

stated in the letter, we felt that the changes being made to the SARs and the Unit Cost Reports (UCRs) as a result of recent legislation should improve congressional oversight of major defense acquisitions. We said we plan to monitor the Department of Defense's (DOD) efforts to comply with the revised reporting requirements.

At this time, we still feel that the new SARs and UCRs can provide the Congress with good insights on program status and progress. The SAR originated in the late 1960s as a comprehensive report reflecting a program's original objectives in terms of cost, schedule, and performance; changes to the program; and current estimates. Generally, SARs are difficult to comprehend unless tracked quarterly. UCRs are a relatively new requirement which can readily highlight issues for the Congress. We feel they have the potential to be a useful tool in assessing current management of specific major weapon programs.

The first UCRs were submitted to the Congress in 1982. They are exception type reports triggered by a breach to an established threshold for a major weapon system. The major system must be included in the SAR system before a UCR will be prepared. UCRs are different from SARs in that they are required when certain cost thresholds are breached rather than on a prearranged calendar date. If properly implemented, they can provide more timely information to the Congress than the SARs. The UCRs highlight major issues in a program by requiring program managers to report significant changes to total program unit cost, current year procurement unit cost, contract cost, as well as schedule and performance.

As indicated, SARs are difficult to follow but this could be corrected over time. However, some important changes with which we concur have been recently made.

The 1983 DOD Authorization Act changed the SAR reporting requirements in several ways:

The Act changed the criteria for determining which systems are to be reported on the SAR. The new criteria requires SAR reports for all systems expected to cost more than \$200 million in research and development funds or a total expenditure for procurement exceeding \$1 billion expressed in fiscal year 1980 dollars. However, upon request, reporting requirements may be waived by the Armed Services Committees.

The Act requires reporting to start as soon as practicable. Previously, SARs were initiated when a system entered into full scale development.

The Act no longer requires a full SAR report to be developed each quarter. An abbreviated SAR, known as the Quarterly Selected Acquisition Report, is to be reported in the second, third, and fourth quarters of the fiscal year for those programs in which there is a change. DOD is no longer required to prepare SARs for these three quarters if there is no change in the program.

Using the new SAR reporting requirements DOD has reported that, as of December 31, 1982: 60 systems were on SARs; an increase of 14 over September 30, 1982; 12 systems were to be put on SAR in the near future; and 55 waivers were requested.

The first abbreviated quarterly SARs, if needed, will be submitted about April 30, 1983.

At this time we believe it is premature to speculate on the need for additional changes to the SAR or UCR. However, we feel there are two areas that need to be watched carefully.

The first is the implementation of the UCR reporting requirement. The UCR was required by the Congress because the SARs were not providing timely information about the problems confronting program managers in controlling cost, schedule, and performance. The Congress, in order to prevent the unpleasant surprises inherent in an inadequate and delayed reporting system, developed the UCR. We feel that the determining factor in assessing the degree of success of UCRs will be the objectiveness and completeness of the reports originating from program managers.

The second area to be carefully watched concerns the large number of waivers from the SAR that are being requested by DOD. It should be clearly understood that any waiver relieving DOD of SAR reporting on an individual major weapon program also relieves DOD of the UCR requirement. In essence, there would not be automatic notice to the Congress that a program has or may breach established thresholds. Thus, waiver requests, particularly at this critical stage when new reporting requirements are being introduced, should be evaluated very carefully and all congressional options protected.

You also stated that you planned a number of hearings in the next six months on a variety of aspects of DOD's acquisition management, including cost estimating, test and evaluation, and multiyear contracting. I believe that these subjects cover the more important areas where management improvements can be made. We will be happy to work with you and your committee in any of these areas where you feel