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United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

June 19, 1995

REPLY TO:

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The Honorable William J. Perry
Secretary of Defense
Pentagon, Room 3E880
Washington, D.C. 20301

Dear Mr. Secretary:

I am writing to follow up on a letter Senator Roth and I sent you recently on the need for an independent review of the study entitled Anatomy of Decline prepared by the Office of Program Analysis and Evaluation (PA&E).

As that letter was being prepared in consultation with Senator Roth, I neglected to raise an issue of great concern to me. I fear that the Defense Department (DOD) is about to trash the Future Years Defense Program (FYDP). If that is indeed the case, then that would be a most unfortunate development. It would come at a time when Congress is on the verge of establishing a first-rate capability to analyze the FYDP and use the results to great advantage during its annual budget deliberations.

The primary source of my concern about the future prospects for the FYDP within DOD has been the department's attitude toward the PA&E-sponsored study, Anatomy of Decline. Even though PA&E spent in excess of \$200,000 on the project, the study's findings and recommendations have been completely ignored by PA&E. There has been no effort whatsoever to check out the data and methodology. In fact, I believe PA&E may be trying to suppress the study's results. While PA&E's Director, Mr. William J. Lynn, promised to transfer the study's supporting data package to the General Accounting Office in a letter dated February 9, 1995, as requested by Senator Roth and myself, the data has not been forthcoming. Over four months have passed since that promise was made.

Mr. Secretary, these developments are not very reassuring.

PA&E's cavalier attitude toward its own expensive study is particularly disturbing because the study is the essence of what PA&E is supposed to be - the custodian of the FYDP. As I said, I am concerned that PA&E has abandoned the FYDP in favor of easier, less controversial forms of analysis. Instead of working the FYDP and ensuring that it's the useful decision-making tool that it is supposed to be, PA&E is using most of its manpower to produce the Defense Program Projection or DPP. The DPP covers the years 2002 to 2013 and beyond - the distant outyears. I am convinced that the department cannot possibly produce a meaningful DPP - so long as

Committee Assignments:

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AGRICULTURE, NUTRITION, AND FORESTRY

JUDICIARY
OFFICE OF TECHNOLOGY ASSESSMENT

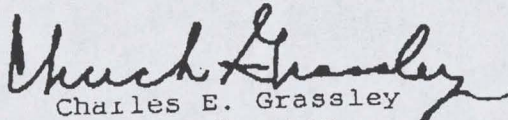
BUDGET
SPECIAL COMMITTEE ON AGI

the FYDP is grossly overprogrammed and completely out of whack with the budget - as we know it is. Working the DPP, when the FYDP lacks integrity, is an unwise and misdirected effort. That's like putting the cart in front of the horse. If PA&E continues to work the DPP instead of the FYDP, then I may consider legislation to abolish the organization.

Mr. Secretary, please save the FYDP. Please don't let PA&E use its vast intellectual resources on wasteful and unwise projects. PA&E's primary responsibility is to guarantee the integrity of the FYDP. Please make sure PA&E does the job it was created to do.

Your cooperation in this matter would be appreciated.

Sincerely,


Charles E. Grassley
U.S. Senator

Copy to:
The Honorable William V. Roth, Jr.

United States Senate

WASHINGTON, DC 20510

June 15, 1995

The Honorable William J. Perry
Secretary of Defense
Pentagon, Room 3E880
Washington, D.C. 20301

Dear Mr. Secretary:

On December 9, 1994, we wrote to you concerning a comprehensive study of Department of Defense (DOD) weapon system costs since 1976 that was provided to Congress by your office of Legislative Affairs. The study in question is entitled Anatomy of Decline and was prepared by the Office of Program Analysis and Evaluation (PA&E). PA&E has been engaged in this project since the 1970s but in recent years has perfected the analysis with extensive contractor data processing support. The upgraded analysis, which is continuing today, has cost the taxpayers in excess of \$200,000.

Several Members of Congress and staff have either heard or received copies of the presentation, which raises some fundamental questions relating to DOD planning, readiness, and resource allocation. In our original letter, we expressed the view that the issues raised in the study were of the highest importance and priority to the Congress. In that letter, we asked that the automated database supporting the study be provided to the General Accounting Office (GAO) as soon as possible. Consistent with our letter to you, we then asked the GAO on December 19th to conduct an independent review to validate the data and methodology employed in the PA&E study.

We are disturbed that officials within the department have not taken our request seriously, leading to considerable waste of GAO's resources. Although the 1996-2001 Future Years Defense Program (FYDP) was completed and distributed in mid-April, the study data was not updated as usual and has not been forwarded to the GAO as promised in Mr. William J. Lynn's letter of February 9, 1995. Furthermore, preliminary work by the GAO found that your office has failed to validate the study. This appears to us to require little effort since the data are taken directly from the FYDP. For instance, PA&E's April 10, 1995, response (attached) to GAO's preliminary questions clearly indicates that no one in PA&E or elsewhere in the Pentagon has made an effort to check out the data and validate the methodologies used - even though your department spent more than \$200,000 on the study, and even though the study has been briefed to a number of high-level DOD officials, Congress, and major defense contractors. The Anatomy of Decline analysis contained specific findings and recommendations for improving programmatic decision-making within the department. Again, the PA&E response indicates an inability to determine what actions might be

taken on the study's recommendations.

We find these revelations very disturbing. The FYDP is the heart of DOD's program planning and budgeting system (PPBS). It is not just a management information system used throughout the department. It is much more than that. It is the road map that helps Congress understand the future consequences of the budget decisions we are asked to make on a daily basis. For us to act on your budget and program estimates, you must be willing to validate the integrity and credibility of the data contained in the FYDP.

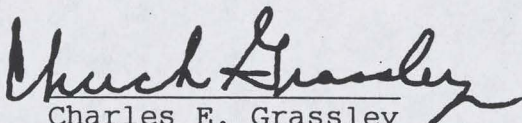
Mr. Secretary, we believe that the Anatomy of Decline is a very important and interesting piece of work. It goes right to the heart of the continuing program/budget mismatch that we in Congress grapple with each year.

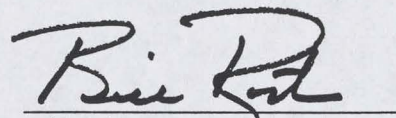
It is incumbent on DOD to validate the study's findings and to use the findings and recommendations contained in this analysis. We are asking for your personal help in having PA&E, with its unique cost analyses capabilities, conduct an independent validation of the data and methodologies in its own study, Anatomy of Decline. We would very much like to have the results of this review as soon as possible. We would also like you to explain how the study findings will be incorporated in the PPBS decision cycle leading to the FY 1997 budget-submission.

In addition, we would still like you to provide the database to the GAO as promised. We hope there will be no further delay in transferring the entire updated package to the GAO.

We thank you in advance for your attention to this matter. We would appreciate a timely response to our request and hope it will help to ensure vigorous decision-making during the upcoming program review this summer.

Sincerely,


Charles E. Grassley
U.S. Senator


William V. Roth, Jr.
U.S. Senator

Attachment



PROGRAM ANALYSIS
AND EVALUATION

OFFICE OF THE SECRETARY OF DEFENSE

1800 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1800



10 APR 1995

Mr. William Crocker
National Security and International
Affairs Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Crocker,

Attached is a set of replies to the questions concerning the "Anatomy of Decline" study that you gave to me at the Entrance Meeting for your review of that study being conducted under GAO code 701061. These replies reflect the views of the Program Analysis & Evaluation office, and are being provided directly to you in accordance with the guidance provided to me by the Office of the Inspector General, DoD.

If you have questions concerning this information, please contact me at (703) 697-2255.

Christopher C. Wright
Director
Tactical Air Division

cc: Ms. Pattie Cirino, DoD IG



ANSWERS TO GAO QUESTIONS ON "ANATOMY OF DECLINE" STUDY

1. When was the study Anatomy of Decline first initiated?

Answer. Work on this study began in September 1992. It is, however, the product of a continuously evolving effort by the study author, begun in the late 1970s.

2. What were the objectives of the study (studies) and have the objectives changed over time?

Answer. The most recent version of this study was initiated by Mr. Robert Croteau, Tactical Air Division director (now retired), PA&E, in 1992, who asked for a macroscopic analysis of major decision-making problems facing the DoD. The study's author defined its scope. The author identifies the study's objectives as follows:

"The specific objectives are threefold: First, to understand how changing resource constraints, as well as other changes brought about by the end of the Cold War and the growing fiscal crisis of the federal government, affected the long-term viability of the R&D, procurement, and readiness programs making the total DoD program; Second, to understand why DoD finds it difficult, if not impossible, to adapt efficiently to the changing conditions in its environment; and, third, to identify corrective management actions and reforms that would provide senior decision-makers with better information so that they can make efficient and relevant adjustments to these changes."

3. Who provides the contractor support?

Answer. PA&E allocates contractor support to the study from an analytical support contract. Contractor support for the study was provided because PA&E considered it worthwhile to have the capability to manipulate Future Years Defense Program (FYDP) data in the manner proposed by the study author.

4. What is the current status of the study?

Answer. The study is in progress. A statement of current study status prepared by the author is included in the current edition of the study that was provided to GAO staff personnel on 22 February 1995.

5. Who has heard the briefing in DoD (i.e., IG, PA&E, DRB, Policy, other Assistant Secretaries)? Outside of DoD?

Answer. The study has been presented informally to many people. No record has been kept of all persons who have heard the briefing. The study author has prepared a provisional list of people who have heard the presentation, attached at the end of this paper.

6. Does the study represent [a] DoD official position?

Answer. No. It is an internal PA&E study that reflects the conclusions of the study's author. It has not been coordinated within DoD or with other government agencies.

7. Is there any part of the study of which OSD disagrees? Has OSD or any OSD office commented on the study?

Answer. The Office of the Secretary of Defense has no position on the study.

8. Has PA&E or the Cost Analysis Improvement Group done any checks on the study, its data, or methodology?

Answer. The study has been reviewed by the author's office director and division deputy. The CAIG has not reviewed the study.

9. Has anyone tasked PA&E or the CAIG to check out the data and analysis?

Answer. No.

10. Is the briefing available to all interested parties?

Answer. The briefing is unclassified and has been provided to a wide range of people involved with making and reviewing U.S. defense plans and programs.

Annex to answer to **Question 5.**

Study author's list of persons who have heard the "Anatomy of Decline" briefing.

Vice Admiral Owens and senior staff (Navy N-8)

Rear Admiral Oliver and his entire staff (Navy N80)

Ted Warner, Assistant Secretary of Defense/Strategy & Requirements), and senior staff

Bill Lynn, Director of PA&E

Defense Science Board Summer Study, Manufacturing Strategy Task Force

Robert Hale and staff (Director of National Security Division, CBO)

Lou Finch, Deputy Under Secretary of Defense (P&R) for Readiness

Industrial College of Armed Forces, Air War College, Naval War College, Naval Academy

U.S. Rep. Les Aspin's congressional staff

Derek Vander Schaaf and senior staff of DoD Inspector General's office

GAO and congressional staff

Lockheed Fort Worth (CEO and senior staff)

Lockheed Marietta (President and senior staff)

American Institute of Aeronautics and Astronautics

Washington representatives for various defense contractors
Congressional staff on Budget, Armed Services, and Appropriations Committees in House and
Senate