Correspondence Cover Sheet
03/07/2005

Control # : 2005-000077

Correspondence Date: 03/01/2005

Assigning Office: J-3

External #: 2005-000265

Originator: MICHAEL WYNNE

Due Date: 03/18/2005

Subject: ACQUISITION INTEGRITY

Action To: J-33

Info To:

Coordinate With: J-6, DB AND DESC

Action Type: DIRECTOR'S SIGNATURE

Date Received: 03/07/2005

Constituent:

Type: ASO

Remarks:

Date	Comments

THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION, TECHNOLOGY AND LOGISTICS

MAR 1 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
(ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND
COMMANDER, UNITED STATES TRANSPORTATION COMMAND
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Acquisition Integrity

At my request, two studies have recently been completed, looking at issues stemming from particular acts of wrongdoing in acquisitions. I want to inform you of the results of these studies, and ask that you share this information widely in your organizations.

A multi-service/agency team, led by the Deputy Director of the Defense Contract Management Agency, reviewed over 400 contract actions in which Darleen Druyun participated during her tenure in the Air Force secretariat. Her actions in regard to eight contracts appeared to the team to be outside standard practices, meriting a closer look. Although the team's review was inconclusive as to wrongdoing, I have asked the Inspector General of the Department of Defense to conduct a detailed review of each contract. These eight contracts are in addition to the other contracts already being reviewed by the Inspector General as a result of Darleen Druyun's personal admissions (e.g. contracts for the NATO AWACS and C-130 Avionics Modernization Program).

The Defense Science Board (DSB) Task Force on Management Oversight in Acquisition Organizations was asked to assess our structure and methods of oversight to ensure the integrity of acquisition decisions in the Department. The task force's recommendations, which are currently being finalized in a written report, cover two broad areas: immediate changes to processes and oversight and enduring changes in cultivating leadership and people. An information paper summarizing the recommendations is attached.

A major recommendation of the DSB is that, in regard to a single acquisition, the authority to conduct oversight, source selection, and contract negotiations or to make contract awards, must not all reside in one person. Therefore, I request that each acquisition executive prepare policy, for my review, that reflects your procedures for ensuring the separation of these functions in all acquisitions, including sole-source contract modifications. Your submittals are due three weeks from the date of this memo. In addition, your annual Procurement Management Reviews shall start with a discussion of that set of policies to determine the health of your acquisition system. The Director of Defense Procurement and Acquisition Policy is available to provide further guidance.

I endorse the preliminary recommendations of the DSB and look forward to your support in implementing them. The recommendations remind us that leadership is central in organizations of integrity, and that acquisition professionals at all levels of the organization should work in an environment that encourages and rewards integrity and mutual respect. The highest ethical standards will produce the best business practices.

Michael W. Wynne
Acting

Attachment:
As stated

2005-000265

Defense Science Board Task Force
Management Oversight in Acquisition Organizations
Summary of Recommendations
22 February 2005

TASK: Assess oversight to ensure the **integrity of acquisition decisions** in DoD

Darleen Druyun Case Study: *Confluence of Contributing Factors:*
Long tenure; competence; accretion of authority; the absence of supervision, or the delegation of acquisition authorities; abuse of subordinates and contractors which was not apparent to supervisors; decisions made "behind closed doors;" Boeing's employment of daughter and her daughter's fiancé

Summary: ***Moving to "Best in Class"***

For the immediate issues:
- **Processes**
- **Oversight**

For enduring change:
- **Leadership**
- **People**

Recommendation: ***Processes***

Oversight, source selection, contract negotiations* ***must not all reside in one person**

USD(AT&L) must require:
- Open deliberations regarding evaluation and source selection between Service or Agency evaluation teams and source-selection authorities
- Written documentation of evaluations and source-selection recommendations by all team members
- Written justification of source-selection decision by source selection authority
- Distribution of delegated acquisition responsibilities among qualified acquisition personnel
- Effective feedback to all bidders or offerors
- Additional avenues for voicing concerns (e.g., ombudsmen)

Recommendation: ***Oversight***

*****Oversight of processes and practices** is as important as **oversight of programs*****

USD(AT&L) must require:

- Promotion of open communications
    - Sharing of best practices, and understanding of unusual practices
    - Use of case studies to communicate mistakes
- Periodic self-assessments of acquisition organizations, practices and processes
- Better supervision of senior acquisition personnel

Recommendation: *Leadership*

*****Leadership is at the center of high integrity organizations*****

DoD must:

- Articulate DoD values and vision from the top down
- Expect highest integrity from its partners in industry
- Expand orientation programs in ethics and continual learning
- Develop an ethical culture that emphasizes more than mere compliance

Recommendation: *People*

*****People who occupy senior positions in DoD must be leaders*****

DoD must:

- Modernize SES performance-management system
    - Institute 360° feedback
    - Implement rotation policy
    - Remove impediments from bonus and development systems

DoD, the Administration and Congress must:

- Work together to streamline nomination and confirmation processes
- Avoid restrictions that limit recruitment of experienced personnel

Overarching Recommendation: *Focus on Waste in the Acquisition Process*

- DoD should undertake a top-down assessment to streamline the process and reporting requirements.

*****Emphasize ethics and respect for people, and good business practices will follow*****