JAN 3 2010

SAAL-ZS

MEMORANDUM FOR PROGRAM EXECUTIVE OFFICERS

SUBJECT: Clarification of Defense Acquisition Executive (DAE) Policy Regarding Acquisition Category (ACAT) III Program Reviews

1. Reference memorandum, 3 November 2010, subject: Implementation Directive for Better Buying Power.

2. The reference memorandum directs "… portfolio reviews for selected ACAT II and III programs under your management to identify and eliminate redundancy. Beginning 1 March 2011 and annually thereafter, you will provide me a one page report on the selection of portfolios for review and results of those reviews." The last paragraph of the DAE memorandum directs us to implement his guidance within 180 days.

3. I direct each Program Executive Officer (PEO), as Milestone Decision Authority, to conduct annual reviews of your ACAT III portfolios to comply with the DAE's instructions. You are to provide me a concise report of the results of your review, no later than the end of the Fiscal Year. Your report should reflect your certification of the Acquisition Program Baseline, assessment of the programs cost, schedule, and performance, document "Affordability", and establish "Should Cost" margins for each program. The details of "Affordability" to include the "Should Cost" requirements are currently being worked with your Resource Managers in a series of weekly Integrated Product Team meetings with the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) staff.

4. The Deputy for Acquisition and Systems Management (DASM) and the Deputy Assistant Secretary of the Army (DASA) (Plans, Programs and Resources) currently conduct joint, annual reviews on ACAT II programs. I have enclosed their last report for your information and review.

5. I recognize that each of your ACAT III program portfolios are very diverse and vary widely in number. For example, one PEO has nearly 400 ACAT III programs and one has as few as 10. However, the Acquisition Business Enterprise Hub which holds the Program Managers' (PMs) acquisition reporting data currently shows only 435 total programs across all PEOs (see attached list). I need you to update your information in the Acquisition Information Management system, no later than 30 January 2011, to reflect the ACAT III programs, to include Quick Reaction Capability programs within each PEO. In order to meet this suspense you will need to enter the program name, short description, program budget (include Overseas Contingency Operations), and the PM with his or her point of contact data. After you have completed entering all of your

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programs please send me confirmation of this as well as your schedule for reviewing the programs during this Fiscal Year. For development of the annual reports, please use the annual ACAT II reviews as a guideline. In the near term your format may vary until we finalize the reporting standard which will come out in a future policy memorandum. Your report should advise me of any efficiency actions you have taken, such as conducting de-scoping Configuration Steering Boards, program restructures, and other program management activities and decisions.

6. Forward your reports to the DASM, Director of Operations (SAAL-SR), who will consolidate all of your responses, coordinate them with DASA (Plans, Programs, and Resources) (PARCA office) and provide a cover memorandum recapping major efficiencies undertaken as a result of the ASA(ALT) directed ACAT III portfolio reviews.

7. As we execute this requirement I am sure you will have questions and requests for guidance and they will be difficult due to the varying nature of your portfolios. Please make your initial requests for guidance to the DASM and he will bring forward emerging trends to me for future guidance.

8. We must systematically review our ACAT III programs for efficiencies. Even though they do not entail the large budget of ACAT I and II programs, the sheer volume in the number causes those investments to add up to a major portion of our modernization investment. They must be managed with the same discipline and rigor as ACAT I and II programs. Thank you for helping me to meet DAE's directive guidance.

9. The point of contact is Mr. Ronald Richardson, Army Systems Acquisition Review Council/Configuration Steering Board Executive Secretary (703) 693-7074, or e-mail: rob.richardson@us.army.mil.

5 Encls
1. 2010 ACAT II Review
   Outcomes
2. 2010 ACAT II Review
   Schedule
3. 2010 ACAT II Review
   Briefing Template
4. 2010 ACAT II Program
   Review Meeting Minutes
5. DAE 3 November 2010
   Memorandum

Malcolm R. O'Neill
Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

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