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# SHAPING A WORKFORCE FOR TODAY'S ACQUISITION ENVIRONMENT THAT CAN MEET DOD'S NEEDS

HEARING

BEFORE THE

PANEL ON DEFENSE ACQUISITION REFORM

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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PANEL ON DEFENSE ACQUISITION REFORM

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# SHAPING A WORKFORCE FOR TODAY'S ACQUISITION ENVIRONMENT THAT CAN MEET DOD'S NEEDS

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HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
PANEL ON DEFENSE ACQUISITION REFORM,
*Washington, DC, Tuesday, July 21, 2009.*

The committee met, pursuant to call, at 8:00 a.m., in room 2212, Rayburn House Office Building, Hon. Robert Andrews (chairman of the panel) presiding.

## OPENING STATEMENT OF HON. ROBERT ANDREWS, A REPRESENTATIVE FROM NEW JERSEY, CHAIRMAN, PANEL ON DEFENSE ACQUISITION REFORM

Mr. ANDREWS. Good morning, ladies and gentlemen. Welcome to the panel. I appreciate the attendance this morning of my colleagues on the panel and the witnesses and the ladies and gentlemen in the audience.

The panel is continuing its assessment and evaluation of the difference between the cost that American taxpayers pay for goods and services and the quality of what we receive. And this is the section of our work that is focusing on a series of hypotheses as to why that gap exists.

This morning we examine the hypothesis that the gap between what we pay and what we get exists because we have not given our individuals in charge of procurement the number of people and the skill sets of people they need to get that job done in an effective way.

I want to say from the very outset we are extremely appreciative of the men and women who are working for the Department of Defense (DOD) in the area of procurement. We think that they are dedicated public servants who have been given a massive job to do, in many cases overwhelmed by the scope of that job, and I just want to make it very clear from the outset that I am in no way—I think the panel is in no way—critical of the level of preparation, certainly the level of commitment and the level of performance, of the men and women working in that area. We thank them and commend them for their work.

If anything, our concern is that we have not done a very good job on our side of the table in providing the scope of personnel and the training and the depth of personnel necessary to get this job done right. So I want to say from the very outset, make it clear that there is criticism to be had here. I think the criticism is more of us in the legislative and executive branch in not adequately staffing these areas, not in the performance of the men and women who do the work.

The numbers are compelling. From 2001 to 2008, the Department of Defense purchases of goods and services more than doubled. It now is about $388 billion a year. The number of contract actions has skyrocketed at the same time. In other words there is a lot more work to do than there was a decade or so ago.

Basically, there are about the same number of people to do that work on the government employ—somewhere between 126,000 and 129,000 government personnel. There has been a significant increase over that period of time in outsourcing some of this work in contracting with outside individuals to help the Department of Defense manage the procurement process.

It is interesting that—and I think rather telling—that there are no hard and fast accurate data on exactly how many of those contractor personnel there are, at least as far as we can tell, which I think that alone tells us something about the problem.

But the best estimate is in the range of 52,000 people. The Government Accountability Office (GAO) has looked extensively at the reasons behind this outsourcing. Typically, the reasons given are there is an argument that they can do the job more quickly, and there is an argument that the expertise that we are bringing on is not expertise that we have in-house.

This morning's discussion features three very highly qualified witnesses, who are going to guide us through a discussion of three sub-issues here. The first is a quantity issue. How many people are necessary to give the right kind of oversight and analysis of this massive amount of procurement that we are doing?

The second, I think, most important is a quality issue. What kinds of skills do the people who are doing this work need? Are we adequately investing those individuals with those skills? How might we increase the availability of skill acquisition in this area?

And then finally, there is a question of balance. To what extent should this oversight work be done by people who are employees of the federal government? To what extent should this work be done by people who are employed by independent contractors who are employed by the federal government? By what criteria should we make those decisions?

I think it is self-evident that there are some functions that are so highly specialized that they lend themselves to contracting out. There are others that are not so highly specialized and probably are obvious in that they should be performed by federal employees.

Legislators are line drawers. When we do our job well, we draw the line in the right place. When we don't do our job well, we draw the line in the wrong place. And I think this is an area where a line very much does need to be drawn.

So this morning we have three very distinguished witnesses, and they are going to walk us through their ideas about what the right size of the workforce is to do a good job on monitoring acquisition, what skill sets are necessary in that workforce and how we might step up our efforts to create those skill sets among our personnel and our contractors, and then finally, what the right balance is between federal employees and contractors in achieving the optimal level of contract review and procurement review.

So we appreciate the three witnesses. At this time we are going to turn to my friend, the ranking member from Texas, for his opening statement.

[The prepared statement of Mr. Andrews can be found in the Appendix on page 31.]

**STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE FROM TEXAS, RANKING MEMBER, PANEL ON DEFENSE ACQUISITION REFORM**

Mr. CONAWAY. All right. Thank you, Chairman. I appreciate that.

Witnesses, thank you for being here this morning. You probably didn't have a choice, but thank you to everyone for showing up this morning and visiting with us.

Our panel is going to talk about a variety of issues within the acquisitions arena, the process itself, major weapons systems, services contracts, information technology (IT), to just name a few. But the one thing that stood out through all of these hearings is the role of technologies that the personnel of the acquisition team and workforce itself faces.

It is clear that the panel—to me that if this panel were to make only one set of recommendations, that it would be to set the conditions within the Department that ensure the acquisition workforce is adequately trained and staffed.

The Congress helped create the current condition of this workforce during the 1990s, when it directed its downsizing. Now Congress must take the appropriate actions to fix it. And while Congress has taken recent actions to help restore the acquisition workforce, there is much more to be done. That is why we are here today to gain some insights from our panel of expert witnesses.

For example, it is not enough to simply grow the force. What specific skills do they need? And do we have the necessary institutions to properly train them?

What is the proper balance between uniform personnel and civilians? And as for uniform personnel, some military officers begin entering into the acquisition workforce as second lieutenants. Others start as captains. Which model has yielded better results?

As well, requirements of budget personnel currently aren't part of the acquisition workforce, which was one of the findings from the 2006 Defense Acquisition Performance Assessment Report. Given the critical role they play, how do all of these communities work together and train together?

What is clear is that we can make some numerous changes to the acquisition process itself, but if we don't create the conditions for a properly sized, equipped, trained workforce, it really won't matter.

I look forward to hear from our witnesses and gain some insight on this critical issue.

Thank you, Mr. Chairman. Yield back.

[The prepared statement of Mr. Conaway can be found in the Appendix on page 33.]

Mr. ANDREWS. Thank you very much.

Without objection, the opening statement any member of the panel wishes will be included in the record.

I am going to proceed by introducing the three witnesses, reading a brief biography. I think you are all veterans of this process on the Hill and would remind you the way that we work is, without objection, your written statements are a part of the record of the hearing. We would ask you to synopsize your written statements in about a five-minute oral summary, and then we are going to go to questions from the panel so we can maximize the time for give-and-take.

Our first witness this morning will be Mr. Shay Assad.

Did I pronounce that correctly?

He is the director of defense procurement. Mr. Assad assumed the role of director on April 3rd, 2006. As director, he is responsible for all acquisition and procurement policy matters in the Department of Defense. He serves as the principal advisor to the under secretary of defense for acquisition, technology, and logistics and the defense acquisition board on acquisition and procurement strategies for all major weapons systems programs, major automated information systems programs, and services acquisitions.

Before assuming this position, Mr. Assad was the assistant deputy commandant, installations and logistics for contracts at headquarters, the Marine Corps, Washington, D.C. He has held the position as the Marine Corps' senior civilian contracting official since June of 2004.

He graduated with distinction from the U.S. Naval Academy in 1972. He served two tours of duty aboard U.S. Navy destroyers and won recognition as the outstanding junior officer in the Fifth Naval District. He then served as naval procurement officer at the Naval Sea Systems Command.

He has received numerous federal service awards, including the Secretary of Defense Medal for Exceptional Civilian Service, Secretary of Defense Medal for Meritorious Service, the Department of Defense Inspector General Joseph H. Sherick Award, which is the highest honor given to a non-inspector general (IG) employee, the 24th Annual Gilbert A. Cuneo Lecturer, and the inaugural recipient of the 2008 Osborne A. "Oz" Day Award as the federal executive who has done the most to increase the awareness of Ability One employment opportunities for those who are blind or severely disabled.

Mr. Assad, thank you for your service to our country. And we are glad you are with us this morning.

I am going to do the other bios first, and then we will have you proceed.

General Lawrence P. Farrell, Jr. Prior to his retirement from the Air Force in 1998, General Farrell served as the deputy chief of staff for Plans and Programs Headquarters, U.S. Air Force, here in Washington. He was responsible for planning, programming and manpower activities within the corporate Air Force and for integrating the Air Force's future plans and requirements to support national security objectives and military strategy.

Previous positions included vice commander, Air Force Materiel Command at the Wright-Patterson Air Force Base in Ohio, and deputy director of the Defense Logistics Agency in Arlington.

General Farrell is a graduate of the Air Force Academy, with a Bachelor of Science (B.S.) in engineering, a Master of Business Ad-

ministration (M.B.A.) from Auburn University. His other education includes the National War College and the Harvard program for executives in national security.

Welcome, General Farrell. We are glad you are here with us this morning.

General FARRELL. Honored to be here, sir.

Mr. ANDREWS. And finally, we have Professor Steven L. Schooner.

Did I pronounce your name correctly, Professor?

Professor SCHOONER. Thank you, sir. Thank you.

Mr. ANDREWS. He is associate professor of law and co-director of the Government Procurement Law Program at the George Washington University Law School, where he previously served as senior associate dean for academic affairs.

And my wife being a law school dean, I am well aware of the political minefield that that involves, Professor.

Before joining the faculty, Professor Schooner was the associate administrator for procurement law and legislation, which is a senior executive position, at the Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget.

Professor Schooner received his bachelor's degree from Rice University, his *juris doctor* (J.D.) from the College of William and Mary, his master of laws with highest honors from the George Washington University, and he is a fellow of the National Contract Management Association, a member of the board of advisors, a certified professional contracts manager, and serves on the board of directors of the procurement roundtable.

We really appreciate the time of each of the three of you this morning. Your statements are excellent. They have been entered into the record.

And we begin, Mr. Assad, with your oral testimony.

**STATEMENT OF SHAY ASSAD, DIRECTOR, DEFENSE PROCUREMENT ACQUISITION POLICY, ACTING DEPUTY UNDER SECRETARY OF DEFENSE, ACQUISITION AND TECHNOLOGY, U.S. DEPARTMENT OF DEFENSE**

Mr. ASSAD. Thank you, Mr. Chairman.

Good morning, Chairman Andrews and members of the panel. Thank you for the opportunity to participate in today's discussion on the acquisition workforce.

A major element of DOD's acquisition reform efforts is revitalizing the defense acquisition workforce. On April 6th the secretary of defense announced his intention to significantly improve the capability and the capacity of the defense acquisition workforce by increasing its size by approximately 20,000 employees.

As part of this initiative, the department plans to insource approximately 10,000 contractor support personnel positions and ensure that critical and inherently governmental functions are performed by government employees.

I would like to address a few areas of particular interest to the committee. The first is the hiring process. The second will be planned increases to acquisition functions other than contracting, program management tenure and the defense contracting and procurement acquisition competency initiative.

First of all, the hiring process. Hiring authorities and resources and processes are improving, but there is a lot of work to be done. Hiring is a difficult and oftentimes very slow process within the Department of Defense that needs improvement.

Our objective is to hire the best-qualified personnel, upholding and supporting the merit principles and meeting government-wide statutory and policy objectives. We believe the competitive process helps ensure we are considering the best qualified to support the acquisition mission.

The second is increases in acquisition functions other than contracting. With regard to the logistics professional workforce, we have grown from approximately 11,000 in 2001 to around 14,000 today. Some of that growth was simply re-categorizing the logistics professionals into their proper categories of acquisition management. Initial planning indicates that we are going to grow that workforce another 1,700 over the next 5 years.

And in addition, you expressed a concern regarding the logistics management certification. Our data indicates that 70 percent of the 14,000 acquisition logistics professionals are accredited, and 45 percent meet or exceed their position certification requirements.

Recent testimony from each of the senior service acquisition leaders cited building a strong engineering capability as a high priority. We are forecasting the systems engineering career field will grow by about 2,800 employees through 2015. This will be no small feat. The requirement for systems engineering professionals throughout the country is an extremely demanding field, and this will be a challenge for us.

With regard to program management tenure, the department views tenure as a key element of program stability and health. Our latest availability survey data indicates the average tenure of program managers across the department is about 24 months, with an expected tenure of 42 months. We are going to continue to monitor tenure, as well as take actions to ensure that our program managers are in fact in place for the full 42-month tours.

With regard to competency, an area that is of particular interest to me is our defense acquisition competency initiative. By October 2010 the department will have updated competency models, concluded all assessments, and taken action to assure we are addressing major competency gaps across 125,000 or so members of the defense acquisition workforce.

I look forward to working with the panel and keeping you apprised of our progress with regard to the secretary's acquisition workforce growth initiative, and it is a pleasure to be here today to participate in this discussion.

[The prepared statement of Mr. Assad can be found in the Appendix on page 36.]

Mr. ANDREWS. Thank you very much, Mr. Assad.

General Farrell, you are recognized.

**STATEMENT OF LT. GEN. LAWRENCE P. FARRELL, JR., USAF (RET.), PRESIDENT, NATIONAL DEFENSE INDUSTRIAL ASSOCIATION**

General FARRELL. Good morning, Mr. Chairman. Thank you very much. It is an honor to be here. My statement is submitted. I will make a few points and respond to your questions.

First of all, workforce shaping. We see that in industry as a subset of the health of the defense industrial base. There are a lot of other elements to that, among them organization, manufacturing, capital investment, process and competition. So this is one element of a much larger problem.

We note that DOD is concerned as well, as we have just heard, with a program to convert 20,000 positions—10,000 positions from industry and to hire another 10,000. But to do 4,100 in 2010, that is going to be a steep hill to climb. It will take us back to 1998—147,000. That is probably not a bad number.

But it is a complex task. It is not just insourcing, because the real questions are what are the skills you need? Where are the holes? Where are the skills? Where do you go to get the skills? And what is the priority for getting them?

And as Mr. Assad has just said, systems engineering is probably one of the number one skills we need to bring in—program management, contracts, cost estimators—with the objective of making DOD a good buyer. And right now there is some question as to whether or not in all cases DOD is able to do that.

But it is a deliberate process. It is going to take some time, and you just have to step back and say, "Where do you go and buy experienced people to bring into this?" You can't just buy experienced people. You have to grow them. So it is going to be a deliberate process.

The current workforce is in some crisis with the overruns that you have just talked about—costs and schedule. But the biggest problem, we think, is that 50 percent retirement in the next 5 years. And with the 50 percent retirement, you put that up against the fact that we don't have enough science, technology, engineering and math skills in industry today, and our schools aren't producing enough. We think the future doesn't look good because of those two things.

But we think you need to carefully consider the criteria of goodness. That is, how do you recruit, train and retain these people? And we think you could do a little bit better in hiring people, maybe, if you do some direct hiring, you get some authority for direct hiring, and revisit veteran preferences, especially those veterans with engineering skills.

You need to take a look at pay, performance, career progression and promotion and make sure that you pay and promote people based upon their contribution to the outcome, not time in service.

And then there is the issue of tooth to tail. On the battlefield, tooth to tail is a good measure of efficiency, but it is not a good measure of efficiency when you are hiring a professional. So if we can have a million people back here in D.C. and we can send one soldier or one airman to the battlefield to do the job, that is good. So we shouldn't be concerned about the number of people we are bringing in. We need to bring in enough people to do the job.

Right now, Mr. Assad has got an inventory ongoing. We haven't seen those numbers yet in the industry. We are very interested to see them, but we think we ought to insist on a quality product as an outcome of that.

There is one other thing we need to do, and that is to look at the "inherently governmental" definition. The Office of Management and Budget (OMB) has been mandated by the President to come out by 30 September. Right now we think the way "inherently governmental" definition is applied is dysfunctional. We need to tighten that up.

So what do we need to do? Government and industry need to pursue this as a partnership and work together, because it is not just a government problem. It is also a problem in industry, because if the government in solving its problem creates a problem in industry, then we don't move forward. So we need a balanced solution, a collaborative solution, recognizing that both sides have needs.

Thank you, sir.

[The prepared statement of General Farrell can be found in the Appendix on page 48.]

Mr. ANDREWS. General, thank you for your testimony.

Professor. Welcome.

**STATEMENT OF PROFESSOR STEVEN L. SCHOONER, CO–DIRECTOR, GOVERNMENT PROCUREMENT LAW PROGRAM, GEORGE WASHINGTON UNIVERSITY LAW SCHOOL**

Professor SCHOONER. Chairman Andrews, Ranking Member Conaway and members of the panel, I really appreciate the opportunity to discuss the DOD acquisition workforce issue.

It seems to me that the empirical case demonstrating that DOD with significant congressional assistance, as Representative Conaway pointed out, has starved the acquisition workforce now for two decades—that case seems to be compelling.

At the micro level, what is much more difficult is figuring out how many people and which specific skill sets must be hired. And I think DOD can continue to study those things over time, and those needs will continue to change.

But for now, I have a rather simple conclusion. And that is DOD should endeavor to go out and attempt to hire, train and deploy every qualified procurement professional available in the marketplace. And simultaneously, they should engage in an aggressive, large-scale, professional development program to prepare talented young people to become the government's future business managers.

Now more specifically, with all due respect to Mr. Assad, who I think is doing as good a job as he can in this situation, DOD's articulated plan, which will restore the acquisition workforce to 1990 levels by 2015, is not only too slow, but it aspires too far too little. Among other things the 1998 benchmark ignores that the lion's share of the 1990s congressionally mandated reductions in the acquisition workforce were before 1998.

Second, as you pointed out, Chairman Andrews, we have seen explosive growth in procurement spending in this decade. You pointed out the dollars had increased by 100 percent, but we are talking

about growth at five times the rate of inflation, with an already diminished workforce.

Now, we have seen dramatic changes in how and what the government buys. The older members of the workforce were brought in to hire goods with fixed-price contracts. Today we are buying services with flexible vehicles, and services require completely different modes of oversight.

We have talked about the looming retirement crisis, and no matter how much hiring we do in the next few years, it won't be enough to keep up with that. Moreover, this isn't just a DOD problem. It is a government-wide problem, and DOD's efforts will be hampered, because the civilian agencies will continue to covet and hire away many talented people from DOD, just as the private sector does. So lots and lots of hiring needs to be done.

At a more macro level, what is frustrating is that DOD, and to some extent the government as a whole, has steadfastly rejected the fundamental refrain that an ounce of prevention is worth a pound of cure. There always seems to be money and resources available for oversight and punishing bad actors. There never seems to be enough money available to get the people who will do the planning and get us good contract in advance, so we can avoid some of these problems.

I think from a leadership standpoint—I think that for too long DOD has delegated these acquisition workforce issues to the Defense Acquisition University (DAU), which has proven slow, risk averse and insufficiently potent to alter the behavior.

We have also far too often seen negative signals from the White House. Rather than supporting the acquisition workforce with mere rhetoric, they continue to distract them with, for example, new social policies in procurement and a not very good focus on receiving value for money.

The other thing is I think we simply have to make the profession more attractive. We have to tone down the anti-contractor rhetoric, and we also need to make clear to the public how important these contractors are for literally everything the Defense Department does, both in terms of goods and services.

I think that the civil service and the Office of Personnel Management (OPM)-based recruitment process remains too cumbersome, and it is impenetrable in the private sector. At the entry level on the college campuses and in the business schools, students have no idea what excellent opportunities there are to serve as the government's business managers, and we need change.

I agree with General Farrell that what we really need to do is aggressively start growing talent for the long term. I think that DOD needs to be more aggressive. Despite its limited size, the Veterans Administration Acquisition Academy is a wonderful model for a hands-on, holistic, results-oriented program.

But I think what we need to be thinking about is something maybe bringing together some aspect of co-op programs, Reserve Officer Training Corps (ROTC) scholarships, the military's funded legal and medical trainings. But see if we can go out and get young people. Give them tuition benefits, rotational assignments, and promotion opportunities like those of the Presidential Management Fellows Program.

Now finally, you asked me to comment on the proliferation of private sector support in the performance of acquisition functions. For the short term, particularly given the five-year horizon that we have talked about for rebuilding the acquisition workforce, the government has no choice but to continue to rely heavily on the private sector for the acquisition function.

On this note I find DOD's insourcing plan ill-conceived, overly optimistic, and not calculated to address the ultimate needs. But the government faces a choice. They can either rely on the private sector for acquisition support, or the bottom line is they can try to squeeze blood from a stone and suffer the consequences, and that seems totally irresponsible.

It took us 20 years to get where we are today. It will take far more than five years of timid efforts to restore and reinvigorate the acquisition workforce. I understand that many people in DOD are doing the best they can, but any prospective investment we make in upgrading the numbers, skills and morale of our purchasing officials and the people that support them will reap huge dividends for the taxpayers and the warfighters.

Thanks so much for the opportunity to share these thoughts.

[The prepared statement of Mr. Schooner can be found in the Appendix on page 62.]

Mr. ANDREWS. Thank you, Professor.

We thank all three witnesses, and we are going to proceed with the questions. I did want to mention, before we did that, that this panel owes a debt of gratitude to Chairman Snyder and Ranking Member Wittman for the very good work that the oversight committee did on this issue in a hearing in April, which kind of paved the way for us. I want to let the record reflect we appreciate their efforts.

Mr. Assad, how many contracted private sector acquisition overseers do we have working for us today?

Mr. ASSAD. We have at least 52,000, but——

Mr. ANDREWS. Do we know the precise number?

Mr. ASSAD. No, we don't. And we are continuing to refine that. It is probably higher. But it gave us—what we did know was we—contrary to what may have been said, we have a well thought out plan as to what we are doing, and we know very well what we are doing.

Mr. ANDREWS. If I may, because the time is a bit short and I don't mean to be argumentative, why don't we know the precise number?

Mr. ASSAD. It is very difficult to assess. There are some performance-based concepts that we utilize to do this work on a fixed-price basis, and as a result we are buying an outcome and not necessarily buying a number of people, so it is hard to assess that.

Mr. ANDREWS. I understand that. I understand it.

Now, describe for us the process that you use to determine which oversight functions to outsource and which to insource. Let us say that the Marine Corps today wanted to buy a very elaborate piece of software that would integrate its communications around the world, and you had to determine whether to insource or outsource the contract oversight. How would you derive that decision?

Mr. ASSAD. Well, contracting oversight fundamentally is done by government employees, and so the Marine Corps Systems Command would be responsible for buying that particular piece of equipment. The issue that we have is that we don't think we have enough federal employees doing contract oversight. And so that is why we are about—it is actually around 9,900 folks out of the 20,000 will be directly associated with contract oversight.

Mr. ANDREWS. But that sort of presumes that the people you have would have the skill set to oversee such a contract.

Mr. ASSAD. Yes.

Mr. ANDREWS. If you have enough of them, you just keep it inhouse. Isn't there also a qualitative assessment as to whether the employees have the skill sets to do the oversight?

Mr. ASSAD. Absolutely. And I think that we have done within the department, frankly, some of the most sophisticated and in-depth competency modeling that has been done in this industry with regard to acquisition and contracting professionals. We will have all of our acquisition professionals through their competency modeling by the end of 2010.

Mr. ANDREWS. Who is determining the standards on the competency modeling?

Mr. ASSAD. Well, let me give you an example of the contracting professionals. What we did was we took the top 100 Senior Executive Service (SES), general officers and O–6s who are actually running the contracting shops throughout the country. They went through the competency modeling themselves, and then we sat for three days and determined the standards—myself included—as to what the expectations would be for a junior person, an intermediate person and a senior-level professional and in a contracting environment, so the way it will be done.

Mr. ANDREWS. In deriving those standards, did you seek input from people outside the Defense Department?

Mr. ASSAD. Well, you know, frankly, there isn't. There is a lot of talk about competency modeling in industry, but when you get down to it, there is not a lot of data out there in terms of that assessment.

Mr. ANDREWS. That would be the question I think I would ask for Professor Schooner, because that sort of leads to it.

You mentioned the Veterans Administration (VA) academy as an example of excellence. How about in the private sector that—are there any, in your view, outstanding private sector examples of training and educating people who do procurement?

Professor SCHOONER. Well, I think there is a number of different models, but I think that the main thing that we see differently is the basic what I would call cradle to grave professional development approach.

So, for example, if we were to merely distinguish between the way that the Defense Department retains and grows an officer from the way that they deal with procurement professionals on the civilian side, I think we see a rather dramatic difference.

We look for high standards at the recruiting stage. We control the undergraduate education. They are sent through an officer basic course very early on in their career. They are sent to an ad-

vanced course. There are consistent upgrades in course along the way.

The civilian acquisition workforce simply is not given that level of attention, development, professional growth and the like.

Mr. ANDREWS. Let me ask a layperson's question of any of the three of you. Do we pay them enough? If a young man or woman is coming out of engineering school or a business program, do we pay them enough to have them make a lifetime commitment to this kind of career?

Mr. ASSAD. Well, having been on both sides of the table and paid people in this profession from both an executive perspective and as well as contracts manager, our people are well paid. They don't make necessarily what their peers make on the outside as they get to more senior positions, but I think in the intermediate ranks in the junior ranks, we are very competitive. And frankly, we have an ace card, and our ace card is that we serve the warfighter. And so it is that sense of service that makes the difference.

Mr. ANDREWS. Qualitative. That is good.

Mr. ASSAD. Yes, sir.

Mr. ANDREWS. General Farrell, did you want to comment?

General FARRELL. Yes, I mean you talked about software. But, look, if I am a software engineer graduating from Georgia Tech or Michigan or Cal Tech or Stanford and I get an offer from Microsoft, Google or Yahoo or get an offer from the government, where do you think I am going?

Mr. ANDREWS. You think that——

General FARRELL. I don't think we pay—the kinds of skills we are looking for——

Mr. ANDREWS. Right.

General FARRELL [continuing]. Especially engineering and software, I don't think we pay them enough. Sorry, I respectfully disagree with my friend.

Mr. ANDREWS. I would just ask Professor Schooner, and then I am going to go to Mr. Conaway.

Professor SCHOONER. I think to an extent in the short term in the economy, I am not as convinced that the compensation is a major issue, but if the economy improves, it is a significant issue.

And I do want to echo one of the points that General Farrell made. Systems engineering, which is a huge hole, and as Mr. Assad said, you know, with the more senior ranks program managers, these are the places where not just good compensation, but incentives make the private sector dramatically more attractive.

Mr. ANDREWS. And this is becoming a more and more critical area of our oversight, isn't it? I mean, systems engineering was probably a fairly exotic field 20 years ago. It is absolutely essential today, if I am reading this correctly.

Professor SCHOONER. Major acquisitions are all systems engineering.

Mr. ANDREWS. Yes. So thank you very much. Well, I think we will have a second round. I want to go to Mr. Conaway now.

Mr. CONAWAY. Right. Thank you, Mr. Chairman.

Gentleman, thank you for being here. My frustration is that, you know, we are whacking on this thing at 50,000 feet, one-size-fits-all kind of solutions and, you know, anecdotes.

And I am troubled that with all of our work that we don't get far enough down into the details that—you know, an acquisition professional for a sophisticated computer program or system that is going to go worldwide, you made need somebody that is a little better there than, say, somebody who is making sure that the canned peaches are showing up on time and that we are getting the right price for that. So pardon my frustration with some of this one-size-fits-all thing.

Now, just as a mechanical issue, 50 percent retirement in the workforce in the next 5 years, Mr. Assad? Is that what you said?

Mr. ASSAD. I didn't——

Mr. CONAWAY. That is 55,000 people that are going to retire?

General FARRELL. I said that.

Mr. CONAWAY. I am sorry. Mr. Farrell.

General FARRELL. Fifty percent are eligible to retire in the next five years.

Mr. CONAWAY. Oh, eligible, okay. How many of those eligibles do you think will actually retire?

Mr. ASSAD. Well, that is a good question, Mr. Congressman, because we are actually seeing a slowdown of—you know, we anticipated, frankly, even three years ago those numbers were about the same. And, you know, we have an aging workforce. There is no doubt about it.

Mr. CONAWAY. So we have just got the threat out there. We don't know with the economy——

Mr. ASSAD. But I think, frankly, what has happened in the economy has made a lot of people change their mind with regard to their retirement plans.

Mr. CONAWAY. Is that 65,000 people, 75,000 people?

Mr. ASSAD. It is about that, yes.

Mr. CONAWAY. Okay.

I come from a profession where periodically we have to decide or determine what an entry level Certified Public Accountant (CPA) ought to be able to do and to set the standard for the exam. The exam is just a minimum level of qualification that you need to get into, and every 10 or 15 years they go through an assessment of what should that group know in order to get over that bar. Is that similar to what you are doing with your——

Mr. ASSAD. Yes.

Mr. CONAWAY. Okay.

Mr. ASSAD. Yes, sir. We will revisit those competency standards every couple of years.

Mr. CONAWAY. So my understanding that you have got an inventory of the current team will be done by the end of 2010. Do you have an inventory of what you ought to have versus what that team is? Is that what——

Mr. ASSAD. Yes, well, right now we are pretty much through the contracting group, which is one of the largest. Systems engineering is the other. They will be the next done. And that enables us to understand what are the gaps. And we understand that very well.

We know exactly what kind of skill sets that we are very much in short supply of—for example, pricing. We know that that is an issue within the department.

Mr. CONAWAY. There is pricing. Are there college graduates coming out with degrees in pricing?

Mr. ASSAD. Well, let me give you an example.

Mr. CONAWAY [continuing]. A team or a plan to go get that pricing competency that you need?

Mr. ASSAD. Let me give an example of that. We just put out a call for 300 positions that we are going to hire at Defense Contract Management Agency (DCMA) in pricing. And we just closed that request for hiring. We have 5,000 applications for those 300 jobs.

Mr. CONAWAY. Well, that is pretty—Mr. Assad, given the—unemployment rate.

Mr. ASSAD. Most of them are financial management. Yes, financial management folks make outstanding pricers, and there are a lot of financial management folks who are looking for employment.

Mr. CONAWAY. All right. How long will it take to get to get those 300 hired?

Mr. ASSAD. Well, I think we will probably get them hired within the next year. We just started the hiring process at DCAA. We opened up the DCAA hiring about two-and-a-half months ago. We have hired 175 folks already at DCAA.

Mr. CONAWAY. Is that process nimble enough? Are there barriers to doing that well and quickly that we need to address?

Mr. ASSAD. Well, we think that the expedited hiring authority that Congress has given us has been very helpful. The Navy in particular is really at the forefront in terms of utilizing that particular process, and I think we have brought about 400 or 500 people on board this year, using expedited hiring authorities, and we have only had 13 people who have actually refused employment as a result of utilizing that process. We have made some——

Mr. CONAWAY. What does that mean to me?

Mr. ASSAD. What that enables us to do is——

Mr. CONAWAY. Why did that 13—your standards are so low you only called 13——

Mr. ASSAD. No, no, no, no, no, no. What I am suggesting is that we were able to respond to people who are looking for jobs and in sufficient enough time that they accepted the positions and said, "Yes, we want to come to work for the government." We only had 13 folks who found other jobs.

Mr. CONAWAY. Found other jobs in the interim.

Mr. ASSAD. That is correct.

Mr. CONAWAY. I am with you. Okay. Thank you.

Yield back.

Mr. ANDREWS. Thank you.

The chair recognizes Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman.

Mr. Schooner, could you describe to us in more detail some of the inadequacies of the Defense Acquisition University and why they don't measure up to the VA Acquisition University system?

Professor SCHOONER. I think there are two separate issues. I think my most specific criticism of DAU is that when confronted with this issue, to some extent they have taken the approach, and I think it is perfectly rational from one standpoint, that study, study, study, figure out all the answers, and then go about solving it.

But we have known about this issue for more than a decade. And it seems to me that DAU had more than enough information years ago to start saying, "We will continue to study, but we have critical needs."

It did not take sophisticated research to understand that we didn't have enough contracting officer representatives managing service contracts on the ground in Iraq and Afghanistan. I didn't have to do research to tell you that.

But we now have empirical evidence demonstrating that the shortfall was staggering. And this is similar. And we can go through the list of the things we have talked about. Program managers, systems engineers, pricing experts—we can take any individual category.

I agree with DAU we do not know yet the exact number, but I know that at the current rate we are not going to have enough by 2015. I know we don't have them today, and I know we didn't have them three years ago either.

The VA thing—I mentioned it simply because it is a holistic approach, which is focused far more on growing the next generation rather than going out into the marketplace and trying to find the solution. I think we need to do that, but I am not convinced the marketplace can meet all of our needs, nor do I believe it will fill the gap or deal with the pending retirements, once the economy recovers.

So I think we need to be doing simultaneously both. I agree with all of those people that say we should be chasing the cow in the marketplace, but we need to grow the next generation, because we haven't done it for a generation.

Mr. ASSAD. Congressman, if I could make a comment, sir, about DAU. It was not DAU's responsibility to assess the size of the workforce. That responsibility rests at the under secretary of defense for acquisition, technology, and logistics. It rests at our office and the service acquisition executives.

With regard to the capability of DAU, there is no corporate university in this country that can equal the capability of the training that they bring to the employees of the Department of Defense. It is not even close. I mean, there is no defense contractor who has any training program that is even remotely close to the service that DAU provides to its federal employees. So I just want to clear that up.

Mr. COOPER. I am struck by the disconnect between Mr. Assad and Mr. Schooner, because on the one hand Mr. Assad said that the ace in the hole in hiring is the fact that they would be serving the warfighter, and Professor Schooner is saying, well, the Defense Acquisition University tends to study things to death and not get the action and results that the warfighter needs.

You say that, Mr. Assad, that the Defense Acquisition University is incomparable and better than anything in the corporate world and it sounds like state-of-the-art. And then Professor Schooner is saying that basically they are not even as good as the VA acquisition system, and they are buying hospital supplies.

Professor SCHOONER. No——

Mr. ASSAD. Well, the DAU is probably the most decorated or most recognized corporate acquisition university in the country

over the last five to seven years. What I am saying is DAU is not responsible for making a determination as to what the size of the workforce is. It happens to be that the president of DAU is our human capital officer and works for Acquisition, Technology, and Logistics (AT&L), but they are not responsible for that.

That was the service acquisition executives, as well as the office of the under secretary, including myself and my predecessors.

Mr. COOPER. Professor Schooner, you wanted to comment?

Professor SCHOONER. Sir, two things. First, I think it is apples and oranges to some extent. What VA is doing is a small, nascent effort, and it will grow a future workforce. They are bringing in literally tens of people a year, so it is very difficult to compare their scope with DAU.

And I fully appreciate what Mr. Assad is saying that the head of DAU is possibly two-hatted. But at the end of the day, he has been the point person for this rightsizing of the acquisition workforce.

And whether we want to point the finger at AT&L or whether we want to point it at DAU, I want to just make the simple point that we did not need to wait until Congress lost patience to begin rebuilding the acquisition workforce. The trend lines are unmistakable. We have seen it coming. There are no surprises here. We have been too slow.

Mr. COOPER. General, did you want to get a word in? I see my time has expired.

General FARRELL. Yes, sir. Well, I just wanted to say I have been in acquisition logistics for a long time in the Air Force, so I have kind of seen this thing go. I think DAU—their primary responsibility is education, and they do a great job of it. I have been to their school. I know General Anderson well. I know some of the professors. They do a good job of educating.

I think one of the issues you haven't touched on yet is when we used to do acquisition really well, and this was about 20 to 25 years ago, we didn't have all this education. The emphasis was on training, and Chairman Andrews has talked about this. We put more emphasis on training and professional development than we did on education. Now it seems to me we have got a lot of emphasis on education and not as much emphasis on training and professional development.

Mr. COOPER. Thank you. My time has expired.

Mr. ANDREWS. Mr. Coffman is recognized.

Mr. COFFMAN. Thank you, Mr. Chairman.

So it is my understanding—is the number about 65,000 to 75,000 in defense acquisition right now?

Mr. ASSAD. I think—in terms of folks that may be within retirement age in five years?

Mr. COFFMAN. Well, what is the total number right now?

Mr. ASSAD. One hundred twenty-seven thousand—actually, it is 179,000 to 185,000 when you talk about the integrated acquisition workforce with contractors.

Mr. COFFMAN. Okay. So why—that is a fairly significant number, and I think we are saying now that that number may not be large enough. Is that what we are saying, because that is more folks than we have on the ground in Iraq? I mean, having served there

with the United States Marine Corps, I am stunned at this number.

And having been in government, I have seen where sometimes we bring people in and we never push people out that might not fit. And we always make room for everybody. And so I have to ask the question: Do we have people that are the right people that are doing this? I mean, and do we have to make some hard decisions here?

Mr. ASSAD. I think, Mr. Congressman, first of all with regard to the size, I think we have got a pretty good idea of the size, and we are satisfied that we are about—where we want to go is going to address a lot of the issues that we have within the department.

You make a very good point, and that is to assess—properly assess—the mix of talent that we have. We know that there are some specific areas where we have to grow our mix from going from a contractor-supported capability into more of an inherent capability.

I will take the example of marine engineering. We know, for example, within the Navy, the Navy specifically is targeting in its growth strategy the growth of marine engineers, that we need to regain our shipbuilding marine capability in terms of being able to conduct proper oversight and understanding what is going on with our marine industry.

We know that in the Army, for example, they want to make some very specific growth in terms of program managers. And so there are areas that we can go through pretty good detail and say these are specifically by service where we are going to go the people that we are going to grow.

We know exactly what we are doing in terms of the number of contracting officers that we want to increase, where we want to increase, the talent level that we want to have. So I am not at all here saying that the 20,000 folks that we think we need to grow over the next 5 years is insufficient. I believe it should be sufficient, based on what we know today.

I can tell you that this is no small task, trying to hire 20,000 people over 5 years, and this is going to be—you know, it is a—we will do it. And I am very confident we can do it, but it is going to take us some time.

And, you know, you need to be able to look at this in our call over a five-year horizon. When we get to about year two or three, if we need to adjust this one way or other, up or down, we will be prepared to do it.

But I think we have got a very good plan that is executable. The services understand what they want to do and how they want to do it and that we can move forward. And I am satisfied that the size of the workforce in terms of the government employees, with the additions we are making, will be an ample and capable workforce.

Mr. COFFMAN. On the bringing in some of the technical expertise that is currently done by contract, I think that is just a very—I am having a lot of difficulty where to draw that line, because when you bring somebody in, say, that has a great deal of technical expertise in a kind of a finite area, and maybe you would contract—maybe they got really six months of work on a project, so where do you draw the line in terms of what is routine and what is not?

Mr. ASSAD. I think that historically, as we are examining our contractor workforce, we are doing that. We are actually looking at, well, how long have we actually had these contractor employees working in this organization? I mean, is this truly a surge capability? And if it is, that absolutely should be contracted out. But if it is a long-term requirement and need, and it is an inherent capability that we want to have, those are the kinds of decisions that we are making to say we need those to be government employees.

Mr. COFFMAN. Very good.

Professor SCHOONER. That is one interesting, and I mentioned in my statement—I threw it in a footnote in there—that a fun barometer to use for the outsourcing of the acquisition function is just look at a single firm, Acquisition Solutions, and I like to use Acquisition Solutions as an example, because as a general rule they are experienced, and the government likes them. They feel like they get good service from them, and they have got a pretty good policy so that there is no conflict of interest, because they only work for the government.

But we are talking about a firm that over the last 3 fiscal years is taking in about $35 million a year performing fundamental acquisition work for the government. So it is just one barometer. There are other firms out there, and there are a fair number of them, but it is some example of the fact that we have got a pretty significant need.

One of the other things that I think, frankly, scares me a little bit about the reach and depth of Acquisition Solutions is how they not only provide so many valuable services to our acquisition community, but they are establishing themselves as the fundamental source of knowledge management in acquisition as well.

And I think this is less true for the Defense Department and many of the other government agencies, but for many procurement professionals today, the place I go for answers first is their contractor, rather than a government source.

Mr. COFFMAN. Thank you, Mr. Chairman. I believe my time has expired.

Mr. ANDREWS. Thank you, Mr. Coffman.

With the consent of my colleagues, we will do a second round for those who would like.

I am going to come back to the systems engineering question. Any of you, how would you define in quantitative terms the number of systems engineers that we need today to properly manage the procurement that we are doing, part A? And then part B, how far short of that do we fall right now? How many systems engineers do we need and how many do we have?

Mr. ASSAD. We have approximately—and I will get you the precise number, but my recollection is 37,000 or so engineers, including our systems engineers. We want to hire 2,800 over the next 5 years.

[The information referred to can be found in the Appendix on page 77.]

Mr. ASSAD. Our services believe that that is sufficient, because we do rely on and do utilize systems engineering capability from the industrial workforce, and we don't want to stop that, because for the very reason that the congressman mentioned. We may have

a one-year task that needs to be done or a very specific task that needs specific types of skills. We can contract that out, and we will.

What we are looking for precisely right now is we have a loss of some very specific skills that we want to have inherent within government, like marine engineering.

Mr. ANDREWS. Well, does that 2,800 in your opinion also absorb the retirement loss that we are going to suffer?

Mr. ASSAD. Yes, when I am talking about 2,800, that is growth. That is growth on top of the present number.

Mr. ANDREWS. So that would assume that we fill the vacancies of people who retire and add 2,800 slots on top of that?

Mr. ASSAD. Yes, sir. I think the number is about 6,000 folks a year we are hiring within the acquisition—that is on systems level.

Mr. ANDREWS. Just in systems engineering, I am talking about.

Mr. ASSAD. I will have to get for the record the exact number on an annual basis, but it is about 6,000 overall.

Mr. ANDREWS. Does anyone on the panel disagree with that assertion as to that number is the goal?

General FARRELL. I don't know what the number is, but we ought to focus on the criteria, and the criteria is what does it take for government to be a good buyer? And all the major defense acquisition programs need systems engineering expertise.

Mr. ANDREWS. Yes.

General FARRELL. If you see a program that is contracted out with something like a total system performance responsibility, a TSPR, or a lead systems integrator, you might assume that the government doesn't have enough systems engineers or expert pricing people to do that job.

Mr. ANDREWS. General, I think you are touching on a question Mr. Conaway and I want to know the answer to. Are all these people being added all entry level? Or are there going to be some laterals added as well?

Mr. ASSAD. Well, let me tell you that the targeted level that we are using for our systems is GS–14 and 15. So we understand that we are going to have to be very competitive to get systems engineers. Now, we have a systems engineering intern program and a management development program that we are looking at.

Mr. ANDREWS. But the short answer is it is a mix of lateral and entry level.

Mr. ASSAD. That is correct.

Mr. ANDREWS. What is the blend? Is it 70 entry, 30 lateral, or——

Mr. ASSAD. I don't have that number for you, but I will get it back for the record and give it to you.

[The information referred to can be found in the Appendix on page 77.]

Mr. ANDREWS. Professor, did you want to comment on this question?

Professor SCHOONER. I am not in a position to quantify on the number, but it is quite clear, based on what the general research shows and what we are hearing both from the program officers, but also specifically from the private sector, that this is a huge hole.

I think it is great that they are taking an aggressive approach, but I again think they need to do both. I think they need to bring in the senior people, but they need to grow them, too.

Mr. ANDREWS. Yes, I think this is an encouraging answer, but one obvious finding is that there is this huge hole.

Let me shift ground for my final question. The committee is very interested in much more emphasis on the requirement process in procurement. We have learned in our work thus far that a lot of the problems that metastasize later in the process grow from an inadequate requirements process. We don't think things through well enough. We don't have the right kind of requirement design.

To what extent do you think that procurement professionals should be involved in the requirements process, and not simply jump in later on? What do you think about that—any of you?

Mr. ASSAD. Well, I think that there has to be a handoff, a well understood and an integrated handoff between the requirements generators and the acquisition professionals. And the earlier we can get into that process in terms of understanding what the warfighter really needs—and frankly, that is where systems engineers come into play is understanding what is the right solution to address the warfighter's need—is helpful.

Mr. ANDREWS. Is there any reason that you shouldn't be in on day one?

General FARRELL. It is a given. Well, the operators are the guys at stake in the corners—the warfighters.

Mr. ANDREWS. Right.

General FARRELL. And it should be their requirement. But there should be some discipline in the process, so therefore there has to be a healthy tension between the acquisition professionals on the one hand and the operators, who are stating the requirement, on the other. And there needs to be somebody at the time refereeing that process.

And the way we have seen it work the best is when the Air Force used to have the chief referee between the head acquisition guy and the head operator, who is demanding the requirement.

Mr. ANDREWS. That would be a fun job.

General FARRELL. It works. But somebody has to say—the acquisition guy has to say, "What you are asking is going to take a total redesign. It is going to add this many years. It is going to add this many dollars. Is that what the Air Force or the Navy or the Army wants?" And the chief has to say, "No, we are going to take a more measured approach."

And one of the things that we need to reinstitute that we kind of walked away from is block development, which says that the first thing coming off the line doesn't have all of the unobtainium in it. It is kind of a basic——

Mr. ANDREWS. Is that on the chart of periodic elements?

General FARRELL. Yes. It is a basic article. It has got a measurable increase over the thing that it is replacing, but it is going to grow over time with the block two, the block three and the block four. If you put block development in every program, you would see a measurable improvement in its cost and schedule performance.

Mr. ASSAD. All right. Thank you, Mr. Congressman. That is specifically what the material development decision process is all

about that we have instituted in DOD Instruction 5000. It is to get the warfighters, the requirements generators, together with the acquisition folks, pre-milestone A, to say do we really have a solution and do we understand what your requirement is? How do we concept that?

Mr. ANDREWS. My final comment would be one of the witnesses—I think the professor—talked about encouraging ROTC education and whatnot, that any sort of integrated education we could do with our warfighters and our civilian procurement people make an awful lot of sense, that to the extent that some of our men and women in the field that are driving the requirements for us also had some skills and knowledge in the procurement area, that they got some skill set would be a very, very positive thing.

Mr. Conaway.

Mr. CONAWAY. Thank you, Chairman.

The hiring process you mentioned, Mr. Assad, the expedited—what would we call the hiring process?

Mr. ASSAD. Hiring authority.

Mr. CONAWAY. Well, the expedited hiring authority versus competitive or regular or the——

Mr. ASSAD. Oh—oh, no, sir. The expedited hiring authority is still competitive. What it does is it enables us to keep positions open for a longer period of time, kind of a rolling admissions type of a thing.

Mr. CONAWAY. What is the time differential between a typical hire under the standard model versus the expedited model?

Mr. ASSAD. I can just see to my own personal experience. The regular process at times has taken us 7 to 8 months to hire somebody, and in an expedited hiring authority, we can get them in in 90 days. That is pretty good.

I mean, you know, they know up front that they are going to be hired. That is the important thing. It is that uncertainty of someone who is looking for a job—do I know I am actually going to be hired? And if they understand that they are, then they do understand they have got to go through, in some cases, security clearance processes, other cases——

Mr. CONAWAY. So the expediter allows you to tell them, well, we are hiring you.

Mr. ASSAD. Right.

Mr. CONAWAY. But that means they have got to make personal choices to wait on whatever that is. They have got some confidence to do that. And that is where that 13 number came in earlier that you only had 13 people bail out on you under the expedited model?

Mr. ASSAD. That is correct. Yes, sir. That is correct.

Mr. CONAWAY. Any sense of how many people bail out under the regular model?

Mr. ASSAD. Well, the problem is that in many instances—I don't have a precise number, but I can tell you anecdotally oftentimes what happens is you go back and tell somebody you want to hire them, and they are gone. They are already working for somebody else.

Mr. CONAWAY. Thank you.

Professor, you mentioned incentives in the private sector that aren't available in the public sector. Can you give me some sense

of what kind of incentives we could offer to government employees, given your understanding of how the government works and how incentives programs that we have in a lot of places get hung up in the union issues and, you know, all those kinds of things?

Professor SCHOONER. Well, I actually commend Mr. Assad. In some recent testimony he has talked about the fact that DOD is looking at this issue again, and I think anything they do is a good example. But the least cost, most effective one I have seen in the last generation was Vice President Al Gore gave away hammers on frames, and that worked pretty darn well. It didn't cost very much. People loved the pat on the head.

Mr. CONAWAY. So it is the recognition more than money.

Professor SCHOONER. I think that is part of it, but I also think we can do more with money as well.

Mr. CONAWAY. All right.

And then one final question for the whole panel. Talking about contractors in this day and age is a lot like talking about lobbyists. It is almost used as a pejorative, and that is not fair on either one of them.

Do we really have a good understanding of what a good contractor looks like when you see him? I mean, we have certainly got some contractors throughout this 52,000 that at least you should talk about, who we get good value from when they do the job for us. Do we understand which is which?

Mr. ASSAD. I think we do, and I certainly don't want to intimate at all, Mr. Congressman, that we are not getting good value from the contractors that are working for us. In general they do a good job. I think what this is just is a recognition that there are some capabilities that we just need to increase our own particular capability.

Mr. CONAWAY. That leads to a kind of aside. One of you mentioned inherently governmental functions and tightening up, generally tightening up. What did you mean by tightening up? I didn't know which way that tightening went.

General FARRELL. It is a very loose definition in its application. There are also some spinouts. I have got a paper here that we did in the National Defense Industrial Association, which we provided for your staff. And the paper goes through it. We sent it to OMB.

But basically definition in this application is very loosely applied. There are some spinout definitions like positions closely associated with inherently government. Who knows what that means?

Mr. CONAWAY. Okay.

General FARRELL. There is a process under way now to define that. OMB has got the stick on that, and they are supposed to report out on 30 September, but if they don't come out with a tight definition of that, it is going to be very difficult between government and industry to sort out what we do.

Mr. CONAWAY. Should they have that definition out before they get out the estimate for the 2009 deficit? Never mind. That is an inflammatory comment. Any other comments on your contractors versus their contractors?

Professor SCHOONER. Very briefly on this. First of all, the public perception of this issue is simply incorrect. Our contractors provide the United States Government excellent value for money. And I

have spent a lot of time traveling around the world working with other governments on their procurement systems. We have the best procurement system in the world. We get terrific value for our money.

At the end of the day, we can take any individual example. If I were to just give you one quick one, the public believes deep in their heart that Kellogg Brown & Root has done a bad job in the LOGCAP contract. That is wrong.

I believe that a generation from now, military history may reflect that the Logistics Civil Augmentation Program (LOGCAP) contract is the most significant advance in military history ever. Never has a military had the ability to project so much potency and sustainability around the world with such speed. Mr. Assad mentioned surge capacity. This is a remarkable model, and the public has absolutely no idea, because they are focused on errors at the margin.

Having said that, the errors at the margin are what are caused by not having enough people to effectively manage our contracts. But these are superb contractors doing excellent work for our Defense Department.

Mr. CONAWAY. Next.

General FARRELL. Yes, sir. The kind of people we need to bring into government are highly technical, skilled guys. If we are going to insource things, we should not insource what I call the arms and legs business.

Mr. CONAWAY. The what?

General FARRELL. The arms and legs business—people carrying things, delivering things, performing basic logistics functions, because the industry is much more agile than government when it comes to hiring and laying those people off and making the financial adjustments.

To follow on the professor's comment, somebody like Kellogg Brown & Root, over half the people supporting those guys in Iraq are former service guys. And when somebody comes up—if a soldier comes up and I am supplying water or meals, and they say, "You know, we need three crates of water or we need two trucks of water," I don't ask the guy to sign an invoice. I deliver it to him. And when I deliver to him, I don't tell him to drop his rifle and sign the fact that I have delivered it.

But you have seen GAO go out there and audit those things and say, "We can't verify the fact that, you know, two trucks of water was delivered on such and such a day." These guys are doing incredible work out there, and we ought to give them credit for it.

Mr. CONAWAY. Thank you, Chairman.

Mr. ANDREWS. Thank you, Mr. Conaway.

Mr. Coffman, do you have any follow-up?

Mr. COFFMAN. Yes, Mr. Chairman.

I think that there was some discussion about the mix between military and civilian procurement officers, and there was a comment about just the training and professional development of military personnel versus civilians. Do we have the right mix of military personnel versus civilians in procurement?

Mr. ASSAD. I believe we do, Mr. Congressman. We have about 2,200 Air Force personnel, uniformed Air Force personnel, who are in the contracting profession, if you will. We have a thousand who

are in the acquisition profession. We have about 400 Army, to soon grow to a thousand, in terms of contracting professionals. So we have got a pretty good mix of military.

We are focusing on military capability primarily on supporting the battlefield, and that is where it needs to be. We need acquisition program managers, who are capable of managing major weapons systems, but in terms of doing the actual logistics and contracting support itself, our soldiers, sailors, airmen and marines need to know and have the skills that are necessary to operate on the battlefield and support those soldiers who are on the battlefield, and marines and airmen and sailors.

And I think that we have got a pretty good mix. Mr. Schooner mentioned our development programs. We have an outstanding development program in the Air Force in terms of growing its acquisition professionals. The Marine Corps has recently over the last two years completely restored and revitalized its acquisition professional management curricula and their development program for Marine officers and Marine enlisted. It is very impressive.

So I think we are in pretty good shape with regard to what we need. The Army is going to have a challenge, you know, over the next four or five years. They are continuing to grow. They have a good idea of the number that they need. They are not there, but they have a plan to get there.

Mr. COFFMAN. Thank you, gentlemen.

Mr. ANDREWS. Thank you.

I would like to thank my colleagues and thank the panel for excellent work here this morning. I think the committee is very much focused not on quantitative questions, but on qualitative ones. I think if we approach this issue from the question how many people should we have working on this problem, we are not going to get the right answer.

What I prefer to see us do is derive some qualitative standards, where we say, "How can we have the very best procurement system from the point of view of the uniformed personnel and the taxpayer," and then figure out the skill sets necessary to achieve that, and then work the quantity out from there.

I think we have a great opportunity in the budget commitment that the secretary of defense has made to fill out the workforce, but I think it is our responsibility—it is incumbent upon us—to take full advantage of that opportunity and make sure that we give Mr. Assad and his colleagues the tools in recruiting, training, educating and retaining high-quality people, who will be able to do the work that needs to be done here.

I am particularly impressed by the fact that General Farrell's story, I think, is very telling, that I don't want to see us fall into the trap of stereotypical assumptions, good or bad, about contractors and/or public employees. There are negative stereotypes for both. There are positive stereotypes for both. We don't want to be in the stereotype business.

We want to encourage a system where we have sensible lines to draw between where we insource and where we outsource based upon the merits, and then we get the best on both sides, and we reward people and incentivize them to do the job as well as they can.

Because you have done such a good job this morning, your reward is that we are going to ask you more questions later on in the process, I am sure, and if you gentlemen would avail yourselves to that, this panel's intention is to present legislative recommendations to the full committee in time for the fiscal year 2011 bill that will come out next year. We are certainly going to be asking you for your thoughts as we go forward in that process.

With that, the panel stands adjourned.

[Whereupon, at 9:11 a.m., the panel was adjourned.]

# A P P E N D I X

JULY 21, 2009

## PREPARED STATEMENTS SUBMITTED FOR THE RECORD

JULY 21, 2009

OPENING STATEMENT FOR CHAIRMAN ROBERT ANDREWS
DEFENSE ACQUISITION HEARING
July 21, 2009

Welcome everyone to today's hearing on *Shaping a Workforce for Today's Acquisition Environment That Can Meet DOD's Needs*

Our witnesses today are:

Mr. Shay Assad
Director, Defense Procurement Acquisition Policy
Acting, Deputy Under Secretary of Defense, Acquisition & Technology
U.S. Department of Defense

Lt. Gen. Lawrence P. Farrell, Jr., USAF (Ret)
President
National Defense Industrial Association

Professor Steve Schooner
Co-Director of the Government Procurement Law Program
George Washington University Law School

The Panel's focus is on the operations and efficacy of the acquisition system – in which the acquisition workforce plays a critical role. As the hearing title suggests, this morning we will be examining how we can shape the Defense Department's workforce to meet today's contracting environment. Together, we need to look at what is needed to reinvigorate the Department's acquisition workforce, whether the workforce has the right skill mix (currently and for future operations), and whether the workforce is adequately focused on the contracts where the money is being spent (such as service contracting). In addition to hearing from the DOD representative, Mr. Shay Assad, who is responsible for managing the department's acquisition workforce, we have two "outside" witnesses who have spoken out often on the critical need to improve and reshape the acquisition workforce as a national priority.

I want to thank my colleagues on the Oversight and Investigations Subcommittee who essentially laid the groundwork for today with a hearing they held in April on the overall state of the defense acquisition workforce. They also looked like at the implementation of several legislative provisions that have been enacted in recent years aimed at helping the Department of Defense develop an appropriately manned, skilled, and trained acquisition workforce. These initiatives, dating back to 1990, include efforts to professionalize the acquisition workforce (through appropriate training and certification requirements), the creation of an acquisition development fund, expedited hiring authority for acquisition positions, and the requirement for a career path for military personnel in the acquisition community.

Given the challenges the Department's acquisition system faces, many of which are laid at the feet of the acquisition workforce, we must ask too whether the leadership within the Department of Defense and the Services are sufficiently focused on the critical nature of the mission performed by the acquisition workforce. Are they determined to create and support an acquisition workforce that operates as a force multiplier for the warfighter? Viewed in that light, then poor performance and inadequate size, composition, and training, as with any other warfighter support, should not be tolerated.

Certainly some of the problems with the workforce may be laid at the feet of Congress which imposed a series of reductions on the overall size of the acquisition workforce in an effort to downsize that workforce in keeping with reductions being experienced in the workforce department-wide, and to reap part of the so-called "peace dividend." But we did not foresee the significant jump in the Department's procurement budget ballooned, and with it, the number of contract actions accomplished. That is particularly true, as we've been hearing often, in the services contracting arena.

Now we are struggling to rebuild that workforce. We commend Secretary Gates for undertaking a major hiring initiative specifically aimed at the acquisition community. But, as I said at the outset, our challenge remains with identifying gaps in the knowledge and capabilities of the workforce and ensuring we have the right skill mix. We must be focused on getting the people we need not only for today's requirements but those of the future. Institutionalizing successful lessons learned may help ensure that the past does not repeat itself.

Finally, it must be pointed out that a professional, knowledgeable, well-qualified acquisition workforce benefits not only its DOD and military department customers, but private sector contractors as well. Better defined requirements, improved cost estimating, and full knowledge of the contracting process should lead to improved contractor performance – and frankly, fewer press headlines.

I thank our witnesses in advance for their excellent testimony and their willingness to join us at this early hour.

I now turn to Mr. Conaway for any remarks he may wish to make.

**Statement of Rep. Conaway, Ranking Member**

**Hearing of the**
**Defense Acquisition Reform Panel**
**on**
**"Shaping a Workforce for Today's Acquisition Environment That Can Meet DOD's Needs"**

**July 21, 2009**

Good morning, Mr. Chairman, ladies and gentlemen. I would like to thank our witnesses for taking time out of their busy schedules to be with us this morning.

This panel has conducted many hearings over the course of the last 3 to 4 months. Subjects have included the acquisition process, major weapons systems programs, services contracts and even Information Technology contracting. And one theme that has stood out at all of these hearings is the challenges and opportunities that face the acquisition workforce itself. It is clear to me that if this Panel were to make only one set of recommendations and were to get only one thing right, it must be creating the conditions for the Department that ensure the acquisition workforce is adequately staffed and trained.

Congress helped create the current condition of this workforce during the 1990's when it directed its downsizing. Now Congress must take the appropriate actions to fix it. And while Congress has taken recent actions to help restore the acquisition workforce, there is much more to be done. That is why we are here today; to gain insights from our panel of expert witnesses.

For example, it's not enough to simply grow the workforce. What specific skills do they need and do we have the necessary institutions to properly train them? What is the proper balance between uniformed personnel and civilians? As for uniformed personnel, some military officers begin their entry into the acquisition workforce as second lieutenants, others start as captains. Which model has yielded better results? As well, requirements and budget personnel currently aren't part of the acquisition workforce – which was one of the findings from the 2006 Defense Acquisition Performance Assessment report. Given the critical role they play, how do we get all of these communities working and training together?

What is clear to me is that we can make numerous changes to the acquisition process itself, but if we don't create the conditions for a properly sized, equipped and trained workforce it won't really matter.

I look forward to hearing from our witnesses and gaining their insights into this critical issue.

Thank you Mr. Chairman.

**STATEMENT BY**

**MR. SHAY D. ASSAD**

**ACTING DEPUTY UNDER SECRETARY OF DEFENSE**

**(ACQUISITION & TECHNOLOGY)**

BEFORE THE

COMMITTEE ON ARMED SERVICES
ACQUISITION REFORM PANEL
UNITED STATES HOUSE OF REPRESENTATIVES

**DEPARTMENT OF DEFENSE**
**DEFENSE PROCUREMENT AND ACQUISITION POLICY**

SHAPING A WORKFORCE FOR TODAY'S ACQUISITION ENVIRONMENT THAT CAN MEET DOD'S NEEDS

JULY 21, 2009

Chairman Andrews and Members of the Panel:

My name is Shay Assad and I am serving as the Acting Deputy Under Secretary of Defense for Acquisition and Technology, in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L). I also serve as the Director of Defense Procurement and Acquisition Policy where I am responsible for all acquisition and contracting policy and serve as the senior functional leader for the DOD contracting workforce. Thank you for the opportunity to appear before you and to participate in today's discussion on the acquisition workforce.

A major element of DOD's acquisition reform efforts is revitalizing the defense acquisition workforce. Significant emphasis by leadership to include the President, the Congress, and the Secretary of Defense have laid the foundation for the first significant growth in the acquisition workforce since the military build-up in the 1980's and the downsizing that occurred during the 1990's. The Defense acquisition workforce is critical for improving acquisition outcomes for the nation's $1.6 trillion investment in major systems. This workforce is also critical for supporting our expeditionary and emergency acquisition missions. As you are aware, there has been a mismatch between the demands placed on the acquisition workforce and the personnel and skills available within that workforce to meet those demands." In 2001, the Defense Department spent $138 billion on contracts, and in 2008 spending reached $396 billion -- $202 billion of it was for services. During this period, the size of the organic Defense acquisition workforce (civilian and military) remained relatively flat while dollars spent on

contracting actions over $25,000 more than doubled. Additionally, there was also a significant increase in use of contractor support personnel.

On April 6, 2009, the Secretary of Defense announced his intention to significantly improve the capability and capacity of the Defense acquisition workforce by increasing the size of the workforce by 20,000 through fiscal year 2015. This will restore the organic acquisition workforce to its 1998 levels of approximately 147,000 and address long standing shortfalls in the Defense acquisition workforce. The Secretary's initiative is the cornerstone human capital strategy for revitalizing the defense acquisition workforce.

This DOD growth strategy directly supports the President's March 4, 2009 memorandum's objective to ensure the acquisition workforce has the capacity and ability to develop, manage, and oversee acquisitions appropriately. The objective is straightforward: to ensure DoD has the right acquisition capability and capacity to produce best value for the American taxpayer and for the soldiers, sailors, airmen and marines who depend on the weapons, products and services we buy.

The strategy increases the size of the acquisition workforce by 15% -- 20,000 through fiscal year 2015. As an integral part of this strategy, the Department will convert approximately 10,000 contractor support positions to full-time government employee positions. This will create a better balance between our government workforce and contractor support personnel and ensure that critical and inherently governmental functions are performed by government employees.

The Department's strategy will increase and improve the Department's oversight capabilities, thereby ensuring we get what we pay for; ferret out waste, and assist in combating contract fraud. Increases to our contracting and contract oversight workforce are underway, to include the Defense Contract Management Agency and the Defense Contract Audit Agency. We will also increase our organic acquisition management capability by increasing and developing the number of program managers, systems engineers, and other acquisition professionals. This will include critical professionals such as our competition advocates and small business specialists. The Components have done extensive bottoms up planning and have started deployment of growth hiring and other workforce initiatives which support the Secretary's strategy.

A key part of the Department's strategy to improve the Defense acquisition workforce is to build up our contract pricing capability. In order to ensure we get a better deal for the taxpayers and the soldiers, sailors, airmen and Marines who depend on the weapons, products and services we buy, we will add approximately 800 contract cost/price analysts to the workforce through FY 2015. To align our policy and pricing organizations with the Secretary's strategic vision, the Office of Defense Procurement and Acquisition Policy (DPAP) is working with the Department's Senior Procurement Executives and the Defense Acquisition University ensure the contract pricing workforce is properly sized, equipped, and trained. Our objective is to ensure that the contract pricing workforce has the right capability and capacity to ensure we are paying fair and reasonable prices for the weapons, products, and services we buy. As part of that effort we recently sponsored a two and one half-day Contract Pricing Conference that was

attended by over 300 Government pricing and contracting professionals from 84 separate military commands, DOD organizational units, and nine Federal (non-DOD) agencies.

An important element of workforce success is employee satisfaction and motivation. Through the Defense Acquisition Workforce Development Fund, we have numerous initiatives under way that will improve the employee value proposition for our acquisition professionals and the attractiveness of an acquisition career. These initiatives include deliberately improving the technical and leadership capability of our military and civilians. We will also improve our employee recognition programs by expanding awards for top performing exceptional individuals. These initiatives directly support the recognition objective established in the FY2009 Acquisition Reform Act.

My understanding is there are a number of areas that you have asked that I address.

***The Hiring Process***

The first area of concern is the hiring process. In my view, the most important aspect of the hiring process is that we are transitioning from a workforce maintenance hiring process to a workforce growth hiring process. In that regard, we are supporting the Office of Personnel Management and the Department on initiatives to ensure an effective yet streamlined hiring process that enhances our ability to attract high quality candidates. With the help of Congress, through tools such as defense acquisition expedited hiring authority, we are beginning to see improvements. To support the Secretary's acquisition workforce growth initiative, which will increase the organic size by 20,000 government

professionals by 2015, the Department is working hard to ensure DOD components have the policy, guidance and tools to deploy this significant hiring effort. Linking the support efforts of all key stakeholders across key functional areas to include human resources, manpower, comptroller, and acquisition personnel is critical. We recently held hiring and in-sourcing forums to support successful implementation of the Secretary's acquisition workforce growth initiative. Manpower, human resources, and acquisition workforce management personnel discussed implementation guidance and impediments, as well as opportunities to migrate best practices. The Navy followed up and hosted a best-practice sharing forum on how the Navy is leveraging hiring tools to ramp up hiring.

Hiring authorities, resources and processes are in-place. We are fine-tuning planning to ensure meaningful and enduring effectiveness of the Secretary's initiative. The Administration recommended statutory changes as part of the fiscal year 2010 legislative cycle, based on DOD lessons learned, to effect adjustments to the expedited hiring authority and defense acquisition workforce development fund statutes. We appreciate your support of these proposals as the Congress finalizes the FY2010 DOD Authorization Act.

Another area of concern involves the benefits of the competitive hiring process. Our objective is to hire the best qualified personnel, upholding and supporting the merit principles, and meeting government-wide statutory and policy objectives. We believe the competitive process helps ensure that we are considering the best qualified to support the acquisition mission.

***Hiring Flexibilities***

We have been asked if the hiring flexibilities that we have are adequate. Expedited hiring authority and the headquarters ceiling relief for the acquisition workforce, both provided by Congress, add to our flexibility and available tools. Recommended statutory adjustments to the defense acquisition workforce development fund and expedited hiring authority statutes would fine tune and improve our ability to more effectively use these tools. We have requested the ability to hire current DOD personnel to positions funded by the workforce fund. This would expand the pool of qualified candidates. We have also requested a change to the expedited hiring authority statute to enable using "critical need" as a basis for using the expedited hiring authority. Currently the statute cites the other primary basis, "shortage," for using the authority. Under current hiring conditions, we believe our hiring requirement is more appropriately a function of "critical need." The Administration has also asked for a statutory adjustment that would clarify that the expedited hiring authority can be used for hiring entry level personnel, in addition to journeymen and experts. Again, I would like to thank Congress for their support in providing workforce tools.

***Intergovernmental Personnel Act (IPA)***

With regard to the use of assignments under the Intergovernmental Personnel Act (IPA), as you know, this is a streamlined way to share expertise and perspectives among the various sectors of government, industry and academia. Although currently used on a

limited basis, it is an important part of our workforce toolkit. I know that we have taken advantage of the IPA hiring process as I have two IPAs working on my staff.

***Systems Engineering***

One of our key areas of targeted workforce emphasis revolves around hiring plans for systems engineering. As reflected in recent testimony by senior DOD acquisition leaders from the Services, all believe that ensuring a strong systems engineering capability is a high priority as we reshape and grow the acquisition workforce. All three services as well as OSD are planning to grow their engineering workforces. Our initial estimates are that the planned growth will be in the range of 2,800 engineering professionals. We plan to submit the details by component in a report to Congress scheduled for delivery in September 2009.

***Program Management Tenure***

With regard to program manager tenure, Department policy requires that component acquisition executives ensure a written tenure agreement is prepared when an acquisition program manager is assigned to certain major acquisition programs. The Department views tenure as a key element of program stability. The purpose of the written agreement is to ensure program managers have sufficient tenure to achieve the outcomes we expect of them and to provide additional goal-oriented mechanisms that improve systemic and personal accountability. Our latest available survey data indicates the actual average tenure of program managers across all Military Departments was 23.8 months with an expected tenure of 42 months. We will continue to monitor tenure and emphasize as an important element of overall program stability.

***Acquisition Logistics Professionals***

We have had concern expressed regarding DOD's planned increase in the acquisition logistics workforce as part of the Secretary's overall growth initiative. As background, this career field has grown from approximately 11,000 reported acquisition logistics incumbents in 2001 to 13,932 as of the end of the second quarter of fiscal year 2009. This is one of the few functions that has actually increased in reported positions since 2001. Part of this increase is not actual growth but related to newly coding existing positions. Regarding the Secretary's growth initiative, several DOD components plan to increase the size of their logistics professional workforce. Our initial plan includes growth of approximately 1,700 logistics professionals. We are finalizing plans for acquisition workforce growth by functional category and more details will be available in a planned September 2009 report to Congress.

A concern has been express regarding the professional certification of logisticians in the acquisition community. I would like to provide you our latest information. First, it is important to understand that only about 5% of DOD logisticians directly support acquisition and are members of the acquisition workforce. For this group, our data indicates that 70 percent of the 14,952 acquisition life cycle logistics personnel hold a logistics acquisition certification and 45% meet or exceed their position certification requirements.

***Competency Modeling***

An area that is of particular interest to me is our defense acquisition competency initiative. The objective of the DOD acquisition workforce competency initiative is to develop a better understanding of the operational skill sets and to take action to mitigate capability gaps of the acquisition workforce. By October 2010, DOD will have completed its objective to establish competency models and conduct assessments for almost all acquisition disciplines that are part of the defense acquisition workforce. These functional disciplines represent over 125,000 acquisition professionals working as budget officers, comptrollers, contracting officers, engineers, information technology specialists, logisticians, program managers, etc. The contracting community was the first acquisition community to plan for a comprehensive competency assessment. The contracting community is well positioned to provide developmental support on a command-by-command basis for personal and professional growth by using the benchmarks supported by over 87 percent of the 1102 contracting specialists in the contracting community. Engagement of senior leaders in the contracting community was key to achieving these high participation rates.

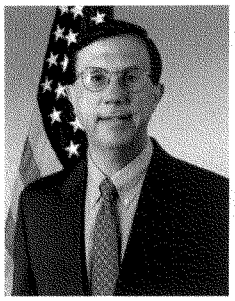
The Departments strategy is to improve capacity and capability which increases its size back to 1998 levels. The initiative involves increasing the organic workforce by 20,000 from approximately 127,000 to 147,000 by 2015. The growth strategy also includes rebalancing the workforce mix to increase the organic government workforce while

reducing reliance on contractors to accomplish the acquisition mission, especially with respect to critical governmental functions. The functions of approximately 10,000 contractor positions that support the acquisition mission will be in-sourced and performed by government personnel in the near future, starting with 2,500 in fiscal year 2010.

## SUMMARY

Thank you for the opportunity to share on the DOD acquisition reform efforts on the Defense acquisition workforce. I look forward to working with the Panel and keeping you apprised of our progress on the Secretary's acquisition workforce growth initiative.

## Defense Procurement and Acquisition Policy



Mr. Shay Assad
Director, Defense Procurement

**Shay Assad**

**Director**
Defense Procurement

Mr. Shay Assad assumed the role of director on April 3, 2006. As the Director of the Defense Procurement, Acquisition Policy and Strategic Sourcing (DPAP), he is responsible for all acquisition and procurement policy matters in the Department of Defense (DoD). He serves as the principal advisor to the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) and the Defense Acquisition Board on acquisition & procurement strategies for all major weapon systems programs, major automated information systems programs, and services acquisitions. He is responsible for procurement/sourcing functional business process requirements in the Department's Business Enterprise Architecture (BEA). Mr. Assad is DoD's advisor for competition, source selection, multiyear contracting, warranties, leasing and all international contracting matters. He is the functional leader for the Contracting workforce within the Department of Defense, and he is also responsible for overseeing all Strategic Sourcing activities within the Department of Defense.

Before assuming this position, Mr. Assad was the Assistant Deputy Commandant, Installations and Logistics (Contracts), Headquarters, Marine Corps, Washington, D.C. He had held the position as the Marine Corps' senior civilian contracting official since June 2004.

Upon graduating with distinction from the U.S. Naval Academy in 1972, he served two tours of duty aboard U.S. Navy destroyers and won recognition as the Outstanding Junior Officer, Fifth Naval District. He then served as a Naval Procurement Officer at the Naval Sea Systems Command.

In 1978, Mr. Assad began working for the Raytheon Company. He was promoted to Vice President – Director of Contracts for Raytheon in 1994 , and was subsequently promoted to Senior Vice President, Contracts in 1997. As such, he was responsible for the contract negotiation and administration activities ($20 Billion) in all of Raytheon's businesses – both government and commercial. In addition to his contracting duties, Mr. Assad was given numerous program and business management special assignments by Raytheon's Executive Office. These assignments spanned participation in all three of Raytheon's major operating businesses (Government, Aviation, and Engineering and Construction). In 1998, he was promoted to Executive Vice President and served as the Chief Operating Officer and subsequently, as the Chairman and Chief Executive Officer of Raytheon's Engineering and Construction (RE&C) business with eleven offices world-wide, revenue of $2.7B and 15,000 employees. He retired from Raytheon in July 2000.

He has received numerous Federal Service awards to include: 1) the Secretary of Defense medal for exceptional civilian service; 2) the Secretary of Defense medal for meritorious service; 3) the Department of Defense Inspector General Joseph H. Sherick Award (the highest honor given to non-IG employees); 4) the 24th Annual Gilbert A. Cuneo Lecturer, and 5) the inaugural recipient of the 2008 Osborne A. "Oz" Day Award as the Federal executive who has done the most to increase the awareness of Ability One employment opportunities for those who are blind or severely disabled.

# TESTIMONY

# OF

LT. GENERAL LAWRENCE P. FARRELL, JR. (USAF RET)

PRESIDENT AND CEO

NATIONAL DEFENSE INDUSTRIAL ASSOCIATION

PANEL ON DEFENSE ACQUISITION REFORM

HOUSE COMMITTEE ON ARMED SERVICES

JULY 21, 2009

Chairman Andrews, Ranking Member Conaway, I am Larry Farrell, President and CEO of the National Defense Industrial Association and on behalf of our 1560 corporate members, and just over 71,200 individual members, I am pleased to appear before the Panel on Acquisition Reform today to emphasize the importance of acquisition workforce reform from the defense industry point of view.

Earlier this year, the Secretary of Defense announced a program to improve the capacity and capability of the acquisition workforce by converting 10,000 contractor positions and hiring an additional 10,000 acquisition professionals by 2015. The President's budget request for fiscal year 2010 would fund approximately 4100 new acquisition positions. The Acting Deputy Under Secretary of Defense (Acquisition & Technology) testified a few weeks ago that this increased level of acquisition professionals would, when completed, restore the organic acquisition workforce to its 1998 levels of approximately 147,000 and address long standing shortfalls in the Defense acquisition workforce". This proposal would, in my opinion, certainly revitalize the Department's acquisition workforce; however, for this plan to succeed, a long term policy and funding commitment must be sustained. It is a complex task with no easy fix. And it is not just a question of "insourcing work". The major issue is there are too few government acquisition personnel with the right measure of critical skills such as

system engineering, program management, contract oversight, and cost estimating to name a few. It is important to add acquisition personnel in the most critical and under-resourced areas.

Replacing the depleted federal acquisition workforce continues to represent a real and practical challenge for all federal agencies. Insufficient and improperly skilled employees can impact the ability of agencies to meet their mission requirements. It has been estimated that over the next five years nearly 50% of the acquisition workforce will be eligible for retirement. These realities are already surfacing in many agencies. Resolving acquisition workforce shortfalls calls for enhanced recruitment processes, increased training, and amended retention priorities. We face a human capital crisis that must be met with immediate investment and revised policies along with adequate funds available to train the acquisition workforce. This could include a government-industry acquisition professional exchange program to broaden practical experience, gain critical skills and afford important exposure. In addition, the Defense Acquisition University located at Fort Belvoir, Virginia is well equipped to provide acquisition training at all levels.

NDIA supports efforts to institute human resources reform to meet the expanding acquisition workforce crisis and, among other things, allowing pay

for performance, career progression and promotion with a foundation based upon learning and organizational contributions, not time in grade. It is also important to ensure the pay and benefits of our acquisition workforce remain competitive with industry to draw the best and brightest into federal acquisition careers.

There are several steps that are critical to promoting a vigorous and responsive government acquisition workforce.

The first step in reforming the acquisition workforce is to determine exactly the current makeup of the Department's acquisition workforce in terms of skills, types, years of experience and retention prospects. I understand that DoD has been conducting an acquisition personnel audit for the past few years and is nearing completion. Once it is known what and where the shortages are, the next steps can be taken.

The next step will be to determine which acquisition functions should or should not be performed by industry contractors and which functions must be performed by the government. Government and industry are both ill served by the current failure to define the scope of the functions that government employees must, or should, perform, based on an ambiguous definition of "inherently governmental function" that then serves as a foundation for the even

more ambiguous term of "functions closely associated with inherently governmental functions" and an undefined term "commercially exempt activities." Although a definition of "inherently governmental function" is contained in the Federal Acquisition Regulation, there is no consistently applied definition in the various Federal agencies, including the Department of Defense (DoD).

Last year, Congress mandated[1] that the Office of Management and Budget (OMB), in consultation with other agencies, develop a single, government-wide definition for inherently governmental functions and criteria for the identification of critical positions that government employees should fill. That process is on-going, a public hearing on this mandate was held on June 18th in which NDIA participated in conjunction with several other industry associations.

The Administration endorsed this approach as stated in President Obama's March 4, 2009 memo to all Federal agencies. The President's memo further directed OMB to accomplish the Congressional mandate by September 30, 2009.

The next step is to provide adequate, sustained funding for the acquisition workforce. Two years ago, the Committee included legislation[2] that created the

[1] Section 321, Duncan Hunter National Defense Authorization Act for Fiscal Year 2009
[2] Section 852, National Defense Authorization Act for Fiscal Year 2008

Department of Defense Acquisition Workforce Development Fund to ensure that the DoD has the necessary funding to sustain an acquisition workforce that has the capacity, in both personnel and skills, needed to properly perform its mission, provide appropriate oversight of contractor performance, and ensure that the DoD receives the best value for the expenditure of public resources. The funding for this development fund is derived from a percentage reduction (0.5% in 2008 rising to a maximum of 2.0% after 2010) from all service contracts of the military services (except R&D and military construction). Clearly the cornerstone to rebuilding our workforce crisis is to quickly recruit and fill critical acquisition workforce vacancies and to build a robust professional environment that includes effective training with empowered leadership that rewards acquisition professionals. Only through sustained adequate funding can this objective be met. NDIA supports this concept as a crucial step in improving the acquisition workforce.

Recruiting qualified personnel will be a challenge for the DoD, especially in the short term to hire nearly 4100 next year and growing to 10,000 by 2015. A recent report[3] by the Wharton School, University of Pennsylvania, stated "the challenge now is not only whether you can get the bodies, but can you get the right bodies with the right skills". Even in these difficult economic times, attracting qualified, clearable employees, especially low to mid level employees, will be a challenge

[3] Wharton Aerospace & Defense Report, June 5, 2009

for DoD due to a negative perception of "government jobs". Qualifications need to include a much higher percentage of acquisition professionals who also have scientific, mathematic and engineering backgrounds. If it is important enough to hire people with strong contractual and program management skills, it is also important to ensure that they have the technical skills to understand what a best value solution is and why one technology or solution is better than another.

DoD's recruiting plans need to show prospective employees the benefits of long term government employment, especially the highly sought after technically trained workers who also have management skills. Consideration should be given to include the acquisition workforce in hiring programs that are also used to bring in highly trained technical workers so that pay scales are reasonable comparable to what these same workers could earn in civilian jobs. Otherwise, the cycle of bringing in advisory services contractors to provide that expertise will simply re-emerge in another form.

I should note that the Defense Contract Management Agency (DCMA), in an effort to establish improved practices to recruit and retain employees, has begun its "Human Capital Solutions Initiative". This new program is aimed at improving DCMA's workforce training, leadership development, succession

planning, and overall workforce planning. Any DoD plan to reform the acquisition workforce should take these initiatives under consideration.

The final point I would like to make is, I believe one of the, if not the most important issues for the long term viability of an effective acquisition workforce. The U.S. is not producing enough graduates trained in science, technology, engineering, and mathematics (STEM) who qualify for security clearances. The graduates we do produce are not representative of the population of the US, reducing the diversity of the workforce that feeds innovation and creativity. The problem of a smaller, less diverse STEM workforce presents a serious risk for national security over the next decade, as Baby Boomers retire without an employable talent pipeline to replace them. Expertise has already been lost to some degree, and that trend is accelerating with every class of retirees.

The technical and mathematical literacy of the entire national security workforce has been falling for almost 20 years according to the National Academy of Sciences report[4] "Rising Above The Gathering Storm". This is a critical issue for government and industry. It is not just an issue of how many engineers are graduating from collage and how many are finding jobs, as recently reported in USA Today, it is about the level of technical and scientific understanding that our

[4] National Academy of Sciences, National Academy of Engineering, and Institute of Medicine

entire workforce can bring to bear to solve lour toughest national security challenges.

Ultimately, it is imperative that we increase the number of students who are prepared and excited to enter vocational, undergraduate and graduate programs in STEM fields. With industry, government, and community involvement NDIA believes this can be achieved and our national security workforce, government and industry, will be sustained and strengthened. To succeed, we as stakeholders in the national security of the United States must develop and support unique, exciting, and inspiring ways to encourage young Americans to pursue STEM careers and improve the level of STEM content and understanding at all educational levels.

In summary, the Defense Department confronts a work force problem that has taken many years to develop and will take many years to fix. The need is for government and industry to work on this together, balancing skills and needs on both sides. Ultimately, the production and acquisition of the most advanced world class weapons systems requires a world class acquisition system, robust and well-balanced in not only government but industry as well.

Mr. Chairman, thank you for the invitation to appear today, and thank you for your leadership and the efforts of the Armed Services Committee to recognize

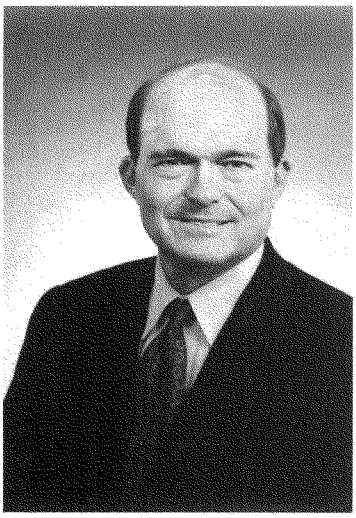
the importance of this issue. NDIA stands ready to assist you and the Committee in any way we can. I would be pleased to answer any questions the Panel may have either today or in writing.

NDIA
National Defense Industrial Association

Promoting National Security Since 1919

## LAWRENCE P. FARRELL JR., Lt. Gen., USAF (Ret.)

**President and CEO, National Defense Industrial Association**



Prior to his retirement from the Air Force in 1998, General Farrell served as the Deputy Chief of Staff for Plans and Programs, Headquarters U.S. Air Force, Washington, D.C. He was responsible for planning, programming and manpower activities within the corporate Air Force and for integrating the Air Force's future plans and requirements to support national security objectives and military strategy.

Previous positions include Vice Commander, Air Force Materiel Command, Wright-Patterson Air Force Base, Ohio, and Deputy Director, Defense Logistics Agency, Arlington, Virginia. He also served as Deputy Chief of Staff for Plans and Programs at Headquarters U.S. Air Forces in Europe. A command pilot with more than 3,000 flying hours, he flew 196 missions in Southeast Asia, and commanded the 401st Tactical Fighter Wing, Torrejon Air Base, Spain. He was also the system program manager for the F-4 and F-16 weapons systems with the Air Force Logistics Command, Hill Air Force Base, Utah.

General Farrell has had in-depth business development experience, having served on various business strategy groups for such companies as LABBLEE Corp, Raytheon, Labat-Anderson Inc., KPMG, Huber Corp, The Boeing Company, and Philadelphia Electric Company. He has also served on a number of study groups supporting The United States Air Force, The Rand Corporation, and The Logistics Management Institute. In addition, he has been a member of the advisory boards of UNISPHERE Inc., BAE Systems Simulation and Training, Miltope Group Inc., Learning Byte International and The Camber Corporation.

He is a graduate of the Air Force Academy with a BS in Engineering and an MBA from Auburn University. Other education includes the National War College and the Harvard Program for Executives in National Security.

A native of Montgomery, Alabama, he is married to the former Victoria Leigh Kruzel of Richmond, Virginia. They have a son, Major Sean Farrell and a daughter, Kelly Farrell Lowder.

**DISCLOSURE FORM FOR WITNESSES**
**CONCERNING FEDERAL CONTRACT AND GRANT INFORMATION**

**INSTRUCTION TO WITNESSES:** Rule 11, clause 2(g)(4), of the Rules of the U.S. House of Representatives for the 111th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants) received during the current and two previous fiscal years either by the witness or by an entity represented by the witness. This form is intended to assist witnesses appearing before the House Armed Services Committee in complying with the House rule.

**Witness name:** Lawrence P. Farrell, Jr.,

**Capacity in which appearing:** (check one)

___Individual

_X__Representative

**If appearing in a representative capacity, name of the company, association or other entity being represented:**__National Defense Industrial Association_

**FISCAL YEAR 2009**

| federal grant(s) / contracts | federal agency | dollar value | subject(s) of contract or grant |
|---|---|---|---|
| None | | | |
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**FISCAL YEAR 2008**

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**FISCAL YEAR 2007**

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Statement of

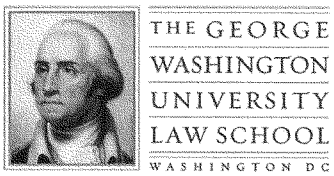
**PROFESSOR STEVEN L. SCHOONER**
**CO-DIRECTOR OF THE GOVERNMENT PROCUREMENT LAW PROGRAM**
**GEORGE WASHINGTON UNIVERSITY LAW SCHOOL**

Before the

Defense Acquisition Reform Panel
House Committee on Armed Services
United States House of Representatives

*Shaping a Workforce for*
*Today's Acquisition Environment That Can*
*Meet DoD's Needs*

Tuesday, July 21, 2009



Chairman Andrews, Ranking Member Conaway, and members of the Panel, I commend you for taking on this important work, and I appreciate the opportunity to discuss my research regarding the Defense Department's (DoD's) acquisition workforce.[1] For a military that depends so heavily upon the private sector to accomplish its mission – not only for its weapons, but for the entire range of services required to support and sustain its personnel and systems – a properly-staffed, well-trained, motivated, and managed acquisition workforce is critical. Alas, the lion's share of (the legitimate) concerns with and criticisms of the existing acquisition regime – ranging from accountability failures to effective management of contingency contracting[2] – derive from two decades of under-investment in the acquisition workforce, an absence of succession planning, and, ultimately, a failure of leadership.

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[1] Since 2000, I have annually published trend data and analysis of the acquisition workforce in *Emerging Policy and Practice Issues*, at the WEST GOVERNMENT CONTRACTS YEAR IN REVIEW CONFERENCE. These chapters (for the last five years) are available on my Social Science Research Network (SSRN) page at http://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=283370. I have also discussed related issues in, among other pieces, Steven L. Schooner and Daniel S. Greenspahn, *Too Dependent on Contractors? Minimum Standards for Responsible Governance*, 6 JOURNAL OF CONTRACT MANAGEMENT 9 (Summer 2008); Steven L. Schooner, *Contractor Atrocities at Abu Ghraib: Compromised Accountability in a Streamlined, Outsourced Government*, 16 STANFORD LAW & POLICY REVIEW 549, 557-561 (2005); See, e.g. Steven L. Schooner, *Feature Comment – Empty Promise for the Acquisition Workforce*, 47 THE GOVERNMENT CONTRACTOR ¶ 203 (May 4, 2005); Steven L. Schooner, *Competitive Sourcing Policy: More Sail Than Rudder*, 33 PUBLIC CONTRACT LAW JOURNAL 263, 282-289 (2004).

[2] It is hard to summarize this issue better than:

> [T]here were too few trained government acquisition professionals assigned to support the rapidly escalating U.S. operations in Iraq, the significant growth in the number of contracts, and the number of contractor employees deployed in the theater. . . . [I]t would not be a surprise to anyone in government who had any responsibility for any part of these activities – that the lack of contracting officers deployed into the theater [in Iraq and Afghanistan], the lack of qualified contracting officers representatives assigned to supervise contractors, the lack of State Department diplomatic security billets to provide oversight of non-military security, or the lack of government program management or technical skills, diminished the government's ability to manage and oversee capabilities.

Statement of Alan Chvotkin, Professional Services Council, before the Subcommittee on Government Management, Organization & Procurement, House Committee on Oversight and Government Reform, June 16, 2009. See also, Commission on Wartime Contracting in Iraq and Afghanistan: *At What Cost? Interim Report* (June 2009): "There is a critical shortage of qualified contract management personnel in theater and those that are there are stretched too thin. In particular, the process for designating and training contracting officer's representatives to check contractor performance in theater is broken." This is an issue of "immediate concern[.]"

- **WE KNOW WE DON'T HAVE ENOUGH PEOPLE; WHAT WE DON'T KNOW IS HOW MANY MORE WE NEED AND WHAT SKILL SETS THEY REQUIRE**

Let me begin with what seems like a contradictory premise. At a macro level, the empirical case demonstrating that DoD (with significant Congressional assistance) has starved its acquisition workforce for two decades is compelling.[3] At a micro level, however, it remains unclear specifically how many people, and what specific skill sets, must be hired (both in the short- and the long-term) to (initially, at a minimum) provide better fiscal stewardship of the taxpayers' funds and (ultimately, from an aspirational perspective) provide exceptional value for DoD's scarce procurement dollars. While there are many pressing needs within the broadly-defined acquisition workforce, two particular holes may prove particularly difficult to fill, both in the short- and long-term: program managers and system engineers.[4] But these are the tip of the iceberg.

DoD no longer can afford to do nothing while it studies the extent of the problem. Rather, it seems reasonable to conclude that – for the foreseeable future – DoD should: (1) hire, train, and deploy every qualified procurement professional available in the marketplace, and (2) engage in an aggressive, large-scale professional development (e.g., acquisition intern) program to prepare talented young people to become the government's future business managers.

- **ASPIRING TO 1998 STAFFING LEVELS FOR 2015 IS TOO LITTLE, TOO LATE**

After more than a decade of misguided defense acquisition workforce reductions [1989-2000], for most of *this* decade, the DoD (admittedly, distracted by enormous challenges) ignored the acquisition workforce problem. More recently, despite acknowledging the problem,

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[3] A few of the more significant studies in a mountain of relevant resources include: (1) the Gansler Commission Report, *Urgent Reform Required, Army Expeditionary Contracting, www.army.mil/docs/Gansler_Commission_Report_Final_071031.pdf*; (2) the *Report of the Acquisition Advisory Panel* (January 2007), *www.acquisition.gov/comp/aap/finalaapreport.html*; and (3) the DoD Inspector General Report No. D-2000-088, *DoD Acquisition Workforce Reduction Trends and Impacts* (February 29, 2000), *www.dodig.mil/Audit/reports/fy00/00-088.pdf.*

[4] See e.g., Steven L. Schooner, Statement before the U.S. Senate, Committee on Homeland Security & Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, "Addressing Cost Growth of Major Department of Defense Weapons Systems" (September 25, 2008).

DoD aimed far too low in terms of restoring the workforce. ***DoD's articulated plan, which (optimistically) takes more than five years to restore the acquisition workforce to 1998 staffing levels[5] is not only too slow, but aspires to too little.*** The problems have been building for years, they are particularly acute now, and the current economic downturn presents a unique opportunity to transform excess talent – currently underutilized by the marketplace – into government business managers. Even assuming that DoD eventually achieves its stated targets, "restoring" the acquisition workforce to 1998 levels would be grossly inadequate. Using 1998 as a benchmark ignores:

- More than three-quarters of the decade-long ***1990's Congressionally-mandated reduction of the defense acquisition workforce*** – one of the most sustained, dramatic workforce diminutions of the modern era (embarked upon despite the absence of any empirical evidence supporting the reductions);
- The ***explosive growth of public procurement (and, more specifically, defense spending) in this decade*** – during which Federal procurement spending increased at a rate in excess of five times the rate of inflation – and the longer-term trends that have dramatically changed what the government buys (specifically, the dramatic shift from the 1980's (heavily supplies/goods) to the present ***dominance of service contracts***;
- The looming retirement crisis that faces the acquisition workforce; a disproportionate percentage of the acquisition workforce was hired before 1989 (many long before that point), when the systematic degradation (if not dismantling) of the acquisition workforce began;[6]
- The proliferation of statutory and regulatory requirements (particularly during the 1990's) that, alas, have been inadequately implemented, because of a combination of the inadequacy of the workforce, the pace of change, insufficient time or money for training, and ambivalent leadership; and
- Recognition that this is a government-wide problem – not just a DoD issue. Accordingly, DoD's efforts to retain and grow its workforce will be hampered by losses to civilian agencies (and, of course, the private sector). This is not a new problem. Civilian agencies long have coveted and recruited DoD's trained, certified, and experienced procurement professionals, understanding that it is far less resource-consuming to hire an experienced professional than recruit, grow, and cultivate one.

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[5] See, generally, Statement of Shay D. Assad before the Subcommittee on Government Management, Organization & Procurement, House Committee on Oversight and Government Reform, June 16, 2009.

[6] Fortunately, this issue is beginning to get at least superficial attention. See, generally, OFPP Memorandum, *Acquisition Workforce Human Capital Succession Plans*, January 7, 2009 (following Section 855 of the National Defense Authorization Act of 2008, which "requires agencies to develop acquisition workforce human capital succession plans that focus on the recruitment, retention, and development of contracting officers and program managers.").

- **AN OUNCE OF PREVENTION IS WORTH A POUND OF CURE**

For too long, DoD (and the government as a whole) has steadfastly rejected the familiar refrain: an ounce of prevention is worth a pound of cure.[7] In other words, while there seems to be endless support and funding for resources to detect failure and punish transgression, until recently, neither Congress nor the DoD seemed willing to invest in the acquisition workforce to proactively reduce the failure rate (or simply obtain better value for money on a consistent basis). More recently, we see that this was not merely a funding issue, but also a leadership challenge. Since Congress has made funding available to strengthen the acquisition workforce, DoD has been slow to spend that money and, equally troubling, failing to grasp the extent of its need.

- **ULTIMATELY, THIS IS A LEADERSHIP PROBLEM**

Leadership remains a significant problem. (This is true both at DoD and, more broadly, in the Office of Federal Procurement Policy (OFPP). Indeed, OFPP, at times, has contributed to, and *resisted* efforts to address, the problem.) The acquisition workforce crisis did not arise overnight. Rather, DoD has watched – and to some extent – contributed to this trend. Admittedly, it is understandable that a group of agencies tasked with defending the nation and fighting in two difficult, complicated engagements may be focused on other priorities. For this reason, it is difficult not to be skeptical of DoD's currently stated commitment to changing course and investing in the acquisition workforce. For too long, particularly in this decade, DoD has delegated (indeed, shunted) the acquisition workforce issues/problems (and potential solutions) to the Defense Acquisition University, which – despite the gravity of the situation – has proven slow, risk averse, and insufficiently potent to alter behavior, all the while serving to reinforce the marginalization of acquisition workforce. Further, in this administration, it is difficult to identify a single high-level DoD appointment (or nomination) that instills confidence in DoD's commitment to the acquisition workforce.

Alas, strong, negative signals also have emanated from the White House on this issue which, rather than supporting the acquisition workforce (through more than rhetoric), have distracted them from their ultimate purposes – meeting their agency customers' needs and ensuring that the government receives value for its money.[8] Specifically, the White House has

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[7] "More auditors and IGs, in performing their critical functions, will guarantee a steady stream of scandals. But they will neither help avoid the scandals nor improve the procurement system. Conversely, a prospective investment in upgrading the number, skills, incentives, and morale of government purchasing officials would reap huge long-term dividends for the taxpayers." Schooner, *Too Dependent on Contractors?, supra.*

[8] See, generally, Presidential Memorandum, *Government Contracting* (March 4, 2009). Despite the absence of any political leadership appointed to manage the acquisition regime, President Obama announced in early March that: "reforms in how government does business [] which will save the American people up to $40 billion each year. It starts with reforming our

*(footnote continued...)*

dragged its heels on the appointment of an OFPP Administrator, while all too often promising unrealistic savings and stooping to contractor bashing and rushing to promulgate populist policy (focused on media-friendly issues sole-source contracting, cost-reimbursement contracting, and outsourcing) rather than results-oriented problem solving. Similarly, the White House has not hesitated to inject additional social policies (e.g., resurrecting Clinton-era labor policies, fueling protectionist fires through stimulus, and imposing a politically unpalatable E-verify regime upon government contractors) into an already over-burdened and distracted procurement regime.

- **THE LEADERSHIP VACUUM ADVERSELY IMPACTS ACQUISITION RECRUITMENT, RETENTION, MORALE, AND MOTIVATION**

The government must endeavor to make the acquisition profession more attractive. In addition to the potential for greater income (and, specifically, access to incentives for superior performance) in the private sector,[9] numerous other forces conspire to make acquisition careers in government less attractive.

The pervasive anti-contractor rhetoric spewing from the media, (typically well-intentioned) not-for-profit organizations, the Legislature, and, all too often, the Executive branch (including, among others, the Justice Department, the Defense Contract Audit Agency, and the Inspectors General) color public perceptions of contractors and the acquisition profession. While a successful procurement regime depends upon high standards of integrity and compliance, the currently pervasive "corruption control" focus not only stifles creativity and encourages mechanical rule adherence, but encourages timidity and risk-averse behavior. While the

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broken system of government contracting." Remarks by the President on Procurement (March 4, 2009). In the same speech, the President remarked that: "GAO[] looked into 95 major defense projects and found cost overruns that totaled $295 billion. Let me repeat: That's $295 billion in wasteful spending." While attractive, that statement is as incorrect as it is inflammatory. Significant portions of those cost overruns were caused by: (1) overly optimistic estimates (a common bi-product of an arcane, inefficient budget system) - in other words, the original "price" was unrealistic and/or unreliable; or (2) decisions to adopt newer (typically superior) technology not available or not envisioned at the time of program inception. Neither of these necessarily render the ultimate expenditures wasteful. I do *not* mean to suggest that there is no waste in major systems acquisition – there is plenty, much of it caused by acquisition workforce deficiencies – but this populist rhetoric is harmful to the recruitment, motivation, and retention of our acquisition workforce. See also, Schooner, "Cost Growth of Major DoD Weapons Systems" *supra*.

[9] It is encouraging to learn of DoD's plans to improve its employee recognition programs. Statement of Shay D. Assad, *supra*. This matter should not be overlooked. For example, Vice President Al Gore's "Hammer Awards" proved a low-cost, but surprisingly effective tool to not only reward exceptional performance and institutional improvement, but also to spread best practices.

government may not have a responsibility to disclose its dependence on contractors and laud their successes, the government does have an interest in communicating the importance – to every government mission – of effectively managing the government's business partners, its vendor and supplier base, or, simply, its contractors.

Although this is not unique to the acquisition workforce, civil service and OPM-based recruitment of acquisition personnel remains slow, cumbersome, and frequently impenetrable for many in the private sector. While the Defense Acquisition Workforce Initiative Act (DAWIA) was intended to raise standards for the acquisition workforce, in retrospect, it impeded progress by, among other things: (1) prompting cynicism through large-scale, sustained waiver of its requirements; and (2) making entry-level positions seem unattainable to talented, highly (and often over-) qualified young people. Further, given the limited scale and disaggregated nature of defense acquisition intern programs, there is insufficient awareness in the nation's colleges, universities, and business schools of the opportunity to serve the nation as a valued business manager.

Today, the marketplace is saturated with talented business people, professionals of all stripes, and recent graduates who would jump at the chance to obtain training, professional expertise, and meaningful employment in business-related fields. Moreover, the time and the marketplace demand far more than the solutions put forth by DoD – DoD needs aggressive and creative solutions that will not only restore, but build the acquisition workforce of the future.

Despite its limited size, the Veterans Administration Acquisition Academy provides a useful model of a holistic, hands-on, results-oriented program. Similar results, on the larger scale required by DoD, might be achieved by combining aspects of co-op graduate programs, ROTC scholarships, or the military's funded legal and medical training programs. For example, I expect that large numbers of talented college graduates might commit to multi-year service commitments that included:

- Tuition benefits for graduate studies culminating in relevant degrees in procurement, business, program management, systems engineering, vendor and supply management, logistics, acquisition law, etc.;
- Co-operative employment (at appropriate grades) in addition to "rotational assignments" during summer and/or alternative semesters; and
- Promotion and career opportunities similar to the Presidential Management Fellows program.

- **UNAVOIDABLE RELIANCE ON THE PRIVATE SECTOR: SHORT-TERM NECESSITY OR LONG-TERM REALITY?**

The proliferation of private sector support, and, all too often, performance of acquisition functions raises significant policy issues: whether (or to what extent) procurement and acquisition are inherently governmental functions, the extent to which procurement and acquisition are core competencies for government, and the ability to support the warfighter (or the nation) abroad during times of crises and contingency, etc. For the short-term – and, given DoD's stated aspirations, this envisions a five-year horizon – the government will have no choice but to continue to rely heavily on private sector support for the acquisition function.[10] To be clear, DoD's insourcing plans for the acquisition workforce are ill-conceived, overly optimistic, and not calculated to address DoD's long-term needs.

The government faces a stark choice due to the inadequacy of its acquisition workforce: rely heavily on the private sector to attempt to fill the gap or continue or acknowledge the personnel shortfall, continue to attempt to squeeze blood from a stone, and suffer the consequences. The latter seems utterly irresponsible. For the foreseeable future, government reliance on the private sector for acquisition support is necessary and, arguably, should be increased. Only when DoD shows demonstrable results in rebuilding its acquisition workforce should this issue be revisited.

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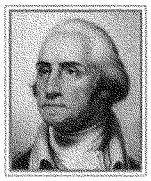
[10] Although the government increasingly has become dependent on a number of firms, the growth and importance of a single (admittedly well-qualified) firm, Acquisition Solutions, Inc., merits examination as a market barometer. See, generally, http://www.acquisitionsolutions.com. According to *USASpending.gov*, Acquisition Solutions' contractual activity – government-wide, including (but not exclusively) DoD, remains robust.

| Fiscal Year | Number of Transactions | Dollars Awarded (in millions) |
|---|---|---|
| 2009 *partial year** | 93* | $10.6* |
| 2008 | 250 | $42.6 |
| 2007 | 230 | $24.6 |
| 2006 | 184 | $35.4 |

**Conclusion**

Twenty years of ill-conceived under-investment in DoD's acquisition workforce, followed by a persistent failure to respond to a dramatic increase in procurement activity, has lead to a triage-type focus on buying, with insufficient the resources available for acquisition planning, contract administration, management, and oversight. The old adage – an ounce of prevention is worth a pound of cure – rings true and, increasingly, shrill. Any prospective investment by DoD in upgrading the number, skills, and morale of government purchasing officials would reap huge dividends for the taxpayers and the warfighter.

That concludes my statement. Thank you for the opportunity to share these thoughts with you. I would be pleased to answer any questions.



THE GEORGE WASHINGTON UNIVERSITY LAW SCHOOL
WASHINGTON DC

**STEVEN L. SCHOONER** is Associate Professor of Law and Co-Director of the Government Procurement Law Program at the George Washington University Law School, where he previously served as Senior Associate Dean for Academic Affairs.

Before joining the faculty, Professor Schooner was the Associate Administrator for Procurement Law and Legislation (a Senior Executive Service position) at the Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB). He previously tried cases and handled appeals in the Commercial Litigation Branch of the Department of Justice. He also practiced with private law firms and, as an Active Duty Army Judge Advocate, served as a Commissioner at the Armed Services Board of Contract Appeals. As an Army Reserve officer, he served for more than fifteen years as an Adjunct Professor in the Contract and Fiscal Law Department of the Judge Advocate General's School of the Army, in Charlottesville, Virginia.

Outside of the U.S., he has advised hundreds of government officials on public procurement issues, either directly or through multi-government programs. His dispute resolution experience includes service as an arbitrator, mediator, neutral, and ombudsman.

Professor Schooner received his Bachelors degree from Rice University, Juris Doctor from the College of William and Mary, and Master of Laws (with highest honors) from the George Washington University. He is a Fellow of the National Contract Management Association (NCMA), a Member of the Board of Advisors, a Certified Professional Contracts Manager (CPCM), and serves on the Board of Directors of the Procurement Round Table. He is a Faculty Advisor to the American Bar Association's PUBLIC CONTRACT LAW JOURNAL and a member of the GOVERNMENT CONTRACTOR Advisory Board. He is author or co-author of numerous publications including THE GOVERNMENT CONTRACTS REFERENCE BOOK: A COMPREHENSIVE GUIDE TO THE LANGUAGE OF PROCUREMENT (now in its third edition). Professor Schooner's recent scholarship is available through the Social Science Research Network at *http://ssrn.com/author=283370.*

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**Witness name:** STEVEN L. SCHOONER

**Capacity in which appearing:** (check one)

X Individual

___Representative

**If appearing in a representative capacity, name of the company, association or other entity being represented:**_____

**FISCAL YEAR 2009**

| federal grant(s) / contracts | federal agency | dollar value | subject(s) of contract or grant |
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**FISCAL YEAR 2007**

| Federal grant(s) / contracts | federal agency | dollar value | subject(s) of contract or grant |
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* open expert witness contract with Justice Department

List of subjects of federal contract(s) (for example, ship construction, aircraft parts manufacturing, software design, force structure consultant, architecture & engineering services, etc.):

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Fiscal year 2007:_____.

Aggregate dollar value of federal contracts held:

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under $10,000

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## WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING

JULY 21, 2009

## RESPONSES TO QUESTIONS SUBMITTED BY MR. ANDREWS

Mr. ASSAD. As of June 30, 2009, 36,039 members of the organic defense acquisition workforce occupy acquisition positions designated as engineering in the Systems Planning, Research, Development and Engineering (SPRDE) career field. Competency assessments and other initiatives will continue to inform capability and capacity needs. In addition, as a part of the Secretary's acquisition workforce growth strategy, approximately 2,800 SPRDE government employees will be added through 2015. [See page 18.]

Mr. ASSAD. During fiscal year 2008, 1,756 of the 2,161 hires to SPRDE acquisition positions of the defense acquisition workforce were external DOD hires and the remaining 405 were DOD internal hires. Seventy-three percent of external DOD General Schedule (GS) hires were at the GS–09 or lower level. Fifty-seven percent of external DOD National Security Personnel System hires were at Pay Band 1 and 43 percent at Pay Bands 2 or 3. Of the 1,756 external hires, approximately 38 percent appear to have been recent college graduates. [See page 19.]

## QUESTIONS SUBMITTED BY MEMBERS POST HEARING

JULY 21, 2009

## QUESTIONS SUBMITTED BY MR. ANDREWS

Mr. ANDREWS. Can you describe in more detail the competency modeling you are conducting? GAO has suggested that the modeling will be useful for identifying the capability you currently have in the workforce, but it may be less than useful in telling you what you need in the workforce. How do you intend to ensure you do indeed have the workforce you NEED?

Mr. ASSAD. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) has deployed a joint competency management initiative to update, validate, and standardize functional competencies for each career field within the DOD AT&L workforce and to support workforce planning, gap analysis, development, and training applications. Each competency model defines technical and professional competencies and the related elements and key behaviors needed to be successful in the corresponding acquisition career field.

The Department's Contracting Community is the first to have utilized its competency model to assess workforce capabilities and gaps and to identify training and development needs. The Contracting Competency Assessment, completed in September 2008, targeted 20,573 contracting professionals DOD-wide and achieved a participation rate of over 87%. The purpose of the assessment was to assess individual capabilities and training needs and evaluate overall organization/command capabilities and gaps. Assessment results were provided to each participating organization/command to provide senior procurement executives and contracting leaders with an organization/command-level view of their workforce's overall proficiency levels. A key role for senior contracting leaders was to apply their leadership judgment to these results in order to identify workforce gaps and the appropriate gap closure strategies, thus aligning their workforce with their mission and developing a workforce for the future.

The Defense Acquisition Workforce Development Fund (DAWDF) and the FY2010 Defense Budget together provide senior leaders with the means to close workforce gaps and adjust human capital strategies. Today the Department is implementing DAWDF initiatives to include training enhancement and capacity expansion, retention and recognition efforts, career broadening and academic programs, intern programs, recruiting incentives, outreach programs, journeyman hiring programs, and a focus on hiring expert knowledge and/or highly qualified experts. In addition, the Department will grow the contracting workforce and increase the DOD organic acquisition management capability. Together, these actions ensure that we will indeed have the workforce we need to deliver mission-critical capabilities.

A hallmark of the contracting effort was the extensive involvement of senior procurement executives and leaders across the Contracting Community in updating the competency model, ensuring participation in the assessment, and applying assessment results to the human capital planning process. This leadership involvement is a workforce best practice and ensures leaders are actively engaged in the current and future relevance of competencies used to assess and develop the workforce. Periodic competency model reviews are planned to ensure currency of the competencies in light of emerging and future needs.

Mr. ANDREWS. Are there particular types of contracts that are more challenging to oversee and manage? Do individuals assigned to those contracts receive any special training?

Mr. ASSAD. It is as much the complexity of the requirement as the type of contract that determines the level of contract surveillance and the training required. The Subcommittee on Sufficient Contract Surveillance under the Panel on Contracting Integrity was charged with reviewing Contracting Officer's Representative (COR) functions and developing a DOD Standard for COR Certification. It also focused on the type of training required for appropriate and effective contract surveillance.

While the effort is not yet complete, the subcommittee established three levels of required competencies and training requirements based on the nature and complexity of the work.

- Level A is a contract with low performance-risk, fixed price requirements without incentives. COR duties/responsibility would generally be limited to minimal

technical and/or administrative monitoring of the contract. Training requirements are spelled out in the standard.

- Level B is other than low risk, e.g. the contract requirements may include (1) more complex work; (2) work that is performed in multiple locations; (3) incentive arrangements or cost-sharing provisions, or (4) is a cost type or time and material effort. COR duties/responsibilities are of increased complexity. The training requirements for CORs in these cases are greater and are again spelled out in the standard.
- Level C are those contracts that have a unique requirement, such as major weapon systems, earned value management (EVM), environmental remediation, certain OCONUS contingency efforts, etc. COR duties/responsibilities involve highly complex or specialized requirements and the standard for the training requirements address this complexity.

The Subcommittee is working with the Defense Acquisition University (DAU) to develop all the appropriate training and certification requirements for CORs.

Mr. ANDREWS. What do you view as the current weaknesses in the acquisition workforce? And, in your view what are the causes for those weaknesses? Conversely, what are the strengths?

Mr. ASSAD. Our biggest current weakness in the acquisition workforce is the significant decline in the size of the workforce during the past 15 years. On April 6, 2009 Secretary Gates announced his plans to grow, reshape and rebalance the acquisition workforce to address this compelling weakness. The intent is to reshape and rebalance the size of the acquisition workforce with measurable targets for growth. This will enable appropriate oversight, pricing, and technical management of our major weapon systems and services contracts.

Our greatest strength remains the high quality and strong dedication of our people who make up the acquisition workforce and the quality of training delivered to develop the competencies and skills of the acquisition team. We have a workforce that truly cares about the acquisition mission and strives to provide best value products and services to the soldiers, sailors, marines, and airmen who are currently operating in conflicts around the world.

Mr. ANDREWS. With an aging workforce—both within DOD and the private sector—how should organizations be planning to ensure that the acquisition community has the skills and experience needed for the future?

Mr. ASSAD. The planning process for different organizations will be different – it is not a "one size fits all" situation. The Department's acquisition workforce planning construct to ensure that the DOD has the right skills and experience needed for the future was based on the following principles: 1) senior leadership involvement; 2) data-driven workforce analysis and decision-making; 3) ensuring that the right participants are involved to include functional and human resource managers; 4) ensuring there is a defined strategic intent with the appropriate resources; 5) promoting partnering between functional and line managers; and 6) ensuring that force planning and comptroller personnel are actively involved.

Approximately 68% of the defense acquisition workforce is in the Baby Boomer generation. The Secretary's strategy for growth of the acquisition workforce, enabled by the Defense Acquisition Workforce Development Fund, provides for significant entry-level and journeymen hiring. DOD's hiring strategy is data driven and will vary based on the functional community. In general, approximately 60% of new hiring is for interns and 40% for journeymen. The strategy is supported by initiatives and tools such as expedited hiring authorities, retention incentives, improved recognition opportunities, improved competency gap information, and expanded training and development resources. These tools and initiatives will ensure the Department is taking appropriate actions today to produce the skills and experience required for the future.

Mr. ANDREWS. What role should the acquisition workforce play in the upfront requirements definition and pre-award planning for either products or services?

Mr. ASSAD. The acquisition workforce should play an active and collaborative role in the definition of requirements by ensuring that: requirements are clearly stated; associated technologies are mature; and integration and manufacturing risks are identified. The acquisition workforce plays a principal role in pre-award planning by selecting business strategies designed to satisfy the government's requirement in a cost-effective manner.

Mr. ANDREWS. Not only military personnel but senior civilians rotate through acquisition offices on a fairly regular basis. A weapon systems program lasting 20 years could have 10 different program officers, none of whom have any real ownership of the program. This leads to complacency—no one wants to point out problems on their watch. Should we require longer terms, at least for civilian personnel, for

program managers? If so, should it be for the life of the program or at certain milestones?

Mr. ASSAD. I expect that major system Program Managers' tours will comply with statutory guidelines and current Department policy. Section 1734 of Title 10, United States Code, generally requires the Program Manager and Deputy Program Manager of a major defense acquisition program to be assigned to their position until completion of the major milestone (e.g., system design and development) that occurs closest to four years in their position. DOD Instruction 5000.66 provides additional guidance and establishes the requirement for a written tenure agreement.

May 2007 policy memo, "Program Management Tenure and Accountability," emphasized the need for Program Managers to have sufficient tenure to achieve expected outcomes and to improve both systemic and personal accountability. Signed tenure agreements capture that expectation. There are waiver provisions in place, but the Military Departments are aggressive in limiting approvals of waiver requests. The Navy reports, for example, that nearly two-thirds of their Program Managers serve until the agreed upon tenure is completed.

We have long recognized the need to balance the need for individual career development with sufficient tenure to provide for stability and accountability. Department policy already calls for longer tour lengths for assignments to acquisition positions and our planned financial incentive program will further encourage people to stay in their positions longer. However, the Department also believes there is value in rotating experienced members of the acquisition corps to other programs so they transfer lessons learned across the acquisition community. This, too, is recognized in statute (10 U.S.C. 1734) which generally calls for the rotation of those serving in critical acquisition positions (both military and civilians) after five years.

The Military Departments all recognize the need to balance Program Manager tenure with the career development needed to grow future acquisition leaders. They are using available flexibilities to tailor tenure appropriately based on the program and its point in the life cycle. For example, the Army staggers rotations to ensure continuity of program goals and responsibilities. At their Project and Product Managers level, they attempt to ensure all Program Managers in one office do not rotate out of their positions in the same year. In addition, civilians who serve as Deputy Program Executive Officers and Deputy Program Managers are often in their positions for five or more years, providing dedicated continuity of effort.

We will continue to use assignment policies that look at individuals' career development and overall program manning to improve the acquisition workforce as a whole and still meet individual program objectives.

Mr. ANDREWS. Besides mandating that an individual have certain DAWIA certifications (which they could obtain early in their career), there appears to be no identified career path for talented individuals in the acquisition field. What initiatives need to be taken to ensure continuing training/education and the possible development of a more defined career path for acquisition personnel?

Mr. ASSAD. We have a very structured and defined career path for both military and civilian members of the defense acquisition workforce. The DOD acquisition workforce development program is structured to support the continuing professional development of individuals throughout their careers. The objective of the program is to develop a professional, agile, motivated workforce and to ensure that individuals are prepared for current and future performance success. The career development program supports attainment of acquisition competencies and continuous learning to include updates on evolving policies and procedures. Acquisition leaders are responsible for providing personnel opportunities to grow in three defined areas: 1) education, 2) training, and 3) experience. These three elements provide a structured approach to ensure individuals are qualified for critical and advanced acquisition positions. It is much more than just DAWIA certification.

Members of the acquisition workforce and their supervisors establish tailored plans for continuous learning in order to increase functional proficiency, maintain currency, increase leadership and cross-functional competencies. They are also required to complete 80 continuous learning points (CLPs) every two years. Members are expected to possess the competencies necessary to perform in their current assignment and develop their potential for career progression.

We recently enhanced our career development framework. This new framework is designed to guide acquisition professionals to competency development beyond the minimum standards required for certification, based on specific types of assignments within an acquisition function/career field. Certification and Core Plus development guides are available at http://icatalog.dau.mil/onlinecatalog/CareerLvl.aspx. Support resources include new certification requirements and training, over 200 web-based continuous learning modules, knowledge management and best practice tools, and other, component-specific, development guidance and resources. Many of these re-

sources are also used by other federal agency acquisition workforce members. In addition, DOD members are encouraged to pursue career opportunities through career broadening to include assignments and tours of duty with other federal agencies.

The Department continues to improve upon career development resources. For example, DOD is updating competencies and conducting individual assessments which provide valuable information to identify gaps and further develop and enhance skills sets. Metrics have been developed that provide insight into the qualifications of all members. Also, there are Directors of Acquisition Career Management for all the military services and for the defense agencies. These individuals work with individual members to ensure they have career development opportunities that allow them to grow and compete for promotions throughout their career.

The Department's strategic acquisition workforce planning is focused on ensuring we have the right workforce we need to meet current and future mission requirements, including the right competencies and the right numbers.

Mr. ANDREWS. We have been told that there are no senior level courses on service contracting being taught at the Defense Acquisition University? Why is that when service contracts account for so much of the DOD budget today?

Mr. ASSAD. DOD has increased services-specific training resources to include training for senior leaders and managers. In 2007, DOD established a Learning Center of Excellence (LCOE) for services acquisition at the Defense Acquisition University. The Center of Excellence, in partnership with the components, has been very active in creating new services training resources. Results include creation and deployment of a new mid-level course—ACQ 265—Mission Focused Services. This course is targeted to employees, managers and leaders involved in developing service requirements, business arrangements, and performance management or oversight strategies. The course is case-based and requires students develop key elements of a service acquisition.

DOD has also deployed new-start services acquisition training for local multi-functional teams. Using the Defense Acquisition Workforce Development Fund, DAU developed and taught 14 Service Acquisition Workshops (SAWs) this year. These action learning workshops use "real" new start acquisitions and help engage the local team and their leadership early in the acquisition process to create performance-based requirements and business strategies.

DAU is also developing the Service Acquisition Mall or SAM. SAM will be an online resource available to participants in the services acquisition process, assisting them in developing and executing service acquisition requirements using a performance based approach. SAM is organized by Product Service Codes grouped into Knowledge Portfolios of similar type services. SAM will contain training from the SAWs and best-in-class examples of performance objectives, performance standards and performance assessment metrics for the different types of services within a knowledge portfolio. Planned enhancements include developing "smart tools" to guide users through the service acquisition process and provide them with the tools and to convert old statements of work into performance based requirements.

Finally, in partnership with the Air Force and the University of Tennessee, DAU has developed an online senior level awareness training module. This module was piloted recently with Air Force leadership and the Missile Defense Agency. Based on pilot feedback, the training is being finalized and will be widely available in the first quarter of 2010.

DOD recognizes the importance of services acquisition and will continue to improve its training resources to support improved acquisition outcomes.

Mr. ANDREWS. What do you view as the current weaknesses in the acquisition workforce? And, in your view what are the causes for those weaknesses? Conversely, what are the strengths?

Professor SCHOONER. [The information was not available at the time of printing.]

Mr. ANDREWS. With an aging workforce—both within DOD and the private sector—how should organizations be planning to ensure that the acquisition community has the skills and experience needed for the future?

Professor SCHOONER. [The information was not available at the time of printing.]

Mr. ANDREWS. How do you view the DOD initiative to increase the workforce?

Professor SCHOONER. [The information was not available at the time of printing.]

Mr. ANDREWS. Acquisition jobs can be a tough sell these days, what do we need to do to attract college graduates and even mid-career experienced individuals to join the acquisition community?

Professor SCHOONER. [The information was not available at the time of printing.]

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