

**DEPARTMENT OF THE AIR FORCE**

**PRESENTATION TO THE AIRLAND SUBCOMMITTEE**

**COMMITTEE ON ARMED SERVICES**

**UNITED STATES SENATE**

**SUBJECT: AIR FORCE ACQUISITION OVERSIGHT**

**STATEMENT OF: THE HONORABLE MICHAEL L. DOMINGUEZ  
ACTING SECRETARY OF THE AIR FORCE**

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**NOT FOR PUBLICATION UNTIL RELEASED  
BY THE COMMITTEE ON ARMED SERVICES  
UNITED STATES SENATE**

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Mr. Chairman, members of the subcommittee, I appreciate this opportunity to discuss the status of Air Force acquisition oversight. In the wake of Ms. Darleen Druyun's illegal activities, which were an affront to the entire Air Force community, it is important for you to know that the Air Force takes this breach of integrity very seriously.

We are working closely with Mr. Michael W. Wynne, the Under Secretary of Defense for Acquisition, Technology, and Logistics, to pursue what he described as "aggressive action to understand what may have contributed to this situation and how to protect against such problems in the future." Air Force leaders are currently cooperating fully with 48 different investigations – many of which we asked for – by eight different agencies. I welcome independent assessments of our acquisition processes and procedures and will take quick and appropriate action on their recommendations.

#### INTERNAL AND EXTERNAL REVIEWS

In December 2003, as the Department of Defense Inspector General (DoD IG) investigation of Ms. Druyun was ramping up, the Air Force initiated internal investigations on all major contract actions awarded to The Boeing Company in which Ms. Druyun participated during the two years leading up to her retirement. We realized it had been a mistake for a single person to determine the acquisition strategy, wield the source selection authority for major contracts, and conduct the management and oversight of contract executions. We were in the process of correcting that situation when Ms. Druyun chose to leave federal service.

As a result of that internal review, the Secretary of the Air Force asked the DoD IG to review the contract restructuring on the North Atlantic Treaty Organization (NATO) Airborne Warning and Control System (AWACS) modernization program. In April 2004, the DoD IG

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concluded that the production and retrofit phase option negotiations did not follow correct business and contracting procedures. Based on this finding, in January 2005 the Air Force and The Boeing Company completed renegotiations for the price for this program.

Based on admissions in Ms. Druyun's sentencing statement, the Air Force expanded its internal review to include her nearly 10-year tenure as Principal Deputy Assistant Secretary for Acquisition and Management. A special group designated by the Commander of Air Force Materiel Command (AFMC) supervised dedicated investigative teams of program management, contracting, and legal personnel; reviewed their findings; and made final recommendations to the Air Staff. When it became clear that the investigation's scope exceeded what could reasonably be accomplished without the appearance of conflict of interest, the Air Force asked the Office of the Secretary of Defense (OSD) to accomplish an unbiased external review.

The OSD-directed team, led by the DCMA Deputy Director, Ms. Sallie Flavin, reviewed 407 contract actions at various locations, including: Los Angeles, Vandenberg, Patrick, Peterson, Kirtland, Maxwell, and Bolling Air Force Bases; the Aeronautical Systems, Electronic Systems, Space and Missile Systems, and Air Armament Centers; and Warner-Robins, Ogden, and Oklahoma City Air Logistics Centers. Air Force personnel provided materiel support and assistance to this multi-service/agency team. The team found a few anomalies: their investigation identified eight new contract actions that were subsequently referred to the DoD IG. Most of these actions occurred during the last few years of Ms. Druyun's tenure; however, one occurred in 1998. We await the final reports of the DoD IG investigations, but early indications suggest these actions did not involve any criminal activity.

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## ADDITIONAL REVIEWS

Air Force internal reviews were also completed for the following programs: Evolved Expendable Launch Vehicle Program Restructure; Global Positioning System Block IIF Single Prime Initiative contract modification; and the Wideband Gap Filler source selection. After discussions with OSD staff, we are preparing to refer them to the DoD IG to review the programs and the Air Force's findings. We are doing this to ensure absolute objectivity in the final reviews.

We are continuing to review contract modifications Ms. Druyun negotiated on the C-17 program and the NATO AWACS Mid-Term Engineering and Manufacturing Development (EMD) settlement. We completed a preliminary review of the negotiations on the C-17 program. With respect to NATO AWACS, the Air Force and The Boeing Company have agreed to reexamine the \$100 million settlement on the EMD contract later this year when development efforts come to closure.

The DoD IG is now investigating specific actions, identified through the above reviews, to identify serious problems or abuses. Additionally, the DoD IG is performing an audit of Service Acquisition Executives' management and oversight procurement authority for acquisition programs.

In the wake of Ms. Druyun's sentencing statement, the Air Force received several contract protests from parties that had lost source selection competitions to The Boeing Company. These competitions included the Small Diameter Bomb (SDB), C-130 Avionics Modernization Program (AMP), and two classified programs. To ensure these investigations were completely fair and impartial, the Air Force encouraged protesting parties on the SDB and AMP source selections to protest directly to the GAO. As has been well publicized, the protests

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were upheld in both cases because Ms. Druyun admitted to bias toward one bidder. The Air Force intends to comply fully with the GAO's rulings and recommendations issued thus far, which we believe strike the proper balance between providing what the warfighters need and protecting the interests of the taxpayers.

Finally, a Defense Science Board (DSB) Task Force was established to address the adequacy of management and oversight processes for acquisition organizations DoD-wide. They are evaluating the systems to ensure proper checks and balances exist and determine if acquisition simplification could improve efficiency and oversight efficacy. The Task force has completed their initial investigations, and the Air Force eagerly awaits their report.

## CONCLUSION

The Air Force continues to work closely with organizations reviewing and investigating acquisition actions Ms. Druyun completed while she was the Principal Deputy Assistant Secretary for Acquisition and Management. We will review their findings and take appropriate actions based on their recommendations, including renegotiating fair and reasonable prices as well as recompeting certain contracting actions.

The Air Force started to realign our program executive office reporting structure before Ms. Druyun left federal service; that change strengthened the lines of accountability and decentralized program execution decision-making. Recently, we have refocused our attention on values-based ethics training: every acquisition professional is now required to complete new ethics training specifically geared to issues raised in Ms. Druyun's case.

Our acquisitions -- indeed, everything we do in service to the Nation -- begin with the expectation of integrity. It is unfortunate that Ms. Druyun, in the waning years of her tenure,

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was corrupted by the power given to her and put her own interests before those of the Air Force and the Nation. My deepest regret about this incident is how her actions stained the reputations of the over 700,000 Active Duty, Guard, Reserve, and Civilian Airmen who are dedicated to Excellence and who daily uphold our other two Core Values of Integrity First and Service Before Self. The men and women of the Air Force -- inside and outside the acquisition corps -- are outstanding professionals. I appreciate the opportunity to be here today on their behalf, and I am committed to restoring public confidence in our Air Force and its leadership.

Thank you again for giving the Air Force the opportunity to discuss these recent events.

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