



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3000

MAY 31 2006

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF THE ARMY
(POLICY AND PROCUREMENT), ASA(ALT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY
(ACQUISITION MANAGEMENT), ASN(RDA)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DIRECTORS OF THE DEFENSE AGENCIES

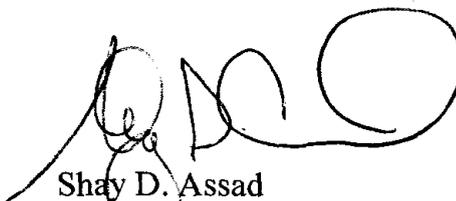
SUBJECT: Risk in the Source Selection Process Working Group

The Defense Acquisition Performance Assessment Project performed a significant review of the acquisition process. One of its recommendations was for the Department to adopt a risk-based source selection process - the goal being to understand and manage program risk both before and during the source selection process to improve acquisition outcomes. Mr. Krieg, the Under Secretary of Defense (Acquisition, Technology and Logistics), asked my office to lead this initiative. I am establishing a working group to implement this initiative, and ask that you identify a representative from your Service or Agency to participate.

Our current source selection process focuses principally on cost and often does not give other important criteria sufficient emphasis to preclude poor acquisition cost and schedule outcomes. Management of risk must begin at the very beginning of a program and continue through source selection into execution. Industry should be involved in requirements setting, a vigorous risk reduction program, cost estimating, and determining trade-offs. During this early phase, the Department should begin to identify and refine the eventual source selection criteria. After requirements and evaluation criteria are well understood, the formal source selection phase should be initiated to ensure that risk reduction is properly evaluated and that the remaining risk is identified and quantified.



The working group will be responsible for implementing this concept by reviewing existing laws, regulations, and policies to ensure there are no obstacles, and by developing and issuing policy guidance. By June 9, 2006, please provide the name, phone number, and e-mail address of your working group member to Sandra Haberlin, (703) 695-4259, sandra.haberlin@osd.mil. I also request you contact her if you have any questions or require additional information. I appreciate your support in this important endeavor.

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large circular flourish at the end.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy