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Appendix C

Chronology of Major Agency Actions and Reviews

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Summary Table

1947-49

- 1947 – National Security Act of 1947 (National Military Establishment, NSC and CIA)
- 1947 – Establishment of the Armed Forces Special Weapons Project (later became the Defense Nuclear Agency (DNA) and then renamed Defense Special Weapons Agency (DSWA)). Now under the DTRA.
- 1949 – Amendments to the National Security Act (Established DoD as an Executive Department.)

1950-59

- 1952 – Defense Supply Management Agency (disestablished in 1953)
- 1952 – National Security Agency
- 1953 – ASD for Supply and Logistics established
- 1955 – Single manager system for logistics
- 1958 – Defense Reorganization Act of 1958
- 1958 – ARPA formed
- 1959 – Defense Atomic Support Agency formed as the successor to the Armed Forces Special Weapons Project (later became Defense Nuclear Agency (DNA) and then Defense Special Weapons Agency (DSWA))

1960-69

- 1960 – Defense Communication Agency established
- 1961 – Defense Intelligence Agency established
- 1961 – Defense Supply Agency established (later became DLA)
- 1964 – Defense Contract Administration Services (CAS) assigned to DSA , CAS organization later became the Defense Contract Management Command (DCMA) under the Defense Logistics Agency in 1990 and as an agency (the Defense Contract Management Agency (DCMA) in 2000.
- 1964 – Three separate overseas school systems operated by the Military Departments combined into the DoD Overseas Dependents School System, which was divided into three geographic areas, each area operated by a designated Military Department
- 1965 – Defense Contract Audit Agency

1970 – 79

- 1971 – Defense Security Assistance Agency established (later became DSCA)
- 1971 – Defense Nuclear Agency established as the successor to the Defense Atomic Support Agency (DASA)
- 1972 – Defense Mapping Agency established
- 1972 – Defense Civil Preparedness Agency (later transferred to FEMA)
- 1972 – Defense Investigative Service (later became the Defense Security Service)
- 1972 – Uniformed Services University for Health Sciences was statutorily created by PL 92-426, the Uniformed Services Health Professions Act of 1972
- 1974 – Office of Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) established as a DoD Field Activity (later evolved into the TRICARE Support Office)
- 1976 – Defense Audit Service
- 1976 –Office of Overseas Dependent Education established as a field activity to operate the Overseas Dependents School System.
- 1977 The Armed Forces Information Service (AFIS) was established as a DoD Field Activity

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- 1978 – Agencies transferred from SECDEF to Principal Supervisory Assistants
- 1979 – Antonelli Review of Agencies
- 1979 – Defense Audiovisual Agency formed (later disestablished)
- 1979 – The Overseas Dependent School System and the Office of Overseas Dependent Education became the DoD Dependent Schools (DoDDS).

1980-89

- 1981 – Defense Legal Services Agency formed
- 1981 – Public Law 97-35 transferred responsibility for Section 6 Schools (installation operated schools in the U.S.) from the Department of Education to DoD (later became Domestic Dependent Elementary and Secondary Schools (DDESS) and part of DoDEA)
- 1984 – Strategic Defense Initiative Office established (later designated the Ballistic Missile Defense Organization)
- 1985 – The Defense Medical Systems Support Center established as a DoD Field Activity.
- 1985 – The Defense Technology Security Administration established as a DoD Field Activity (later became part of the Defense Threat Reduction Agency (DTRA))
- 1985 – Locher review: “Defense Organization: Need for Change”
- 1986 – Packard Commission Report
- 1986 – Goldwater-Nichols Act
- 1986 – Defense Medical Support Activity established as a DoD Field Activity (later renamed the Defense Medical Program Activity)
- 1987 – Goldwater-Nichols directed “Reassessment of DoD Agencies and DoD Field Activities”
- 1989 – Secretary of Defense, “Defense Management Report” to the President
- 1989 – Secretary of Defense directed DoD Study of the Military Commissary System

1990...

- 1990 – DLA missions expanded
- 1990 – Military Department Section 6 Schools consolidated under OSD
- 1990 – Defense Commissary Agency formed
- 1990 – Defense Contract Management Command Established (now an Agency – The Defense Contract Management Agency)
- 1991 – Defense Finance and Accounting Service established
- 1991 – Defense Information Systems Agency established (assumes DCA missions)
- 1992 – The Defense Medical Program Activity (DMPA) established as a DoD Field Activity (evolved from the Defense Medical Support Activity)
- 1992 The Department of Defense Education Activity (DoDEA) established as a DoD Field Activity with responsibility for DoDDS and Section 6 Schools.
- 1993 – The Strategic Defense Initiative Organization re-designated the Ballistic Missile Defense Organization
- 1993 – Bottom Up Review
- 1994 – PL 103-337 renames Section 6 Schools as the Domestic Dependent Elementary and Secondary Schools (DDESS)
- 1995—Report of the Commission on Roles and Missions
- 1995 – TRICARE Marketing Office established with a sunset provision to be disestablished by September 30, 1996
- 1996 – The Defense Nuclear Agency reorganized into the Defense Special Weapons Agency

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1997—Quadrennial Defense Review & National Defense Panel Report

1997 – Defense Reform Task Force Report

1997 – Defense Reform Initiative Report

1998 – The TRICARE Management Activity (TMA) established

1998 – Defense Threat Reduction Agency established merging OSIA, DSWA and DTSA and elements from the Office of the Secretary of Defense

Chronology

1947– 1949

The National Security Act of 1947 created the National Military Establishment (NME) on 26 July 1947. The Act also created the position of Secretary of Defense. Three Executive Departments remained - the Army, the Navy and the Air Force -- each headed by a Cabinet-level Secretary.

Title I established the machinery for coordinating national security including the creation of the National Security Council (NSC) and the Central Intelligence Agency (CIA)

The legislation sanctioned three existing activities – the Joint Chiefs of Staff, the Munitions Board and the Research and Development Board to assist the Secretary of Defense to carry out his duties.¹

The 1949 Amendment to the National Security Act (PL 81-216) established the Department of Defense as an Executive Department. The Secretary was made the principal assistant to the President in all matters relating to the Department of Defense.

The 1949 Commission on the Organization of the Executive Branch of the Government (First Hoover Commission). The Task Force on National Security Organization (the Eberstat Task Force).²

1950- 1959

In July 1952, the Defense Supply Management Agency was established (PL 82-436). Legislation (PL 82-534) also established the Director of Installations within OSD with wide powers over facilities and construction.

President Truman established the National Security Agency (NSA) in 1952 under the direction of the Secretary of Defense to coordinate communications, intelligence and signals security

The 1953 Reorganization Plan #6, based on recommendations of the Rockefeller Committee, became effective on June 30, 1953 with a strong consensus to strengthen the authority of the Secretary over all elements of the Department of Defense.

In 1952, the Defense Cataloging and Standardization Act transferred the Munitions Board's functions to the newly established Defense Supply Management Agency.

¹ The Department of Defense 1947 – 1997, Organization and Leaders, Historical Office, Office of the Secretary of Defense 1997 –page 9

² The Department of Defense 1944 – 1978, Historical Office, Office of the Secretary of Defense, 1978

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In 1953, the Munitions Board, the Research and Development Board, the Defense Supply Management Agency and the Director of Installations were all abolished and their function transferred to the Secretary of Defense. An Assistant Secretary of Defense for Supply and Logistics was established.

In 1955, DoD initiated the Single Manager System for logistics. Under the system, the Secretary of a Military Department was named as the single manager for a commodity group, making the service responsible for all steps in the supply cycles except for the computation of gross requirements and for final distribution to the user units.

President Eisenhower requested the Secretary of Defense, Neil H. McElroy to examine DoD's organizational structure. The Defense Reorganization Act of 1958 (PL-599) established the basic structure of the Department of Defense until modified by the Goldwater Nichols Act in 1986. The Act made explicit the authority of the Secretary of Defense to consolidate and assign to a single organization, as the Secretary deemed appropriate, all services and support activities common to more than one Military Department. Centralization of authority and the consolidation of common services were seen by Defense observers, in and out of Congress, as a necessary step to curb the overlap and expense inherent in the operations of three separate Military Departments. The objective of consolidation was to reduce duplication and inter-Service rivalries, allow greater economies of scale and assignment of responsibilities.

Section 202 of the 1958 Reorganization Act: "Whenever the Secretary of Defense determines it will be advantageous to the Government in terms of effectiveness, economy, or efficiency, he shall provide for the carrying out of any supply or service activity common to more than one Military Department by a single agency or other such organizational entities as he deemed appropriate"

Public Law PL 85-325 created the Advanced Research Projects Agency. As a result of the "Sputnik" surprise, Congress charged that the President had failed to allocate funds for research and inter-service rivalries were derailing timely and efficient weapons development and deployment. The Secretary of Defense issued a charter for the Advanced Research Projects Agency within the Office of the Secretary of Defense on 7 February 1958 and placed it under the direction of a newly created position of Director for Defense Research and Engineering.

The *Defense Atomic Support Agency (DASA)* was formed by 1 May of 1959. DASA was the successor to the Armed Forces Special Weapons Project (AFSWP) which had received its charter as a joint organization from the Secretaries of War and Navy prior to the enactment of legislation creating the Department of Defense. (In 1971, the DASA was renamed the Defense Nuclear Agency by Secretary Melvin R. Laird.)

1960 – 1969

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President Eisenhower requested Secretary Charles E Wilson in 1957 to survey military communications and to report on the possibility of reducing any duplication of facilities.³ Secretary of Defense Thomas S. Gates Jr. established the *Defense Communications Agency (DCA)* to exercise operational control of the long haul, point-to-point communications facilities of the Military Departments on 12 May 1960. Secretary Robert S. McNamara activated the Defense Communications Agency (DCA) in March 1961.

White House concern about the management of all Government intelligence activities resulted in an interagency study chaired by Lyman Kirkpatrick, Jr., Inspector General of the CIA. Similarly, Secretary of Defense Thomas Gates asked the Joint Chiefs of Staff (JCS) to review the adequacy of Defense intelligence activities. The Joint Study Group reported a number of deficiencies in the military intelligence system, including duplication of requirements, collection activities, and publications. The Joint Study Group recommended to the National Security Council (NSC) to consolidate Defense intelligence efforts. The *Defense Intelligence Agency (DIA)* was established on 1 August 1961. The DIA was to report to the Secretary through the JCS with overall responsibility for managing and controlling Defense intelligence resources. The *Defense Supply Agency (DSA)* was created on 6 November 1961 to consolidate common supply elements of the military services and the consolidation of cataloging and standardization systems for defense materiel. This action resulted from the recommendations of a panel of high-ranking defense officials formed by Secretary McNamara (Project 100). Experiences of shortages of materials and productive capacity in World War II and providing logistical support to forces fighting in Korea had motivated the Department to better coordinate logistical planning and procurement activities to achieve cost reductions and more efficient field operations. The DSA began with about 87,000 different items and rapidly grew to 1,729,000 items by 1968 – The DSA gradually took over the materiel management of bulk petroleum, and most automotive, clothing, textiles, subsistence and medical items in the following years. . The decision to establish the DSA was a major milestone in the evolutionary progress toward a system of integrated logistic support for integrated combatant forces. The DSA took over management responsibility for property disposal and redistribution functions in 1973. The DSA was designated the Defense Logistics Agency (DLA) in 1977

Defense Contract Administration Services (DCAS) - In June of 1964, McNamara consolidated the contract management offices of the Military Departments and the DSA under the DSA to provide common support service to DoD and NASA procurement offices. Secretary Robert McNamara established Project 60 in May 1962 to develop a plan for establishing uniform field contract management functions. Project 60 had the following objectives: 1) improve the management of contracts in the field; 2) provide more timely and accurate support to the buying activities and program managers; 3) minimize the duplication of effort; 4) decrease operating costs; and 5) minimize government controls over industry. The Project 60 envisioned an agency of approximately 19,200 personnel operating in 13 separate districts and a headquarters staff

³ OSD report: “Reassessment of Defense Agencies and Field Activities”, Appendix B.

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of fewer than 600⁴. This is far less than the nearly 45,000 personnel that were then currently performing these same functions under the individual Military Service organizations

The Defense Contract Audit Agency (DCAA). Secretary of Defense Robert S. McNamara directed the consolidation the activities and personnel of several Service contract audit offices into a single Defense Contract Audit Agency as part of administration initiatives to provide for more efficient and economical administration and management of common supply and logistical support activities. (DCAA) was chartered on 9 June 1965 and began operations on July 1, 1965. The consolidation of contract audit functions was a direct result of the interservice committee study on the feasibility of consolidating contract management functions, Project 60. The Project 60 study recommended the consolidation of contract management functions under the newly formed DSA in 1964 and suggested that contract audit functions might also be consolidated.

1970 – 1979

By the 1970's, there was concern that centralized management had been carried too far. President Nixon and the Secretary of Defense appointed the Blue Ribbon Defense Panel under the chair of Gilbert W. Fitzhugh. The report issued on July 1970 proposed dramatic changes to the Department of Defense extending the direct control of the Secretary over the military establishment and to diminish the nature of the Joint Chiefs of staff and Military Services. The major recommendations were not adopted.

There were some findings and a few changes regarding agencies as a consequence of the Blue Ribbon Report. The Blue Ribbon Defense Panel reported that there were a number of non-combatant functions common to more than one Military Department that had not been centralized under a Defense Agency. Melvin R. Laird established four new agencies:

- Defense Mapping Agency (DMA) began operations on 1 January 1972. President Nixon directed the consolidation of the three Military Department mapping organizations to provide for optimum efficiency and economy of production without impairing legitimate requirements of the separate Military Departments.
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- The Defense Security Assistance Agency (DSAA) on 1 September 1971. It is responsible to supervise, administer, and execute U.S. Military Assistance and Military Sales Programs. The agency had direct access to the Secretary however the Assistant Secretary of Defense for International Security Affairs assumed responsibility for DSAA staff supervision and oversight.
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- The Defense Civil Preparedness Agency (DCPA) (successor to the Army's Office of Civil Defense. The agency functions transferred from the Army on 5 May 1972. In July 1979 The Defense Civil Preparedness Agency was dissolved and civil defense responsibilities were transferred to the Director of FEMA.)

⁴ Project 60 Report, Volume 1, page 63

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- The Defense Investigative Service (DIS) on 1 October 1972. It took responsibility for and central control over personnel security investigations. The Panel had reported in a supplemental report that the Military Departments differed on standards for investigations for access to classified information and that each was reluctant to accept the results of investigations undertaken by another Service.

The Office of Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) was established as a DoD Field Activity under the direction of the Assistant Secretary of Defense for Health Affairs (ASD (HA)) on December 4, 1974 following Congressional action transferring funds for the CHAMPUS program from the Military Departments to the ASD (HA). The transfer was made to control costs, assure better utilization of military medical facilities, and prompt the DoD to make a coordinated and thorough study of its medical operations. Since its inception in 1956, the Army had served as the executive agent for the CHAMPUS program. The growing scope and complexity of the medical programs rendered this arrangement ineffective and management oversight was transferred to the ASD (HA) in 1972 and was later established as a Field Activity,

Secretary Rumsfeld established the Defense Audit Service (DAS) on 14 October 1976.

In 1976, Secretary Rumsfeld transferred control of the Defense Intelligence Agency from the JCS to the Office of the Secretary of Defense. (DIA).

In 1976, the Office of Overseas Dependents Education was established as a field activity under the ASD (M&RA). Prior to 1964, each Military Department operated its own dependents' schools overseas under their own educational standards. In 1964, the three school systems became the DoD Overseas Dependents School System under OSD administration to establish common standards and practices. Each Military Department was assigned responsibility for all schools within a geographic region e.g. the Army in Europe, the Navy in the Atlantic area and the Air Force in the Pacific. Congressional reviews raised concerns that there were still three school systems rather than a single system and that OSD was not exercising sufficient oversight and control. The DoD Dependent Schools (DoDDS) was established in response to Congressional concerns. The Defense Department Overseas Education Act (PL-95-561) codified the existence of DoDDS in 1978.

Dr. Harold Brown, expressed concern that the Secretary's span of control was too broad for effective management. In 1978, Secretary Brown transferred ten of the eleven agencies from his direct reports to the control of an Under Secretary or an Assistant Secretary of Defense in order to reduce his span of control.⁵ Influenced by these reservations and a general feeling by many defense observers that "those functions (support services) are more extensive and less effective than they might be", The President, in September 1977 requested that a searching organizational review be done to

⁵ U.S. Department of Defense, Annual Report to Congress for FY 1979

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produce an unconstrained examination of alternate reforms in organization, management, and programs in the Department.

In September 1978 a review of Defense Agencies was initiated under the Defense Organization Study of 1977-1980⁶. The Defense Agency Review, directed by MG Theodore Antonelli (USA retired) examined the roles, missions and functions of the Defense Agencies to determine what problems existed and what might be resolved through organizational changes. Some major conclusions of the DOS 77-80 Defense Agency review are summarized in the accompanying Table:⁷

Table: Findings of the Antonelli Review of the Defense Agencies

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| <ol style="list-style-type: none">1. Insufficient responsiveness of the Defense Agencies in supporting the operational forces. The issue – Do the Defense Agencies, which provide support and services to the combatant forces, have the capability to assure readiness and responsiveness needed in a crisis.<ul style="list-style-type: none">- The review found shortcomings in the readiness and responsiveness of the present system of supporting operational forces in times of crisis and war.- The agencies were deficient in planning for contingencies, conducting combat related tests and exercises, development of a system to allocate wartime priorities among clients, and establishing or participating in coordinating mechanisms between operating forces and the supporting agencies. There was little systemic linkage between contingency planning of the Joint Staff and many of the Agencies supporting the operating forces..- The problem appeared to be centered on the drive for peacetime efficiency as opposed to wartime effectiveness. The study found little evidence of up-to-date planning for contingencies in some of the Agencies reviewed.2. Questionable improvement in effectiveness, economy, and efficiency, which is the legislative criteria for creating an agency.<ul style="list-style-type: none">- The study concluded that the agencies in general were well managed they could not make the case that they had improved the effectiveness, economy and effectiveness of providing common supply and services to operating forces. The review concluded that there is no objective answer to this question, because since no simple and agreed objective measure of performance, such as profit and loss, exists for the agencies.3. DoD control and supervision is inadequate.<ul style="list-style-type: none">- The Defense Agencies have a degree of autonomy that is counterproductive to the objectives and policies of the Department. The Defense Agencies were considered independent and none were subordinate to any of the services or other client(s).4. In the analysis based on the DOS 77-80⁸ - the Secretary's delegation of oversight to his staff assistants helped reduce his span of control, but did not resolve the broader problem |
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⁶ Secretary Brown initiated a comprehensive review in November 1977 known as the Defense Organization Study of 1977 -1980 (DOD 77-80). The studies were terminated before a final report was submitted to the President. *Reappraising Defense Organization*, by Archie D Barrett, National Defense University Press, 1983

⁷ Report to the Secretary, Defense Agency Review, Theodore Antonelli, (MG USA ret.) March 1979

⁸ Barrett, p 73

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associated with supervising a number of specialized operational activities at the OSD level. This increased the management load of already overburdened Under Secretaries and Assistant Secretaries of Defense. "They like the Secretary himself, have broad and demanding responsibilities for policy that do not permit them to devote much time for supervision"⁹.

- Oversight policy, program, and budget direction of the various agencies devolved to various subordinate staff offices. The responsibility and resources of the desired overseers of the agencies appeared to be unbalanced.
 - Compounding the problem is that guidance and direction in many facets of the Agencies activities emanate from other DoD staff organizations. Agencies on the other hand, perceiving this ambiguity of authority in the multiple sources of guidance and direction, frequently sought guidance from those offices sympathetic to the Agency's desires further diluting the authority of the OSD officers responsible for their direction and performance.
 - The Agencies are given considerable amounts of direction or guidance but little management supervision or leadership, an Agency is left to select which guidance it chooses, if any.
5. The Agency structure complicates an already complex set of relationships between the OSD, Military Services, the JCS and Unified and Specified Commands. Specific problems were the authority to levy requirements on the other DoD components without commensurate responsibility, reductions in efficiency resulting in inadequate coordination and the lack of participation by combatant commanders in review of Agency budgets. These problems include the following:
- The authority of the Services to levy requirements on Agencies without commensurate fiscal responsibility.
 - The authority of some agencies to levy requirements on the combatant commands and the Military Services without commensurate responsibility for their operating missions.
 - The existing budgetary process for Defense Agencies which provide critical communications, intelligence, mapping, charting and geodesy, and logistic support to the combatant commands does not provide any formal consideration of the CINC's priorities in the decision process on the Agency budgets.

In October 1979, Secretary Brown created the Washington Headquarters Service (WHS), transferring hundreds of people from OSD to WHS.

In June 1979 Secretary Brown established the *Defense Audiovisual Agency (DAVA)*. (The Agency was disestablished on 30 September 1985 and its functions were transferred to the Military Departments.)

1980 – 1989

Secretary Casper W. Weinberger believed the organizational structure within DoD was sound and required little or no change. He directed the following changes in Agency structure:

⁹ Defense Agency Review, Theodore Antonelli, (MG USA ret.) March 1979, p 36

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- The *Defense Legal Services Agency (DLSA)* was created to provide legal advice, services, and support for specified organizations and functions in the Department in August of 1981. The major objective was the prevention of duplication of effort between the DoD office of the General Counsel and the General Counsels of the Defense Agencies and the promotion of improved information exchange and coordination of legal activities throughout the DoD.
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- The FY 1983 National Defense Authorization Act established the Office of the Inspector General, assuming the duties of the Assistant to the Secretary Of Defense (Review and Oversight) that had been in place since April 1981.
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In 1981, the Omnibus Budget Reconciliation Act (Public Law No. 97-35) transferred responsibility for the Section 6 schools (installation operated schools in the U.S.) from the Department of Education to the Secretary of Defense. For the first year after this transfer, the military services funded the operation of the schools because budget authority had not been provided. While budget authority for operation and maintenance of the Section 6 schools was granted to DoD in 1982, responsibility for this DoD school system was not centralized in the Office of the Deputy Assistant Secretary of Defense for Personnel Support, Families and Education until 1990. In 1994, Public Law No. 103-337 replaced the Section 6 legislation and the school system was renamed the Department of Defense Domestic Dependent Elementary and Secondary Schools (DDESS).

The Strategic Defense Initiative and *Strategic Defense Initiative Organization (SDIO)* was created by National Security Decision Directive (NSDD 119). President Reagan signed this on January 6, 1984 and the SDIO was established in April 1984. Senator Barry M Goldwater, the Chairman of the Senate Armed Forces Committee directed a full scale and comprehensive study of the organization and functioning of the DoD under the direction of staff assistant James R. Locher III. The Staff Report to the Committee on Armed Services United States Senate, "Defense Organization: The Need for Change" – was completed on October 16, 1985. It provided a comprehensive assessment addressing the current organizational structure and decision-making process including the inability to fully integrate distinct military capabilities, the functions and powers of the JCS and unified commands, the PPBS and procurement process, and civilian control of the military.

Table. Defense Agency findings of the Locher Review

The "Locher" report found that many offices within OSD are neither adequately supervised nor coordinated due to the Secretary's excessive span of control.

- Given that the Secretary and the Deputy Secretary must spend much of their time on relations external to the Department they are too busy to actively manage OSD and those Defense Agencies that report directly to them and only manage by exception – when a problem arises
- Defense Agencies are poorly controlled and supervised by OSD.
- The focus of OSD is on the budgets of Military Departments and not on the budgets of Defense Agencies. A negative consequence of this inadequate supervision is that Defense Agencies are more orientated to peacetime activities than to supporting combat forces.

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The report provided several options for improved control of the Defense Agencies

- Create two additional Under Secretaries for evaluation and readiness, sustainability, and support. Agencies would be aligned under the Under Secretaries, thus reducing the Secretary of Defense's span of control e.g. DIA and NSA would report to an Under Secretary instead of the Secretary of Defense. The DCAA would report to the Under Secretary for Evaluation and the DLA to the Under Secretary for Readiness, Sustainability, and Support.
- Create three Deputy Secretaries for military operations, resource management, and evaluation. The DCAA would fall under evaluation; the DCA (DISA) would fall under military operations and the DLA and DARPA would fall under resource management.
- Improve the control of Defense Agencies by not only reassigning those agencies now reporting directly to the Secretary of Defense but also removing agencies now reporting to lesser OSD officials – two options were offered here, 1) Have some agencies report to the Chairman of the Joint Chiefs of Staff – e.g. those with wartime support missions such as DCA (DISA), DLA, and the DIA and 2) create an office within The Director of PA&E solely to review the programs submissions of the agencies.

President Reagan signed Executive Order 12526, July 15, 1985 establishing the President's Blue Ribbon Commission on Defense Management also known as the Packard Commission. It made significant recommendations in its interim report of April 1986.

The commission's recommendation to streamline acquisition organizations and acquisition procedures had a major impact on Defense Agencies and future defense reform initiatives, including:

- Substantially reducing the number of acquisition personnel (consolidation of logistics and distribution functions and contract management personnel)
- Increase use of competition (outsourcing and privatization)
- Expand the use of commercial products (privatization and outsourcing)

The President signed National Security Decision Directive (NSDD) 219 on April 2, 1986 directing that nearly all of the Commission's recommendation be implemented. The President also sent a message to Congress on April 24, 1986 to implement needed legislative changes.

The Goldwater- Nichols Department of Defense Reorganization Act of 1986 (PL 99-433), 1 October 1986 is the culmination of number of Congressional bills introduced in both houses of Congress to initiate Defense reform. The Act provided the most comprehensive legislation on the organization and management of the Defense Department in nearly 30 years (The DoD Reorganization Act of 1958). Title III of the Act required the Secretary of Defense to review the operations of the Defense Department and DoD Field Activities every two years to determine whether they were still needed and, if so, whether they meet combat support requirements. It also directed that the Chairman of the Joint Chiefs of Staff to submit periodic reports which evaluates the responsiveness of Combat Support Agencies. The Act left the Defense Agency

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concept and structure intact but directed the Secretary of Defense to “conduct a study of the functions and organizational structure of the Defense Agencies and DoD Field Activities. The Office of the Secretary of Defense (OSD) and each of the three Military Departments – conducted the directed study and provided separate reports. The overall conclusions were the Defense Agencies and Department of Defense Field Activities’ organizational structure is the most effective, economical, and efficient configuration for satisfying the common service and supply requirements of the DoD. The studies further concluded that the requirements in Title III of the Goldwater Nichols Act would help improve combat readiness and that a major cause for readiness problems was the lack of oversight, not organizational structure or the wrong assignment of missions and functions.

Table: Goldwater-Nichols Act Provisions for Defense Agencies

Section 191: Secretary of Defense has authority to provide for common services and supply whenever he determines it would be more effective, economical, or efficient that is common to military department by a single agency of the DoD

Section 192: The Secretary is to assign responsibility for the over all supervision of each Defense Agency

- To a civilian officer within OSD listed in section 131(b) of Title 10
- To the Chairman of the Joint Chiefs of Staff
- The official assigned oversight shall advise the secretary on the extent to which program recommendations and budget proposals of such agency conform with the requirements of the Military Departments and the Unified and Specified Commands

The Secretary shall establish procedures to ensure there is full and effective review of the program recommendations and proposals of each agency.

Periodically and not less than every two years the Secretary of Defense shall review the services and supplies provided from each agency (excludes DIA and NSA) to ensure that:

- There is a continuing need for each agency
- The agencies can provide those supplies and services more effective, economical, or efficient in meeting the requirements for combat readiness of the armed forces than the individual Military Services.

Section 193: Periodically and not less than every two years, The Chairman of the Joint Chiefs of Staff shall submit a report to the Secretary on Combat Support Agencies to include:

- A determination with respect to the responsiveness of each agency to support operating forces in the event of war or threat to national security and any other recommendations that the Chairman considers appropriate.
- In preparing the report, the Chairman shall review the plans of each agency with respect to its support of operating forces
- Provide for the participation in Joint Exercises and an assessment of their performance.
- Develop in consultation with the Director of each Combat Support Agency (CSA), a uniform system for reporting to the Secretary of Defense, the commanders of the Unified and Specified combatant commands and the Secretaries of the Military Departments concerning readiness of each agency to perform with respect to war or threat
- The agencies designated were the DLA, DIA, DMA (NIMA), DCA (DISA) and any others designated as CSAs. The NSA is to be evaluated only with respect to its combat support missions in support of DoD.

The Goldwater-Nichols Act also directed the Secretary of Defense, the Chairman of the Joint Chiefs of Staff and the Secretaries of military departments to conduct a study of the functions and

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organizational structure of the Defense Agencies and Defense Field Activities.

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The Secretary of Defense directed the DoD Study of the Military Commissary System and the assessment of the operational efficiency of the four Military Service commissary systems. The study concluded that a single, consolidated commissary organization offered important economies and efficiencies in the provision of commissary benefits to US military personnel.

Secretary Richard Cheney's "Defense Management, Report (DMR) to the President", July 1989 was an encompassing review of the defense acquisition system and the management practices of the Department of Defense. The implementation process for the DMR extended over the 1990 to 1995 period.

An underlying principle of the Defense Management Review (DMR) initiative was to reduce costs by streamlining management structures, cut excess infrastructure, eliminating redundant functions and initiating standard business practices throughout the Department. A major focus of the DMR in achieving these objectives was the consolidation acquisition and logistic support functions

Table: Major Agency Functions Added under the DMR

Defense Logistics Agency:

The Defense Management Report Decision (DMRD) 902 directed DLA to assume responsibility for all of the Military Services materiel distribution functions beginning in 1990. The consolidation of all of the Department's 30 supply and distribution depots to a single manager began in April of 1990 and was completed in March 1992. Since the consolidation of the supply and distribution depots, the DLA has reduced the number of supply and distribution depots from 30 to 21 in 1997¹⁰. [The current personnel now assigned to the distribution depots is 9082 for FY 00 for a total reduction of 22,449 personnel or over 70% since FY 91.

DMRD 926 directed the consolidation of inventory control points (ICPs) of the Military Departments into a single agency for the inventory management of consumable items. The ICP consolidation involved the transfer of over 980,000 consumable items and associated cataloging tasks from the Military Services to DLA. The transfer of the additional consumable items from the military departments to DLA was completed in 1994.

Creation of the Defense Contract Management Command under the Defense Logistics Agency (Now the Defense Contract Management Agency)

The DMRD 916 established the Defense Contract Management Command on February 26, 1990 and consolidated most of DoD contract administration services (CAS) at or near contractor's plants under a single organization. Since 1990, the DCMC has reduced personnel from approximately 26,000 personnel in to slightly over 12,000 personnel in FY 2001. During that same time period the DCMC has consolidated to a single headquarters, from 12

¹⁰ This number has increased to 24 with the transfer of additional OCONUS service depots in Japan, the Pacific and Europe

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intermediate headquarters offices to 3 districts and from 144 contract management offices at 1200 locations to 67 contract management offices. DCMA now manages 325,000 prime contracts valued at \$850 billion (primarily Military Department major weapons systems acquisitions) performed by 23,000 contractors.

Creation of the Defense Finance and Accounting Service:

The DMRD 910 directed the consolidation of DoD accounting and finance functions under the Defense Finance and Accounting Center (DFAS). The DFAS was activated in January 1991. Through consolidation efforts, DFAS has reduced the number of sites from 338 in FY 1993 to 26 sites in FY 1998. DFAS now consists its headquarters, and five centers and 20 operating locations reporting to the centers. Personnel have been reduced from over 31,000 to the current level of 18,000. DFAS has reduced the total number of systems from 324 in 1992 to 109 in FY 1999¹¹. In consolidating and standardizing policy and procedures, over 360 publications were streamlined into a single set of 15 volumes and reduced the number of pages by 72%.

Defense Information Systems Agency assumes the role of the Defense Communications Agency and adds other functions

The DISA was chartered in June 1991. In addition to continuing the function performed by the DCA, DISA became responsible for many of the technical functions necessary to support the Corporate Information Management (CIM) Initiative¹² (see DMRD 924) and the implementation of the defense information management program. The DMRD 918 designated the Defense Information Systems Agency (DISA) as the central manager of the Defense Information Infrastructure (DII) on September 15, 1992.

Creation of the Defense Commissary Agency

DMRD 972 directed the consolidation of all of the DoD commissary operations. The establishment of DeCA in May 1990 consolidated DoD commissary management headquarters and reduced 1700 overhead management functions above the store level (e.g. regions and districts), consolidate support functions such as bill paying, contracting and automated data processing, and consolidated distribution functions such as central distribution centers and transportation. During its first year of operation over 1700 overhead positions at regional and headquarters were eliminated with over \$50 millions in savings.¹³ The consolidation of the Military Departments' commissary operations has reduced management headquarters personnel from its FY 1988 baseline of 859 FTE's to 243 FTE's in FY 2003 or a 71.7% reduction.

Consolidation of the Domestic Dependents Elementary and Secondary Schools (DDESS)

DMRD 964 directed the DDESS organizations within the Military Departments to be consolidated under the Office of the Deputy Assistant Secretary Of Defense (Family Support, Education, and Safety (DASD (FSE&S))) to eliminate duplicate fiscal and manpower functions.

DMRD 974 realigned civilian personnel policy support functions performed by Military Departments and Defense Agencies and integrated into the Civilian Personnel Management Service (CPMS). The CPMS was established as DoD Field Activity in 1993.

¹¹ DFAS Command Briefing FY 99

¹² The primary objective of CIM is business process improvement by integrating and streamlining functional requirements to simplify business processes, improve the standardization, quality and consistency of data, and eliminate duplicative business systems and supporting infrastructure. The use of information technology allows the adoption of more efficient and effective business area management practices to improve business operations

¹³ Secretary of Defense, "Annual Report to the President and the Congress", January 1993, page 34

In 1992 the DoDDS headquarters in Arlington, VA became the Department of Defense Education Activity (DoDEA). The Director, DoDEA assumed responsibility for organizing, managing, and directing the DoDEA, DoDDS, and Section 6 schools. He was also responsible for supervising, administering, implementing, and evaluating policies and procedures for the DoDDS and Section 6 schools. The DoDEA was subordinate to the Office of the DASD (PSF&E) which had responsibility for management and oversight of dependent education, stateside and overseas.

In October 1993, DoD published a report on the Bottom-Up Review (BUR) which was a comprehensive study of national defense strategy, force structure and resource requirements to meet post-Cold War missions. As part of this effort it was recognized the need to reduce infrastructure and support costs in order to maintain the force structure and pay for modernization needs in light of overall projected funding reductions. The BUR study identified three methods to further reduce infrastructure costs – privatization and outsourcing, additional consolidations and expanded use of executive agents and adopt commercial business practices and incentives.

Section 952 of the National Defense Authorization Act for fiscal year 1994 established the Commission on Roles and Missions (CORM) to:

- Review the efficacy and appropriateness for post-Cold War era of the current allocations among the Armed Forces of roles, missions, and functions;
- Evaluate and report on alternative allocations of those roles, missions and functions;
- Make recommendations for changes in the current definition and distribution of those roles, missions and functions.

The Commission was directed to define broad mission areas and key support requirements and develop a conceptual framework for organizational allocations, including civilian elements of the Department of Defense. The CORM recommended that the Department look at restructuring Defense Agencies and DoD Field Support Activity Management to improve responsiveness and reduce costs through the use of modern business practices, outsourcing and reengineering processes to improve responsiveness and efficiency.

Table. Findings and Recommendations of the Commission on Roles and Missions

The CORM found that on balance the efforts to centralize common functions have resulted in lowering overall costs.

It found there is a need to improve Agency responsiveness to customer requirements, better OSD management and budget discipline.

- The CORM recommended establishing a Board of Directors to manage each of the Defense Agencies. Membership would include all major direct customers, the Joint Staff

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representing the CINCs and private sector experts and chaired by the appropriate OSD staff principal.

- A second option was to establish a Defense Support Organization (DSO) or Executive to provide direct management of the Defense Agencies

The CORM observed that nearly a quarter of a million DoD employees¹⁴ were engaged in commercial type activities that could be performed by competitively selected private companies. Specific agency recommendations included:

- Outsource most DoD wholesale warehouse and distribution functions performed – DLA
- Outsource most of the other wholesale materiel supply management functions including requirement determination, procurement, processing orders and property disposal
- Provide greater access to private medical care -TMA
- Outsource much of the accounting and finance functions – DFAS
- Outsource centralized DoD data center operations – DISA

The CORM also observed that nearly 21, 000 people are employed by to Defense Agencies to administer and audit the departments contracts with industry. The administration and auditing of these contracts is estimated to increase the cost of products by 18 percent¹⁵. Both organizations maintain large staffs in regional/contractor locations and national headquarters and would benefit from consolidation. The CORM also recommended that other DoD support functions that must remain in the government should be “streamlined” through consolidations and include the following:

- Streamline the centralized logistic support system by consolidating the five DoD logistics systems – DLA
- Streamline acquisition organizations – would have some effect DLA, DISA, DCAA and DCMA (formally the DCMC)
- Streamline acquisition oversight including the consolidation of DCAA and DCMA (DCMC).

The recommendations of the Commission on Roles and Missions of the Armed Forces resulted in the Military Force Structure Act of 1996 (the National Defense Authorization Act for fiscal year 1997). It’s major provisions:

- Established the Quadrennial Defense Review and the National Defense Panel.
- Section 901 of the National Defense Authorization Act for fiscal year 1996 (PL 104-106) directed that the Secretary of Defense is to: “*conduct a further review of the organizations and functions of the Office of the Secretary of Defense, including Washington Headquarters Service and the Defense Support activities, and the personnel needed to carry out those functions*”. The assessment was to include, “*the appropriate size, number, and functional responsibilities of the Defense Agencies and other Department of Defense support organizations*”.

The FY 1997 Quadrennial Defense Review: Section 923 of the National Defense Authorization Act for fiscal year 1997 directed that: “*The Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, to complete in 1997, a review of the defense program of the United States intended to satisfy the requirements*

¹⁴ DoD, Report on the Performance of DOD Commercial Activities, Washington DC, 30 January 1995, p5

¹⁵ The DOD Cost premium: A Quantitative Assessment, December 1994, Coopers and Lybrand and TASC.

for a Quadrennial Defense Review as identified in the recommendations of the Commission on Roles and Missions of the Armed Forces. The review shall include a comprehensive examination of the defense strategy, force structure, force modernization plans, infrastructure, budget plan and other elements of the defense program and policies with a view toward determining and expressing the defense strategy of the United States and establishing a revised defense program through the year 2005”

The report was to assess the appropriate ratio of combat forces to support forces and the appropriate size of headquarters units and Defense Agencies for that purpose. The QDR report noted that while DoD had reduced active duty personnel by 32 percent since 1989, the personnel performing infrastructure functions had only been reduced by 28 percent. The QDR was intended to be the blue print for the means to revolutionize business affairs and to promote a more efficient infrastructure.

Defense Reform Task Force: At the close of the Quadrennial Defense Review (QDR) in May of 1997, the Secretary established a task force on Defense Reform to take a closer look at defense infrastructure, including the management headquarters activities, for potential improvements in organizational structure and business practices. The Secretary of Defense in his annual report to the President for 1998 stated, “*As a result of the QDR the Departments plans and programs were changed to carry out this strategy. And as a result of the Defense Reform Initiative, undertaken as follow-on to the QDR, the Departments organizational structure and business practices also are being changed to reflect and carry out this strategy.*”

The Defense Reform Initiative (DRI) report issued in November of 1997 is the strategic blueprint for the Department and is intended to reduce the Department’s overhead and apply the resultant savings to modernization and quality of life requirements. The DRI provides a comprehensive approach for the DoD to adopt better business practices, streamline organizational structures and functions, consolidate redundant functions and reduce excess infrastructure.

Table. The Defense Reform Initiatives

<p>The DRI is an ongoing process intended to; 1) reengineer business processes; 2) consolidate and reorganize DoD’s headquarters elements and , including the Office of the Secretary of Defense; 3) compete DoD’s commercial activities and outsourcing these functions; and 4) initiate additional rounds of base realignments and closures. The DRI outlined a series of improvements to streamline, reduce, or eliminate DoD management headquarters organizations and personnel including OSD, the Joint Staff, Defense Agencies an the DoD Field Activities.</p> <p>The Defense Management Council: The Council was established in November 1997 to oversee the progress in achieving defense reform. The Defense Management Council (DMC) is chaired by the Deputy Secretary of Defense and includes representatives from OSD, the Joint Staff and the military departments. The DMC is the Secretary’s primary mechanism for ensuring that the reform initiatives are carried out. Duties of the Council are to:</p> <ul style="list-style-type: none">- Consult with business leaders seeking new solutions to management problems, reengineer business practices and streamline operations.
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- Recommend major reforms, ensuring the implementation of reform measures.
- Provide stronger Departmental oversight and increased accountability for the Defense Agencies. The DMC is to ensure Defense Agencies are adopting new, innovative and more efficient ways to accomplish their missions and overseeing their activities in a coordinated fashion.
- Negotiate performance “contracts” with the heads of Defense Agencies and to monitor their performance against those contracts.
- Monitor the progress with implementing needed business changes.
- Monitor the progress of implementing of A-76 private-sector competitive evaluations.

Defense Reform Initiative Directives (DRIDs) were implemented to direct specific actions. Examples of specific Defense Agency actions are summarized below.

Defense Agency Performance Contracts: DRID #23 established annual performance contracts between the Directors of designated Defense Agencies and DoD Field Activities (all non intelligence agencies, the Defense Health Program and DoD Education Activity), the Principal Staff Assistants (PSAs) responsible for the respective Agencies or Activities and the Deputy Secretary of Defense. The DRID also establishes the terms of reference for a Task Force of the Defense Management Council (DMC) that will oversee development and review of the performance contracts. **Defense Finance and Accounting Service:**

- Overseas Military Banking Program (DRID #7). Assigned responsibility for the oversight, control, and management of the day-to-day operations of the Department of Defense Overseas Banking Program from Under Secretary for Defense (Comptroller)
- DFAS is the program manager for the International Merchant Purchase Authorization Card (IMPAC), providing full post award support for the DoD Credit Card Program, responsibility for the planning, execution and monitoring of the Department’s travel card program and management of the DoD Leadership and Management Program.

The Defense Threat Reduction Agency (DTRA): The Defense Threat Reduction Agency was established to provide for a more focused response to the new security challenges identified in the Quadrennial Defense Review and the National Defense Panel. The mission of the agency is to reduce the threat from nuclear, biological and chemical (NBC) weapons and other conventional weapons. The consolidation included the On-Site Inspection Agency, the Defense Special Weapons Agency, the Defense Technology Security Agency and certain functions of the Assistant to the Secretary of Defense for NBC Defense programs.

The Defense Information Systems Agency (DISA): DISA is continuing to reduce its infrastructure and absorb new missions. With significant increases in mission workload, DISA has reduced its total agency civilian work force by 26 percent from FY 1995 to FY 2000. The percentage of DISA management headquarters staff to the total agency workforce has decreased from 7.6 percent to 3.3 percent

- Between FY 1995 and FY 1998 DISA's mission has increased requiring an additional 600 military and civilian personnel. New mission includes the establishment and operation of a DoD Continuity in Operations and test information processing facility and provides command, control and communications support for U.S. counter drug efforts.
- The Defense Reform Initiative Directive (DRID) # 3 assigned DISA with the authority to provide supervision and management control of the Defense Technical Information Center (DTIC) and initiate studies to improve efficiencies by opening functions currently performed by the DTIC to competition with the private sector.
- DRID #31 and DRID #38 directed DISA to establish an office of spectrum analysis and management and a Joint Spectrum Center, assign appropriate resources to coordinating joint spectrum matters and assist the OASD C3I in strategic spectrum planning.

Defense Logistics Agency (DLA): The DLA has been assigned a number of new missions under the Defense Reform Initiative. The Agency continues to reduce infrastructure and management headquarters personnel. The Agency will reduce the management headquarters staff from 1018 military and civilian personnel in FY 1997 to a total of 854 military and civilian personnel or a 16 percent decrease in management headquarters staff. Since 1989 DLA will have reduced its management headquarters staff by over 57 percent while continually receiving new missions and operating personnel. Some of the new missions received by DLA as a result of the Defense Reform Initiative are the following:

- Defense Property Accountability System (DRID) # 19 assigns DLA the responsibility for the oversight, control and management of the day-to-day operations of the Defense Property Accountability System (DPAS). DPAS provides financial control, and generates information to account for most of the government owned property, plant and equipment under the DoD.
- Formation of the Defense Energy Support Center DRID # 21 The Defense Fuel Supply Center re-designated to the Defense Energy Support Center and expands the mission to include the consolidation of the Department's regional energy efforts of total energy management and the privatization of utility related infrastructure.
- DLA was assigned management of the Defense Automated Printing Service (DAPS) in FY 1997 including the transfer of 2000 personnel from the Navy. Since the transfer, DPAS business regions have been reduced from 8 to 4 and printing service facilities have been reduced from 350 to 297.
- DLA has assumed responsibility for DoD cataloging functions in FY 1997. Approximately 700 personnel will be transferred from the Services to DLA in FY 2001.

Defense Security Cooperation Agency (DSCA): (DRID #40) The Defense Security Assistance Agency (DSAA) was re-designated as the Defense Security Cooperation Agency (DSCA) on 20 May 1998 to better reflect the Agency's diverse functions and interrelationship with other Federal Agencies, the private sector and foreign governments. The DSCA provides direction, supervision and oversight of the DoD security cooperation programs. The Defense Reform Initiative has transferred several missions and program management functions including humanitarian assistance, de-mining, and armaments cooperation that have expanded on the agency's traditional security assistance missions.

- Humanitarian Assistance and De-mining Programs (DRID) #12 transfers the program management and implementation functions of the Humanitarian Assistance and Humanitarian De-mining Programs to the DSCA
- DRID #34 transfers the Warsaw Initiative (Partnership for Peace) program management functions to the Defense Security Cooperation Agency.
- DRID #40 transfers responsibilities for program management for Armaments Cooperation Programs, Export Loan Guarantee Program, and Foreign Cooperative Testing (FCT).

The Defense Commissary Agency (DeCA) DRID #37 Oversight of the Defense Commissary Agency – Management of DeCA was devolved to the Commissary Operating Board from USD (P&R) to the COB composed of representatives of the secretaries of Military Departments. The COB will advise on prudent operation of DeCA and the commissary system, and assist in its overall supervision.

Defense Reform Initiative Directive (DRID) #2 established the Defense Security Service (DSS) on 25 November 1997 consolidating the DoD Polygraph Institute, the Personnel Security Research Center, and the DoD Security Institute into the Defense Investigative Service.

Defense Reform Initiative Directive (DRID) #14 established the TRICARE Management Activity as a DoD Field activity on 5 January 1998 consolidating the TRICARE Support Office, the Defense Medical Programs Activity and the integration of health management functions that had been performed in the office of the ASD for Health Affairs.

Establishment of the Defense Contract Management Agency (DCMA):

The Defense Contract Management Agency (DCMA) and formerly the Defense Contract Management Command under the DLA was established on March 27, 2000 as a Defense Agency and designated as a combat support agency. The DCMA manages 325,000 contracts, including all Acquisition Category (ACAT) 1 and 2 major weapons systems programs for the Military Departments. These contracts are valued at \$850 billion performed by 23,000 contractors. The agency is also responsible for the acceptance of approximately 1100/aircraft per year from industry; CAS oversight for over \$92 billion in government owned property and administers approximately \$12 billion in annual progress payments for in-process work performed by DoD contractors