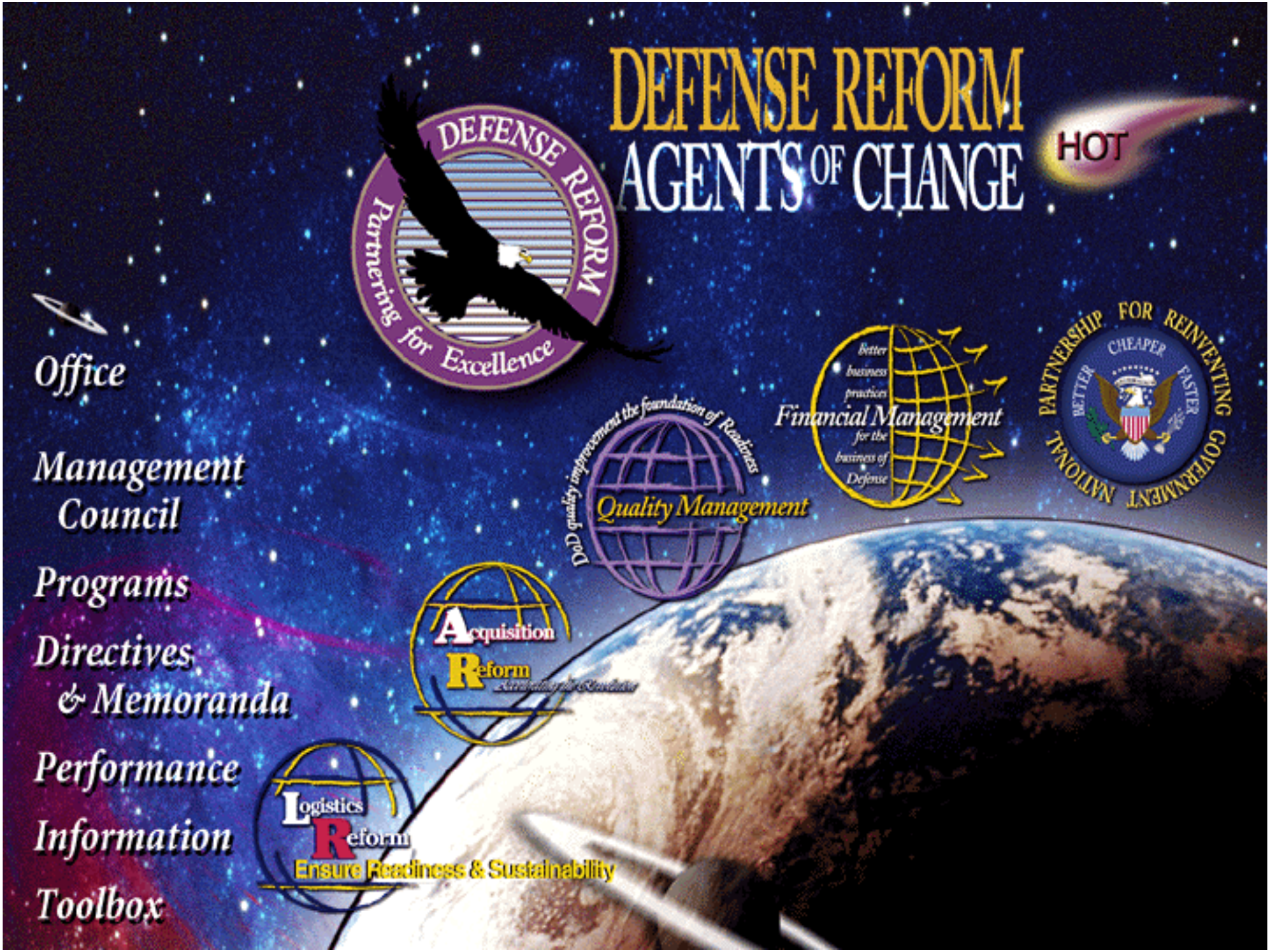
Defense Reform Update

for
Secretary of Defense
William Cohen

by
Stan Soloway
November 8, 1999


DEFENSE REFORM
AGENTS OF CHANGE
HOT
DEFENSE REFORM
Partnering for Excellence
Office
Management Council
Programs
Directives & Memoranda
Performance Information
Toolbox
DoD quality improvement the foundation of Readiness
Quality Management
better business practices
Financial Management
for the business of Defense
PARTNERSHIP FOR REINVENTING GOVERNMENT
BETTER
CHEAPER
FASTER
Acquisition Reform
Logistics Reform
Ensure Readiness & Sustainability

Management Council

The DMC was established as the Board of Directors to oversee the continued reengineering of the Department of Defense.

Deputy Secretary of Defense

Under SecDef (Acqsn & Tech)

Under SecDef (Comptroller)

Vice Chairman of JCS

Asst Sec Def (C3I)

Under Sec Navy

Vice Chief of Staff, Army

Vice Chief of Staff, Air Force

Under SecDef (Policy)

Under SecDef (Pers & Readiness)

General Counsel , DoD

Under Sec Army

Under Sec Air Force

Vice Chief of Naval Operations

Asst Commandant, Marine Corps

Dir, Admin & Mgmt

Dir, Defense Reform Initiative

MRMs - Management Reform Memoranda

Early in 1997, the Deputy Secretary of Defense issued a series of Management Reform Memoranda (MRMs) covering a wide range of issues with requirements for review and reports.

59% Completed

1. Implementation and Expansion of Infrastructure Savings Identified in the QDR
2. Moving to a Paper-free Contracting Process by Jan 1, 2000 OPEN
3. Streamlining Management of OSD-sponsored Higher Education Organizations and Programs
4. Eliminating Unneeded Publications in OSD and Organizations Under the Cognizance of OSD
5. Disposal of Excess Government-owned Property OPEN
6. Streamlining and Simplifying Member-arranged Movement of Household Goods OPEN
7. Streamlining the Management of Leased Property OPEN
8. Disposal of Excess and/or Obsolete Structures
9. Evaluation of Non-training Audiovisual Materials
10. Redesigning DoD Source Acceptance Policies and Procedures OPEN
11. Adoption of Commercial Identifiers in DoD Business Systems by Jan 1, 2000
12. Expanding Use of Prime Vendor Contract Instruments
13. Adopting Standard Commerical Products for Registration Fields
14. Reengineering PCS and Inactive Reserve Travel
15. Reengineering Defense Transportation Documentation and Financial Processes OPEN
16. Identifying Requirements for the Design, Development & Implementation of a DoD Public Key Infrastructure OPEN
17. Reducing the Number of Committees

DRIDs - Defense Reform Initiative Directives

After the DRI report was released in November 1997, Defense Reform Initiative Directives (DRIDs) were released covering over 40 issues that require reports to the Deputy Secretary of Defense. Many new ideas have emerged for changing the way we are doing business. Sometimes they take the form of DRIDs and others are informal reviews.

1. Personnel Downsizing Plans (21 Nov 1997)
2. New Defense Security Service (25 Nov 1997)
3. Defense Technical Information Center (25 Nov 1997)
4. Defense Privacy Office (25 Nov 1997)
5. Directorate for Freedom of Information and Security Review (25 Nov 1997)
6. Appointment of the Team to Create the Defense Threat Reduction and Treaty Compliance Agency (3 Dec 1997)
7. Overseas Military Banking Program (5 Dec 1997)
8. Reducing the Number of Committees (10 Dec 1997)
9. Privatizing Utility Systems (10 Dec 1997)
10. Establishment of Task Force on Implementing Competition and Infrastructure Initiatives (19 Dec 1997)
11. Reorganization of DoD Space Management Responsibilities (19 Dec 1997)
12. Transfer Humanitarian Assitance and Demining Programs to the Defense Security Assistance Agency (22 Dec 1997)

DRIDs - Defense Reform Initiative Directives

13. Defense Management Council Charter (22 Dec 1997)
14. Establishment of the TRICARE Management Support Activity (5 Jan 1998)
15. Establishment of Office of the Secretary of Defense Human Resources Transition Program (5 Jan 1998)
16. Transfer the Nuclear Command and Control System Function and Support Staff to the U.S. Strategic Command (5 Jan 1998)
17. Appointment of the Team to Develop a Blueprint to Merge Command, Control, Communications, and Computing Functions and the Development and Acquisition of Intelligence, Surveillance and Reconnaissance Systems (C4 and ISR Systems) into the Office of the Under Secretary of Defense for Acquisition and Technology (5 Jan 1998)
18. Feasibility of Competing Functions Involved in National Stockpile Sales (5 Jan 1998)
19. Transfer of the Defense Property Accountability System to the Defense Logistics Agency (14 Jan 1998)
20. Review of Inherently Governmental Functions (16 Jan 1998) OPEN
21. Formation of the Defense Energy Support Center (16 Jan 1998)
22. Transfer Out Counterdrug Personnel to the DoD Components (16 Jan 1998)
23. Defense Agency Performance Contracts (26 Jan 1998) OPEN
24. Planning for Defense Reform Initiative Organizational Realignments (26 Jan 1998)
25. DoD Plan for Integration of the National Guard and Reserve Component into Domestic Weapons of Mass Destruction Terrorism Response (26 Jan 1998) OPEN
26. Establishment of a Defense Management Council Task Force for Defense Reform Initiative Communication (26 Jan 1998)
27. DoD Computer Forensics Laboratory and Training Program (10 Feb 1998) OPEN
28. Devolvement of the Chemical Weapons Demilitarization Function (12 Feb 1998)
29. Joint Activities Study (25 Feb 1998)
30. Initial Organizational Activity Regarding the Establishment of the Defense Threat Reduction Agency (25 Feb 1998)

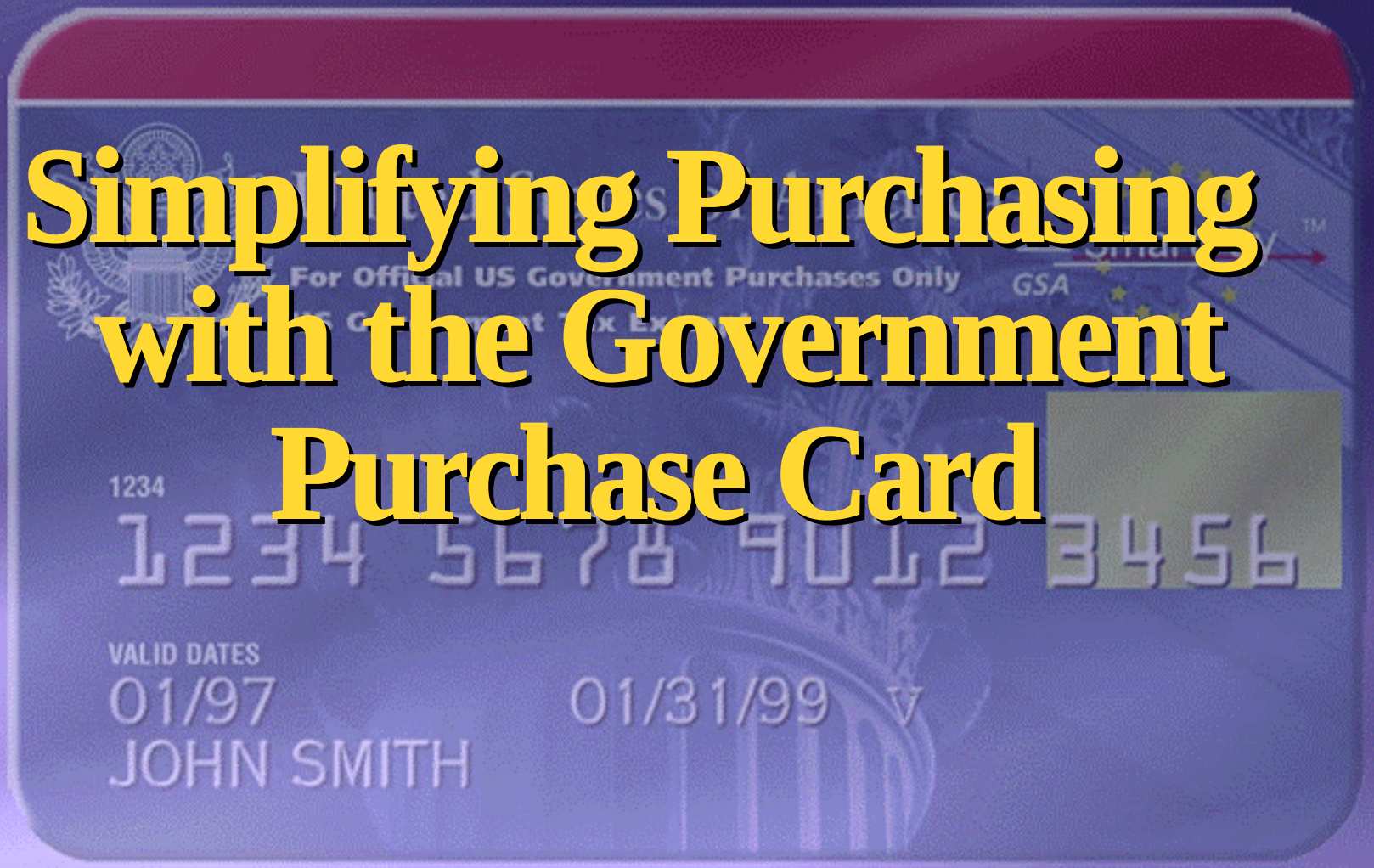
DRIDs - Defense Reform Initiative Directives

31. Realignment of DoD Spectrum Management Responsibilities (23 MarCH 1998)
32. Paperless Contract Closeout (13 Apr 1998) OPEN
33. Paperless DD Form 250, Material Inspection and Receiving Report (13 Apr 1998) OPEN
34. Transfer of Warsaw Initiative (Partnership for Peace) Program Management Functions to the Defense Security Assistance Agency Form 250, Material Inspection and Receiving Report (05 May 1998)
35. Location of the Defense Threat Reduction Agency Headquarters and Support Offices (05 May 1998)
36. Disposal/Demolition of Excess Structures (05 May 1998) OPEN
37. Oversight of the Defense Commissary Agency - Revised (23 Dec 1998) OPEN
38. Funding Requirements for DoD Spectrum Management Responsibilities (06 May 1998)
39. Travel Reengineering (11 May 1998)
40. Redesignation of the Defense Security Assistance Agency as the Defense Security Cooperation Agency (20 May 1998)
41. Development of a Blueprint for the Chancellor for Education and Professional Development (18 May 1998)
42. Transfer of the Space Policy Function(20 May 1998)
43. Defense-wide Electronic Commerce (20 May 1998)
44. Paper-Free Program Objectives Memorandum Submission (02 Jun 1998)
45. Prime Vendor Contracting Program for Facility Maintenance Supplies (24 Aug 1998) OPEN
46. Paperless Contracting (09 Dec 1998) OPEN
47. End-to-End Procurement Process (09 Dec 1998) OPEN
48. Adoption of Commercial EDI Standards for DoD Logistics Business Transactions (09 Dec 1998) OPEN
49. Privatizing Utility Systems (23 Dec 1998) OPEN
50. Reengineering of Relocation and Reserve Component Travel (27 Jun 1999) OPEN
51. **Transfer of the Defense Property Accountability System to the Defense Logistics Agency (29 Jun 1999)** OPEN

Performance

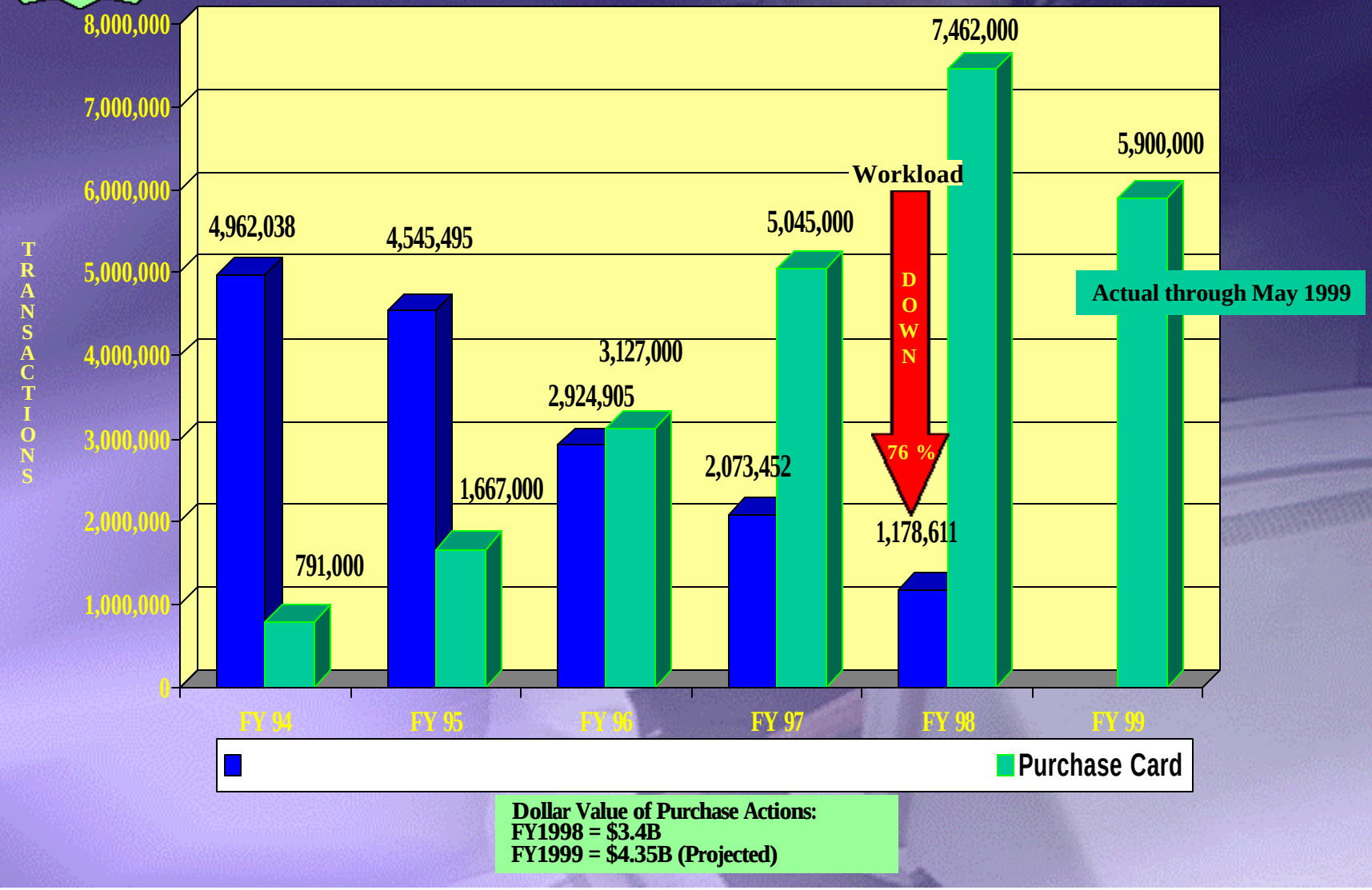
Performance Scorecards	MRM #	DRID #
• Paperless Contracting and Acquisition	2	32, 46
• Logistics Transformation	--	--
• Military Housing Privatization	--	--
• Energy Management & Utilities Privatization	--	9, 49
• Financial Management Reform	--	--
• Competitive Sourcing	--	20
• Government Purchase Card	--	--

Simplifying Purchasing with the Government Purchase Card



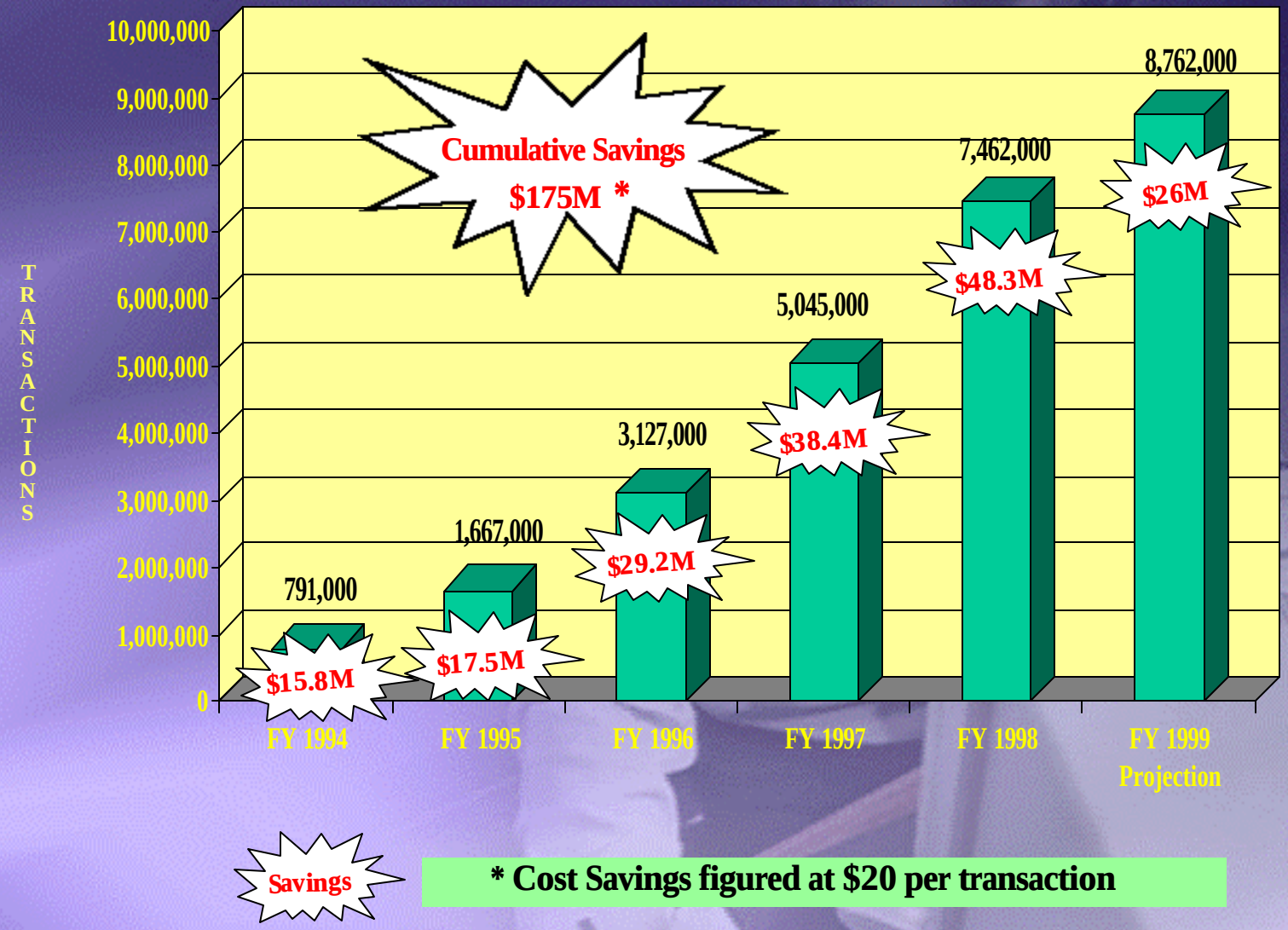
Increase Purchase Card Usage to 90% by FY 2000 and Decrease Traditional Micro-Purchase ($2,500 and Less) Transaction Methods

$12 Million in rebates through June 1999



Dollar Value of Purchase Actions:
FY1998 = $3.4B
FY1999 = $4.35B (Projected)

Cumulative Minimum Savings from Increased Purchase Card Usage

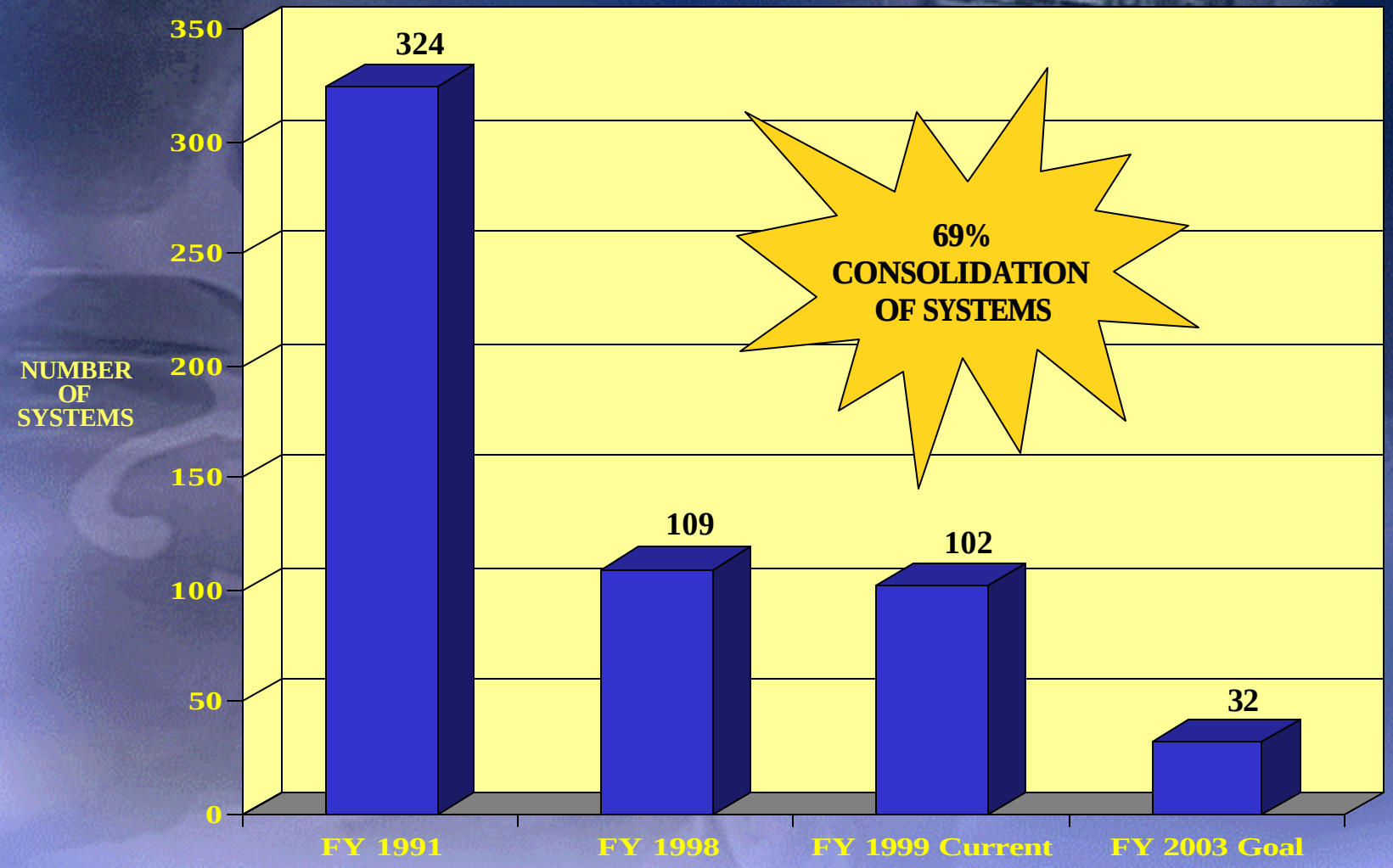


* Cost Savings figured at $20 per transaction

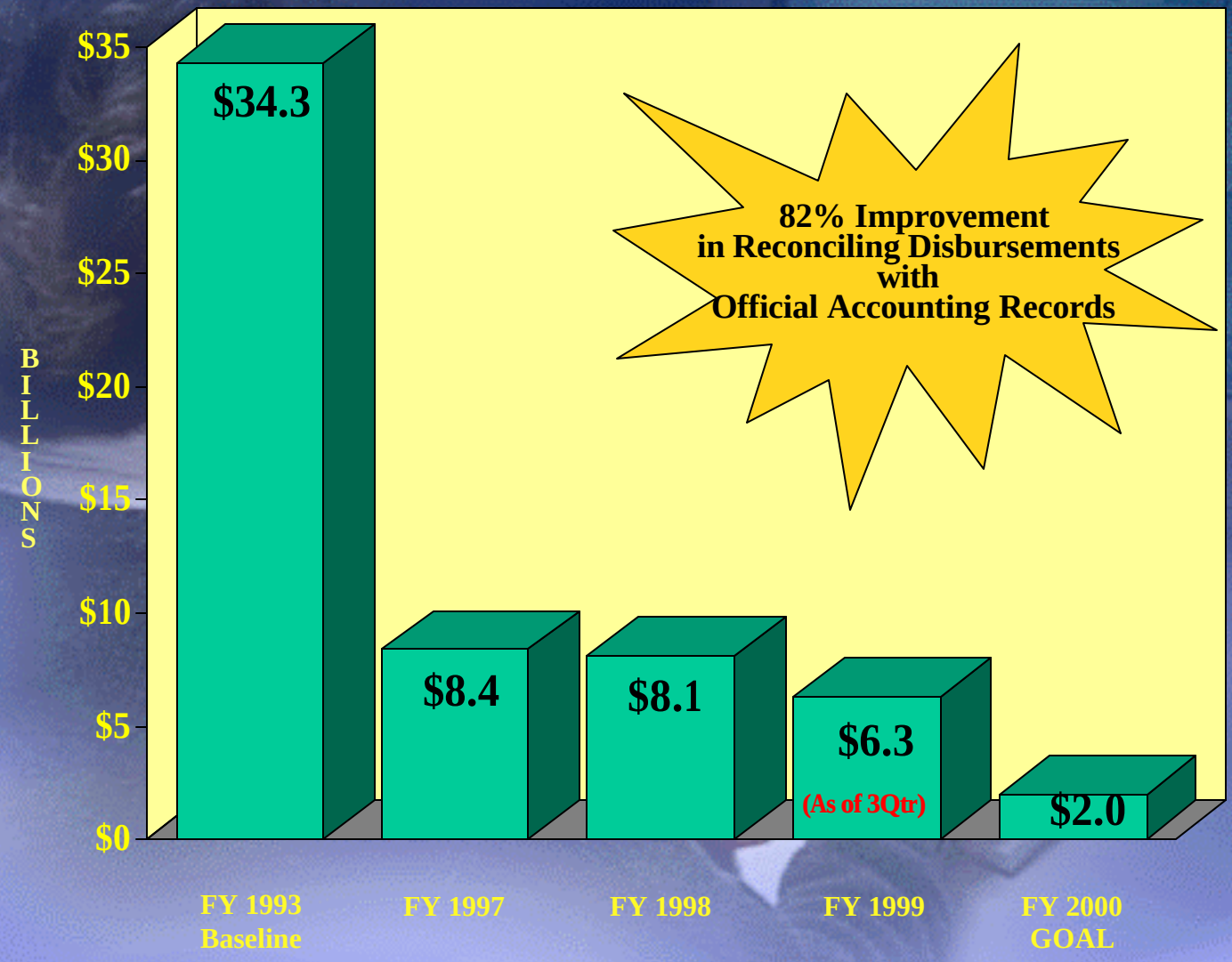
Overhaul of Financial Operations & Systems

- Consolidating Systems
- Increasing Accuracy

Reduce the Number of Financial Operations and Accounting Systems to 32 by FY 2003



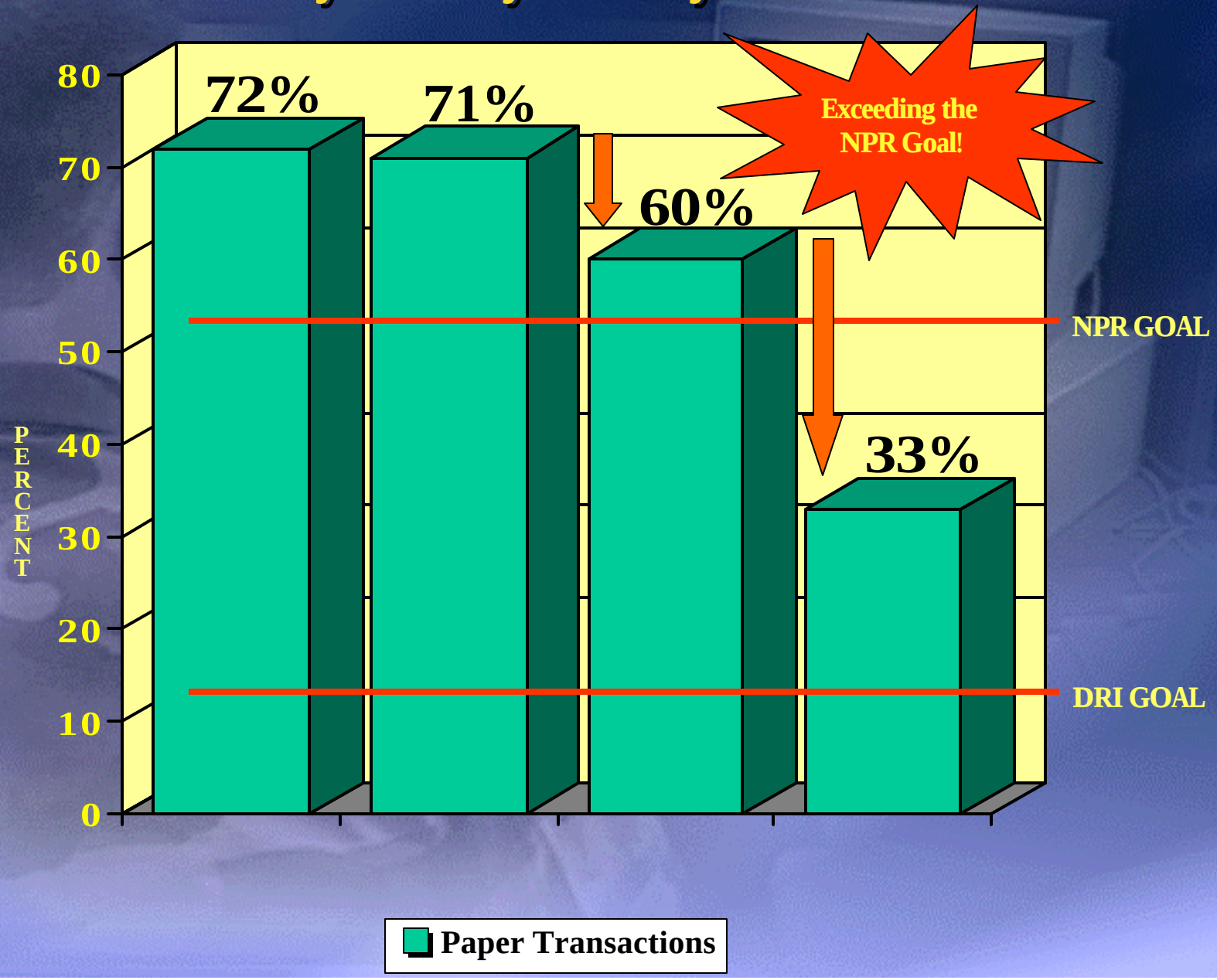
Reduce Unmatched Disbursements / Negative Unliquidated Obligations by 75% of 1998 Level



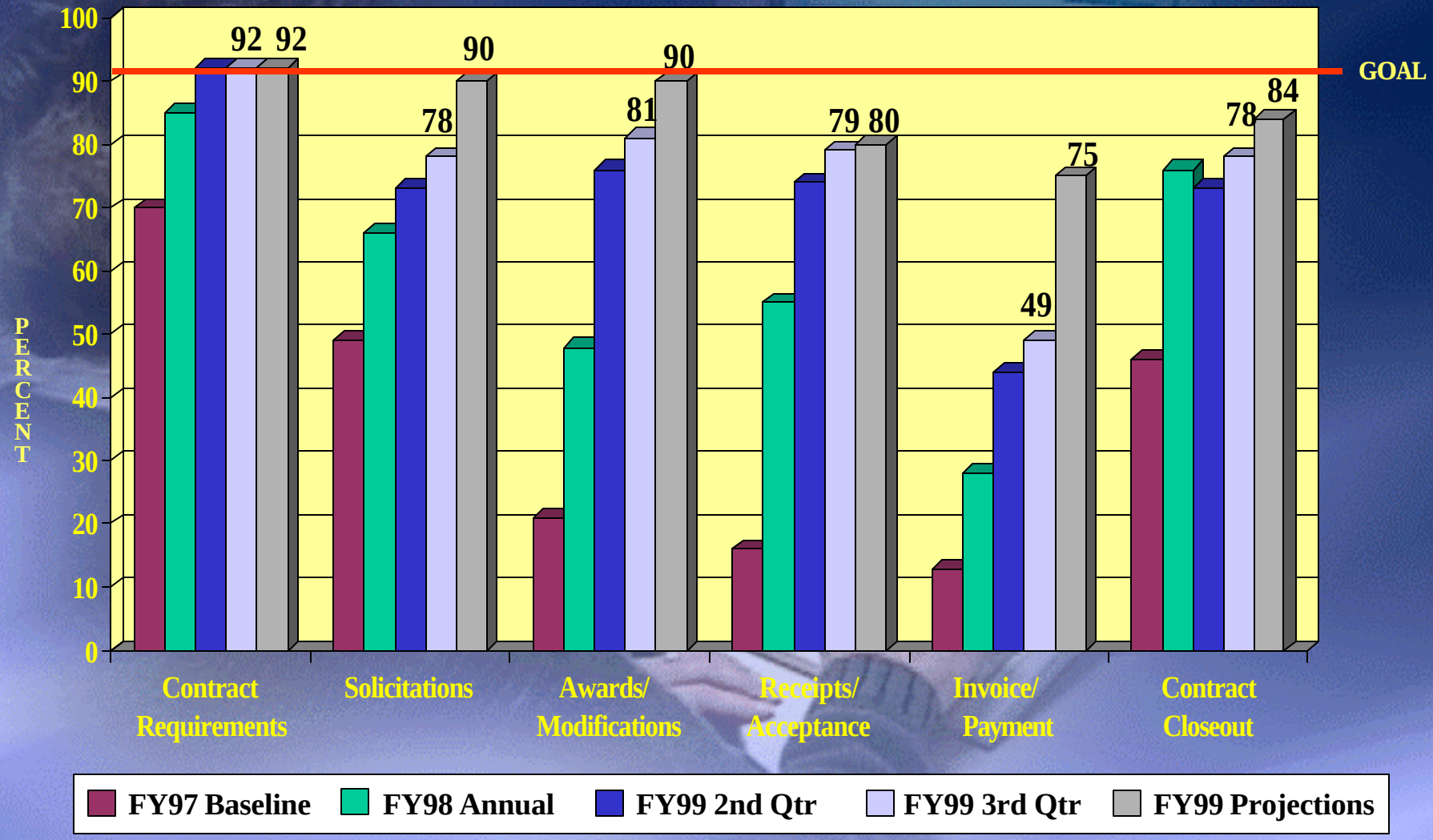
Paperless Contracting

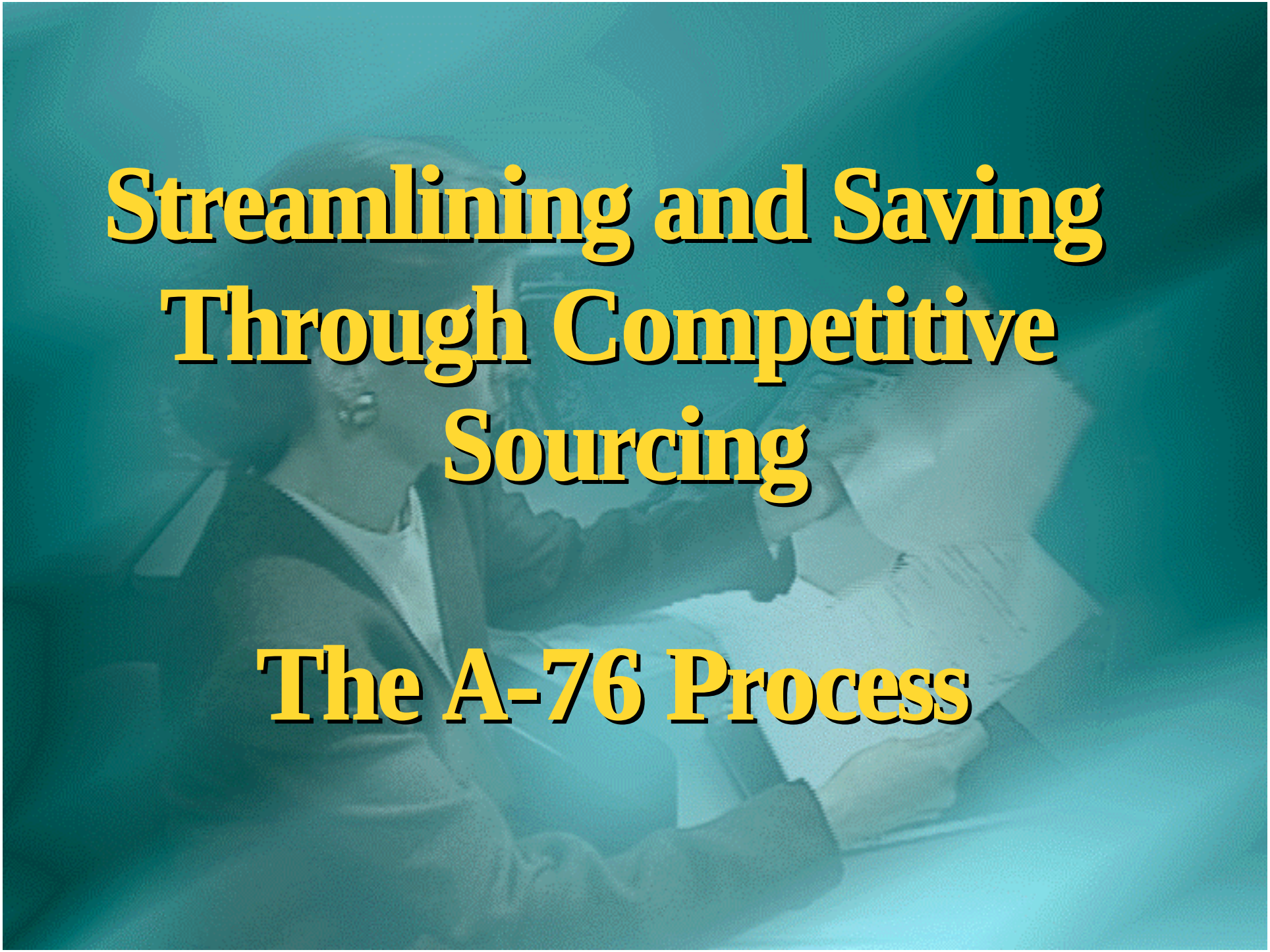
- Contract Requirements
- Solicitations
- Awards/Modifications
- Receipts/Acceptance
- Invoices/payment
- Delegated Contract Closeout (DCMC only)

Reduce Paper-bound Contracting Processes by 50% by January 2000

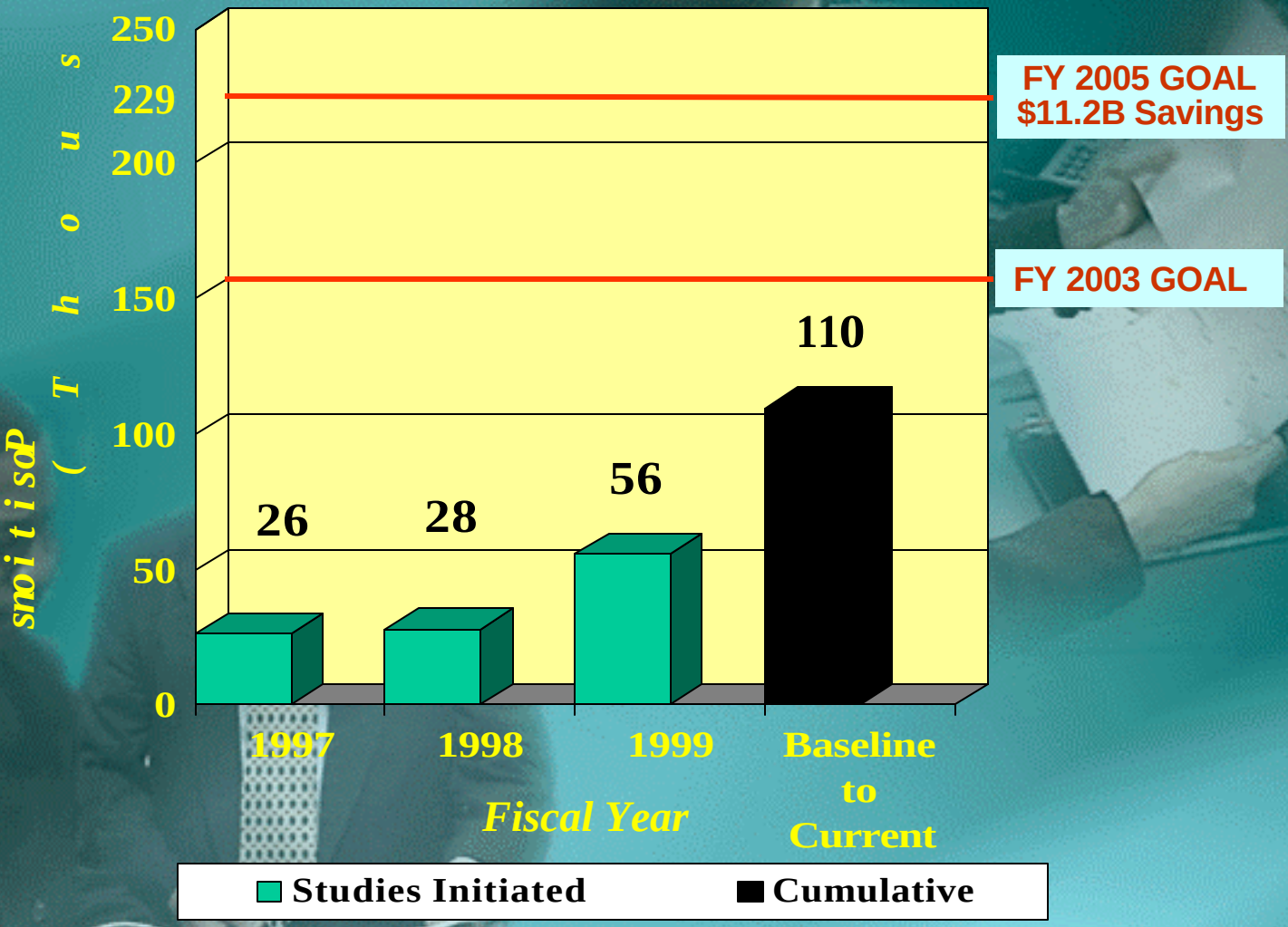


Achieve a 90% Paperless Contracting Environment by January 2000 (by Category)




Streamlining and Saving Through Competitive Sourcing
The A-76 Process

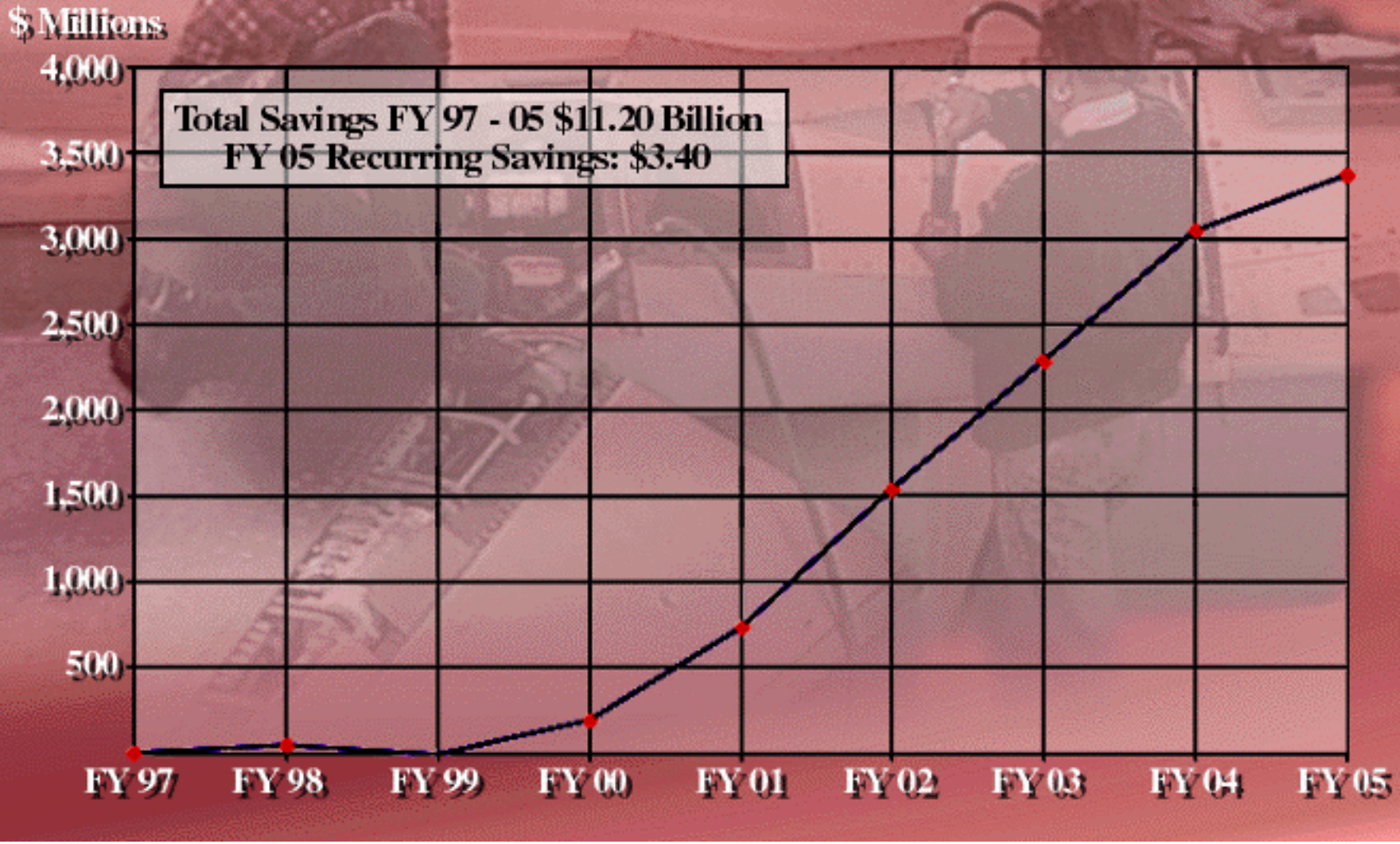
Competitive and Strategic Sourcing - Compete 150K Positions by FY 2003 and 229K Positions by FY 2005



NOTE: Competitive and Strategic Sourcing goal is $11.2B savings by 2005. Savings based on historic average of 20% per FTE competed regardless of competition results.

Savings: $11.2 Billion

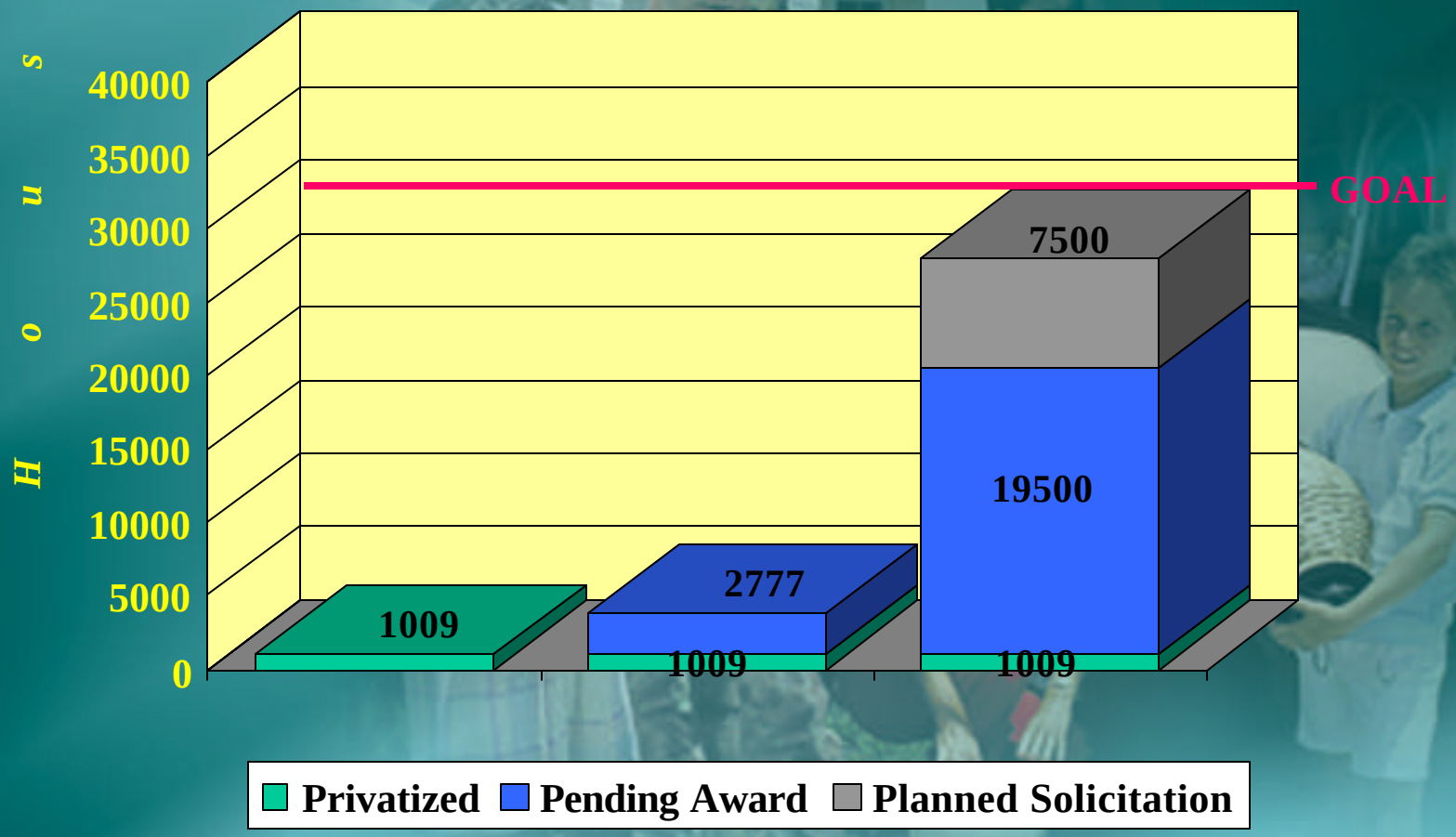
Competitive Sourcing
Programmed Savings FY97-05



Military Housing
Privatization Initiative:
Improving Quality of Life

Privatize 28,000 Military Housing Units by FY 2000

300K Housing Units
200K Need Repair



Energy & Utilities Management

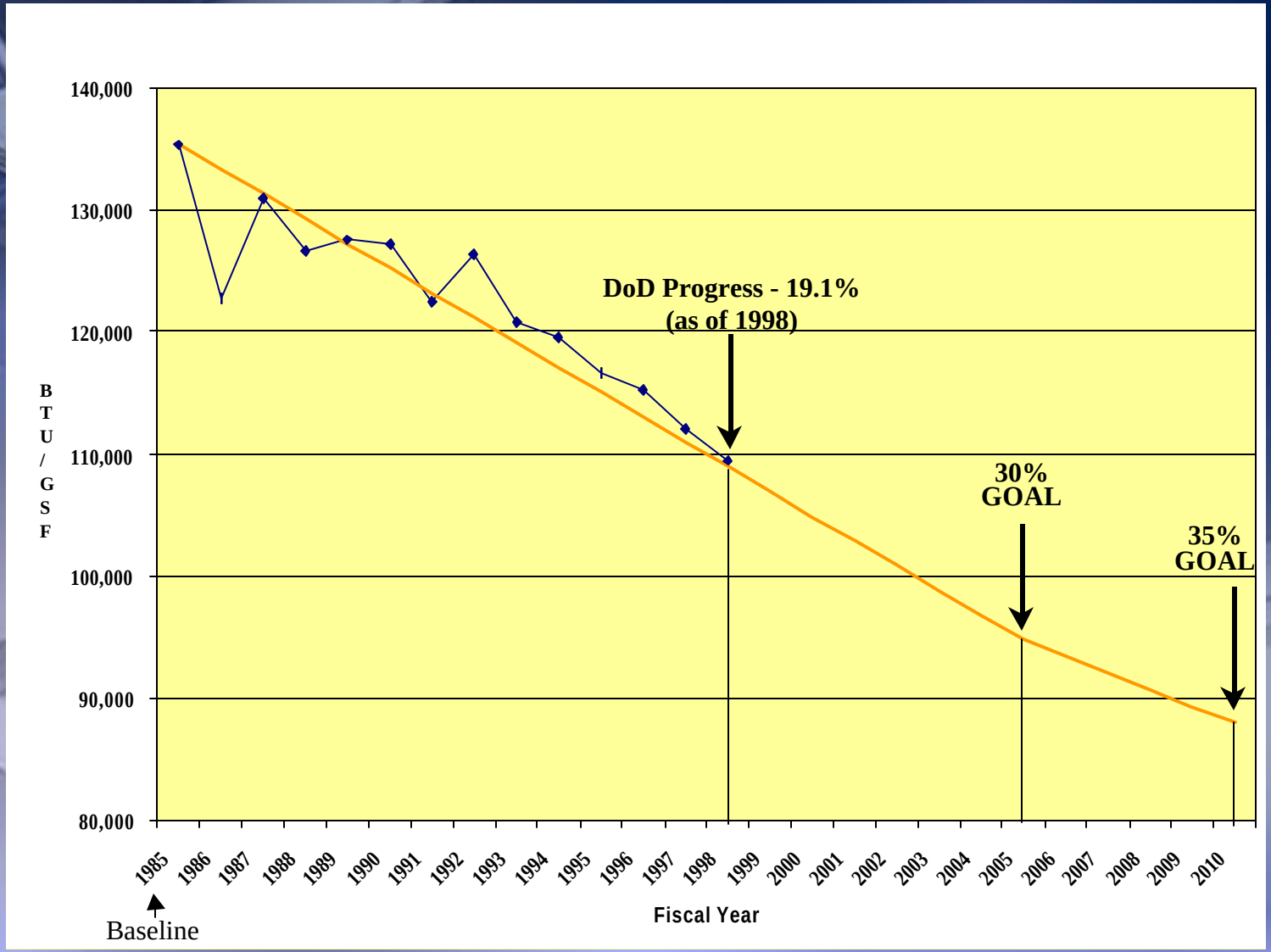
Energy & Utilities Management Goal

"Manage energy, not power infrastructure"

- **Privatize 2,400 utilities systems by September 30, 2003**

- **Reduce energy consumption per square foot in our buildings and facilities 30 percent *below 1985* levels by 2005 *and* 35 percent by 2010**

Reduce Energy Consumption 30% below 1985 levels by 2005 and 35% by 2010 *



* Mandated per Executive Order 13123

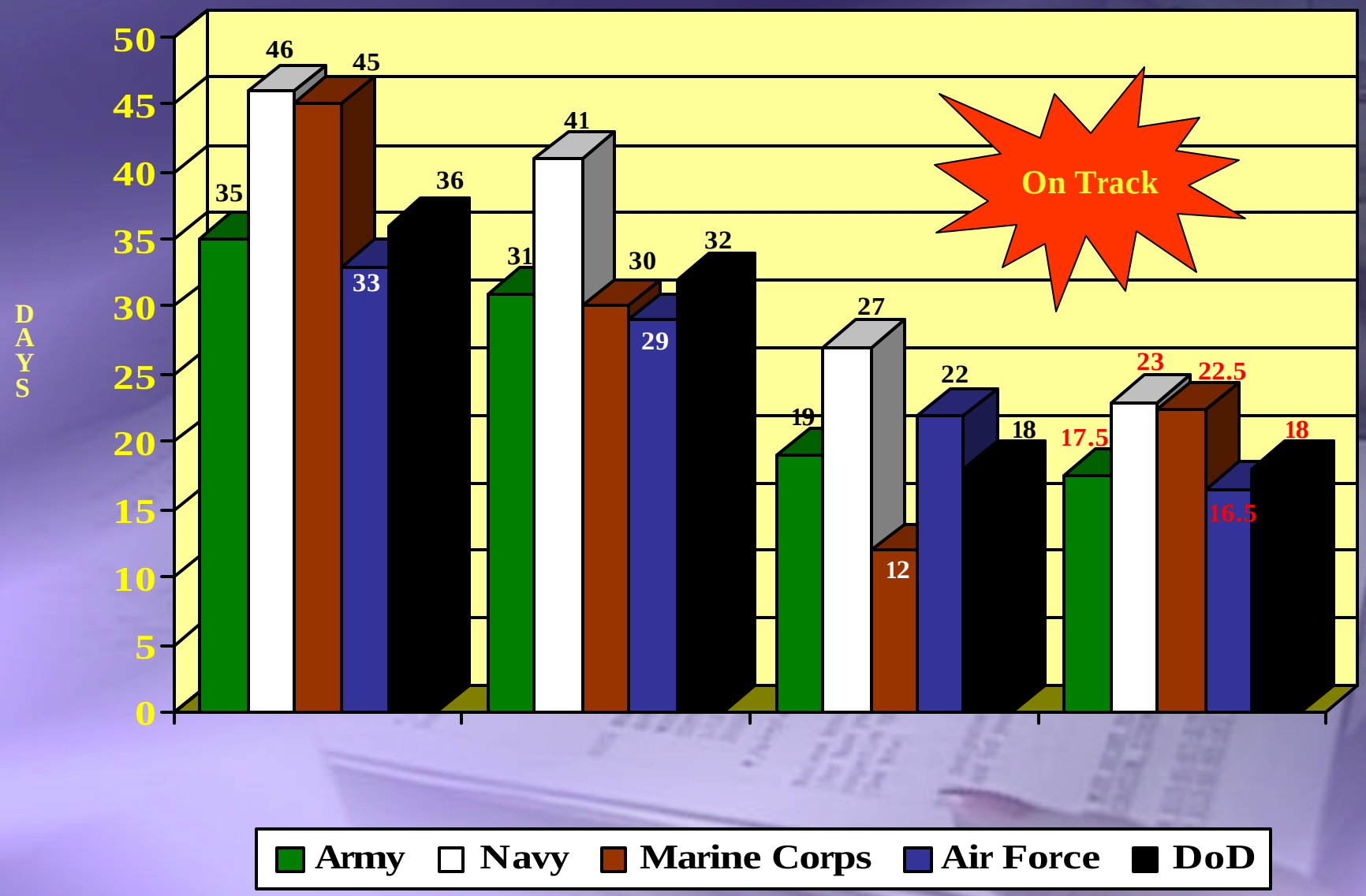
Logistics
Transformation

Logistics Initiatives

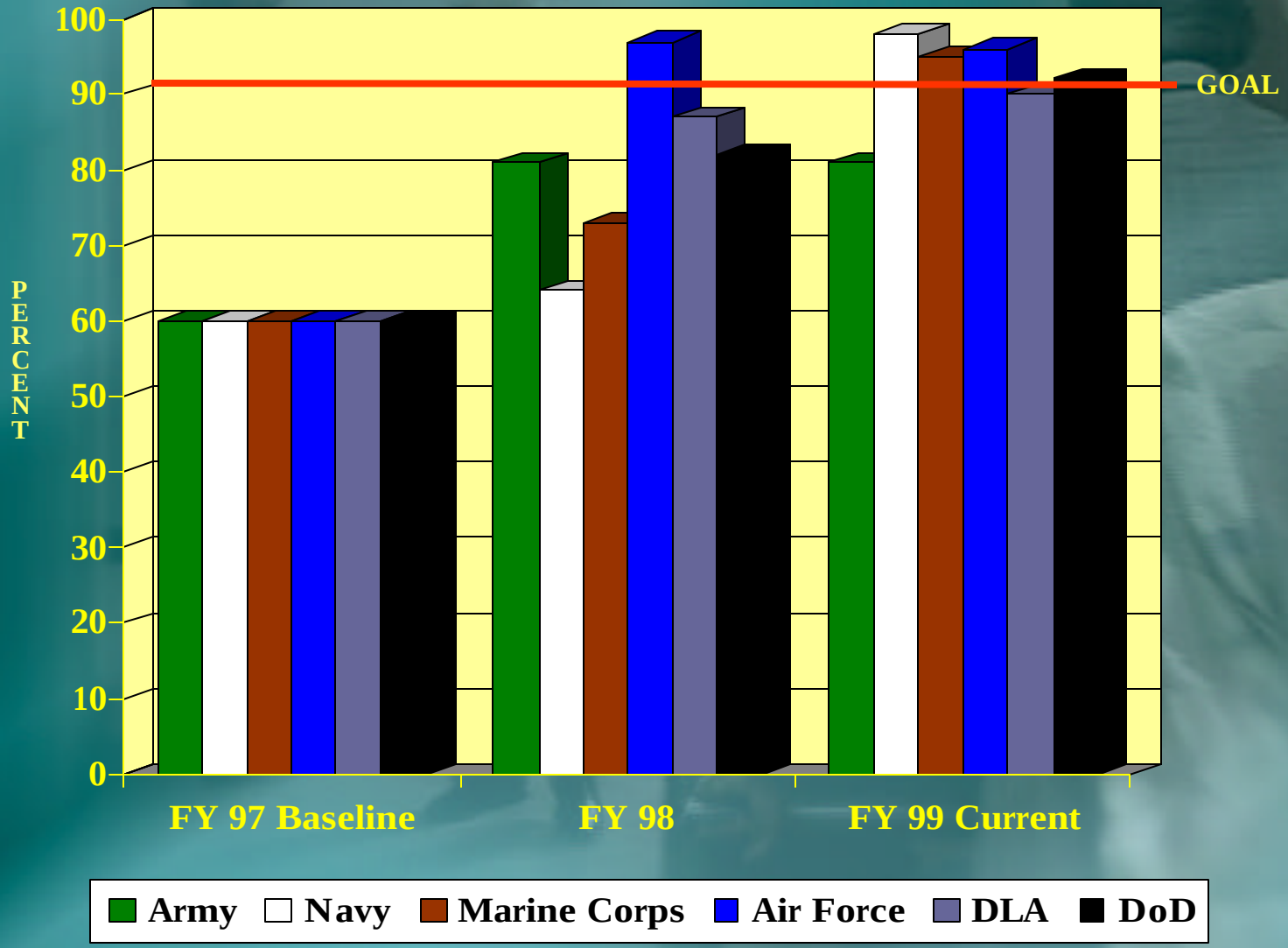
- Reduce wholesale supply order-receipt time
- Re-engineer product support
- Re-engineer logistics processes
- Re-engineer operational maintenance procedures
- Modernize logistics information systems

Reduce Order Receipt Time by 50% of FY 97 Baseline

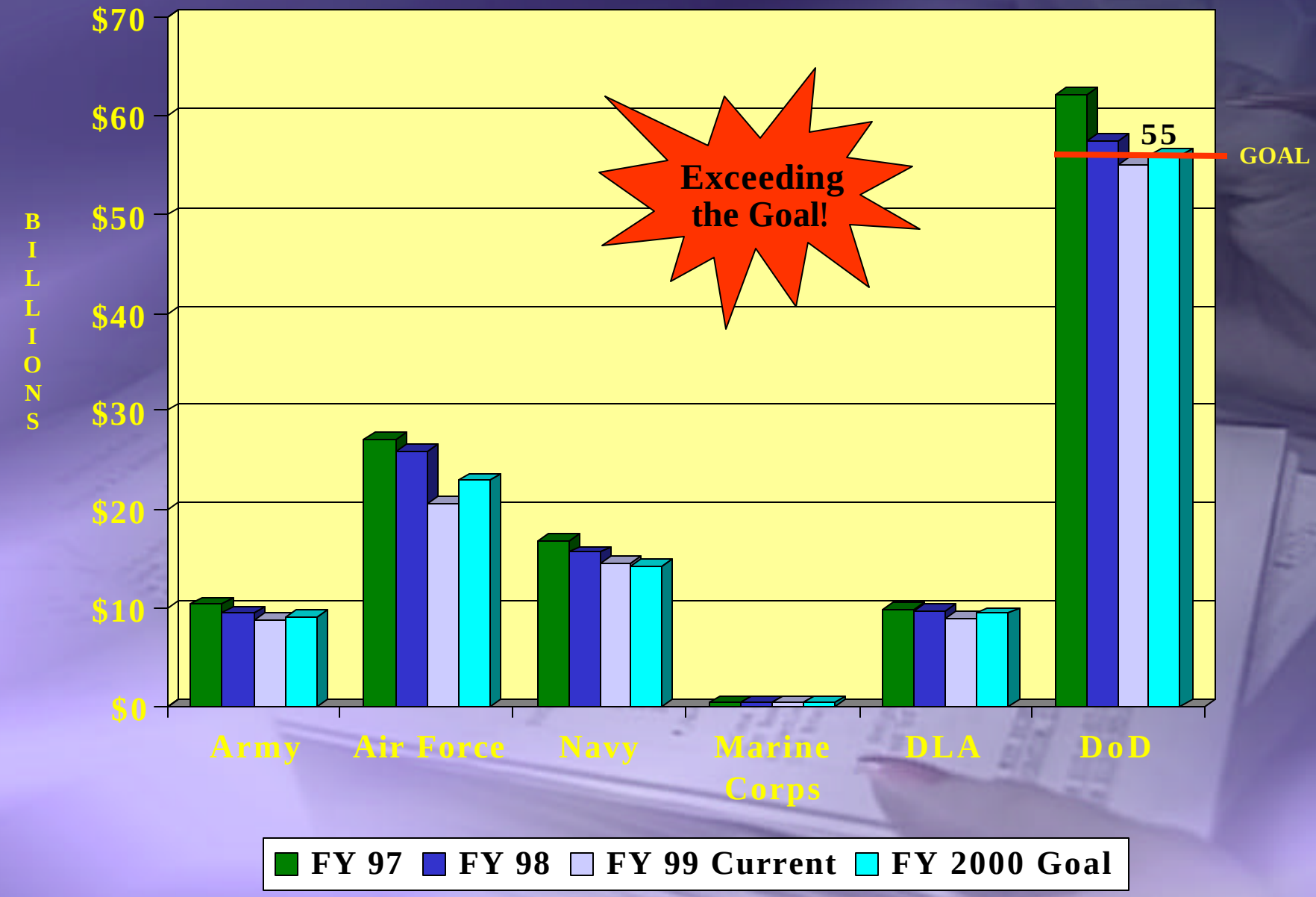
(Requisitioned items for any class of supply submitted against the Wholesale System)



Total Asset Visibility & Accessibility
- Achieve 90% Visibility of Items in Storage by FY 2000



Reduce Secondary Item Inventory Balance to $56B by FY 2000



Framework for Longevity

- Change Management - Rapid Improvement Teams
- Performance Management
- Pilots/Experimentation
- Congress / GAO / Industry Partnership

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