

S E C R E T

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MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Consultant Report on Agency Procurement

1. Forwarded herewith at Tab A are the comments of the DDS, DDS&T, DDI, DDP and D/PPB, on the Livingston Report. For your convenience we have summarized at Tab B the main recommendations of the consultants in numerical sequence, along with summaries of the comments by the various components. The recommendations are keyed to the report, for more detailed reference.

2. We feel that the DDS response is a particularly strong one, presenting a positive course of action that involves the least disruption of existing Agency organization and procedure while addressing itself to the main criticisms made by the consultants about the present system. We would summarize the significant remaining disagreements as follows:

a. In agreeing that all R&D procurement should not be centralized in the DDS&T, we feel that there is still need for some single standard for Agency management of all procurement conducted by its personnel. We have therefore proposed that the Director of Logistics have an overall policy relationship to OSA/OSP R&D procurement standards, in lieu of that recommended by the consultants for a Special Assistant to the DDS.

b. Both the DDS and the DDS&T believe that programs now under way for development of Management Information Systems in logistical and R&D procurement can be handled adequately with existing expertise in the Agency. We have doubts on this, based on the report and on discussions with the consultants during the survey. Comments by D/PPB seem to confirm our impressions. We propose further discussions with the consultants to firm up our understanding of their evaluation on this point, as a basis for deciding if outside assistance should be sought. There are other minor issues that are covered in the body of our attached comments, but not significant enough for emphasis here.

3. Your attention is especially invited to paragraph 4 of the DDS memorandum, which outlines his plan of action, and to his request for your approval of it.

[Redacted Signature Box]

J. S. Earman
Inspector General

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Attachments-2

Tab A: Comments of DDS, DDS&T, DDI, DDP
& D/PPB on the Livingston Report

Tab B: Summary of Comments

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NRO review(s) completed.

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TAB B

S E C R E T

Recommendation 1

A Special Assistant to DDS should be assigned responsibility for management surveillance of all Agency procurement. (Chapter VI, section 1.1).

DDS Comment

This recommendation would have merit only if all recommendations are accepted at face value. It envisions a supervised Procurement Program encompassing both the "Agency system and the NRO system." The interdepartmental nature of the NRO system, its special delegations, funding, uncertain future, security and DoD relations necessitates that this be separate. It is unnecessary to change the responsibility for the other Agency procurement from the Director of Logistics to the recommended Special Assistant.

DDS&T Comment

The recommendation is based on the erroneous premise that there is no single person responsible for procurement policies and procedures. The Director of Logistics has this responsibility. The new job would duplicate this function, as well as taking over decisions now made by the Directors of Logistics and Finance, or the components responsible for managing the programs. This would insulate the DDS from those components and, as a new echelon, would not facilitate matters. The objective can be met more efficiently by charging the Director of Logistics with responsibility for improvement rather than creating duplication. It would be a mistake to establish a Special Assistant for Procurement and at the same time make the DDS&T responsible for R&D procurement.

DDI Comment

Endorses the idea of assigning responsibility to one individual for the development of uniform Agency procurement policies and procedures and general monitoring of Agency procurement.

DDP Comment

The recommendation should be adopted. However, the proposed position is envisioned as largely one of management surveillance. It should be one of management authority and responsibility across the broad spectrum of procurement activity.

It could become a source of central policy and procedural guidance in R&D and related production procurement, each directorate having a contracting group in closest touch with the directorate's needs, and close to technical officers.

D/PFB Comment

The principle of central authority for Agency procurement is sound. It should be made clear that the DDS has this authority, reporting to the Executive Director. If he chooses to have a special assistant he can so provide.

S E C R E T

DIRECTORATE PROPOSALS

The DDS, as does D/PFB, believes that the "Agency system and NRO system" should be kept separate and not be subordinated to one procurement authority, and therefore that the Director of Logistics would continue to be responsible for management policy, practice and procedure over the Agency system.

The DDS&T appears to have not fully understood the recommendation, but tends to agree with the DDS.

The DDI and DDP agree with the recommendation, but the DDP would go even further and give real authority to the proposed Special Assistant instead of limiting it to "management surveillance."

S E C R E T

S E C R E T

IG COMMENT

The consultants felt a need for one central authority over all Agency procurement, to ensure compliance with uniform standards. This has advantages both in terms of internal controls and of having one way of doing business with contractors, many of whom deal with more than one part of the Agency. The consultants felt, from a considerable experience with both government and private contracting work, that contractors are not reluctant to take advantage of inconsistent policies and practices that may exist in a single government agency.

The consultants felt this required a single policy point, at a sufficiently high level, with both policy-setting responsibilities and with a management surveillance task as well.

The DDS is correct in stating that if there is not to be a "centralization" of R&D procurement in DDS&T, away from DDS, the recommendation loses much of its force. However, the "NRO system" would still be under the DCI, and the basic argument of the consultants for the need for a common policy still is an impressive one. We see no reason why the Director of Logistics cannot be given responsibility for formulating R&D procurement rules that have an applicability to OSA/OSP (the "NRO system") as well as to other R&D.

As this relates to the consultant's recommendation on centralization of R&D procurement under the DDS&T, our final recommendation will be found there, in the next section of this paper.

S E C R E T

Recommendation 2

All Agency R&D Procurement, with the possible exception of TSD contractors, should be centralized under the direction of DDS&T. (Chapter VI, section 1.5).

DDS Comment

The reasoning is inconsistent by recommending centralization under DDS&T, then decentralizing by exceptions (e.g., TSD). This dramatic re-organizational change of responsibilities, manpower, and funds, to achieve the "team" concept of procurement defeats its own purpose by subsequent exceptions. While the present system is effective, it does have coordinating problems primarily due to geographic separation of offices. There are easier answers.

DDS&T Comment

The proposal, by excepting TSD and possibly NPIC, really decentralizes rather than centralizes, R&D procurement. There are only two procurement systems in the Agency (although the report says three, at one place, and five in another), these being the Agency system and the NRO system. The transfer of contracting officers, to accomplish the "team concept," must be accompanied by transfer of personnel from Industrial Contract Auditing Division and the Office of Finance. While the team approach would be more effective than the present system, it should remain under the cognizance of the DDS.

DDI Comment

Endorses the recommendation, with the understanding that centralization of R&D procurement does not include centralization of management and technical control of all R&D programs. There is no objection to consolidation of administrative functions related to contract procurement negotiation and fiscal monitoring.

DDP Comment

Although the Clandestine Services can live with the proposed reorganization, it is not certain that it is the most effective way of managing procurement. As the report proposes assignment of a contracting officer to TSD it will not be much change over existing procedures there, although under the new arrangement greater independence of action and final contract negotiating authority might improve the present practice.

D/PPB Comment

Except for NRO procurement, which should be handled separately, the DDS should have ultimate authority for Agency procurement. The DDS should develop a plan for procurement specifications, and for making final determinations as to acceptability of material and services required by the Agency.

S E C R E T

DIRECTORATE PROPOSALS

The DDS feels that to achieve the valid objectives of the recommendation, and avoid the major organizational dislocations it would produce, a series of actions should be taken in preference to transferring R&D procurement to the DDS&T. These steps are outlined in paragraph 4, subparagraphs b, e, f, g, and j of the DDS memorandum on the report, summarized as follows:

- (1) Sufficient contract and industrial contract audit officers will be assigned to the operating directorates to handle the R&D contract work load and permit the "team" concept to function.
- (2) DDS&T, DDP, and DDI would be delegated, on request, authority to conduct all R&D contracting for contracts up to \$200,000.
- (3) The Office of Logistics will render advice, assistance, and guidance to all components in performance of their contract responsibilities.

Both the DDS&T and DDP have reservations about the recommendation, DDS&T tending to agree with DDS. The DDI appears to accept the recommendation.

D/PFB, in expressing his disagreement with the proposal, adds that the DDS should develop mechanisms for formulating procurement specifications, and for making determinations on acceptability of materiel and services.

S E C R E T

IG COMMENT

The DDS reply advances a new approach that is designed to meet the objective of the consultants, in providing a form of central control, co-location of technical and support personnel, and achievement of the "team" approach in R&D contracting for R&D handled in the "Agency" system.

We feel that the considered and balanced proposal of the DDS is sound, and offers the least dislocation of any approach presently available. We endorse the approach in lieu of that proposed by the consultants. However, we also feel that there remains the basic issue of one policy and set of procedures for Agency officers in dealing with the outside world. This would derive from the development of a single set of standards applicable to all Agency R&D contract activity (both "Agency" system and "NRO system"). It is not believed that these would prove incompatible.

It is recommended that the proposal of the DDS for strengthening the Agency's R&D activity be accepted, and that it be extended to the development of one set of standards and procedures for all the Agency under the authority of the Director of Logistics.

S E C R E T

Recommendation 3

A contract Review Board should be established with jurisdiction over contracts over \$250,000, chaired by the new Special Assistant. (Chapter VI, section 1.2).

DDS Comment

The principle has merit, and such a Board should be established under the chairmanship of the Director of Logistics, jurisdiction to be over \$200,000.

DDS&T Comment

There is already a significant review of all programmed activities in the Agency. (It is doubted the consultants fully appreciated this.) Individual transactions (after planning and programming) are subject to review and approval under established procedures. The Deputy Directors approve, the Director of Logistics is responsible for contracting, and the Director of Finance audits contracts and disburses. If Agency management feels this is insufficient it should clearly charge the respective offices with the specific improvements needed.

DDI Comment

Such a Board appears unnecessary. Approving officers can call for such information as they need without the formality of a board.

DDP Comment

Agree that a Contract Review Board should review all procurement contracts of \$250,000 and above at the DDS level, to be chaired by the Special Assistant to the DDS for procurement. The technical office should be represented for any of its contracts before the Board.

D/FPB Comment

Supports the institutionalization of a Contract Review Board, but opposes raising the "threshold for procurement approval" from \$150,000 to \$250,000.

S E C R E T

DIRECTORATE PROPOSALS

DDS and DDP agree. DDI and DDSMT do not, on basis that there is at present adequate review activity in the Agency's planning and approval system.

D/PFB agrees to the Contract Review Board, but opposes raising the amount requiring approval by high authority.

S E C R E T

IG COMMENT

We feel that the value of this proposal is, not that it adds to the review and approval system, as such, but that it screens and staffs, for higher approval authority, major contract actions usually forwarded without such intermediate processing. It is a protective management device, to ensure that a full substantive check has been made, and that procedural requirements have been adequately met.

In its present form it supplements the proposed DDS delegation of authority to the deputy directors in amounts up to \$200,000, over which amount higher approval would be required.

It is recommended that the recommendation be approved, subject to the DDS proposal of a jurisdictional amount of \$200,000.

S E C R E T

Recommendation 4

Consideration should be given for placing the responsibility for all auditing policies, procedures and assignments under the direction of the Chief, Audit Staff/Office of the Inspector General. (Chapter VI, section 1.6).

DDS Comment

This recommendation has no merit and does violence to the basic principles of the Agency's audit system. The division between the Office of Finance and the Office of the Inspector General should be kept.

DDS&T Comment

The recommendation was based on lack of understanding of the role of industrial contract auditing and that of the Audit Staff. Further, there are practical problems in absorbing DCAA personnel. As the IG non-concurred the proposal is not documented in depth.

DDI Comment

Defer to comment of IG.

DDP Comment

While there is an advantage to the proposal, there are other basic considerations that would have to be faced. There should be further study of the audit function in the contract mechanism.

D/PFB Comment

Does not support the recommendation, as the Agency needs a separate audit control function.

S E C R E T

DIRECTORATE PROPOSALS

No one agrees. IG also non-concurs, as stated in original forwarding memorandum of 4 October 1966.

S E C R E T

IG COMMENT

Our statement on the recommendation is contained in our original memorandum. No one concurs with the recommendation.

It is recommended that this proposal not be accepted.

S E C R E T

IG COMMENT

No one disagrees.

The recommendation should be accepted.

S E C R E T

DIRECTORATE PROPOSALS

No disagreement.

S E C R E T

Recommendation 5

Production and logistics supply procurement should continue to be managed by the Office of Logistics. (Chapter VI, section 1.3).

DDS Comment

The Director of Logistics shall continue to be responsible for management policies, practices, and procedures of the Agency procurement program.

DDS&T Comment

None.

DDI Comment

Concur.

DDP Comment

Concurs that regular production and interagency departmental procurement should remain with Office of Logistics.

D/FPB Comment

Concurs.

S E C R E T

Recommendation 6

Inventory management of technical items should continue to be the responsibility of the present components. (Chapter VI, section 1.4).

DDS Comment

None.

DDS&T Comment

None.

DDI Comment

Concur.

DDP Comment

Concurs that responsibility for inventory management of technical items should remain with technical components, custody to be with the Office of Logistics.

D/PPB Comment

Concur.

S E C R E T

DIRECTORATE PROPOSALS

No disagreement.

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IG COMMENT

No one opposes the recommendation.

It is recommended that the recommendation be accepted.

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IG COMMENT

The various specific points are not replied to directly, although appearing to receive general acceptance, so far as general detail is concerned. The basic issue here is the application of one basic standard to all R&D procurement conducted under the authority of the DCI.

Even if R&D procurement is not centralized under the DDS&T (in which we have agreed with DDS and DDS&T), and even if direct management of OSA/OSP procurement remains in those components, there is still advantage in having one general standard and procedure to be followed. It is noted that the Office of Logistics now has a Procurement Handbook, setting out standards and procedures. That will probably be modified to incorporate the changes envisioned in the DDS plan of action.

It is recommended that the basic recommendation be approved.

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Recommendation 7

Existing R&D procurement policy and procedures should be revised, supplemented and published to encompass all Agency R&D procurement. (This would involve solicitation of contract, evaluation of proposals, a procedure for establishing operational requirements, evaluation of reviews.) (Chapter VI, section 2.1; Chapter III, section 2.7).

DDS Comment

No direct comment, but subsections a, d, j, k and l of paragraph 4 of the DDS memorandum propose that the Director of Logistics will continue to be responsible for management policies, practices and procedures, and states that he will render advice, assistance and guidance to all components in the performance of their contract responsibilities. He will also establish a contract review mechanism and a Central Contract Registry.

DDS&T Comment

DDS&T is attempting, through its recently established Procurement Management Staff, to place greater emphasis on the listed points. The Project Monitors Handbook and use of ADP on contract information, represent significant progress. Concur in the need for a central, repository of information concerning contractors.

DDP Comment

Concurs on all points, except that so much as proposes solicitation of contracts through the proposed Procurement Office in DDS&T.

DDI Comment

Does not comment.

D/FPB Comment

No specific comment, except as generally mentioned on the issue of centralization of R&D procurement.

S E C R E T

DIRECTORATE PROPOSALS

DDS reply is encompassed in its objection to include NRO procurement under the "Agency system," and in its other general responses in paragraph 4 of its memorandum. DDS&T states that a new procedure is now being developed.

S E C R E T

Recommendation 8

There should be a complete analysis and revision of the supply inventory management system, mechanization of the interdepartmental procurement procedures, and modification of the covert procurement activities. (The inventory system should consider criticality and cost-value factors; the present economic reorder point should be re-examined; the [redacted] inventories should be brought into the system.) (Chapter VI, section 3; Chapter IV, section 1.2.(4).

DDS Comment

The DDS accepts responsibility for a contract review mechanism to ensure that the "delegated contract program" is in accordance with established policies, practices and procedures. A program for mechanization of interdepartmental (MILSTRIP and FEDSTRIP) has already been initiated. (See also DDS proposals in paragraph 4 of DDS memorandum on consultant report.)

DDS&T Comment

None.

DDI Comment

None.

DDP Comment

Concurs. A complete analysis and revision of the supply management system should be undertaken, encompassing present procedures for pricing and invoicing of property distributed by Agency supply systems. While concurring on recommendations on Interdepartmental and Covert Procurement, DDP felt it should continue to have contact with SACSA (JCS Special Assistant for Counterinsurgency and Special Activities), [redacted]

D/PPB Comment

No direct comment.

S E C R E T

DIRECTORATE PROPOSALS

Responses appear to accept general thrust of recommendation, although specific response is missing on some specific points.

S E C R E T

IG COMMENT

There is not a specific reply to the various points in the recommendation, although the DDS appears to accept generally the tasks outlined.

It is recommended that the proposal be approved.

S E C R E T

IG COMMENT

DDS and DDS&T defend the work now being undertaken on their respective management information systems. In the course of the survey the consultants reported a series of developments that led to firm impressions about the shortcomings in both systems, in design and implementation. Based on the observations of the consultants we came to the conclusion that the Agency will design its systems only after extensive trial and error. It was this background that led us to propose that it might be advantageous to employ outside assistance, with the thought that it might well save considerable time, and produce a better system in the end. It was not the absence of expertise in the IG Staff, as indicated in the DDS&T comment, that led to the recommendation, but an apparent low level of experience in the personnel in the Agency assigned to this work at present.

While the consultants have not included in the report their detailed opinions of why the Agency is either off target in some ADP approaches, or meeting with limited success in others, they could probably give a fairly reasonable summary if requested. It is noted that D/PPB entertains some of the same reservations about the DDS effort that we have about present work in this field, favoring however strengthening expertise of Agency personnel working on the problems rather than contracting for the work. On this point we feel that it may not prove as difficult to contract for the design of the system and help in its initial implementation as it would be to employ qualified people. Continued operation of the system would not be as difficult as its creation.

As there is some disagreement on this, and we can only hold general views in the absence of expertise of our own, it would be useful to specifically discuss this question with the consultants (without raising the question of a contract, but to help understand the problem) to get their frank views.

It is recommended that Executive Director discuss the ADP problem with the consultants.

S E C R E T

DIRECTORATE PROPOSALS

There is agreement on need for a management information system, but not on a need for outside assistance in getting it started.

S E C R E T

Recommendation 9

That the Agency immediately undertake the design and implementation of an automated Procurement Management Information System. (Chapter VI, section 4).

DDS Comment

The principal elements of the report have already been taken into consideration, and the DDS is prepared to accommodate all of them into the new systems design now under development. The DDS study has been largely limited to the DDS data base, but the system under development is for all directorates, and the DDS&T has indicated that certain elements of the NRO procurement program can be contained in the system, with security protective features.

DDS&T Comment

Concur in the requirement for a management information system, and the DDS&T is now developing one. "However, we do not concur (in the Inspector General's suggestion that) since his own office does not have expertise in the field of automatic data processing consideration should be given to employing an outside consultant, and perhaps the author of the report, to assist (in this)." The Agency has a significant capability in the ADP field and any talent needed but not now available should be sought in the form of staff employees.

DDI Comment

Concur. Such a system is very much needed.

DDP Comment

Concurs that the Agency should immediately undertake the design and implementation of an automated system. Favors a separate system for the Clandestine Service, but foresees no problem in making it compatible with other system for the purpose of total central R&D and related production information. Agrees that the planned TSD system is not adequate, and adjustments are being made to meet the criticisms of the report.

D/FPB Comment

The recommendation for design and implementation of an automated system is valid. Solution of the Support Information Processing System (SIPS) will not automatically solve the problem. It is believed to be working primarily on reducing redundancy in the existing system rather than developing a comprehensive system of reporting and control. There are three alternatives: (1) bring in an outside firm; (2) continue with the SIPS group as constituted; (3) strengthen the SIPS group with high-level information systems design experience. The latter approach is favored.

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Recommendation 10

The present system for budgeting, funding and accounting for the Agency's stock fund should be modified. (Three alternatives are outlined: a revolving stock fund, an informal stock fund, or statistical accounts.) (Chapter VI, section 5).

DDS Comment

Does not concur, feeling that the present system, as recently approved in the recommendations of an ad hoc committee is the most suitable for Agency operations. These improvements have corrected the basic deficiencies, while each of the recommended alternatives poses a special problem: a revolving stock fund involves Congressional and BoB approval; an informal stock fund would not require specific appropriation by Congress, and is closest to the present system; the establishment of a statistical accounts system is vague, and would dispense with formal financial accounts which would be a serious step backwards in the Agency's over-all management posture. The present system is the most flexible one for Agency procurement funding, particularly in the light of budgetary changes resulting from economy moves and uncertainty of supplemental appropriations.

DDS&T Comment

No comment.

DDI Comment

The present system has been a source of confusion and annoyance for some time. Favors a system like the revolving stock fund or the informal stock fund, providing control by components including the prerogative of reprogramming funds as required.

DDP Comment

Concurs that the present system be replaced with a more simplified and understandable one for funding property needs for Clandestine Service operations. Further study should be undertaken to determine which of the systems recommended is best for the Agency, and the study should incorporate the views of the DDP operating components.

D/FPB Comment

While not concurring in the recommendation, favoring instead the new arrangements recently resulting from an internal Agency review, FPB does favor our stock fund providing components with information on property consumption value by materiel category. FPB also proposes that our budgeting procedures provide for materiel obsolescence and price increases, and supports simplification of accounting, and timely reporting through complete mechanization of our property system. These proposals would be the subject of a study group's efforts.

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DIRECTORATE PROPOSALS

DDS feels that recent modifications in the existing system will correct the defects noted in the consultant report.

DDI and DDP agree that existing system needs refurbishing.

D/FPB prefers holding to the newly-modified system, adding to it the factors set out in his comment.

- 10 -

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IG COMMENT

The stock fund system has only recently been modified, to solve the problems that led to the recommendation of the consultants. That new approach should be permitted to be tested for a sufficiently long period to ascertain the adequacy of new arrangements. D/PPB has recommended that specific additional factors, noted in his comment, be incorporated into the present system.

It is recommended that the present system not be modified at this time to meet the recommendation of the consultants, except as suggested by D/PPB. It is further recommended that the present system, as recently modified, be reviewed in depth after it has been tested for a year.

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Recommendation 11

USAF Auditors should be rotated. (Chapter III, section 5.4.2; Chapter VI, section 6).

DDS, DDI, DDP and D/FPB

No comment.

DDS&T Comment

The consultant report states that the IDEALIST and OXCART have continued with the same contractor and contracting teams for a period of eleven years. This is incorrect. A detailed review is given showing change in auditors in their work, and the problems in acquiring new auditors, and in changing them under the practice of DCAA. The "fresh viewpoint" advocated by the consultants is more than balanced by thorough knowledge of the contracting firm and the program.

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IG COMMENT

The principle of rotation of audit personnel is a basic one that should be adhered to as much as possible. The detail furnished by the DDS&T indicates that the problem is not as critical as the consultants understood it to be.

While supporting the general principle as stated in the report, we feel that the position of the DDS&T should be accepted. The Chief, Audit Staff, agrees in this.

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DIRECTORATE PROPOSALS

No alternative is given to the existing situation because of the nature of the "outside" auditors, the fact that there has been more change than described in consultant's report, and the difficulties of employing new personnel, plus the advantages of continuity.

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IG COMMENT

It is understood that the Office of Security, with its new Industrial Security Division, is conducting a survey of the problems alluded to in the report. While this is not spelled out in the DDS reply, my understanding of this new program leads me to feel that no specific additional instructions at this time are necessary. However, it is recommended that the program of the new Industrial Security Division be reviewed within a six months' period.

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DIRECTORATE PROPOSALS

No specific alternative or course of action stated.

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Recommendation 12

Procurement security procedures should be reviewed to identify and eliminate inconsistencies in security methods followed by different organizational units within the Agency. Re-examine practices of procurement cover organizations to assure that they are consistent with the "real" environment in which they operate. (Chapter VI, section 7).

DDS Comment

The Office of Security will make available sufficient professional Security officers to maintain the security of all contracting activities.

DDS&T Comment

No comment.

DDI Comment

Concur. Unrealistic procedures and inconsistencies have been causing problems for contract monitors.

DDP Comment

Defers to the Director of Security.

D/FPB Comment

Defer to the Director of Security.

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Recommendation 13

NPIC should develop a contract for integration of its equipment systems. (Chapter III, Section 4.4.7).

DDS, DDP and D/FPB

No comments.

DDS&T Comment

Recommends the systems integration contract. This has proven a valuable technique for managing programs involving several sub-systems. It has been particularly useful in OSA and OSP programs.

DDI Comment

The point is well taken. NPIC will continue to develop an integration system concept internally which will be mission-oriented and will hopefully accomplish total integration of the major contractual categories. Contractual assistance will be sought as required.

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DIRECTORATE PROPOSALS

DDI proposes an internal program in place of an external contract.

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IG COMMENT

NPIC does not appear to wish to have a contract for integration of its systems, preferring to handle this internally. Our own prior investigations into various NPIC programs has led us to believe, now reinforced by the consultants report, that technical expertise in NPIC is too limited for this to be handled successfully internally. We agree with the DDS&T comment.

It is recommended that NPIC be instructed to develop a program for a contract of systems integration.

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Recommendation 14

NPIC should give more attention to the plan for managing its Long-Range Program. (Chapter III, section 4.4.7).

DDS, DDS&T, DDP and D/FPB Comments

No comments.

DDI Comment

In accord with general thrust of the recommendation. NPIC is aware of the need for continuing attention and development of its long-range R&D program. It has taken a number of steps over the past year to assure this.

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IG COMMENT

This is a matter for internal management. NPIC recognizes the problem and plans to pursue a solution to it.

It is recommended that we follow up on this in six months.

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DIRECTORATE PROPOSALS

NPIC will do as recommended.

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