

SUBJECT: The Defense Acquisition System

References:

- (a) Secretary of Defense Memorandum, *Defense Acquisition*, Attachment 2, *Operation of the Defense Acquisition System*, September xx, 2002
- (b) Chairman of the Joint Chiefs of Staff Instruction 3170.01 Series, *Requirements Generation System*, current edition
- (c) Federal Acquisition Regulation (FAR), current edition
- (d) Defense Federal Acquisition Regulation (DFAR) Supplement, current edition
- (e) Secretary of Defense Memorandum, *Missile Defense Program Direction*, January 2, 2002
- (f) DoD Directive 4630.5, *Interoperability and Supportability of Information Technology (IT) and National Security Systems (NSS)*, January 11, 2002
- (g) DoD Directive 2060.1, *Implementation of, and Compliance with, Arms Control Agreements*, January 9, 2001
- (h) Section 2350a of title 10, United States Code, *Cooperative Research and Development Projects: Allied Countries*
- (i) Section 2751 of title 22, United States Code, *Need for international defense cooperation and military export controls; Presidential waiver; report to Congress; arms sales policy*
- (j) Section 2531 of title 10, United States Code, *Defense memoranda of understanding and related agreements*

1. PURPOSE

This Attachment:

1.1. Provides policies and principles for all Department of Defense (DoD) acquisition programs.

1.2. Describes management principles applicable to all DoD acquisition programs. Reference (a) describes a simple and flexible approach for managing all acquisition programs. Reference (b) establishes policies and procedures for the DoD requirements generation system.

1.3. This Attachment and reference (a) provide mandatory policies and procedures for the management of acquisition programs, except when statutory requirements override. If there is any conflicting guidance pertaining to contracting, the Federal Acquisition Regulation (FAR) (reference (c)) and/or the Defense FAR (DFAR) Supplement (reference (d)) shall take precedence.

2. APPLICABILITY

2.1. This Attachment applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, Office of the Inspector General of the Department of Defense, the Defense Agencies, DoD Field Activities, and all organizational entities within the Department of Defense (hereafter collectively referred to as "the DoD Components"). The Missile Defense Agency shall operate as directed in reference (e).

2.2. The policies in this Attachment apply to all on-going acquisition programs regardless of their stage of development.

### 3. POLICY

The following principles and policies govern the operation of the Defense Acquisition System.

3.1. Decentralize Responsibility. Responsibility for acquisition of systems shall be decentralized to the maximum extent practicable. A single individual shall be provided sufficient authority to accomplish program objectives for development, production, and sustainment. The Milestone Decision Authority (MDA) shall ensure accountability and maximize credibility in cost, schedule, and performance reporting.

3.2. Tailoring. There is no one best way to structure an acquisition program so that it accomplishes the objectives of the Defense Acquisition System. Decision-makers and program managers (PMs) shall tailor various aspects of the acquisition system, including program documentation, acquisition phases, the timing and scope of decision reviews, decision levels, and acquisition strategies to fit the particular conditions of an individual program and minimize the time it takes to satisfy the validated need or exploit the technology opportunity, consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the user's requirement. MDAs shall promote flexible approaches to oversight and review based on mutual trust and a program's dollar value, risk, and complexity.

3.3. Innovation, Continuous Improvement, and Lessons Learned. The Department shall continuously develop and implement initiatives to streamline and improve the Defense Acquisition System. Decision-makers at all levels shall encourage the continuous examination and adoption of innovative practices – including best commercial practices and electronic business solutions - that reduce cycle time and cost, and encourage teamwork, and shall provide meaningful incentives for innovation, such as reinvestment of cost savings and career recognition and advancement. In addition, decision-makers at all levels shall encourage and facilitate the documentation and institutionalization of lessons learned – both good and bad - from past experience.

3.4. Technology Development and Transition. The S&T program shall address user needs; maintain a broad-based program spanning all Defense-relevant sciences and technologies to anticipate future needs and those not being pursued by civil or commercial communities; preserve long-range research; and enable rapid successful transition from the S&T base to useful military products.

3.5. Reduced Cycle Time. Advanced technology shall be integrated into producible systems and deployed in the shortest time practicable. Validated, time-phased requirements matched with projected capability needs and available technology support the development of evolutionary acquisition strategies. Evolutionary acquisition strategies shall be the preferred approach to satisfying operational needs. Spiral development shall be the preferred process.

3.6. Collaboration. The Defense acquisition, requirements, and financial communities shall maintain continuous and effective communications with each other and with the operational user through the use of Integrated Product Teams. Teaming among warfighters, users, developers, acquirers, technologists, industry, testers, budgeters, and sustainers shall begin during requirements definition. PMs and MDAs shall be responsible for making decisions and leading implementation of their programs, and are accountable for results.

3.7. Interoperability. Interoperability is the ability of systems, units, or forces to provide data, information, materiel, and services to and accept the same from other systems, units, or

forces, and to use the data, information, materiel, and services so exchanged to enable them to operate effectively together. Interoperability shall apply within and among United States forces and U.S. coalition partners. Mission-area-focused, integrated architectures shall be used to characterize these interrelationships. DoD policy for interoperability and supportability of information technology, including National Security Systems appears in DoD Directive 4630.5, reference (f).

3.8. Information Superiority. The Defense acquisition community shall provide U.S. forces with systems and families of systems that are secure, reliable, interoperable, and able to communicate across a universal information technology infrastructure, including National Security Systems, consisting of data, information, processes, organizational interactions, skills, analytical expertise, other systems, networks, and information exchange capabilities.

3.9. Research and Technology Protection. The identification of sensitive information and technologies, both classified and unclassified, shall be accomplished early in the acquisition process.

3.10. Information Assurance. Mission Critical/Mission Essential systems shall incorporate adequate information assurance. In particular, systems that interface with the DoD Global Information Grid require heightened information assurance to protect the network. Information assurance shall be addressed early in the requirements generation and acquisition processes.

3.11. Intelligence Support. Intelligence, and understanding threat capabilities, is integral to system development and acquisition decisions. Threat capabilities shall be kept current and validated in program documents throughout the acquisition process.

3.12. Performance-Based Acquisition. In order to maximize competition, innovation, and interoperability, and to enable greater flexibility in capitalizing on commercial technologies to reduce costs, performance-based strategies for the acquisition and sustainment of products and services shall be considered and used whenever practical. For products, this includes all new procurements and major modifications and upgrades, as well as the reprocurement of systems, subsystems, and spares that are procured beyond the initial production contract award. When using performance-based strategies, contractual requirements shall be stated in performance terms, limiting the use of military specifications and standards to Government-unique requirements only. Configuration management decisions shall be based on factors that best support implementation of performance-based strategies throughout the product life cycle.

3.13. Competition. Competition is critical for providing innovation, product quality, and affordability. All DoD Components shall acquire systems, subsystems, equipment, supplies, and services in accordance with the statutory requirements for competition. Competition provides major incentives to industry and Government organizations to reduce cost and increase quality. The Department shall take all necessary actions to promote a competitive environment, including examination of alternative systems to meet stated mission needs; structuring S&T investments and acquisition strategies to ensure the availability of competitive suppliers throughout a program's life and for future programs; ensuring that prime contractors foster effective competition for major and critical products and technologies; and ensuring qualified international sources are permitted to compete. If competition is not available, PMs shall devise incentives to motivate contractors in a way that will yield the benefits of competition.

3.14. Knowledge-Based Acquisition. Knowledge about key aspects of a system shall be demonstrated by the time decisions are to be made. Technology risk shall be reduced and technologies shall have been demonstrated in a relevant environment, with alternatives identified, prior to program initiation. Integration risk shall be reduced and product design demonstrated prior to critical design review. Manufacturing risk shall be reduced and producibility demonstrated prior to full-rate production.

3.15. Systems Engineering. Acquisition programs shall be managed through the application of a systems engineering approach that optimizes total system performance and minimizes total ownership costs.

3.16. Products, Services, and Technologies. The DoD Component(s) shall consider multiple concepts and analyze possible alternative ways to satisfy the user need. System concepts shall be founded in an operational context, consistent with the National Military Security Strategy, Defense Planning Guidance, and Joint Operating Concepts. DoD Components shall seek the most cost-effective solution over the system's life cycle. They shall conduct market research and analysis to determine the availability, suitability, operational supportability, interoperability, and ease of integration of the considered and selected procurement solutions. The DoD Components shall work with users to define requirements that facilitate, in preferred order, (1) the procurement/modification of commercially available products, services, and technologies, from domestic or international sources, or the development of dual-use technologies; (2) the additional production/ modification of previously-developed U.S. and/or Allied military systems or equipment; (3) a cooperative development program with one or more Allied nations; (4) a new joint Component or Government Agency development program; or (5) a new DoD Component-unique development program.

3.17. Integrated Test and Evaluation. Test and evaluation shall be integrated throughout the defense acquisition process. Test and evaluation shall be structured to provide essential information to decision-makers, assess attainment of technical performance parameters, and determine whether systems are operationally effective, suitable, and survivable for intended use. The conduct of test and evaluation, integrated with modeling and simulation, shall facilitate learning, assess technical maturity and interoperability, facilitate integration into fielded forces, and confirm performance.

3.18. Total Systems Approach. The PM shall be the single point of accountability for accomplishment of program objectives for total life cycle systems management, including sustainment. The PM shall adopt a human systems integration approach to optimize total system performance (hardware, software, and human) and when assessing system effectiveness, suitability, and survivability. Planning for Operation and Support shall begin as early as possible.

3.19. Performance-Based Logistics. PMs shall develop and implement performance-based logistics strategies that optimize total system availability while minimizing cost and logistics footprint. Sustainment strategies shall include the best use of public and private sector capabilities through government/industry partnering initiatives, in accordance with statutory requirements.

3.20. Program Goals. PMs shall implement management controls. Every acquisition program shall establish program goals for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle. Approved program

baseline parameters shall serve as control objectives. PMs shall identify deviations from approved acquisition program baseline parameters and exit criteria as material weaknesses.

3.21. Legal Compliance. DoD acquisition and procurement of weapons and weapon systems shall be consistent with all applicable domestic law and treaties (for arms control agreements, see DoDD 2060.1, reference (g)), customary international law, and the law of armed conflict (also known as the laws and customs of war). DoD General Counsels or a Military Service Judge Advocate General shall conduct legal review of the intended acquisition of weapons or weapon systems.

3.22. International Agreements. International cooperative programs shall complete the interagency consultation and Congressional notification requirements contained in 10 U.S.C. 2350a (reference (h)), section 27 of the Arms Export Control Act (reference (i)), and 10 U.S.C. 2531 (reference (j)).

3.23. Cost and Affordability. Fiscal constraint is a reality that all participants in the acquisition system must recognize. Cost shall be viewed as an independent variable, and the DoD Components shall plan programs based on realistic resource projections of dollars and manpower likely to be available in future years. To the greatest extent possible, the DoD Components shall identify the total costs of ownership, and at a minimum, the major drivers of total ownership costs. The user shall treat cost as a military requirement and state the amount the Department should be willing to invest to obtain, operate, and support the needed capability over its expected life cycle.

3.24. Cost Realism. The DoD Component shall strive for cost realism and to identify cost risks before contract award. They shall require cost realism and continue to monitor risks after contract award. Cost proposals shall be evaluated to ensure cost-realism in accordance with the Federal Acquisition Regulation (reference (c)). The benefits of long-term contracting shall be explored. Contractors shall be encouraged to submit realistic cost proposals, including fair and reasonable profit or fee amounts. Costs shall be evaluated to ensure cost-realism (based on knowledge gained during the acquisition process).

3.25. Cost Sharing. Acquisitions shall be structured in such a way that undue risk (such as through the use of firm fixed price options that cover more than 5 years) is not imposed on contractors, and so that contractor investment (beyond normal working capital and investments for plant, equipment, etc.) is not required. Contractors should not be encouraged nor required to invest their profit dollars or independent research and development funds to subsidize defense research and development contracts, except in unusual situations where there is a reasonable expectation of a potential commercial application. Contractors are entitled to earn reasonable rewards on DoD contracts, including competitively awarded contracts.

3.26. Program Stability. The DoD Components shall develop realistic program schedules, long-range investment plans, and affordability assessments, and shall strive to ensure stable program funding. The MDA shall determine the appropriate point at which to fully fund an acquisition program, generally when a system concept and design have been selected, a PM has been assigned, requirements have been approved, and system-level development is ready to begin. Full funding shall be based on the cost of the most likely system alternative.

3.27. Program Information. It shall be DoD policy to minimize reporting requirements. Nevertheless, complete and current program information is essential to the acquisition process.

Consistent with the tables of required regulatory and statutory information appearing in reference (a), decision authorities shall require PMs and other participants in the defense acquisition process to present only the minimum information necessary to understand program status and make informed decisions. The MDA shall “tailor-in” program information. IPTs shall facilitate the management and exchange of program information.

3.28. Independent Operational Test Agency (OTA). Each Military Department shall establish an independent OTA, reporting directly to the Service Chief, to plan and conduct operational tests, report results, and provide evaluations of effectiveness, suitability, and survivability.

3.29. Streamlined Organizations. The Department shall use a streamlined management structure in the acquisition system characterized by short, clearly defined lines of responsibility, authority, and accountability. In no case, shall there be more than two levels of review between a PM and the MDA.

3.30. Professional Workforce. The Department of Defense shall maintain a fully proficient acquisition, technology, and logistics workforce that is flexible and highly skilled across a range of management, technical, and business disciplines. To ensure this, the USD(AT&L) shall establish education, training, and experience standards for each acquisition position based on the level of complexity of duties carried out in that position.

#### 4. EFFECTIVE DATE

This Attachment is effective immediately.