

## **Information Paper on the Defense Agency Task Force Performance Contract Effort**

### **Background**

In November 1997, Secretary Cohen signed the Defense Reform Initiative (DRI), which created the Defense Management Council (DMC) and, among many other things, required that performance contracts be negotiated with the heads of defense agencies.

In December 1997, the Defense Management Council was briefed on a proposal to establish performance contracts for the defense agencies and form a Defense Agency Task Force (DATF) to oversee the process. The guidance from the DMC at that meeting was:

- Contracts must include measures of cost and productivity, quantity and scale, and quality and customer responsiveness.
- Contracts will be established for the non-intelligence defense agencies, the Defense Health Program (DHP), and the DoD Dependents Education Activity (DoDEA).

Consistent with the DRI direction and the results of the DMC meeting, Defense Reform Initiative Directive (DRID) #23, *Defense Agency Performance Contracts*, was drafted and signed. The DRID called for the following:

- Submission of performance contracts by October 1998 covering the period of the Future Years Defense Program—FY 2000 through FY 2005—by eleven non-intelligence defense agencies, the DHP, and the DoDEA.
- Submission of performance contracts by February 23, 1998, covering FY 1999 only by the Defense Contract Audit Agency (DCAA), the Defense Finance and Accounting Service (DFAS), the DHP, and the Defense Logistics Agency (DLA).
- Establishment of the DATF to oversee and make recommendations on performance contract formulation and for other specified purposes.

In accordance with this direction, the first four contracts (covering FY 1999) were submitted on February 23, 1998, in conjunction with a briefing to the DMC. At this meeting of the DMC, guidance was given on several key issues:

- Agencies will plan for and fund independent customer responsiveness surveys and independent external benchmarking studies in the contracts covering FY 2000 through FY 2005.
- Defense Working Capital Fund (DWCF) agencies will use unit cost (which they control) rather than customer price (which contains elements beyond their control) in the contract metrics.

- The schedule for draft contracts will be accelerated so that all thirteen FY 2000-2005 contracts are submitted with the Program Objective Memorandums (POMs) rather than phased in through October 1998, as originally envisioned.

## **Accomplishments**

- Draft contracts covering FY 1999 were submitted on February 23, 1998, as directed. Final contracts have been signed by the agency heads and the principal staff assistants (PSAs) responsible for the agency's actions and were approved by the Deputy Secretary of Defense.
- All agencies, less DeCA, have submitted their draft FY 2000-2005 contracts. The DeCA contract is to be drafted in accordance with DRID #37.
- A site on the World Wide Web has been established to speed the dissemination of information related to the agency performance contracts. The web address is [www.ra.pae.osd.mil/datf](http://www.ra.pae.osd.mil/datf).
- Rather than form new groups, contract working groups are being used to address defense agency programming issues during this year's program review.

## **Current State of Play**

- Working groups have been formed for each of the defense agencies and activities involved. The services, the Joint Staff, and PSAs are participating on the working groups.
- Business areas and performance metrics have been identified for each agency.
- Draft contracts are being reviewed by the contract working groups.
- The working groups and the DATF Steering Group are identifying and wrestling with contract issues as they have come up, trying to solve them at the lowest level possible.
- Program review issues are beginning to surface and are being worked.
- The PA&E staff is developing a process for conducting execution reviews of the agency contracts.