstration): Design performs as expected	Yes	No
Knowledge point 3 (at production commitment): Production meets cost, schedule, and quality targets	Yes	No

Sources: DOD (data), GAO (analysis).

DOD was responsive to the requirements in the Bob Stump National Defense Authorization Act for Fiscal Year 2003. DOD's responses reflected the committee's specific concerns about the application of certain statutory and regulatory requirements to the new evolutionary acquisition process, for more guidance for implementing spiral development, and about technology readiness at program initiations.

www.gao.gov/cgi-bin/getrpt?GAO-04-53.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Katherine V. Schinasi at (202) 512-4841 or schinasi@gao.gov.