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Hearing of the House Committee on Oversight and Government Reform
Subcommittee on Military and Foreign Affairs
Clearing the Path: Reforming Procurement to Accelerate Defense Innovation

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Chairman Timmons, Ranking Member Subramanyam, members of the subcommittee, thank you for inviting me to discuss the defense acquisition and innovation.[1]

Our defense acquisition system takes too long to deliver capability, costs more than it should, and often fails to adopt the most cutting-edge capabilities industry has to offer. DoD relies extensively on industry to develop its military capabilities, manufacture its systems, manage logistics, and implement IT and develop software. In 2022, the Department's list of 14 critical technology areas vital to national security identified only three that were defense-specific (hypersonics, directed energy, and integrated sensing and cyber). [2] The vast majority of critical technologies on this list are either the result of "existing vibrant commercial sector activity" or emerging technologies being developed in the private sector or in collaboration with DoD. Commercial companies are leading the way in many technologies, including artificial intelligence, autonomy, microelectronics, space technology, advanced computing and software, and human-machine interfaces. This reliance is only increasing.

Unfortunately, at the same time that DoD is becoming more reliant on industry, the Defense Industrial Base is shrinking (dramatically) because more and more companies are choosing not to work with the Department of Defense. These are serious problems.

The good news is that in my more than 20 years working on defense acquisition policy, I have never seen this level of focus on improving defense acquisition, particularly in Congress. This hearing is a prime example of that focus.

The administration is aggressively seeking to pursue efforts to fundamentally and substantially improve the acquisition process both for defense and government wide, through such efforts as

- emphasizing buying commercial,
- rewriting the Federal Acquisition Regulation and the related agency supplements, and
- removing bureaucracy.

1 The views expressed in this statement are my own and not necessarily those of the Coalition for Common Sense in Government Procurement.
2 Under Secretary of Defense for Research and Engineering, *Technology vision for an era of competition*, February 1, 2022.

Many of the acquisition authorities and processes are enshrined in statute and are the prerogative of Congress. On the Congressional side, the FoRGED Act, an acquisition reform bill introduced in the Senate, seeks to

- streamline the acquisition process,
- repeal outdated or non-value-added provisions of law,
- increase procurement thresholds,
- strengthen commercial buying processes,
- speed up and strengthen the requirements process,
- implement recommendations from the Commission on Planning, Programming, Budgeting, and Execution Reform, and
- expand the Defense Industrial Base.

There is also the SPEED Act, introduced earlier this week by the Chairman and Ranking Member of the House Armed Services committee, which reflects many of the same themes found in the FoRGED Act, and also tackles

- aligning the purpose of the acquisition system with national security challenges,
- life-cycle management and product support,
- modernizing cost accounting standards, and
- data as a service.

The SPEED Act also has woven throughout initiatives aimed at data-driven decision making in defense acquisition and the workforce.

This committee has also made a number of efforts to improve the acquisition system *writ large,* particularly in the areas of IT and cyber. Two examples of this committee's work in this area include holding an oversight hearing last year on DoD's challenges implementing a modern IT system to replace the antiquated Defense Travel System, and the Federal Improvement in Technology (FIT) Procurement Act, which unanimously passed the House in the last Congress (FR 9595). The FIT Act, which was voted out favorably by this committee by a vote of 39-0, included training for the federal acquisition workforce, increased certain acquisition dollar thresholds, and streamlined processes for the procurement of technology.[3] Last year, this committee also passed the Strengthening Agency Management and Oversight of Software Assets (SAMOSA) Act (that would have require agencies to inventory software and establish modernization plans).

This committee plays a critical role in acquisition reform within DoD and across the federal government. Authorities, such as Cost Accounting Standards, certain commercial items and services definitions, and acquisition thresholds (such as the Simplified Acquisition Threshold), are in Title 41 of the US Code, which fall under the jurisdiction of this committee. In addition, this committee can help add consistency in acquisition across the federal government by harmonizing some of the differences in the procurement statutes in Title 10 (covering the Department of Defense) and Title 41 (governmentwide).

[3] The bill would have authorized advanced payments for cloud computing services to allow federal agencies to access cost-saving opportunities.

Many of these efforts, such as streamlining regulation, increasing thresholds, buying commercial, and modernizing cost accounting standards, are critical to transforming defense acquisition to meet the national security challenges facing our nation. But these actions are not enough. I would like to focus on the last two issues mentioned: modernizing IT and improving the performance of the acquisition workforce. Without comprehensively addressing these two foundational challenges, we will only be playing in the margins.

(1) Workforce is the key to successful acquisition.

There have been more than 100 reports on defense acquisition reform (most of which I have read). Overwhelmingly, these reports arrive at the same conclusion: *the key to good acquisitions is having a good workforce and giving them the resources, incentives, and authority to do their job*. These reports then do an odd thing: they go on to discuss, analyze, and offer myriad substantive recommendations on everything *but* the acquisition workforce.[4]

The Importance of Workforce[5]

- "Regardless of how effective the overall system of Department procurement regulations may be judged to be, the key determinants of the ultimate effectiveness and efficiency of the Defense Procurement process are the procurement personnel.... The importance of this truism has not been appropriately reflected in the recruitment, career development, training, and management of the procurement workforce." *Fitzhugh Report (1970)*
- "DOD must be able to attract, retain, and motivate well qualified acquisition personnel." *Packard Report (1986)*
- "Making fundamental improvements in acquisitions will require attacking the cultural dimension of the problem. Changes of the type needed will not come easily. They must be directed at the system of incentives." *GAO (1992)*
- "The department should focus on creating incentives so that commanders and managers seek efficiencies." *Robert Hale (2002)*
- "To repeat: the emphasis must be on the individuals in line management.... the key to effective execution of any contract is not the quality of the contract, it is the quality of the program management responding to clear assignment of authority and accountability for each program." *QDR Independent Panel (2010)*
- "There is little doubt that acquisition reforms produce limited, positive effects because they have not changed the basic incentives or pressures that drive the behavior of the participants in the acquisition process." *Defense Acquisition Reform: 1960-2009 (2011)*

[4] A notable exception to this trend is the Jansler Commission's report *Urgent Reform Required: Army Expeditionary Contracting*. The report found, among other things, that:

- "the Army's acquisition workforce is not adequately staffed, trained, structured, or empowered to meet the Army needs of the 21st Century deployed warfighters. Only 56 percent of the military officers and 53 percent of the civilians in the contracting career field are certified for their current positions."
- "Notwithstanding a seven-fold workload increase and greater complexity of contracting, the Institutional Army is not supporting this key capability."
- "…the Operational Army does not yet recognize the impact of contracting and contractors in expeditionary operations and on mission success."
- "What should be a core competence—contracting (from requirements definition, through contract management, to contract closeout)—is treated as an operational and institutional side issue."

[5] Quotes:

At its heart, defense acquisition is a human endeavor, where success or failure depends primarily on the thoughts, beliefs, and foibles of the people who make up the acquisition workforce. Acquisition professionals have to make judgements; evaluate competing approaches; balance risk, cost, capability, and schedule; and develop acquisition strategies. Because of the human element in contracting, better acquisition cannot be achieved through multiple audits, changing regulation, or legislative fiat. Rather, giving capable people the authority to do their job, putting them in positions to succeed, holding them accountable, and minimizing red tape is the recipe for better acquisition. But that is not what we do. Instead of empowering people to take responsibility and make good management decisions that will deliver better systems faster, we micromanage, add layers of oversight and review, and measure them on compliance and process.

Compliance takes precedence over common sense; process, over performance. If we empower the workforce and focus on outcomes, we can hold people accountable. As one Program Executive Officer said when expressing frustration over the multiple layers of approval processes: I was hired to make decisions. If you don't like my decisions, fire me, but let me do my job. That official is right.

As then Under Secretary of Defense Frank Kendell wrote "policies and processes are of little use without acquisition professionals who are experienced, trained and empowered to apply them effectively. At the end of the day, qualified people are essential to successful outcomes.[6]"

The acquisition workforce needs to know more than just the regulations. They need to hold the technical baseline of the programs they manage but really immerse themselves in and knowing the technologies they are acquiring. Key acquisition personnel should be as expert in the subject of acquisition as the contractors.

They need to understand industry and the economics that drive business decisions in the private sector. To accomplish this, DoD should make use of the exchange programs with industry that are in law (and some of the authorities should be amended to allow for greater use of these authorities).

- Department of Defense, *Report to the President and the Secretary of Defense on the Department of Defense by the Blue Ribbon Panel*, July 1, 1970, p. 94.
- *A Quest for Excellence*, Final Report to the President by the Blue Ribbon Commission of Defense Management, June 30, 1986, p. xxv.
- U.S. General Accounting Office, *Weapons Acquisition: A Rare Opportunity for Lasting Change*, NSIAD 93-15, December 1992, pp. 2-3.
- Robert F. Hale, *Promoting Efficiency in the Department of Defense: Keep Trying, Be Realistic*, Center for Strategic and Budgetary Assessments, January 2002, p. iii.
- U.S. Institute for Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, Final Report of the Quadrennial Defense Review Independent Panel, July 28, 2010, p. 86.
- J. Ronald Fox, *Defense Acquisition Reform 1960-2009: An Elusive Goal* (Center of Military History, 2011), p. 190.

[6] Department of Defense, Implementation Directive for Better Buying Power 2.0 - Achieving Greater Efficiency and Productivity in Defense, Office of the Under Secretary of Defense Acquisition, Technology and Logistics, Memorandum, April 24, 2013.

They need to interact more with warfighters/end-users, and internalize that just like contracting and acquisition are commanders' business, so too operations effects are acquisition workforce business.[7]

And key personnel, such as program managers, need to have a long enough tenure to do their job right (and to be held accountable). DoD needs to rethink how it trains and manages the acquisition workforce, including through experiential training.

(2) DoD needs to modernize its IT systems and improve its use of data.

Data analysis is a critical element in making smart, informed, policy decisions and in managing government programs, including the acquisition process. Data analytics can improve the entire acquisition process, from cost estimating, managing supply chains, conducting predictive analytics, managing the industrial base, and fostering competition.[8] The data managed by DoD's IT systems too often are insecure, unreliable, and incomplete. Many IT systems are unable to transfer data or communicate with other systems, preventing data sharing within the organizations. DoD's IT and business systems are hampering its ability to leverage data and need to be modernized.

- First, DoD uses too many outdated systems. A recent IG report found that DoD plans to spend more than $725 million in the next four years on systems that the Comptroller's office stated "can and should" be retired.[9] And that is only for financial systems.
- Second, DoD faces cultural and bureaucratic challenges in adopting modern IT systems, as exhibited in the stalled effort to replace the Defense Travel System with a modern and proven commercial IT solution. Successful IT modernization requires a culture change in the Department.
- Third, DOD limits its own capacity to operate efficiently by not leveraging the cloud. Migrating data and software to the cloud will enable the Department to "…modernize their information technology infrastructures, enhance operational efficiency, and quickly adapt to new or evolving mission requirements."[10]

Until these challenges are solved, DoD will not have the secure, reliable, and complete data sets that are a prerequisite for realizing the promise of AI: AI is only as good as the data it is fed.

DoD's failure to modernize its IT systems and shift to a data-centric organization is directly hurting readiness,[11] preventing DoD from getting a clean audit opinion, depriving officials of the data necessary to make informed decisions, and slowing down the acquisition system. DoD has no centralized record keeping system for IP licenses. Nor does it effectively have a digital

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[7] See General David H. Petraeus, COMISAF's Counterinsurgency (COIN) Contracting Guidance, International Security Assistance Force/United States Forces - Afghanistan, September 8, 2010, p. 1 which stated "contracting has to be a 'commander's business.'".

[8] Then Deputy Secretary of Defense Hicks called data "a strategic asset" that "is essential to preserving military advantage." Office of the Deputy Secretary of Defense, "Memorandum on Creating Data Advantage," May 5, 2021.

[9] Department of Defense, Office of Inspector General, *Audit of the DoD's Plans to Address Longstanding Issues with Outdated Financial Management Systems* , Jan. 19, 2024.

[10] Department of Defense, Office of the Chief Information Officer, OSD Cloud Migration Primer, Apr, 9, 2025.

[11] See ***Defense One*****,** Is bad data to blame for missing weapons parts?, January 17, 2025. See also DoD IG's report Evaluation of the Spare Parts Onboard U.S. Navy Ships in the Indo-Pacific Region, which found that the spare parts "inventory accuracy was between 83 and 95 percent, which is below the minimum inventory accuracy of 98 percent needed to ensure the ships' readiness."

acquisition process to link and share information to inform and effectively digitize the acquisition process.

We need to make investments to update DoD business systems, which will in turn increase operational efficiency, reliability, and effectiveness. Such investments are downpayments that will generate savings in the long term. We need to implement true digital acquisition processes to become more auditable, move faster, and be more lethal. We need to develop IT and data sharing to better manage tech data rights and commercial buying. And we need to make the investments in data systems that will allow DoD to realize the promise of artificial intelligence. One good place to start is with the FIT Act.

Conclusion

Private industry is one of the greatest strengths of the United States. As Jason Rathje, then director of the Office of Strategic Capital, stated in 2024, *"The U.S. capital markets are the largest and the most liquid in the world. We see them as a national competitive advantage for the U.S."*

Some in private industry, particularly such engines of innovation as private equity and venture capital, are giving DoD a new look and increasing investments in national security. In the words of one industry partner, "I don't think I've ever seen such excitement, enthusiasm for investing in defense tech across a wide variety of investment firms. I think it's something that pretty much every serious … traditional Silicon Valley investment firm has at least one partner who's focused on aerospace or defense.[12]" This is an opportunity to reverse the trends in the decline of the DIB.

To maintain technological advantage on and off the battlefield, DoD needs to leverage US capital markets and the full strength and innovation of the entire domestic industrial base. To do this, we must get acquisitions right. We need to rationalize the regulations, speed up the acquisition process, leverage small businesses, expand the defense industrial base, and buy more commercial. But for all of this to happen, we must have the right workforce, armed with the right data, using the right modern IT systems to enable acquisition at the speed of relevance.

[12] Katherine Boyle, General Partner at Andreessen Horowitz, quoted in Carberry, 2024.