



COMPTROLLER

UNDER SECRETARY OF DEFENSE  
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WASHINGTON, DC 20301-1100

MAY 29 1997



MEMORANDUM FOR UNDER SECRETARIES OF DEFENSE  
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
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INFO COPY: SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF

SUBJECT: Management Reform Memorandum #10 -- Redesigning Department of Defense  
Source Acceptance Policies and Procedures

In conjunction with the Secretary's intention to undertake a revolution in business practices, it is apparent that we need to reassess our policies and procedures as they relate to source-acceptance of manufactured goods. Currently the Department requires nearly 200,000 separate stock items be inspected at the factory by U.S. Government inspectors prior to accepting delivery of the goods. While source acceptance is an important element of the Department's quality assurance program, it necessitates significant expense and requires government-unique business systems and practices. Commercial source-acceptance business procedures, by contrast, are significantly less expensive with no apparent loss effectiveness.

The Acting Under Secretary of Defense (Acquisition and Technology) (USD(A&T)) has previously tasked the Commander of the Defense Contract Management Command (DCMC) to eliminate unnecessary government source inspections for micro-purchases of both commercial and non-commercial items. I am asking that this review be broadened into a comprehensive reassessment of our source acceptance policies and procedures. With the participation of the appropriate staff from the USD(A&T), the Department of Defense Inspector General and the Military Departments, the DCMC Commander's review should include a full accounting for all government steps and costs in the source acceptance process, and compare them to alternative methods. I would also ask the Commander, DCMC, in conjunction with the Military Departments, to undertake a review of the existing stock items designated for source acceptance to ascertain whether or not they still merit that designation.

Your cooperation in supporting this evaluation will be appreciated.