Audit Report

OFFICE OF THE INSPECTOR GENERAL

INTEGRATED LOGISTICS SUPPORT FOR NONMAJOR DEFENSE ACQUISITION PROGRAMS

Report No. 93-089 April 21, 1993

Department of Defense

The following acronyms are used in this report.

ACAT.....Acquisition Category
AFMC.....Air Force Materiel Command
AFSC.....Air Force Systems Command
AMSAA.....Army Materiel Systems Analysis Activity
AMCCOM.....Armament, Munitions and Chemical Command
ATHS/AI.....Airborne Target Handover System/Avionics
CRAF/AESS.....Civil Reserve Air Fleet/Aeromedical Evacuation Shipsets
DAB.....Defense Acquisition Board
DoDI.....Department of Defense Instruction
ECP.....Engineering Change Proposal
HUD.....Heads Up Display
ILS.....Integrated Logistics Support
ILSP.....Integrated Logistics Support Plan
JSOR.....Joint Service Operational Requirement
LCCE.....Life-Cycle-Cost Estimate
LRG.....Logistics Requirements Group
LSA.....Logistics Support Analysis
MILDEPTS.....Military Departments
NAVAIR.....Naval Air Systems Command
NDI.....Nondevelopmental Item
SWIP.....Systems Weapon Integration Program

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

April 21, 1993

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION

SUBJECT: Audit Report on Integrated Logistics Support for Non-major Defense Acquisition Programs (Report No. 93-089)

We are providing this final report for your information and use. The audit addressed the effectiveness of the Military Departments' implementation of Integrated Logistics Support (ILS) in their acquisition organizations for selected nonmajor weapon system acquisition programs. Comments on a draft of this report were received from the Department of the Navy, Office of the Assistant Secretary (Research, Development and Acquisition) and the Department of the Army, Acting Product Manager, 9mm Pistol Program. Comments on the draft were not received as of the report date from the Under Secretary of Defense for Acquisition.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, we request that the Under Secretary of Defense for Acquisition provide comments on the findings and recommendations by June 21, 1993. The Directive also requires that comments indicate concurrence or nonconcurrence with the findings and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing the desired improvements.

We did not quantify any monetary benefits; Appendix E lists other potential benefits of our audit. Recommendations are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weaknesses highlighted in Part I.

The courtesies extended to the audit staff are appreciated. If you have questions on this audit, please contact Mr. James L. Koloshey, Program Director, at (703) 614-6225 (DSN 224-6225). Appendix G lists the planned distribution of this report.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

Enclosure

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

Office of the Inspector General, DoD

AUDIT REPORT NO. 93-089
(Project No. 1AG-0065) April 21, 1993

INTEGRATED LOGISTICS SUPPORT FOR NONMAJOR DEFENSE ACQUISITION PROGRAMS

EXECUTIVE SUMMARY

Introduction. As of September 30, 1991, the Military Departments (MILDEPTS) had 961 ongoing acquisition programs which were listed as "Nonmajor Defense Acquisition Programs" (Acquisition Category II - IV). We selected 17 nonmajor weapon system acquisition programs to review.

Objectives. The primary objective of the audit was to evaluate how effectively the MILDEPTS implemented Integrated Logistics Support (ILS) policies and procedures in their respective acquisition organizations for nonmajor weapon systems. We also determined whether internal controls over the ILS process had been implemented.

Audit Results. The MILDEPTS did not effectively implement ILS for 12 of the 17 Acquisition Category II - IV systems reviewed (Finding A). Specifically, we determined that for those systems the MILDEPTS did not:

- o develop an adequate Integrated Logistics Support Plan;
- o perform all pertinent logistics support analysis; or
- o conduct a life-cycle-cost analysis.

Consequently, the MILDEPTS have fielded systems with significant supportability problems.

We also determined that program offices are not required to reclassify acquisition programs when acquisition strategy or growth occurred, changed, or caused cost thresholds to be breached (Finding B).

Internal Controls. We reviewed internal controls over the MILDEPTS' implementation of ILS policies and procedures in their acquisition organizations. The audit identified an internal control weakness. Controls were not effective to ensure that ILS was integrated in the MILDEPTS' nonmajor acquisition programs (Finding A) and that proper acquisition categories were assigned upon significant changes in acquisition strategy (Finding B). Details of internal controls that we reviewed are in Part I. Details of internal control weaknesses are in Part II.

Potential Benefits of Audit. The principal benefits that will be realized from the audit are to ensure adequate oversight and classification of Acquisition Category II - IV programs. This report identifies no potential monetary benefits. The potential benefits of this audit are summarized in Appendix E.

Summary of Recommendations. We recommended that the Under Secretary of Defense for Acquisition require that Component Acquisition Executives provide for limited oversight of nonmajor Defense acquisition programs and require the MILDEPTS to reclassify nonmajor programs as appropriate when cost thresholds have been exceeded.

Management Comments. Based upon additional information provided by Navy personnel subsequent to issuance of our draft report, we made several changes to Finding A. The Army's Acting Product Manager, 9mm Pistol Program, provided us with comments to Finding A that indicated that he had taken action to address supportability issues raised in our draft report. We believe the actions taken will improve supportability of the 9mm Pistol. The Under Secretary of Defense for Acquisition did not provide written comments to the draft of this report. The complete texts of management's comments are in Part IV. We request that the Under Secretary of Defense for Acquisition comment on the findings and recommendations by June 21, 1993.

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This report was prepared by the Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

PART I - INTRODUCTION

Background

DoD Directive 5000.1 (The Directive) defines a "Major Defense Acquisition Program" as an acquisition that is not a highly sensitive classified program (as determined by the Secretary of Defense) and that is:

> a. Designated by the Under Secretary of Defense for Acquisition as a major defense acquisition program, or
>
> b. Estimated by the Under Secretary of Defense for Acquisition to require:
>
> (1) An eventual expenditure for research, development, test, and evaluation of more than $300 million in fiscal year 1990 constant dollars, or
>
> (2) An eventual total expenditure for procurement of more than $1.8 billion in fiscal year 1990 constant dollars.

The Directive further defines a "Nonmajor Defense Acquisition Program" as a program other than a Major Defense Acquisition Program or sensitive classified program.

DoD Instruction (DoDI) 5000.2, "Defense Acquisition Management Policies and Procedures," requires that all acquisitions, excluding sensitive classified programs, be placed into one of four acquisition categories (ACAT) (see Appendix A). These categories determine the level of milestone decision authority. DoDI 5000.2 also requires that Military Departments' (MILDEPTS) acquisition programs incorporate Integrated Logistics Support (ILS), a process through which management and analysis actions needed to ensure effective and economical support of a materiel system are accomplished, both before and after fielding. DoDI 5000.2 further requires that support considerations be effectively integrated into the system design and that required support structure elements are acquired concurrently with the system.

Objectives

The primary objective of the audit was to determine whether the MILDEPTS have effectively implemented ILS policies and procedures in their acquisition and logistics organizations. We also determined whether internal controls over the ILS process had been implemented.

Scope

Review of programs. As of September 30, 1991, approximately 1,105 active acquisition programs were reported by the MILDEPTS. These acquisition programs were broken into the following ACATs:

	ACAT I	ACAT II-IV	TOTAL	SELECTED FOR REVIEW
ARMY	52	515	567	7
NAVY	57	153	210	3
AIR FORCE	35	293	328	7
TOTAL	144	961	1105	17

We selected 17 programs that were in ACAT II - IV (see Appendix B). We reviewed the policies and procedures used by the MILDEPTS' acquisition offices to implement ILS for selected nonmajor Defense acquisition programs. Our review concentrated on reviewing the adequacy of the Integrated Logistics Support Plan (ILSP) that each program office is required to prepare for all ACAT II - IV programs. We also evaluated the adequacy of logistics support analysis (LSA) of life-cycle-cost analysis. For programs that deviated from the normal acquisition process (nondevelopmental items, accelerated procurement, major modification), we determined if the respective program offices had adequately documented why required program taskings and corresponding milestones were omitted. We reviewed documentation, correspondence, and records dating from FY 1983 through FY 1992.

Auditing standards. This economy and efficiency audit was made from July 1991 through September 1992 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. Appendix F shows activities visited or contacted during the audit.

Internal Controls

The audit identified an internal control deficiency as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Our review showed that implementation of ILS policies and procedures applicable to nonmajor systems were generally not consistent. No specific guidance exists concerning the appropriate levels of oversight required for ACAT II - IV acquisition programs for ensuring that the ILSP is properly developed, LSA is performed, life-cycle-cost estimates (LCCE) are determined, and required program tasks are completed by approved

milestone dates. As a result, overall system supportability for ACAT II - IV programs may not be adequate once the respective weapon system is fielded. Recommendations A and B in this report, if implemented, will correct the weakness. We have determined that monetary benefits will not be realized by implementing Recommendations A and B. A copy of the final report will be provided to the senior officials responsible for internal controls within the MILDEPTS.

Prior Audits and Other Reviews

No audits related to determining whether ILS has been successfully integrated in the nonmajor weapon system acquisition process have been done within the last 5 years.

PART II - FINDINGS AND RECOMMENDATIONS

A. IMPLEMENTATION OF INTEGRATED LOGISTICS SUPPORT

Integrated Logistics Support (ILS) requirements were not effectively implemented for nonmajor acquisition programs. This condition occurred because the Military Departments (MILDEPTS) were not effectively enforcing the DoD policy regarding the integration of ILS into the acquisition process for nonmajor ACAT II - IV programs; furthermore, current DoD policy does not require Office of the Secretary of Defense oversight for these programs. Consequently, the MILDEPTS have fielded and will continue to field weapon systems with significant supportability problems.

DISCUSSION OF DETAILS

Background

DoDI 5000.2 provides policy and procedures to ensure that logistics support resources are identified, acquired, tested, and deployed as an integral part of the acquisition process. The Instruction requires that an effective ILS effort be established within each program office. ILS shall be managed as a disciplined, unified, and interactive approach necessary to accomplish the following:

o Develop support requirements that are related consistently to readiness objectives, to design, and to each other.

o Effectively integrate support considerations into the system and equipment design.

o Identify the most cost-effective approach to support the system when it is fielded.

o Ensure that the required support structure elements are developed and acquired.

Part 7 of DoDI 5000.2 identifies 10 ILS support elements that must be addressed for hardware and software. These elements are maintenance planning; manpower and personnel; supply support; support equipment; technical data; training and training support; computer resources support; facilities; packaging, handling, storage, and transportation; and design interface. These elements are defined in Appendix C.

Analysis of Systems

Our audit disclosed that ILS requirements had not been effectively implemented for 12 of the 17 ACAT II - IV systems selected for review. These deficiencies involved developing an adequate ILS plan, conducting appropriate logistics support analysis (LSA), and developing life-cycle-cost estimates (LCCE). Appendix D provides a summary of these deficiencies. Discussion of these three deficiencies follows.

Integrated Logistics Support Plan. The Integrated Logistics Support Plan (ILSP) is the basis for coordinating logistics planning efforts and ensuring that each of the 10 ILS elements is addressed and integrated with the other elements throughout the program. All ILS program requirements, tasks, and milestones for the current acquisition phase should be contained in the plan, as well as in planning for future phases. An initial ILSP should be drafted by Milestone I and appropriately updated during subsequent acquisition phases. Five of the 12 systems had significant ILS planning deficiencies; either an ILSP had not been developed or the plan was incomplete.

For example, the Air Force's ALE-40 Countermeasures Dispenser System had significant supportability problems causing a delay in installation of the system on the F-111 aircraft. The ALE-40 is a retrofit program that provides manual or programmed launching of infrared decoy flares or chaff or both from an F-111 aircraft. This program, managed as an ACAT III program by the Sacramento Air Logistics Center, California, was in Acquisition Phase III, Production and Deployment. Although the acquisition plan required the development of an ILSP, such a plan was never developed and ILS elements were not addressed by the program office. Maintainability problems with the ALE-40 installation were discovered during the system's operational demonstration, which disclosed inadequate clearance around sequence switch assemblies, incompatible test sets, and an improperly-designed access panel. Consequently, Headquarters, Tactical Air Command, stopped all ALE-40 installations on F-111s. Proper consideration of ILS issues earlier in the acquisition cycle would have identified and prevented these problems.

Logistics Support Analysis. DoDI 5000.2 requires that a tailored LSA, in accordance with Military Standard 1388, be used throughout the acquisition process as an integral part of the system engineering process. The primary purpose of LSA is to effect the design process so that supportability is built into the weapon system and to ensure the development of a fully-integrated system support structure. A LSA program should be initiated by Milestone II, Development Approval. Since LSA is a repetitive process, this analysis should continue through all acquisition phases. Our review showed that 12 systems did not adequately conduct or failed to conduct LSA.

For example, LSA for the Army's Airborne Target Handover System/Avionics (ATHS/AI) was not sufficiently comprehensive. The ATHS/AI is a processor integrating avionics, fire control, and navigation functions using a single processor. This system, managed as an ACAT IV program by the Army's Program Executive Office-Aviation, was in Acquisition Phase II, Engineering and Manufacturing Development. The prime contractor was directed to perform the ILS elements necessary to influence hardware and software design; however, no LSA 200 series tasks were contractually required for implementation of the ILS elements. The LSA 200 series specifically addresses design-related supportability issues, a critical objective of LSA.

Additionally, the U.S. Army Materiel Systems Analysis Activity assessed supportability issues of the ATHS/AI in January 1992 and found:

- planning for maintenance support planning was not accomplished;
- provisioning was late due to numerous LSA errors;
- maintenance demonstration was unrealistic due to absence of military personnel who were required for system maintenance; and
- interoperability requirements were not achieved.

The ATHS/AI Program was not funded by the Army for FY 1993.

Life-Cycle-Cost Estimates. DoD 5000.2-M requires that an LCCE be prepared by Milestone I and updated at subsequent milestones to determine system affordability and to aid in identifying the most cost-effective approach to support the system when fielded.* The process for developing life-cycle costs should be fully integrated with LSA 300 series tasks that evaluate system alternatives and conduct tradeoff analyses to ensure that the best approach is selected to satisfy system requirements. Our analysis showed that 8 of the 12 systems did not have adequate LCCEs prepared.

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* Life-cycle-cost is defined as the total cost to the Government of acquisition and ownership of that system over its useful life and includes development, acquisition, support, and disposal costs.

For example, a life-cycle-cost analysis prepared by the prime contractor for the Air Force's Civil Reserve Air Fleet/Aeromedical Evacuation Shipsets (CRAF/AESS) was not timely. The objective of the CRAF/AESS Program was to develop and produce hardware and support items that would convert a Boeing 767 (B-767) and McDonnell Douglas Series 80 (MD-80) aircraft into aeromedical aircraft. This Program, managed as an ACAT III program by the Human Systems Development Program Office, Air Force Materiel Command, was in Acquisition Phase IV. The cost analysis was delivered about 2 years after Milestone II, thus negating its intended purpose of determining system affordability at Milestone I. Furthermore, the contractor's analysis showed that the lowest cost scenario to support the system over its 30-year life cycle could be accomplished by the prime contractor. While we did not evaluate the accuracy of the contractor-provided cost estimates, we question the advisability of having the prime contractor perform life-cycle-cost analysis and evaluate itself against competing contractors and the Government. The MD-80 portion of the effort was terminated in 1991 due, in part, to significant design interface problems.

Oversight

ILS requirements were not effectively implemented for 12 systems because an adequate ILS capability did not exist in the program office (5 systems) or adequate ILS recommendations were developed by the ILS specialists but the recommendations were frequently not implemented by the program office (7 systems), as summarized in Appendix D.

ILS support. Logistics support from a higher or supporting command was not utilized. For example, the program office for the ALE-40 Countermeasures Dispenser System did not have an ILS function or personnel assigned to ILS duties, causing the major supportability problems previously discussed. The ATHS/AI System Program Office hired a contractor (one person effort) to perform ILS functions. Extensive logistics support was available from the U.S. Army Materiel Command but was not utilized. The MILDEPTS have logistics support capabilities that should be utilized by program offices when they do not have assigned staff with logistics capabilities. We concluded that the program offices for the five systems previously identified did not consider supportability issues as an integral part of the acquisition process.

ILS requirements. While an adequate ILS capability existed in the other seven systems' program offices, ILS considerations were frequently not incorporated by the program offices. For example, the 9mm Compact Pistol, managed by the Program Executive Officer Armaments, had an effective ILS capability; however, the program office did not incorporate ILS recommendations for the disposal of the weapon which had tritium sights, a radioactive material. Furthermore, the program office did not consider the acquisition of holsters to be a supportability item. Consequently, the users will

have to purchase their own holsters, utilizing local purchase procedures, which increases overall acquisition costs. Our discussion with program management offices showed that they were not incorporating ILS requirements because the requirements were perceived to have an unfavorable effect upon total program cost and schedule.

Conclusion

DoDI 5000.2 provides comprehensive guidance for the incorporation of ILS into the system acquisition process. The delegation of milestone decision authority to the program executive officer and the program management office within each MILDEPT is necessitated by the relatively large number of ACAT II - IV systems. We evaluated the criteria that the MILDEPTS have for ensuring that ILS requirements are being implemented for non-major acquisition programs.

o The Army Materiel Command Regulation No. 700-15 delegates the responsibility for reviewing system assessments and program management documentation to ensure coverage of ILS to the Director, U.S. Army Materiel System Analysis Activity (AMSAA). Although the Army's process requires that ILS reviews be performed, AMSAA serves the Army's acquisition community only in an advisory capacity with no enforcement capabilities.

o The Secretary of the Navy Instruction 5400.15 directs the review of the ILS planning, management, resources, and execution through the Navy's Logistics Requirement Group (LRG) Process. The LRG process provides for an adequate independent assessment of the adequacy of ILS for every acquisition program, regardless of ACAT, before each milestone decision point. We determined that for the three Navy systems reviewed, adequate reviews were being performed; however, an important LSA task was not accomplished on one weapon system.

o The Air Force Regulation 800-1 requires that all Air Force acquisition programs be reviewed at a level within the three-tiered management chain consistent with the cost and complexity of the program and with a frequency to ensure appropriate oversight. All programs are to be reviewed before each milestone decision to ensure they are ready to proceed. Based on our review of seven Air Force programs, we concluded that while adequate procedures existed, no substantive milestone decision reviews were being performed as required.

We believe that the criteria for ensuring that ILS requirements are being implemented should be strengthened for the Army and enforced within the Air Force. The Navy's LRG process should be considered as a guide in developing adequate controls.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Under Secretary of Defense for Acquisition require the Component Acquisition Executives to provide increased oversight of Acquisition Category II - IV Programs. As a minimum, a reasonable number of Acquisition Category II - IV systems should be randomly selected for milestone review annually.

MANAGEMENT COMMENTS

The Under Secretary of Defense for Acquisition did not provide written comments to this recommendation.

The Department of the Navy, Office of the Assistant Secretary (Research, Development and Acquisition) provided comments to this recommendation. In his responses, the Assistant Secretary of the Navy stated that he did not concur with the recommendation. He stated that the Navy's current Logistics Requirements Group (LRG) Process is an effective control to ensure that "ILS requirements are implemented for non-major acquisition programs and no further oversight is required." He also stated that "the LRG process provides for an independent assessment of the adequacy of ILS for every acquisition program, regardless of ACAT, prior to each milestone decision point."

The Army's Acting Product Manager, 9mm Pistol Program, provided comments to this finding. In his responses, the Acting Product Manager referenced several statements from Annex D of the Joint Service Operational Requirement (JSOR) that were apparently provided to support his position that supportability problems addressed in the draft report were actually considered by his office. In regard to the tritium sight issue, the Acting Product Manager stated that the JSOR states that "The compact pistol must be able to be operated . . . during limited visibility." In addition, the Acting Product Manager also provided several statements related to the procurement of a holster for the compact 9mm pistol.

The full text of management comments appears in Part IV.

AUDIT RESPONSES

We request that the Under Secretary of Defense for Acquisition provide comments to the final report.

After meeting with Department of the Navy personnel subsequent to issuing the draft report, we were provided with additional information that resulted in the revision of two of the Navy programs' results that were summarized on Appendix D. For the AN/SQQ32 Program, we were provided a copy of a Integrated Logistics Support Plan that was not made available to us during our audit; thus we changed the initially assigned "inadequate" designation

under the heading "ILSP" to "adequate." We were also provided additional information that resulted in the revision of all three of the original "inadequate" designations for the A-6E SWIP program to "adequate." Based on these revisions, we have concluded that the Navy has an effective Integrated Logistics Support review process.

The comments from the Acting Product Manager, 9mm Pistol Program, indicated that his office addressed the supportability issues that were discussed in our draft finding (pages 8-9). However, at the time of our visit to the program office, no action had been taken by the office to address several supportability issues raised by the Army's Armament, Munitions and Chemical Command (AMCCOM) ILS Manager. These issues included the need to consider shelf-life and disposal cost for the tritium sights and cost-effectiveness of locally procuring holsters for the Compact 9mm pistol versus including the holsters in procurement of the Compact 9mm pistol. Based on our discussions with program office personnel, we concluded that the Compact 9mm program office decided not to incorporate the AMCCOM ILS manager's recommendations because the requirements were perceived to have an unfavorable effect upon program cost and schedule.

We concluded that his office has taken action to address the supportability problems raised by the AMCCOM ILS manager at the time of our visit. However, we believe that the point we made in our draft report is still valid concerning program managements' offices that do not always incorporate ILS requirements because the requirements may have unfavorable effects upon total program cost and schedule.

Based on informal discussions held with personnel from the Office of the Assistant Secretary of Defense (Production and Logistics), we have modified our conclusion to Finding A to reflect current shortcomings and benefits of the MILDEPTS existing criteria for the Army and Air Force. We have also concluded that the Navy's current criteria are adequate.

B. RECLASSIFICATION OF ACQUISITION PROGRAMS

The MILDEPTS have continued to treat acquisition programs as nonmajor even after significant changes in scope or acquisition strategy have occurred that should have caused an elevation of their oversight status. Programs were not appropriately reclassified because DoD acquisition policy guidance is not sufficiently clear in this regard. As a result, acquisition programs that have grown to exceed the major program dollar thresholds for total development or acquisition costs or that have experienced significant changes in acquisition strategy have not received oversight by the appropriate level acquisition executive at key acquisition milestones.

DISCUSSION OF DETAILS

Background

All acquisition programs should be placed in one of four categories. The acquisition category and strategy must be established in the early phase (Milestone I) of a program's life cycle for maximum effectiveness. Correctly identifying the program acquisition category ensures that the level of management oversight is commensurate with the value of the program to make sure that events are completed at critical acquisition milestones. More detailed descriptions of these categories are on page 1 of the "Introduction" and in Appendix A.

Results of Review

We reviewed 17 nonmajor (ACAT II - IV) Defense acquisition programs managed by the MILDEPTS. Of the 17 weapon systems we reviewed, two systems experienced significant program growth or changes in acquisition strategy but were not reclassified to ACAT I status.

Program Growth. The A-6E Weapons Integration Program is a continuous upgrading of the A-6E aircraft's capabilities generated through a series of modifications. While precise information regarding specific dollar amounts, dates, and contractual actions was not readily available, the program can be summarized into three major efforts: "Systems Weapon Integration Program" (SWIP); Wing Replacement Program (Rewing Program); and the "Block 1/1A Program."

o The SWIP was initiated by Engineering Change Proposal (ECP) 898 in 1983 at an approximate cost of $34 million and was classified as an ACAT III Program. The SWIP enabled the A-6E to use the High-Speed Antiradiation Missile, Submarine-Launched Air Missile, Harpoon, and Maverick missile systems. The SWIP program was designed to give 30 A-6E aircraft this capability until a new aircraft was deployed.

o Because of cracks in the metal wings of the A-6Es in the early 1980s, the Navy awarded an $835 million contract in 1985 to Boeing Military Aircraft Company for 174 composite wing sets for the A-6E aircraft (Rewing Program).

o The SWIP and Rewing Programs were subsequently combined and redesignated as the "Block 1" Program in 1987.

o When the A-6F was cancelled in January 1989, Naval Air Systems Command (NAVAIR) decided to add SWIP capabilities to additional A-6E aircraft.

o In September 1990, Acquisition Plan NAVAIR AP-90-05 linked Block 1 and Block 1A. (Block 1A would increase the A-6E's computer speed, expand memory capacity, and add a Heads Up Display [HUD]). The Acquisition Plan reclassified the effort as ACAT II with a projected cost of $2 billion.

o Because the A-12 was cancelled in January 1991, NAVAIR increased the number of wing sets for the A-6E to 294.

o Acquisition Plan (NAVAIR AP-91-27N), approved on October 9, 1991, replaced NAVAIR AP-90-05, accelerated contracting efforts and continued Block 1/1A. As of October 1991, the estimated cost at completion for this effort was approximately $4.3 billion and the Navy continued to classify the program as an ACAT II. In our opinion, the acquisition should have been reclassified as an ACAT I program.

Acquisition Strategy. Nondevelopmental items (NDI) are referred to as already-developed hardware or software, capable of fulfilling operational requirements either "as is" or with some minimum modifications, thereby minimizing or eliminating costly, time-consuming, Government-sponsored research and development programs. By utilizing off-the-shelf items, DoD activities can streamline their acquisition programs, thus reducing the program cost.

The Combat Talon II acquisition, initiated in FY 1982, was planned as a "low risk," ACAT II, NDI program that integrated the existing C-130-H production aircraft with a sophisticated off-the-shelf avionics system, thus requiring minimal development. A total of 12 Combat Talon IIs (designated as MC-130-Hs) were approved in FY 1983 at an estimated cost of $432 million. The Air Force Materiel Command's (AFMC) (formerly Air Force Systems Command [AFSC]) original plan was to modify C-130-H aircraft to incorporate the avionics subsystem then being developed for the HH-60D Nighthawk helicopter.

When the Nighthawk program was cancelled later in 1983, the Combat Talon avionics program had to be restructured. The restructured system was originally planned to be a derivative of a number of

radars, including the F-5 aircraft radar system. As the design process proceeded, this did not work, and a new avionics developmental effort was initiated. In December 1983, AFMC awarded a contract to International Business Machines to develop a new avionics system for the Combat Talon incorporating HH-60A-developed avionics and significantly modifying the F-5 radar. Early in the 1980's, the Combat Talon II program office changed its acquisition strategy from buying an "off-the-shelf" avionics system to a full developmental effort. In addition, the number of aircraft was increased from 12 to 24.

In January 1992, the total estimated cost for the program (through FY 1997) had increased to $1,846.5 million, which included $362.6 million for 24 MC-130-H aircraft. Although the $1,483.9 million was primarily procurement funding to develop and acquire the necessary software and hardware for the MC-130-H avionics system, our opinion is that this was primarily a research and development effort to design the necessary software and hardware for the MC-130-H platform. This amount significantly exceeds the $300 million parameter in development costs required for a program to be classified as an ACAT I program as discussed in the Introduction of this report. We concluded that the Air Force should have reclassified the Combat Talon II acquisition program during 1984 to 1985 when the decision was made to change from an NDI acquisition strategy to a full developmental effort and its associated cost growth.

Conclusion

DoDI 5000.2 does not provide guidance for reclassification from nonmajor to major programs after cost growth occurs or acquisition strategy changes that result in breaching thresholds for ACAT I systems. We believe that the above programs meet the dollar criteria to be classified as ACAT I major Defense acquisition programs. In our opinion, these programs were not getting the Defense Acquisition Board (DAB) oversight reviews that are required for programs of this magnitude. Therefore, these programs should have been reviewed by the DAB for a determination and designation of program oversight and decision authority.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Under Secretary of Defense for Acquisition modify DoD Instruction 5000.2 to require the Component Acquisition Executives to reclassify acquisition categories of programs when acquisition category parameters are breached as a result of significant changes in the scope or acquisition strategy of acquisition programs.

MANAGEMENT COMMENTS

The Under Secretary of Defense for Acquisition did not provide written comments to this recommendation.

The Department of the Navy, Office of the Assistant Secretary (Research, Development and Acquisition), provided comments to this recommendation. He nonconcurred with the recommendation since he felt that DoDI 5000.2 already includes this requirement by virtue of its definition of acquisition categories based on the "eventual expenditure." He further indicated that "Component Acquisition Executives must reclassify acquisition categories of programs when acquisition categories parameters are breached, but program cost is a part of the review process at each milestone, and no further direction should be required." He then stated that the A-6E System Weapon Improvement Program should not be included as an example of a system which breached acquisition category parameters. He continued that the Inspector General has combined several different programs under the auspices of "A-6E SWIP." A breakdown of each of the three programs was provided. He concluded that the "total dollar amount of each of these separate programs should not be lumped together to make one ACAT I program." The full text of his comments is in Part IV.

AUDIT RESPONSE

We request that the Under Secretary of Defense for Acquisition provide comments to the final report.

We disagree with Navy's position on Finding B. We believe that the A-6E SWIP should be managed as a single program; therefore, it would meet the criteria of an ACAT I program.

PART III - ADDITIONAL INFORMATION

APPENDIX A - ACQUISITION CATEGORIES AND MILESTONE DECISION AUTHORITY

DoD 5000.2 Part 2, "General Policies and Procedures," states that all acquisition programs, excluding highly sensitive classified programs, should be in one of the following four categories.

Acquisition Category I. These are major defense acquisition programs. They have unique statutorily imposed acquisition strategy, execution, and reporting requirements. Milestone decision authority for these programs shall be:

(a) Acquisition category I D: Under Secretary of Defense for Acquisition or, if delegated by the Under Secretary,

(b) Acquisition category I C: Cognizant DoD Component Head or, if delegated, the DoD Component Acquisition Executive.

Acquisition Category II. These are major systems. They have unique statutorily imposed requirements in the test and evaluation area and may have statutorily imposed requirements in other areas, such as Defense Enterprise Programs and multiyear procurement. Milestone decision authority for these programs shall be delegated no lower than the DoD Component Acquisition Executive.

Acquisition Category III and IV. The additional distinction of acquisition categories III and IV allow DoD Component Acquisition Executives to delegate milestone decision authority to the lowest level deemed appropriate within their respective organizations. These programs may also have statutorily imposed requirements in areas such as Live Fire Test and Evaluation and multiyear procurement.

APPENDIX B - DESCRIPTIONS OF WEAPON SYSTEMS SELECTED FOR REVIEW

ARMY:

9mm Compact Pistol (XM11)

Description: XM11 is a non-developmental item programmed to replace .38 and .45 caliber pistols used, for example, by law enforcement officers and surveillance personnel.

Acquisition Category:	III
Total Funding:	$2 million
Acquisition Phase:	II
Acquisition Office:	U.S. Army Armaments Research, Development and Engineering Center Picatinny Arsenal, NJ
Prime Contractor:	To be determined among the seven models.

Personnel Locator System (PLS) AN/AYD-1

Description: PLS AN/AYD-1 is a tri-Service requirement. This system satisfies the requirement for covert combat search and rescue of downed aircrew.

Acquisition Category:	IV
Total Funding:	$51.5 million
Acquisition Phase:	III
Acquisition Office:	U.S. Army Avionics Research and Development Activity Fort Monmouth, NJ
Prime Contractor:	Cubic Defense Systems, Inc. San Diego, CA Motorola Scotsdale, AZ

Decontaminating Agent Multi-Purpose (DAM)

Description: Due to environmental concerns, DAM is being developed as an acceptable replacement for decontaminant agent DS2. It neutralizes chemical and biological agents. DAM is more environmentally acceptable than DS2 and is non-corrosive to vehicles, equipment, and materiel.

Acquisition Category: III

Total Funding: $1.8 million

Acquisition Phase: I

Acquisition Office: U.S. Army Chemical Research, Development and Engineering Center
Aberdeen Proving Ground, MD

Prime Contractor: Unawarded

Airborne Target Handover Sys/Avionics Integration (ATHS/AI)

Description: ATHS/AI provides reliable, high speed, electronic countermeasure resistant target transfer between helicopters and field artillery data transfer systems in lieu of voice communication. This engineering change proposal consists of 23 parts of Government-furnished equipment and modified and new contractor-furnished equipment.

Acquisition Category: IV

Total Funding: $48.2 million

Acquisition Phase: II

Acquisition Office: U.S. Army Program Executive Office Aviation for the Advanced Attack Helicopter
St. Louis, MO

Prime Contractor: McDonnell Douglas
St. Louis, MO

Rockwell/Collins Corporation
Cedar Rapids, IA

Improved Ribbon Bridge (IRB) and Folding Float Bridge (FFB)

Description: IRB and FFB are prototypes competing to replace the current ribbon bridge, which is used to minimize the impact of large water obstacle crossing operations.

Acquisition Category:	IV
Total Funding:	$15.4 million
Acquisition Phase:	II
Acquisition Office:	Belvoir Research, Development and Engineering Center Ft. Belvoir, VA
Prime Contractor:	Harsco Corp., BMY Division York, PA Southwest Mobile System West Plains, MO

Fast Ropes Insertion Extraction System (FRIES)

Description: FRIES is to be used by special operation forces for rapid insertion and extraction of multiple personnel in and out of restrictive or difficult terrain.

Acquisition Category:	IV
Total Funding:	$302,833
Acquisition Phase:	II
Acquisition Office:	Natick Research, Development and Engineering Center Natick, MA
Prime Contractor:	Columbian Rope Company Guntown, MS

Forward Entry Device (FED)

Description: FED processes data for conducting and planning fire support operations as an initial replacement for operational voids in TACFIRE.

Acquisition Category:	IV
Total Funding:	$48 million
Acquisition Phase:	III
Acquisition Office:	Program Executive Officer for Command Control Systems Fort Monmouth, NJ
Prime Contractor:	Miltope Corp. Long Island, NY

NAVY:

Precision Approach Landing System (PALS)

Description: The PALS provides electronic guidance so carrier-based Navy aircraft can land during day or night in all weather conditions with no minimum limitation due to severe weather, rough sea, or low ceiling and visibility or any combination.

Acquisition Category:	III
Total Funding:	$249.5 million
Acquisition Phase:	III
Acquisition Office:	Program Manager for Air Traffic Control/Landing Systems Washington, DC
Prime Contractor:	Bell Aerospace Textron, Inc. Buffalo, NY

AN/SQQ-32, Mine Hunting Sonar System

Description: The AN/SQQ-32, mine hunting sonar system, performs in variable depths and provides long-range mine detection, classification, and marking for subsequent sweeping and destruction. It is an updated version of AN/SQQ-30 and AN/SQQ-14 sonar systems.

Acquisition Category:	III
Total Funding:	More than $90 million
Acquisition Phase:	III
Acquisition Office:	Program Manager for Mine Warfare Washington, DC
Prime Contractor:	Raytheon Signal Submarine Division Portsmouth, RI

A-6E Weapon Integration Program

Description: The A-6E (Intruder) is an all-weather, low-altitude, two-seat, carrier-based attack aircraft. The Systems Weapon Integration Program (SWIP) was initiated to improve the survivability and mission effectiveness of the A6-E and increase its stand-off weapon capability.

Acquisition Category:	II
Total Funding:	More than $4.3 billion
Acquisition Phase:	IV
Acquisition Office:	Program Executive Officer for Tactical Aircraft Programs Arlington, VA
Prime Contractor:	Grumman Aircraft Systems Division Bethpage, NY

AIR FORCE:

Combat Talon II (CT II)

Description: The CT II program is responsible for the development of a state-of-the-art radar to be integrated into the C-130-H aircraft with various existing avionics subsystems to provide special operations with advanced capabilities.

Acquisition Category:	II
Total Funding:	$1.8 billion
Acquisition Phase:	III
Acquisition Office:	Air Force Materiel Command (formerly AFSC), Aeronautical Systems Division Wright-Patterson AFB, OH
Prime Contractor:	International Business Machines Oswego, NY

F-15 Multi-Stage Improvement Program (MSIP)

Description: The F-15 MSIP calls for the retrofit of extensive avionics improvement to the F-15 A/B/C/D weapon systems to enhance combat capability and extend the usefulness of the aircraft.

Acquisition Category:	II*
Total Funding:	$1.4 billion
Acquisition Phase:	III
Acquisition Office:	F-15 Systems Program Office Aeronautical Systems Division Wright-Patterson AFB, OH
Prime Contractor:	Warner-Robins Air Logistics Center Robins AFB, GA

*This program was not categorized by the Air Force. In our opinion, considering the magnitude of funding, the MISP should have been assigned an ACAT II designation.

Retrofit ALE-40 Countermeasure Dispenser System (CMDS)-F/FB/EF-111

Description: The ALE-40 CMDS provides the capability of manual or programmed launching of infrared decoy flares or chaff to defeat possible threats or both.

Acquisition Category:	III
Total Funding:	$27.7 million
Acquisition Phase:	III
Acquisition Office:	Director of Contracting and Manufacturing Sacramento Air Logistics Center McClellan AFB, CA
Prime Contractor:	Grumman Aerospace Corp. Bethpage, NY General Dynamics Fort Worth, TX

Chemically-Hardened Air Transportable Hospitals (CHATH)

Description: CHATH provides a 30-day operating capability for medical service staff and casualties in a biological or chemical warfare environment.

Acquisition Category:	IV
Total Funding:	$2 million
Acquisition Phase:	0
Acquisition Office:	Air Force Materiel Command (formerly AFSC) Human Systems Division Brooks AFB, TX
Prime Contractor:	Unawarded

Transportable Blood Transshipment Center (TBTC)

Description: The TBTC provides the capability to transship frozen and liquid blood products; and to receive, inspect, inventory, store, coordinate, and communicate DoD blood requirement information.

Total Funding: $14.8 million

Acquisition Category: IV

Acquisition Phase: I

Acquisition Office: Air Force Materiel Command (formerly AFSC)
Human Systems Division
Brooks AFB, TX

Prime Contractor: Arthur B. Little
Cambridge, MA

Civil Reserve Air Fleet (CRAF)/Aeromedical Evacuation Shipset (AESS)

Description: The purpose of CRAF/AESS is to develop and produce aircraft conversion sets and spares to enable commercial B-767s and MD-80s to perform aeromedical evacuations.

Acquisition Category: IV

Total Funding: $40 million

Acquisition Phase: III

Acquisition Office: Air Force Materiel Command (formerly AFSC)
Human Systems Division
Brooks AFB, TX

Prime Contractor: E-Systems
Greenville, TX

T-38 Cockpit Enclosure Modification (CEM)

Description: The T-38 CEM will replace the cockpit longeron with an improved longeron designed to improve stress corrosion resistance, improve the canopy-latching mechanism to prevent canopy loss, redesign the student windshield hinge to improve reliability and maintainability, and modify the access door attached to the longeron to relieve stress loads on the longeron.

Acquisition Category:	III
Total Funding:	$85.7 million
Acquisition Phase:	III
Acquisition Office:	Tactical/Trainer System Program Management Division T-38 Branch San Antonio Air Logistics Center Kelly AFB, TX
Prime Contractor:	Dyncorp Fort Worth, TX

APPENDIX C - INTEGRATED LOGISTICS SUPPORT ELEMENTS

The integrated logistics support effort will encompass the 10 elements identified below. Each element must be addressed for hardware and software in peacetime and wartime. These definitions are contained in DoD Instruction 5000.2:

1. Maintenance Planning. The process conducted to evolve and establish maintenance concepts and requirements for the lifetime of the system.

2. Manpower and Personnel. The identification and acquisition of military and civilian personnel with the skills and grades required to operate and support the system over its lifetime at peacetime and wartime rates.

3. Supply Support. All management actions, procedures, and techniques used to determine requirements to acquire, catalog, receive, store, transfer, issue, and dispose of secondary items. This includes provisioning for both initial support and replenishment supply support. It includes the acquisition of logistics support for support and test equipment.

4. Support Equipment. All equipment (mobile or fixed) required to support the operation and maintenance of the system. This includes associated multi-use end items, ground handling and maintenance equipment, tools, metrology and calibration equipment, test equipment, and automatic test equipment.

5. Technical Data. Scientific or technical information recorded in any form or medium (such as manuals and drawings). Computer programs and related software are not technical data; documentation of computer programs and related software are. Also excluded are financial data or other information related to contract administration.

6. Training and Training Support. The processes, procedures, techniques, training devices, and equipment used to train civilian, active duty, and reserve military personnel to operate and support the system. This includes individual and crew training (both initial and continuation); new equipment training; initial, formal, and on-the-job training; and logistics support planning for training equipment and training device acquisitions and installations.

7. Computer Resources Support. The facilities, hardware, system software, software development and support tools, documentation, and people needed to operate and support embedded computer systems.

8. Facilities. The permanent, semipermanent, or temporary real property assets required to support the system, including conducting studies to define facilities or facility improvements, locations, space needs, utilities, environmental requirements, real estate requirements, and equipment.

9. Packaging, Handling, Storage, and Transportation. The resources, processes, procedures, design considerations, and methods to ensure that all system, equipment, and support items are preserved, packaged, handled, and transported properly, including environmental considerations, equipment preservation requirements for short and long term storage, and transportability.

10. Design Interface. The relationship of logistics related design parameters to readiness and support resource requirements. These logistics related design parameters are expressed in operational terms rather than as inherent values and specifically relate to system readiness objectives and support costs of the system.

APPENDIX D: SUMMARY OF RESULTS OF REVIEWED PROGRAMS

SYSTEM[1]	ACQ. PHASE[2]	ILSP[3]	LSA[4]	LCCE[5]	ILS Effort[6]
ARMY					
9MM XM11	II	A	I	I	Yes
PLS AN/AYD-1	III	A	A	A	*
DAM	I	A	A	A	*
ATHS/AI	II	I	I	I	No
IRB/FFB	II	A	I	A	Yes
FRIES	II	A	A	A	*
FED	III	A	I	A	Yes
NAVY					
PALS	III	A	A	A	*
AN/SQQ32	III	A	I	A	Yes
A-6E SWIP	IV	A	A	A	*
AIR FORCE					
CT II	III	I	I	I	Yes
MSIP	III	A	I	A	Yes
ALE40/F-111	III	I	I	I	No
CHATH	O	A	I	I	No
TBTC	I	A	I	I	No
CRAF/AESS	III	I	I	I	No
CEM/T38	III	I	I	I	Yes

A - Adequate; ILS adequately developed and implemented.

I - Inadequate; ILS was either not developed or was not adequately developed.

* - All aspects of ILS were adequate for these five systems.

Yes - Although an adequate ILS effort existed, key ILS elements were not implemented by the Program Office.

No - Program Office did not have an adequate ILS capability.

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1 See Appendix C for System Descriptions
2 Acquisition Phase
3 Integrated Logistics Support Plan
4 Logistics Support Analysis
5 Life-Cycle-Cost Estimate; development of the LCCE is the responsibility of the program office.
6 Integrated Logistics Support Effort

APPENDIX E - SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefits	Amount and/or Types of Benefits
A.	Internal Control. Provide increased ensurance that critical integrated logistics support is incorporated into the acquisition process.	Nonmonetary.
B.	Internal Control. Provide increased ensurance that Acquisition Category II - IV exceeding the procurement dollars threshold will be reclassified and reviewed by the proper milestone decision authority.	Nonmonetary.

APPENDIX F - ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Washington, DC
Assistant Secretary of Defense (Production and Logistics), Washington, DC
Joint Chiefs of Staff, Force Structure, Resource and Assessment, Washington, DC

Department of the Army

Office of the Assistant Secretary of the Army, Research, Development and Acquisition, Washington, DC
Headquarters, Army Materiel Command, Alexandria, VA
Army Armament, Munitions and Chemical Command, Rock Island, IL
Army Aviation Systems Command, St. Louis, MO
Army Communication-Electronics Command, Ft. Monmouth, NJ
Army Test and Evaluation Command, Aberdeen Proving Ground, MD
Army Troop Support Command, St. Louis, MO
Army Belvoir Research, Development and Engineering Center, Ft. Belvoir, VA
Army Chemical Research, Development and Engineering Center, Aberdeen Proving Ground, MD
Army Natick Research, Development and Engineering Center, Natick, MA
Army Program Executive Office for Armaments, Rock Island, IL
Army Program Executive Office for Aviation, St. Louis, MO
Army Program Executive Office for Command Control Systems, Ft. Monmouth, NJ
Army Avionics Research and Development Activity, Ft. Monmouth, NJ
Army Materiel and Readiness Support Activity, Bluegrass Army Depot, Lexington, KY
Army Materiel System Analysis Activity, Aberdeen Proving Ground, MD

Department of the Navy

Office of the Chief of Naval Operations (Logistics), Washington, DC
Naval Air Systems Command, Washington, DC
Naval Sea Systems Command, Washington, DC
Space and Naval Warfare System Command, Washington, DC
Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters, Marine Corps, Arlington, VA
Marine Corps, Research, Development and Acquisition Command, Rosslyn, VA

APPENDIX F - ACTIVITIES VISITED OR CONTACTED (Cont'd)

Department of the Air Force

Office of the Air Force, Deputy Chief of Staff for Logistics and Engineering, Washington, DC
Headquarters, Air Force Materiel Command, Wright-Patterson Air Force Base, OH
Headquarters, Air Force Special Operations Command, Hurlbert Field, FL
Air Force Materiel Command, Aeronautical Systems Division, Wright-Patterson Air Force Base, OH
Air Force Materiel Command, Human Systems Division, Brooks Air Force Base, TX
Sacramento Air Logistics Center, McClellan Air Force Base, CA
San Antonio Air Logistics Center, Kelly Air Force Base, TX
Warner-Robins Air Logistics Center, Robins Air Force Base, GA

APPENDIX G: REPORT DISTRIBUTION

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition
Assistant Secretary of Defense (Production and Logistics)
Comptroller of the Department of Defense

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Research, Development and Acquisition)
Inspector General, Department of the Army

Department of the Navy

Secretary of the Navy
Commandant of the Marine Corps
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Research, Development and Acquisition)

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Acquisition)
Assistant Secretary of the Air Force (Financial Management and Comptroller)

Non-DoD Activities

Office of Management and Budget
National Security Division, Special Projects Branch
U.S. General Accounting Office, National Security and International Affairs Division, Technical Information Center

APPENDIX G: REPORT DISTRIBUTION (Cont'd)

Chairman and Ranking Minority Member of the following Congressional Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations

PART IV - MANAGEMENT COMMENTS

Department of the Navy, Office of the Assistant Secretary of the Navy (Research, Development and Acquisition)

Department of the Army, Office of the Product Manager, 9MM Pistol Program

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(Research, Development and Acquisition)
WASHINGTON, D C 20350-1000

MAR 1 ~ 1993

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

Subj: DRAFT AUDIT REPORT ON INTEGRATED LOGISTICS SUPPORT FOR NON-MAJOR DEFENSE ACQUISITION PROGRAMS (PROJECT 1AG-0065)

Ref: (a) DODIG Memo of 28 Dec 92

I am responding to the draft audit report forwarded by reference (a) concerning the adequacy of Integrated Logistics Support for non- major (ACAT II - IV) programs.

The Department of the Navy response is provided at TAB A. We do not agree with the draft report findings that adequate controls are not in place. As outlined in the enclosed comments, while there is no specific direction at the Department of Defense level, there are controls in place within the Department of the Navy and no further oversight is required.

Edward C. Whitman

TAB A - DON response to draft audit report

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)
CNO (N4, N43, N4J)

Department of the Navy Response

to

DODIG Draft Report of December 28, 1992

on

Integrated Logistics Support for
Non-major Defense Acquisition Programs

Finding A: IMPLEMENTATION OF INTEGRATED LOGISTICS SUPPORT

Integrated Logistics Support (ILS) requirements were not effectively implemented for non-major acquisition programs. This condition occurred because the Military Departments (MILDEPTS) were not effectively enforcing the DOD policy regarding the integration of ILS into the acquisition process for non-major ACAT II - IV programs; furthermore, current DOD policy does not require Office of the Secretary of Defense oversight for these programs. Consequently, the MILDEPTS have fielded and will continue to field weapon systems with significant supportability problems.

Recommendation A:

We recommend that the Under Secretary of Defense for Acquisition require the Component Acquisition Executives provide increased oversight of Acquisition Category II - IV Programs. As a minimum, a reasonable number of ACAT II - IV systems should be randomly selected for milestone review annually.

DON Position:

Do not concur. The Navy Logistics Review Process (LRG) process is an effective control to ensure that ILS requirements are implemented for non-major acquisition programs and no further oversight is required. DODINST 5000.2 directs that Integrated Logistics Support progress be addressed at each milestone decision point. SECNAVINST 5400.15 directs the review of ILS planning, management, resources and execution through the LRG process. The LRG process provides for an independent assessment of the adequacy of ILS for every acquisition program, regardless of ACAT, prior to each milestone decision point. A meeting between OPNAV logistics representatives and the DODIG team on 12 February 1992 concluded that all logistics planning and analysis for those Navy programs evaluated was adequate with the single exception of the failure of the SQQ-32 program office to conduct a Logistics Support Analysis (LSA) in 1982. Accordingly, it appears that the current process in use by Navy is effective.

TAB A

Subj: DRAFT AUDIT REPORT ON INTEGRATED LOGISTICS SUPPORT FOR NONMAJOR DEFENSE ACQUISITION PROGRAMS (PROJECT 1AG-0065)

Finding B: RECLASSIFICATION OF ACQUISITION PROGRAMS

The MILDEPTS have continued to treat acquisition programs as nonmajor even after significant changes in scope or acquisition strategy have occurred that should have caused an elevation of their oversight status. Programs were not appropriately reclassified because DOD acquisition policy guidance is not sufficiently clear in this regard. As a result, acquisition programs that have grown to exceed the major program dollar thresholds for total development or acquisition costs or that have experienced significant changes in acquisition strategy have not received oversight by the appropriate level acquisition executive at key acquisition milestones.

Recommendation B:

We recommend that the Under Secretary of Defense for Acquisition modify DODINST 5000.2 to require the Component Acquisition Executives to reclassify acquisition categories of programs when acquisition category parameters are breached as a result of significant changes in the scope or acquisition strategy of acquisition programs.

DON Position:

Do not concur. DODINST 5000.2 already includes this requirement by virtue of its definition of ACAT categories based on the "eventual expenditure." We do concur that Component Acquisition Executives must reclassify acquisition categories of programs when acquisition category parameters are breached, but program cost is a part of the review process at each milestone, and no further direction should be required.

Do not concur that the A-6E System Weapon Improvement Program (SWIP) should be included as an example of a system which breached acquisition category parameters. The Inspector General has combined several different programs under the auspices of "A-6E SWIP." The SWIP program originated in 1983 as an upgrade to allow the A-6E to use the HARM, Harpoon, Maverick, and SLAM missile systems. The Rewing program began in 1985 to replace cracked wings. In 1987, these two efforts were combined and termed "Block 1" for ease of depot scheduling only. These efforts were never intended to be combined into the same program for budget considerations. In 1990, a computer upgrade was developed as "Block 1A" with no link to the previous upgrades. The total dollar amount of each of these separate programs should not be lumped together to make one ACAT I program.

TAB A

2

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE PRODUCT MANAGER, 9MM PISTOL PROGRAM
ROCK ISLAND ILLINOIS 61299-7150

REPLY TO ATTENTION OF

SFAE-AR-9MM

23 Feb 93

MEMORNADUM THRU Program Executive Director for Armaments, SFAE-AR, Picatinny Arsenal, NJ 07806-5000

FOR Inspector General, Department of Defense, 400 Army Navy Drive, Arlington, VA 22202-2884

SUBJECT: DODIG Draft Report, Project No. IAG-0065, Integrated Logistics Support (ILS) for Nonmajor Defense Acquisition Programs (AMC No. D9151)

1. The following is provided in response to your 9mm Pistol findings on the subject draft report.

2. Finding 1. The program office failed to incorporate ILS recommendations for disposal of the weapons which had tridium [sic] sights.

a. Annex D of the Joint Service Operational Requirement (JSOR) for a Personal Defense Weapon states in para 5q.: "The compact pistol must be able to be operated ... during limited visibility."

b. Tritium sights are self-illuminating in low light conditions enabling the user to better aim the pistol. The compact pistol specification was written for a pistol with standard iron sights or with tritium sights. The PM asked the Combat Developer which users needed tritium sights. The reply was that all Army users needed them; therefore, all Army M11 Pistols came with tritium sights. The logisticians provided advice on the impacts of adding tritium sights to the program but the user and the PM evaluated the increase in performance as being essential. All of the logistic impacts have been identified and actions have been take to accommodate the tritium sights. Each sight is marked with a "T" to identify it as a tritium source, the Operator's Manual has a radioactive materials warning on page 2, and the Maintenance Manual has a radioactive materials safety precautions and direct support maintenance procedures on page a. Included is a statement which reads: "Nonilluminated sights are to be discarded as radioactive waste through the local RPO (Radiation Protection Officer).

3. Finding 2. The program office did not consider the acquisition of holster to be a supportability item.

a. Annex D of the Joint Service Operational Requirement (JSOR) for a Personal Defense Weapon (PDW) contains the following statements in paragraph 7, System Support Assessment: "A holster for use in the concealable mode will be locally procured to meet specific individual needs. Additionally, a holster will be required in the other-than-concealable mode. Use of the same holster as the full-sized pistol is desired; but, if this is not practical, a holster will be developed for the compact 9mm pistol."

SFAE-AR-9MM 23 Feb 93
SUBJECT: DODIG Draft Report, Integrated Logistics Support (ILS) for Nonmajor Defense Acquisition Programs (AMC No. D9151)

b. This statement in the JSOR only requires the PM to evaluate the existing M12 holster for compatibility with the M11 Pistol. (The M12 holster is the standard hip holster for the M9 Pistol and is supplied to the user by the PM during M9 fielding.) This evaluation was done and it was determined that the M12 is adequate as a holster when the M11 is carried in a nonconcealable manner. The statement does not require the PM to develop or procure a holster for the concealed-carry mode. It states that each user will locally purchase his own holster.

c. However, at the request of the Combat Developer, the PM has procured a standard concealed-carry holster (the M14) for all non-CID Army users. The PM will issue this holster to all non-CID users at the time the pistol is fielded. Furthermore, evidence that the PM included a holster in the M11 acquisition planning is the fact that the type classification actions in Apr 91 (Generic) and in Oct 93 (Standard) included the M14 Holster and, incidentally, the M2 Ammunition Pocket.

4. Point of contact is Mr. Larry Best, Acting Product Manager, 9mm Pistol, SFAE-AR-9MM, Rock Island, IL, 61299-7150, DSN 793-3895, COMM 309-782-3895, FACSIMILI DSN 793-8088, EMAIL PM9MM@RIA-EMH1.ARMY.MIL.

Larry V. Best

LARRY V. BEST
Acting Product Manager, 9mm Pistol

2

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