

August 17, 2004



# Acquisition

Implementation of the  
DoD Management Control Program  
for Navy Acquisition  
Category II and III Programs  
(D-2004-109)

Department of Defense  
Office of the Inspector General

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### **Acronyms**

APB	Acquisition Program Baseline
C4I	Command, Control, Communications, Computers, and Intelligence
MDA	Milestone Decision Authority
OMB	Office of Management and Budget
ORD	Operational Requirements Document
TEMP	Test and Evaluation Master Plan



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

August 17, 2004

MEMORANDUM FOR NAVAL INSPECTOR GENERAL

SUBJECT: Report on Implementation of the DoD Management Control Program for  
Navy Acquisition Category II and III Programs (Report No. D-2004-109)

We are providing this report for review and comment. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Navy Acquisition Executive respond to Recommendations 1. and 2.b. by September 16, 2004.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to [Audam@dodig.osd.mil](mailto:Audam@dodig.osd.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Susan J. Lippolis at (703) 604-9081 (DSN 664-9081) or Ms. Amy L. Mathews at (703) 325-6347 (DSN 221-6347). See Appendix E for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Mary L. Ugone".

Mary L. Ugone  
Assistant Inspector General  
for Acquisition Management

## Office of the Inspector General of the Department of Defense

Report No. D-2004-109  
(Project No. D2004AE-0017)

August 17, 2004

### Implementation of the DoD Management Control Program for Navy Acquisition Category II and III Programs

#### Executive Summary

**Who Should Read This Report and Why?** Civil service and uniformed officers who are involved in the Navy acquisition decision making process should read this report because it provides an assessment of how the Navy can improve its management control program for oversight of Navy weapon system programs.

**Background.** This audit is the third in a series of audits that will evaluate the effectiveness of the Military Departments' management control programs in timely identifying to the milestone decision authority deviations in cost, schedule, and performance requirements in acquisition program baselines for Acquisition Category II and III programs and in identifying whether program managers are reporting their status on preparing and obtaining approval of required program documentation to milestone decision authorities before milestone decision reviews.

The first report, Inspector General of the Department of Defense Report No. D-2004-47, "Implementation of the DoD Management Control Program for Army Acquisition Category II and III Programs," January 23, 2004, assessed the Army management control program for oversight of Acquisition Category II and III programs. The second report, Inspector General of the Department of Defense, Report No. D-2004-108, "Implementation of the DoD Management Control Program for Air Force Acquisition Category II and III Programs," August 16, 2004 assessed the Air Force management control program for oversight of Acquisition Category II and III programs.

**Results.** The Navy did not effectively integrate the requirements of the DoD Management Control Program into its management assessment and reporting process for nine Acquisition Category II and III programs that had an estimated life-cycle cost of \$5.79 billion. As a result, program managers did not have documented and updated information needed to more effectively manage their programs. The program managers further contributed to this condition by not reporting program deviations and not requesting revisions to acquisition program baselines when cost, schedule, and performance breaches occurred. In addition, program managers did not provide milestone decision authorities with timely and documented information so they could assist program managers who were experiencing cost overruns, schedule delays, and performance problems. Further, Navy milestone decision authorities made important program decisions at milestone decision points with incomplete information on the readiness of the systems for the next phase of the acquisition process. To ensure that Navy milestone decision authorities make fully informed investment decisions, the Navy needs to modify its existing reporting requirements for Acquisition Category II and III program managers to report, at least quarterly, their progress toward satisfying cost, schedule, and performance requirements in acquisition program baselines and obtaining,

preparing, updating, and issuing approved program documentation before and at planned milestone decision reviews. Implementation of this reporting requirement will enable Navy milestone decision authorities to ensure that program managers are on schedule toward satisfying program requirements, submitting program deviation reports when required, and reporting deviations from acquisition program baselines as management control weaknesses. (See the Finding section for details.)

**Navy Comments.** We received comments from the Executive Assistant and Naval Aide, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition). The Executive Assistant and Naval Aide stated that the Navy implemented a new programmatic database called DASHBOARD, in June 2004, which requires program managers for Acquisition Category II programs to report quarterly on the status of cost, schedule, and performance parameters in acquisition program baselines and on the signature date of key program documentation. The DASHBOARD also alerts the program manager on the need to prepare a program deviation report based on a breach of an acquisition program baseline parameter. He stated that the milestone decision authorities would use DASHBOARD as a tool to ensure that program managers prepared program deviation reports. The Executive Assistant and Naval Aide stated that because breaches of acquisition program baseline parameters were reported in program deviation reports and were under the control of the milestone decision authorities, they did not need to report the breaches through their chain of command to the Assistant Secretary of the Navy (Research, Development, and Acquisition) for consideration as a material management control weakness for inclusion in the Navy's annual statement of assurance. See the Finding section of the report for a discussion of the management comments and the Management Comments section of the report for the complete text of the comments.

**Audit Response.** In response to the final report, we request that the Assistant Secretary of the Navy (Research, Development, and Acquisition) state when he plans to upgrade DASHBOARD to include a requirement for program managers to report on their status toward satisfying exit criteria for the next phase of the acquisition process. We also request that the Assistant Secretary reconsider his position and make DASHBOARD reporting requirements mandatory for Acquisition Category III program managers and consider reporting breaches of acquisition program baseline parameters as material management control weaknesses for inclusion in the Navy's annual statement of assurance. The comments on this report should be provided by September 16, 2004.

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## Background

This audit is the third in a series of audits that will evaluate the effectiveness of the Military Departments' management control programs in timely identifying deviations in cost, schedule, and performance requirements in acquisition program baselines (APB) for Acquisition Category II and III programs<sup>1</sup> to the milestone decision authority (MDA) and in identifying whether program managers are preparing and obtaining required program documentation before milestone decision reviews. DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, defines Acquisition Category II programs as major systems with an estimated total expenditure for research, development, test, and evaluation of less than \$365 million but more than \$140 million, or for procurement, of less than \$2.19 billion but more than \$660 million in FY 2000 constant dollars. DoD Instruction 5000.2 defines an Acquisition Category III program as any program that does not meet the minimum requirements for an Acquisition Category II program.

The first report, Inspector General of the Department of Defense Report No. D-2004-47, "Implementation of the DoD Management Control Program for Army Acquisition Category II and III Programs," January 23, 2004, assessed the Army management control program for oversight of Acquisition Category II and III programs. The second report, Inspector General of the Department of Defense, Report No. D-2004-108, "Implementation of the DoD Management Control Program for Air Force Acquisition Category II and III Programs," August 16, 2004 assessed the Air Force management control program for oversight of Acquisition Category II and III programs.

**Navy Emphasizes Management Control Process.** The Under Secretary of Navy stressed the importance of management controls in an April 25, 2002, memorandum entitled, "Department of the Navy Management Control Program." The Under Secretary emphasized the importance of a robust Management Control Program throughout the Department of the Navy at all levels and in every function, program, and process. The Under Secretary stated that to meet a command's mission, comprehensive management controls should reasonably assure that programs can achieve their intended results; resources are used consistent with agency mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained, maintained, reported, and used for decision making. The Under Secretary went on to say that the Navy must stay focused on its goals and objectives, be alert to opportunities for process improvements, and ensure that management controls provide the level of assurance necessary to successfully accomplish the Navy's mission.

**Management Control Policy.** Office of Management and Budget (OMB) Circular A-123, "Management Accountability and Control," June 21, 1995,

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<sup>1</sup> An acquisition category determines an acquisition program's level of review, decision authority, and applicable procedures. The acquisition categories consist of I, major Defense acquisition programs; IA, major automated information systems; II, major systems; and III, programs not meeting the criteria for acquisition categories I, IA, or II.

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defines management controls as the organization, policies, and procedures that agencies use to ensure that programs achieve their intended results; resources are used consistent with an agency's mission; programs and resources are protected from fraud, waste, and mismanagement; laws and regulations are followed; and reliable data are obtained, maintained, reported, and used for program decision making. Further, the DoD and the Navy issued guidance to implement the requirements of OMB Circular A-123.

**Federal Policy.** OMB Circular A-123 requires DoD to provide an overall annual statement to the President and Congress explaining the state of DoD management controls, any control weaknesses, and noncompliant accounting systems. The Secretary of Defense is required to state whether DoD management controls provide reasonable assurance that resources are being protected from fraud, waste, and mismanagement. Circular A-123 provides guidance for establishing, assessing, correcting, and reporting on management controls in programs and operations, and requires that all management levels be involved in ensuring that management controls are adequate. Further, it directs that executive organizations establish cost-effective management control systems to provide reasonable assurance that resources are protected against fraud, waste, and mismanagement and that program activities be effectively and efficiently managed to achieve the goals of the organization. Circular A-123 also states that Federal managers must carefully consider the appropriate balance of controls in their programs and operations. Appropriate management controls should be established and integrated into each system to direct and guide operations. However, Circular A-123 notes that a separate management control process need not be instituted, particularly if its sole purpose is to satisfy management control reporting requirements.

**DoD Policy.** To satisfy the OMB requirement, DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires that the Military Departments, the Defense agencies, and the major joint commands submit annual statements on their management controls to the Secretary of Defense. There are no exemptions for acquisition programs. DoD Directive 5010.38 also provides policy, prescribes procedures, and assigns responsibilities for management control systems. DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003, requires program managers to establish program goals for cost, schedule, and performance parameters that describe the program over its life cycle. Directive 5000.1 further states that approved program baseline parameters will serve as control objectives, and that the program manager is required to identify deviations from approved program baseline parameters and exit criteria. Further, the "DoD Interim Defense Acquisition Guidebook," October 30, 2002, states that the program manager should identify deviations from the approved program baseline parameters and exit criteria as material weaknesses.

**Navy Policy.** Secretary of the Navy Instruction 5200.35D, "Department of the Navy Management Control Program," December 10, 1997, implements public law and OMB and DoD guidance for a management control process, and requires Navy commanders and managers to maintain an effective control process that identifies, reports, and corrects material weaknesses.

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**Scope of Navy Programs Reviewed.** To perform the audit, we coordinated with the Office of the Naval Inspector General to identify Acquisition Category II and III programs for our review that were beyond the concept and technology development phase, but that had not received approval for full-rate production. The Acquisition Category II systems identified included the AV-8B Open System Core Avionics Requirement, Common Aviation Command and Control System, AN/BLQ-11 Long Term Mine Reconnaissance System, Mark XIIA Mode 5, Advanced Extremely High Frequency Navy Multiband Terminal, and Rapid Airborne Mine Clearance System. The Acquisition Category III systems identified included the Complementary Low Altitude Weapon System, Photonics Mast Navigation System, and Tactical Tomahawk Torpedo Tube Launch.

## **Objectives**

The overall audit objective was to evaluate the effectiveness of the management control program that the Navy Acquisition Executive, or his designees, used for Navy Acquisition Category II and III weapon systems. We also assessed the process for recognizing and correcting material management control weaknesses. See Appendix A for a discussion of the scope and methodology the review of the management control program, and prior coverage related to the objectives. Appendix B defines management control objectives and techniques. Appendix C summarizes the status of certain program documentation prepared for the nine programs reviewed.

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## **Navy Management Controls for Acquisition Category II and III Programs**

The Navy did not effectively integrate the requirements of the DoD Management Control Program into its management assessment and reporting process for nine Acquisition Category II and III programs that had an estimated life-cycle cost of \$5.79 billion. This condition occurred, in part, because the existing reporting mechanism in the Navy did not require program managers to inform MDAs, at least quarterly, of their progress toward:

- satisfying cost, schedule, and performance requirements in APBs; and
- obtaining, preparing, updating, and issuing approved program documentation before and at planned milestone decision reviews.

As a result, the program managers did not have documented and updated information needed to more effectively manage their programs. The program managers further contributed to this condition by not reporting program deviations and not requesting revisions to APBs when cost, schedule, and performance breaches occurred. In addition, program managers did not provide MDAs with timely and documented information so they could assist program managers who were experiencing cost overruns, schedule delays, and performance problems. Further, MDAs made important program decisions at milestone decision points with incomplete information on the readiness of the systems for the next phase of the acquisition process.

### **Navy Management Control Programs**

On December 10, 1997, the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) revised the Navy management control process by eliminating the requirement for Navy organizations to perform formally documented vulnerability assessments or to conduct management control reviews on any set schedule. The intention of the revision was to provide flexibility to commanders and managers in directing their programs without undue administrative control. The Assistant Secretary intended that the commanders and managers would select a mix of management control tools most suitable to their respective activities to reasonably ensure that:

- obligations and costs comply with applicable laws and regulations;
- assets are safeguarded against waste, loss, unauthorized use or misappropriation; and
- revenues and expenditures are properly accounted for and recorded.

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Therefore, the Assistant Secretary stated that it is the manager's leadership responsibility to ensure that the management control program is properly implemented and that the Department of the Navy management control goals are met.

**Navy Management Control Program Requirements.** The Assistant Secretary of the Navy (Financial Management and Comptroller) developed the Navy's management control program based on the General Accounting Office's five standards for internal control: control environment, risk assessment, control activities, communication and information, and monitoring. All Navy commands are required to establish a management control program and continuously monitor and improve the effectiveness of management controls associated with their programs. Each command is to update its written plan annually, and include information that indicates the number of scheduled and accomplished management control evaluations, the inventory of assessable units, progress toward accomplishment of annual program requirements, the method of monitoring and evaluation, and the completion date of the evaluation. Emphasis is placed on maximizing the use of existing management evaluation data and minimizing the creation of processes or procedures solely to execute the management control program. It is the responsibility of the Management Control Program Coordinator to prepare the organization's management control plan and annual management control statement.

**Management Controls for Acquisition Programs.** The Navy relied on the milestone decision reviews to ensure that the management controls were in place. The Navy's process to evaluate management controls for acquisition programs did not, however, keep MDAs informed of program managers' progress toward satisfying program requirements before milestone decision reviews. Accordingly, the Navy's management control program for acquisition programs did not ensure that program managers took the necessary actions to satisfy program cost, schedule, and performance requirements in the APBs before milestone reviews. The Navy's management control program also did not ensure that program managers reported deviations from APB cost, schedule, and performance parameters, or that those breaches were reported as management control weaknesses to the Assistant Secretary of the Navy (Financial Management and Comptroller).

## **Navy Reporting Process**

The existing reporting mechanism in the Navy did not require program managers for Acquisition Category II and III programs to inform the MDA, at least quarterly, of their progress towards satisfying cost, schedule, and performance requirements in approved APBs and exit criteria requirements for the next phase of the acquisition process. The Navy has more than 115 Acquisition Category II and III programs. Without a reporting mechanism in place, Navy MDAs cannot provide appropriate oversight for those programs. Although Acquisition Category II and III programs are valued less than Acquisition Category I programs, the sheer number of Acquisition Category II and III programs contributes to a large

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aggregate value. In an era of funding constraints, the Navy needs to manage its investment dollars wisely and cannot afford to overlook the oversight of its Acquisition Category II and III programs.

The reporting process used by the Program Executive Officers did not require Navy program managers to report on their efforts to obtain, prepare, and update approved program documentation before planned milestone decision reviews. The program documentation is to be prepared and approved before milestone decision points, kept up-to-date between milestone decision reviews, and provide the MDA with the management control information required in DoD Directive 5000.1 to timely identify program deviations from approved APB parameters and exit criteria. As implemented, the Navy's management assessment and reporting processes did not provide MDAs with that management control information. To be effective, the Navy's management control program should integrate those management control requirements in its management assessment and reporting processes.

**Reporting on Cost, Schedule, and Performance Requirements.** Program managers for major DoD acquisition programs are required to report quarterly on their progress towards satisfying cost, schedule, and performance requirements, including approved APB parameters and exit criteria requirements, in the Defense Acquisition Executive Summary. However, the Navy did not extend this reporting requirement to acquisition programs at other Acquisition Category levels. Therefore, with no formal instruction, each of the commands reviewed had different systems in place for program offices to report cost, schedule, and performance progress.

**Status Reports Prepared for Naval Air Systems Command Programs.** Of the three programs reviewed at the Naval Air Systems Command, two were Acquisition Category II programs and one was an Acquisition Category III program. For the Acquisition Category II programs reviewed, AV-8B Open System Core Avionics Requirement and Mark XIIA Mode 5, the program managers used similar reporting techniques to inform the MDA of cost, schedule, and performance requirements. Specifically, the program offices informed the MDA of their programs status through program management reviews, weekly activity reports, and program summary reports. In addition, the AV-8B Open System Core Avionics Requirement Program Office used Quad Charts, which are one-page documents divided into quadrants that discuss the program's description, status, schedule and funding; program deviation reports when applicable; and Acquisition Category issue papers to keep the MDA informed of program status.

The Program Manager for the Tactical Tomahawk Torpedo Tube Launch Program, an Acquisition Category III program, informed the MDA of the program's cost, schedule and performance progress through weekly activity reports, weekly staff meetings, bi-weekly program staff meetings, bi-weekly tactical leadership meetings, monthly "stoplight" reports, monthly admiral reports, and quarterly Executive Review Board briefings.

**Status Reports Prepared for Naval Sea Systems Command Programs.** At the Naval Sea Systems Command, we reviewed two Acquisition Category II

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programs and one Acquisition Category III program. The Acquisition Category II programs were the AN/BLQ-11 Long Term Mine Reconnaissance System and the Rapid Airborne Mine Clearance System. The Program Manager of the AN/BLQ-11 Long Term Mine Reconnaissance System used quarterly acquisition program status reports maintained in an accessible database to keep the MDA informed of the program status. In addition, the program manager provided periodic contractor performance reports, interim performance analysis reports, program summary documents, quarterly Acquisition Category issue papers, and program deviation reports to the MDA. The Program Manager for the Rapid Airborne Mine Clearance System relied on periodic reviews, program decision meetings, acquisition program status reports, and integrated product team meetings to report the program's status to the MDA.

The Program Manager for the Photonics Mast Navigation System, an Acquisition Category III program, generated quarterly program status reports to keep the MDA informed of the program's status.

**Status Reports Prepared for Program Executive Office, C4I and Space.** The Advanced Extremely High Frequency Navy Multiband Terminal, an Acquisition Category II program, was the only program reviewed at the Space and Naval Warfare Systems Command. The program office used weekly staff meetings, weekly activity reports, program deviation reports (when applicable), semi-annual program summary documents, periodic program reviews, annual Acquisition Category issue papers, as well as periodic self-assessments and program health assessments to keep the MDA informed of cost, schedule, and performance progress.

**Status Reports Prepared for Marine Corps Programs.** The two Marine Corps programs selected for review included an Acquisition Category II program and an Acquisition Category III program. The Program Manager for the Acquisition Category II program, Common Aviation Command and Control System, held weekly meetings with the Product Group Director, in addition to formal briefings three times per year. In terms of reporting, the program manager provided quarterly reports on major events to the Assistant Commander for Programs, Marine Corps Systems Command. In addition, the program manager provided a summary of the year's events to the Commanding General, Marine Corps Systems Command. However, the program office did not have an established reporting mechanism for updating the program's MDA, the Assistant Secretary of the Navy (Research, Development, and Acquisition), on the program's status. The Program Manager for the Acquisition Category III program, Complementary Low Altitude Weapons System, stated that informal reporting to the MDA is through integrated product teams. Formerly, spend plans were submitted annually that outlined exactly how funds would be spent. Additionally, Product Group Director briefings are held three times per year, and the Assistant Commander for Programs, Marine Corps Systems Command was briefed on a periodic basis. Again, however, the program office did not have an established reporting mechanism for updating the MDA on the program's status.

**Adequacy of Reported Information.** In some instances, reports used within the commands provided the MDA with up-to-date APB cost, schedule, and performance data, but did not, in most cases, provide the APB threshold values

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for the MDA to compare the data with. Without listing the APB thresholds with the existing program status, the MDA may not realize that the program is over budget or behind schedule. Additionally, the program office reports did not provide the MDA with information on whether the program would achieve the exit criteria established at the last milestone decision review. The inclusion of the APB threshold values and exit criteria for the next phase of the acquisition process in the program managers' reports would inform the MDAs of deviations from approved acquisition program baseline parameters and exit criteria.

**Reporting on the Preparation and Completion of Required Program**

**Documentation.** DoD and Navy procedures do not require program managers to advise MDAs on their progress towards completing and obtaining key program documentation, such as the operational requirements document (ORD), the APB, the test and evaluation master plan (TEMP), and the command, control, communications, computers, and intelligence (C4I) support plan before program initiation, which is usually declared when a program enters the system development and demonstration acquisition phase. At program initiation and before subsequent program milestone reviews, however, DoD and Navy policy requires program managers to provide those key program documents for the MDA to review.

For eight of the nine programs reviewed, program managers held milestone reviews with MDAs for entry into the system development and demonstration phase of the acquisition process before preparing or obtaining all required documentation. For example, although the MDA approved the AV-8B Open Systems Core Avionics Requirement Program to enter the engineering, manufacturing, and development phase of the acquisition process on March 6, 1997, the program manager did not have an approved APB until July 14, 2000. Since July 14, 2000, the APB has been breached twice. Both of these breaches were a result of schedule delays. The first breach occurred because the test aircraft was grounded, the second was a result of the time needed to correct anomalies discovered during testing.

Program documentation that was not available to MDAs at milestone reviews varied significantly. Specifically, two program managers did not have an approved ORD, five program managers did not have an approved TEMP, and three program managers did not have an approved C4I support plan available at their previous milestone review. Without an approved ORD that contains validated system performance requirements, the program manager and contractor cannot be sure that the system design will meet warfighter-required capabilities, and the test community does not have validated performance parameters for developmental and operational testing. An approved TEMP is an essential tool for the program manager and operational testers to identify resources needed to perform necessary tests of all key performance parameters and to resolve problem areas. The C4I support plan is critical not only for system design, but for test organizations to identify system integration issues that need to be addressed during testing. Although the acquisition regulations encourage management to streamline and tailor acquisition documentation requirements, the ORD, the TEMP, and the C4I support plan must be prepared and completed to provide the MDA with information needed to assess how well a program is progressing toward the next milestone review in the acquisition process.

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**Updating Program Documentation Between Milestone Decision Reviews.**

Additionally, four program managers did not provide MDAs with updated program documentation between milestone decision reviews when significant changes affected their programs because they believed that updating program documentation added no value to the process when MDAs were made aware of the changes through other means. For example, the Program Manager for the Complementary Low Altitude Weapon System, which experienced significant cost and schedule deviations, did not submit a program deviation report to document the effect on the program and did not timely request the MDA to approve a revised APB. Instead, the program manager verbally communicated the information concerning the cost and schedule breaches to the MDA. Program managers need to document significant changes to program direction in cost, schedule, and performance requirements so that all parties affected by the changes, including the intended user of the system and the test community, can plan and react accordingly. Updating formal program documentation is essential to ensure that the program manager evaluates the effect of the changes on all aspects of the program.

Appendix C describes the completeness of program documentation available at milestone decision reviews for the nine programs reviewed. Without having all required program documentation, the program manager and the MDA may not be aware of potential or actual cost, schedule, and performance problems affecting the program at the time of the milestone decision review. For example, the Common Aviation Command and Control System, which was approved to enter the system development and demonstration phase of the acquisition process on October 25, 2002, still does not have an approved acquisition strategy or APB. In addition, the program manager did not obtain an approved TEMP until 7 months after the program entered the system development and demonstration phase. The lack of these important program documents during the initial stages of the acquisition process may result in unforeseen schedule delays and cost overruns. In addition, the program manager's estimates on the time and resources needed for testing at the milestone decision review may not be realistic.

If program managers had formally reported delays to the MDAs in the completion or approval process for key program documents, such as the ORD and the TEMP, the MDAs could have initiated actions to make sure that the documentation was prepared, updated, and approved before the milestone decision reviews, or they could have rescheduled the milestone decision reviews pending the completion of required program documentation. Because program managers were not periodically reporting their status toward completing or obtaining required program documentation, MDAs did not have information needed to take appropriate actions before the milestone decision reviews for the nine programs reviewed. However, MDAs also were not requesting information on the status of program documentation from program managers before program milestone reviews.

**Program Deviation Reporting Requirements.** In addition to not routinely reporting on program status towards satisfying program cost, schedule, and performance parameters in APBs, a program manager for one of the acquisition programs reviewed did not submit a program deviation report or request approval of a revised APB to the MDA within 90 days of when the breach of APB

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parameters occurred. Reporting program deviations is an essential communication between the program managers and MDAs because it serves as an early warning of impending program complications and allows the MDA to help with a program solution. If program managers do not report breaches of APB parameters, the program deviations can go unnoticed by the MDA while the program manager attempts to bring the program back into control.

In addition, one program manager did not report a breach of APB parameters as a management control weakness as required in DoD Directive 5000.1 and the DoD Interim Guidebook. Specifically, the product manager for the AV-8B Open System Core Avionics Requirement prepared a program deviation report and requested a revision of the APB parameters; however, the Program Executive Officer did not report the breach as a management control weakness to the Assistant Secretary of the Navy (Research, Development, and Acquisition) as required. As a result, the Assistant Secretary of the Navy (Research Development and Acquisition) did not consider the breach for inclusion as a material management control weakness in the FY 2003 statements of assurance prepared by the Assistant Secretary of the Navy (Financial Management and Comptroller).

## **Effect of Management Control Techniques on Program Documentation**

Program documentation is the primary means for providing the MDA, as well as other key managers, with information needed for decision making. Without accurate and updated program documents, such as the APB, the ORD, the TEMP, and the C4I support plan, and the program manager's periodic reporting on progress made toward satisfying those requirements, the program manager cannot provide assurance to the MDA that cost, schedule, and performance thresholds in the APB are being achieved and that the program is affordable. Without this information, program managers and MDAs did not have documented information needed for program management and oversight, and MDAs did not have information needed to assist program managers who were experiencing program cost overruns, schedule delays, and performance problems. Further, MDAs did not have the information they needed at milestone decision points to make informed program decisions on the readiness of the systems to continue into the next phase of the acquisition process.

## **Conclusion**

The management control program for Navy Acquisition Category II and III programs varied depending upon the commitment of program management. As a result of the Navy and Marine Corps program offices maximizing the use of existing management evaluation data to accomplish their management control assessments, the assessments did not, in most cases, provide timely management control information to MDAs on the program manager's progress toward satisfying cost, schedule, and performance parameters in APBs, which are the control objectives for acquisition programs established in DoD Directive 5000.1.

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Techniques to achieve control objectives also exist in the preparation and presentation of key documents such as the APB agreement, earned value management data, and operational test reports. Accordingly, modifying the existing Navy and Marine Corps reporting requirements for Acquisition Category II and III programs to include APB threshold values, exit criteria, and program performance against those parameters would provide Navy and Marine Corps MDAs with management control information to implement the requirements in DoD Directive 5000.1 and would satisfy the management control reporting requirements in DoD Directive 5010.38.

Because of the conditions identified during the audit, the Navy Acquisition Executive should implement the following recommendations to improve the Navy's existing reporting requirements for Acquisition Category II and III programs.

## **Management Comments on the Finding and Audit Responses**

Summaries of management comments on the overall report and audit responses are in Appendix D.

## **Recommendations, Management Comments and Audit Response**

**1. We recommend that the Navy Acquisition Executive modify existing reporting requirements for program managers of Acquisition Category II and III programs to report to the milestone decision authority, at least quarterly, on their progress towards satisfying cost, schedule, and performance parameters in approved acquisition program baselines, satisfying exit criteria for the next phase in the acquisition process, and obtaining and preparing key program documentation, such as the operational requirements document; the test and evaluation master plan; and the command, control, computers, communications, and intelligence support plan between and for milestone decision reviews.**

**Navy Comments.** The Executive Assistant and Naval Aide, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition), stated that the Assistant Secretary of the Navy (Research, Development, and Acquisition) implemented a new database in June 2004 that allowed MDAs to assess the status of Acquisition Category I and II programs. The database, named the DASHBOARD, includes cost, schedule and performance parameters in approved APBs and the program manager's current estimate for each parameter. Program managers are required to update DASHBOARD quarterly. He stated that the database automatically highlights all cost, schedule, and performance breaches and requires the program manager to provide an explanation whenever a breach occurs. Further, the Executive Assistant and Naval Aide stated that, by the end of August 2004, the DASHBOARD would be updated to require program managers to show the current status and signature date of key program

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documentation. He also stated that the DASHBOARD could be easily updated to require program managers to provide the status toward satisfying exit criteria for the next phase of the acquisition process.

The Executive Assistant and Naval Aide stated that reporting requirements for Acquisition Category III programs were at the discretion of the milestone decision authority for those programs. For the complete text of the Navy's comments, see the Management Comments section of the report.

**Audit Response.** The Navy's comments were partially responsive to Recommendation 1. The Navy's implementation of the DASHBOARD reporting requirements satisfies the intent of the recommendation for Acquisition Category II programs with the exception of not yet requiring program managers to report on their status toward satisfying exit criteria for the next phase of the acquisition process. To provide effective oversight of acquisition programs, milestone decision authorities need to be kept informed between milestone decision points as to whether program managers are making satisfactory progress toward attaining exit criteria established by the milestone decision authorities for the next phase of the acquisition process. Accordingly, priority should be given to update the DASHBOARD with this reporting requirement as soon as possible.

Because milestone decision authorities for Acquisition Category III programs need the same program information as milestone decision authorities for Acquisition Category II programs to effectively manage their programs, the DASHBOARD reporting requirements should also be mandatory for Acquisition Category III program managers. With this information, milestone decision authorities would have the information they need to determine program manager progress being made on their programs and whether they need to intervene, take corrective actions, or make programmatic decisions, when necessary.

Accordingly, we request that the Navy Acquisition Executive state when he plans to upgrade DASHBOARD to include a requirement for program managers to report on their status toward satisfying exit criteria for the next phase of the acquisition process and to reconsider his position on not making DASHBOARD reporting requirements mandatory for Acquisition Category III program managers.

**2. We recommend that Navy Program Executive Officers or Product Group Directors:**

**a. Use information in the program manager's progress reports discussed in Recommendation 1. to require that program managers prepare program deviation reports when breaches of acquisition program baseline parameters occur.**

**Navy Comments.** The Executive Assistant and Naval Aide stated that the DASHBOARD, as discussed in the response to Recommendation 1., would be used as a tool to ensure that program managers prepared program deviation reports when breaches of acquisition program baseline parameters occurred.

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**b. Report breaches of acquisition program baseline parameters and unattained program exit criteria to the Assistant Secretary of the Navy (Research, Development, and Acquisition) for consideration as material management control weaknesses for inclusion in the Navy annual statements of assurance as required in DoD Directive 5000.1, “The Defense Acquisition System,” May 12, 2003, and DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996.**

**Navy Comments.** The Executive Assistant and Naval Aide stated that APB breaches are reported in program deviation reports, are under the control of the MDA, and therefore do not need to be reported as a material management control weakness to the Assistant Secretary of the Navy (Financial Management and Comptroller).

**Audit Response.** DoD Directive 5000.1 states that approved program baseline parameters will serve as control objectives for acquisition programs. Additionally, the DoD Interim Guidebook, in the section entitled, “Management Controls,” states that program managers will identify deviations from approved APB parameters and exit criteria as material weaknesses. These management control weaknesses are to be reported in management control statements of assurance at the lowest possible level and should be evaluated at each level to determine their materiality. Accordingly, the intent of Recommendation 2.b. was for the Assistant Secretary of the Navy (Research, Development, and Acquisition) to make a final determination on whether deviations in APBs and exit criteria should be reported as material management control weakness for inclusion in the Navy annual statements of assurance. To make this determination, however, the Assistant Secretary of the Navy needs Navy Program Executive Officers and Product Group Directors to provide information on breaches of APB parameters and unattained exit criteria as recommended. Therefore, we request that the Assistant Secretary of the Navy reconsider his position in response to Recommendation 2.b. in the final report.

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## Appendix A. Scope and Methodology

To perform the audit, we coordinated with the Office of the Naval Inspector General to identify for our review Acquisition Category II and III programs that were beyond the concept and technology development phase, but that had not received approval for full-rate production. Accordingly, we reviewed the following nine Navy acquisition programs that the Naval Inspector General and the Program Executive Offices identified:

### Naval Air Systems Command

- AV-8B Open Systems Core Avionics Requirement<sup>1</sup>
- Mark XIIA Mode 5 Program<sup>1</sup>
- Tactical Tomahawk Torpedo Tube Launch<sup>2</sup>

### Naval Sea Systems Command

- AN/BLQ-11 Long Term Mine Reconnaissance System<sup>1</sup>
- Photonics Mast Navigation System<sup>2</sup>
- Rapid Airborne Mine Clearance System<sup>1</sup>

### Program Executive Office, C4I and Space

- Advanced Extremely High Frequency Navy Multiband Terminal<sup>1</sup>

### Marine Corps Systems Command

- Common Aviation Command and Control System<sup>1</sup>
- Complementary Low Altitude Weapon System<sup>2</sup>

In reviewing the management control process used by the Navy for Acquisition Category II and III programs, we examined FY 2003 management control documentation. That documentation included management control-related documentation from the Assistant Secretary of the Navy (Financial Management and Comptroller), the Navy Program Executive Offices, and the Marine Corps Systems Command, and supporting documentation. We reviewed those documents to identify whether a standardized procedure was in place to complete and submit the required documentation and to determine whether the Navy had identified any material management control weaknesses for Navy Acquisition Category II and III programs.

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<sup>1</sup> Acquisition Category II.

<sup>2</sup> Acquisition Category III.

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To evaluate the reporting process used by the Navy to support its management control of acquisition programs, we reviewed documentation dated from March 1994 through June 2004. The documentation included acquisition decision memorandums; APBs; acquisition strategy reports; C4I support plans; programmatic environmental safety and health evaluations; ORDs; and TEMPs for the nine Navy programs selected for review. We reviewed those documents to ensure that the required program documentation for each program was complete, accurate, and up-to-date.

We performed this audit from November 2003 through June 2004 in accordance with generally accepted government auditing standards.

**Use of Computer-Processed Data.** We did not use computer-processed data to perform this audit.

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Weapons Systems Acquisition high-risk area.

## Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** In accordance with DoD policy, acquisition managers are to use program cost, schedule, and performance parameters as control objectives in APBs to implement the requirements of DoD Directive 5010.38. Accordingly, we limited our review to management controls directly related to program cost, schedule, and performance in APBs. We also reviewed the adequacy of management's self-evaluation of those controls.

**Adequacy of Management Controls.** We identified material management control weaknesses for the Navy, as defined in DoD Instruction 5010.40. The Navy Acquisition Executive, Commandant of the Marine Corps, and the Program Executive Officers did not ensure that controls for obtaining, preparing, updating, and approving program documentation and preparing program deviation reports were sufficient to ensure that program managers timely provided MDAs with acquisition program documentation needed to effectively oversee a program's cost, schedule, and performance data at and between milestone decision reviews. Recommendations 1. and 2., if implemented, will improve the quality and timeliness of program information provided to Navy and Marine Corps MDAs so that they can make fully informed investment decisions. A copy of the report will be provided to the senior official responsible for management controls in the Navy.

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**Adequacy of Management’s Self-Evaluation.** None of the Program Executive Offices, project offices, or program offices reviewed identified management control weaknesses related to preparing and updating required acquisition program documentation used for program oversight and decision making. The Program Executive Officers and project or program managers did not report those weaknesses because they did not recognize the lack of up-to-date documentation as a management control weakness.

## **Prior Coverage**

During the last 5 years, the General Accounting Office, the Inspector General of the Department of Defense, and the Naval Audit Service have not issued reports specifically addressing the implementation of the DoD management control program for Navy Acquisition Category II and III programs.

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## Appendix B. Management Control Objectives and Techniques

**Control Objectives.** Control objectives are the specific goals, conditions, or levels of control that a manager establishes for an assessable unit to provide reasonable assurance that the resources assigned to that organization are adequately safeguarded against waste, fraud, and mismanagement.

Control objectives must be identified for each organization and should be logical, applicable, reasonably complete, and tailored to an agency's operations, which means that the control objectives should be the positive effects that management tries to attain or the negative effects it seeks to avoid through adherence to established management controls.

For Navy acquisition programs, basic control objectives involve the program office's ability to adhere to a weapon system's cost, schedule, and performance baseline parameters that are embodied in APBs. The program manager updates and the MDA approves the APB at milestone reviews. As weapon systems progress through the acquisition process, baseline parameters are refined and the level of detail evolves at succeeding milestone reviews. The program manager identifies minimum acceptable requirements for each baseline parameter, known as thresholds. Values for APB parameters show the system's cost and performance characteristics as they are expected to be produced and fielded, as well as critical acquisition schedule events. If those minimum acceptable levels or thresholds are not met, the MDA may require a reevaluation of alternative concepts or design approaches.

Program exit criteria are also control objectives for Navy acquisition programs. Exit criteria are the specific minimum requirements that a system must satisfactorily demonstrate before the MDA will consider approving the system for transitioning to the next acquisition phase.

**Control Techniques.** Control techniques are mechanisms by which control objectives are achieved. A control technique is any form of organization, procedure, or document flow that is relied on to accomplish a control objective and help safeguard or protect an organization from fraud, waste, and mismanagement. Control techniques include, but are not limited to, specific policies, procedures, plans of organization (including separation of duties), and physical arrangements (such as locks and fire alarms). Management control techniques are to continually provide a high degree of assurance that the management control objectives are being achieved.

For Navy acquisition programs, the milestone review documentation specified in DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, provides control techniques to achieve the control objectives. The management control techniques in the Instruction include the documents in the following table.

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### Management Control Techniques

<u>Control Technique</u>	<u>Objective(s) Controlled</u>	<u>Prepared By</u>	<u>Submitted To</u>
APB Agreements	Cost, schedule, and performance baselines	Program Manager	MDA
Command, Control, Computers, Communications, and Intelligence (C4I) Support Plan	C4I support requirements to satisfy the development, testing, and operational employment of the system	DoD Component	MDA
Earned Value Management Data	Reports the progress of the program in meeting cost parameters	Contractor	Program Manager
Operational Requirements Document (ORD)	Translates mission needs into detailed performance capabilities and characteristics	DoD Component	Service
Operational Test Reports	Reports on the progress of the program in meeting performance parameters	Independent Test Agency	Program Manager
Test and Evaluation Master Plan (TEMP)	Major elements and objectives of the test and evaluation program	Program Manager	Director, Operational Test and Evaluation <sup>2</sup> , MDA, and Director, Navy Test and Evaluation and Technology Requirements

DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996, requires system documentation to be maintained for management control programs. System documentation includes the policies and procedures, organizational charts, manuals, flow charts, and related written and graphic materials necessary to describe organizational structure, operating procedures, and administrative practices to communicate responsibility and authority for accomplishing programs and activities. This type of management control documentation is specified in DoD Instruction 5010.40.

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<sup>1</sup> The Director, Operational Test, and Evaluation approves the TEMP for all programs on the test and evaluation oversight list in the Office of the Secretary of Defense.

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## Appendix C. Program Documentation Status

DoD Instruction 5000.2 identifies mandatory program documents that program managers must provide at program milestone reviews. The DoD Interim Defense Acquisition Guidebook explains the importance of the acquisition program documents. The following table of five mandatory acquisition program documents shows whether the program managers for the nine programs reviewed provided the MDA with the completed and approved documents at the acquisition program's last milestone decision review.

### Mandatory Program Documentation Provided

<u>Program</u>	<u>APB</u>	<u>C4I Support Plan</u>	<u>ORD</u>	<u>Programmatic Environmental Safety and Health Evaluation</u>	<u>TEMP</u>
AEHF NMT <sup>3</sup>	No	Yes	Yes	Yes	No
AN/BLQ-11 <sup>4</sup>	Yes	n/a <sup>5</sup>	No	n/a	Yes
CAC2S <sup>6</sup>	No	No	Yes	Yes	No
CLAWS <sup>7</sup>	Yes	No	Yes	Yes	Yes
MODE 5 <sup>8</sup>	Yes	No	Yes	Yes	No
OSCAR <sup>9</sup>	No	n/a	No	n/a	No
Photonics <sup>10</sup>	Yes	n/a	Yes	n/a	Yes
RAMICS <sup>11</sup>	Yes	Yes	Yes	n/a	No
TT-TTL <sup>12</sup>	No	Yes	Yes	Yes	Yes

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<sup>3</sup> Advanced Extremely High Frequency Navy Multiband Terminal.

<sup>4</sup> AN/BLQ-11 Long-Term Mine Reconnaissance System.

<sup>5</sup> Not Applicable.

<sup>6</sup> Common Aviation Command and Control System.

<sup>7</sup> Complementary Low Altitude Weapon System.

<sup>8</sup> Mark XIIA Mode 5 Program.

<sup>9</sup> AV-B8 Open Systems Core Avionics Requirement.

<sup>10</sup> Photonics Mast Navigation System. <sup>11</sup> Rapid Airborne Mine Clearance System.

<sup>12</sup> Tactical Tomahawk Torpedo Tube Launch.

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## Importance of Milestone Documents

**Acquisition Program Baseline.** Every acquisition program must have an APB at program initiation. The program manager prepares the APB in coordination with the user to document the most important cost, schedule, and performance parameters (both threshold and objective) for the program. The program manager bases the APB on user performance requirements, schedule requirements, and an estimate of total program cost. The program manager, in coordination with the user, should obtain approval for a revised APB if the program is restructured or if there is an unrecoverable program deviation.

**C4I Support Plan.** DoD Components must develop C4I support plans for all programs early in the acquisition process when the Components connect in any way to the communication and information infrastructure. Acquisition decision makers are required to review the C4I support plan at each program milestone decision; at decision reviews, as appropriate; and whenever support requirements change. A C4I support plan assists in identifying system integration issues that need to be addressed during testing. Additionally, a C4I support plan assists testers in identifying potential system integration issues that will need to be tested.

**Operational Requirements Document.** The ORD is a formatted statement containing performance parameters for the proposed concept or system that is prepared by the user or the user's representative. An ORD provides the developmental and operational testers with the ability to determine whether the system meets minimum required system capabilities.

**Programmatic Environmental Safety and Health Evaluation.** The program manager is to initiate the evaluation at the earliest possible time in support of a program initiation decision and maintain an updated evaluation throughout the life cycle of the program. When program managers perform the analyses for the programmatic environmental safety and health evaluation, they gain information on the potential environmental, safety, and health effects of developing, fielding, storing, demilitarizing, and disposing of their weapon systems. Information should be obtained before the program enters the system development and demonstration phase to prevent program delays and added program costs stemming from the violation of environmental, safety, or health laws.

**Test and Evaluation Master Plan.** The TEMP documents the overall structure and objectives of the test and evaluation program. It provides a framework within which to generate detailed test and evaluation plans and to document schedule and resource implications associated with the test and evaluation program. The TEMP identifies necessary developmental test and evaluation, operational test and evaluation, and live-fire test and evaluation activities. An approved TEMP is an essential tool for the program manager and operational testers to identify resources needed to perform necessary tests and to test all key performance parameters and resolve problem areas.

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## Program Documentation Status

**Advanced Extremely High Frequency Navy Multiband Terminal.** The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the Advanced Extremely High Frequency Navy Multiband Terminal program to enter into the system development and demonstration phase of the acquisition process on October 21, 2003. At program initiation, the APB and the TEMP were not approved. The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the APB on December 3, 2003, approximately 6 weeks after program initiation. As of June 2004, the Director, Operational Test and Evaluation, the final approval authority, had not approved the TEMP.

**AN/BLQ-11 Long-Term Mine Reconnaissance System.** The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the AN/BLQ-11 Long Term Mine Reconnaissance System for entry into the engineering, manufacturing, and development phase on May 24, 1996. The milestone approval was supported by an Acquisition Program Plan. This plan consisted of several program documents, including the ORD, TEMP, and an environmental section. Although an ORD was included in the Acquisition Program Plan, the Deputy Chief of Naval Operations (Resource, Requirements and Assessments), the final approval authority, did not approve the ORD until August 22, 1996, nearly 3 months after milestone approval.

**Common Aviation Command and Control System.** The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the Common Aviation Command and Control System to enter the system development and demonstration phase of the acquisition process on October 25, 2002. However, as of June 2004, the Assistant Secretary had not approved the APB submitted in support of that decision. Additionally, the program office had not obtained approval for a C4I support plan as of June 2004, even though the ORD identifies system interoperability requirements as a key performance parameter. Program office personnel created a C4I support plan, but it was never completed or approved. At the time of the milestone decision, a new format was being developed for the C4I support plan and Marine Corps System Command, System Engineering and Integration personnel assumed responsibility for completion of the plan. As of June 2004, the C4I support plan had not been completed or approved. The Assistant Secretary did not approve the TEMP until May 30, 2003, 7 months after the October 25, 2002, decision.

**Complementary Low Altitude Weapon System.** The Commander, Marine Corps Systems Command approved the Complementary Low Altitude Weapon System to enter the system development and demonstration phase of the acquisition process on March 27, 2001. As of June 2004, the program office had not completed and obtained approval for a C4I support plan. Program office personnel did not complete a C4I support plan because they did not believe that the document was a requirement, and the MDA had not identified the C4I support plan as a required document. The ORD, however, identifies system interoperability requirements as a key performance parameter.

**Mark XIIA Mode 5 Program.** The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the Mark XIIA Mode 5 Program to

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enter the system development and demonstration phase on August 7, 2003. The TEMP for the program was not approved until November 17, 2003, 3 months after the milestone decision. As of June 2004, program office personnel still had not completed and obtained approval for a C4I support plan because they did not believe that the document was a requirement, even though the ORD identifies system interoperability requirements as a key performance parameter.

**AV-8B Open Systems Core Avionics Requirement.** The Program Executive Officer, Air Antisubmarine Warfare, Assault and Special Mission Programs approved the Open Systems Core Avionics Requirement to proceed into the engineering, manufacturing, and development phase of the acquisition process on March 6, 1997. The Program Executive Officer based his approval on a “streamlined” briefing package, which he considered sufficient to support the milestone decision. At the time of the milestone decision, the program manager did not have an approved APB or TEMP, nor did he have an approved ORD specific to the program. The APB was later approved on July 14, 2000, 3 years after milestone approval. Similarly, the TEMP was not approved until August 1, 2002, more than 5 years after the milestone approval date. The Marine Corps Combat Command approved a document that consolidated measures of effectiveness and suitability from related program ORDs on February 26, 2002. However, as of June 2004, an ORD had not been prepared and approved for the Open Systems Core Avionics Requirement.

**Photonics Mast Navigation System.** The Program Executive Officer, Submarines approved the Photonics Mast Navigation System to enter the engineering, manufacturing, and development phase of the acquisition process on August 19, 1994. All required program documentation was approved at that time.

**Rapid Airborne Mine Clearance System.** The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the Rapid Airborne Mine Clearance System to enter the system development and demonstration phase of the acquisition process on July 29, 2002. At the time of the milestone decision, the TEMP had not been approved. The TEMP was later approved by the Director, Operational Test and Evaluation on February 2, 2003, 7 months after the milestone decision.

**Tactical Tomahawk Torpedo Tube Launch.** The Program Executive Officer, Strike Weapons and Unmanned Aviation approved the Tactical Tomahawk Torpedo Tube Launch program to enter the system development and demonstration phase of the acquisition process on July 15, 2002, prior to the approval of the APB. The APB was approved by the Program Executive Officer a month later on August 21, 2002.

## **Management Comments on Appendix C. and Audit Responses**

Summaries of management comments on Appendix C. and our audit responses are in Appendix D.

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## Appendix D. Audit Response to Navy Comments on the Report

The detailed responses to the comments from the Executive Assistant and Naval Aide, Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition), on statements in the draft report follow. The complete text of those comments is in the Management Comments section of the report.

### Management Comments on the Finding and Audit Response

The Executive Assistant and Naval Aide commented on sections of the finding concerning the program deviation report and revised APB for the Complementary Low Altitude Weapons System, the approval of the acquisition strategy and APB for the Common Aviation Command and Control System, and Navy reporting requirements.

**Program Deviation Report and Revised APB for the Complementary Low Altitude Weapons System.** The Executive Assistant and Naval Aide commented on the statement that the Complementary Low Altitude Weapon System did not submit a program deviation report after experiencing significant cost and schedule deviations and did not timely request the MDA to approve a revised APB. He explained that the issue was reported to the MDA within 1 month of the deviations, but the APB was held until the FY 2006 Program Objective Memorandum was completed because the program had been placed on the Navy's unfunded list.

**Audit Response.** As stated in the report, a formal program deviation report was not timely submitted to the MDA. As indicated in the Navy comments, revision of the APB is still ongoing.

**Acquisition Strategy and APB for the Common Aviation Command and Control System.** The Executive Assistant and Naval Aide commented on the statement that the acquisition strategy and the APB for the Common Aviation Command and Control System had not been approved by the MDA at the time the draft report was issued, 8 months after the milestone decision. He stated that the documentation was "considered approved" because of wording in the Acquisition Decision Memorandum that stated that the MDA had reviewed the program as presented in a paper review format including schedule, cost, budget, earned value management and risk metrics, documentation status, evolutionary acquisition approach, contracting strategy and exit criteria, and was permitting entry into system development and demonstration. The Executive Assistant and Naval Aide stated that the lag-time in signing the documents was an administrative delay.

**Audit Response.** The wording in the Acquisition Decision Memorandum did not specifically address the documents in question and did not constitute final approval of the documents. As indicated in the Navy comments, the acquisition strategy and APB were just recently approved.

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**Navy Reporting Requirements.** The Executive Assistant and Naval Aide did not agree that the Navy's existing reporting requirements were not sufficient. Specifically, the Executive Assistant and Naval Aide stated that the Assistant Secretary of the Navy (Research, Development, and Acquisition) conducted formal progress reviews semi-annually of all Acquisition Category I and II programs. Additionally, the Assistant Secretary of the Navy (Research, Development and Acquisition), in 1997, instituted a reporting format and process for all Acquisition Category I and II programs and a select number of Acquisition Category III programs. These reports were called Program Summary Documents. Program managers were required to update the documents every 4 months consistent with the Navy budget review cycle. The Program Summary Documents will be replaced by the program manager reporting database called the DASHBOARD.

Regarding the reporting of the status of program documentation, the Executive Assistant and Naval Aide stated that at formal milestone decision meetings and program reviews, program officers were to report on key unresolved issues and program execution status including satisfaction of exit criteria, the program cost, schedule and performance status as compared to the APB, test and evaluation status, and operational requirements status. He stated that the status of key program documentation, if it were incomplete or unsigned, would be considered a significant issue. A chart to address the status of program documentation is being planned for inclusion in the DASHBOARD.

**Audit Response.** The existing reporting mechanisms mentioned above did not include all Acquisition Category III programs, did not ensure that program information was updated at least quarterly, and that program documentation was prepared and approved as evidenced in the report.

## Management Comments on Appendix C

The Executive Assistant and Naval Aide provided comments on eight of the nine programs included in Appendix C. The majority of those comments explained why key documents listed in Appendix C were not completed or did not have final approval at the time of the program's last milestone decision.

**Advanced Extremely High Frequency Navy Multiband Terminal.** The Executive Assistant and Naval Aide stated that the Advanced Extremely High Frequency Navy Multiband Terminal APB and TEMP were provided to the MDA before the milestone review. The Executive Assistant and Naval Aide stated that the 42-day delay in the signature of the APB was simply a slight administrative delay and the Assistant Secretary of the Navy (Research, Development, and Acquisition) continues to work with the Director, Operational Test and Evaluation to gain approval of the TEMP.

**Audit Response.** As stated in the report, the program manager had not obtained final approval of the APB and TEMP at or before the milestone review.

**AN/BLQ-11 Long Term Mine Reconnaissance System.** The Executive Assistant and Naval Aide stated that although the ORD for the AN/BLQ-11 Long Term Mine Reconnaissance System was not officially signed at the time of the

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milestone review, the program office had concurrence on the ORD requirements from the Office of the Deputy Chief of Naval Operations, Resources, Requirements, and Assessments office before the milestone review. Additionally, at the milestone review, the MDA was advised of the documentation status and maturity of the ORD, and the MDA considered the documentation appropriate and adequate.

**Audit Response.** As stated in the report, the program manager had not obtained final approval of the ORD at or before the milestone review.

**Common Aviation Command and Control System.** The Executive Assistant and Naval Aide stated that the delay in the completion of a Common Aviation Command and Control System C4I support plan was due to format changes and revisions to the ORD.

**Audit Response.** As stated in the report, the program manager had not completed or obtained final approval of the C4I support plan at or before the milestone review.

**Complementary Low Altitude Weapons System.** The Executive Assistant and Naval Aide stated that the MDA had waived the C4I support plan requirement for the Complementary Low Altitude Weapons System at the system development and demonstration milestone decision. He stated that the reason the program office was now in the process of completing a C4I support plan was because the ORD was updated in 2003, to include minimal command and control and sensor requirements.

**Audit Response.** Neither the program manager nor the Executive Assistant and Naval Aide provided documentation that showed a waiver for the C4I support plan requirement. Additionally, Change 4 to the ORD, approved January 19, 2001, included interoperability as a key performance parameter for the Complementary Low Altitude Weapons System. Therefore, a C4I support plan was required at the March 27, 2001, system development and demonstration milestone decision.

**Mark XIIA Mode 5.** The Executive Assistant and Naval Aide stated that although the Mark XIIA Mode 5 TEMP was not officially approved until November 17, 2003, 3 months after the milestone decision, the overall test structure and objective were documented in the TEMP version that the program office submitted in support of the milestone decision, and consensus was achieved through various test working groups. The Executive Assistant and Naval Aide stated that the delay in signature was simply an administrative delay. Also, the Executive Assistant and Naval Aide quoted portions of the Mark XIIA Mode 5 ORD to show that the Mark XII Mode 5 would not directly interoperate with any other C4I system, and exchanges of information would be accomplished through the host platform. Therefore, a C4I support plan was not considered a requirement.

**Audit Response.** As stated in the report, the program manager had not obtained final approval of the TEMP at or before the milestone review. With regard to the C4I support plan for the Mark XIIA Mode 5, the Executive Assistant and Naval Aide's comments did not state that the ORD identified interoperability as a key performance parameter for the Mark XIIA Mode 5.

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**AV-8B Open Systems Core Avionics Requirement.** The Executive Assistant and Naval Aide stated that, due to a significant restructure of the program in 1999, an APB was not approved until July 2000, 3 years after the program initiation decision. He stated that processing of the TEMP encountered difficulties because of the program restructuring and the delay in completing requirements in the ORD. Finally, the Executive Assistant and Naval Aide disagreed that an ORD was not available for the milestone decision because the initial program was a replacement of an existing legacy system. The Navy had begun efforts to develop an ORD that incorporated the program restructuring, but the Chief of Naval Operations ruled that a program-specific ORD was not necessary and issued an ORD consolidation letter.

**Audit Response.** As stated in the report, the program manager did not have an approved APB and TEMP at program initiation. Additionally, the program still does not have an approved TEMP, 7 years after program initiation and 4 years after the program was restructured. Further, on the APB signature page dated July 27, 2000, the Deputy Chief of Naval Operations (Resources, Warfare Requirements and Assessments) directed an ORD be prepared for approval within 6 months. Despite this direction, no program-specific ORD was created. The consolidation letter referenced by the Executive Assistant and Naval Aide consolidated only the program measures of effectiveness and suitability and did not waive the requirement for a program-specific ORD.

**Rapid Airborne Mine Clearance System.** The Executive Assistant and Naval Aide stated that although the Rapid Airborne Mine Clearance System TEMP was not officially approved until February 2, 2003, 7 months after program initiation, the overall test structure and objective were documented in the TEMP version submitted by the program office in support of the milestone decision and that consensus had been achieved through various test working groups.

**Audit Response.** As stated in the report, the program manager had not obtained final approval of the TEMP at or before the milestone review.

**Tactical Tomahawk Torpedo Tube Launch.** The Executive Assistant and Naval Aide stated that the APB for the Tactical Tomahawk Torpedo Tube Launch was in the final stages of review at the time of the milestone review and that the MDA in the Acquisition Decision Memorandum stated that the APB was required to be approved within 60 days. The APB was signed 36 days later in accordance with the Acquisition Decision Memorandum.

**Audit Response.** As stated in the report, the program manager had not obtained final approval of the APB at or before the milestone review.

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## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
    Director, Program Analysis and Evaluation  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Director, Operational Test and Evaluation

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Assistant Secretary of the Navy (Manpower and Reserve Affairs)  
Assistant Secretary of the Navy (Research, Development, and Acquisition)  
    Program Executive Officer, Air Antisubmarine Warfare, Assault and Special Mission Programs  
    Program Manager, Antivehicle Weapons  
    Program Executive Officer, Strike Weapons and Unmanned Aviation  
    Program Manager, Tomahawk All-Up-Round  
    Deputy Commander, Acquisition and Operations  
    Program Manager, Air Traffic Control and Combat Identification Systems  
    Program Executive Officer, C4I and Space  
    Program Manager, Navy Satellite Communications  
    Program Executive Officer, Subs  
    Program Manager, Photonics  
    Program Executive Officer, Littoral and Mine Warfare  
    Program Manager, Airborne Mine Countermeasures  
    Program Manager, Unmanned Undersea Vehicles  
    Commanding General, Marine Corps Systems Command  
    Product Group Director, Battlespace Management and Air Defense Systems  
    Program Manager, Air Defense Weapon Systems  
    Product Manager, Complementary Low Altitude Weapon System  
    Program Manager, Operation Center  
    Product Manager, Common Aviation Command and Control System  
Naval Inspector General  
Auditor General, Department of the Navy

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## **Department of the Air Force**

Auditor General, Department of the Air Force

### **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

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 Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

# Department of the Navy Comments



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
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JUL 28 2004

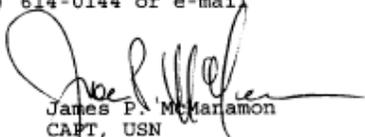
MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL OF THE  
DEPARTMENT OF DEFENSE

Subj: REPORT ON THE IMPLEMENTATION OF THE DOD MANAGEMENT  
CONTROL PROGRAM FOR NAVY ACQUISITION CATEGORY II AND  
III PROGRAMS (U) (PROJECT NO. D2004AE-0017)

Ref: (a) DODIG Draft Report No. D2004AE-0017 of 24 June 04

Encl: (1) Summary of Recommendations and Actions taken for  
DODIG No. D2004AE-0017 Draft Report  
(2) Summary of Comment to Various Findings in subject  
Draft Report

In response to reference (a), enclosures (1) and (2)  
are forwarded listing the comments, recommendations and  
status of action taken. Questions concerning this letter  
should be directed to Ms. Katherine Cewe, OASN(RD&A) (AP&A)  
who can be reached at (703) 614-0144 or e-mail  
[Katie.Cewe@navy.mil](mailto:Katie.Cewe@navy.mil).

  
James P. McMarjamon  
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Aide (ASN(RD&A))

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CMC(RFR)

DEPARTMENT OF THE NAVY RESPONSE TO  
RECOMMENDATIONS AND ACTION TAKEN REGARDING  
DODIG DRAFT REPORT ON IMPLEMENTATION OF THE  
DOD MANAGEMENT CONTROL PROGRAM FOR  
NAVY ACQUISITION CATEGORY II AND III PROGRAMS  
(PROJECT NO. D2004AE-0017)

**Recommendation 1:**

"We recommend that the Navy Acquisition Executive modify existing reporting requirements for program managers of Acquisition Category II and III programs to report to the milestone decision authority, at least quarterly, on their progress towards satisfying cost, schedule, and performance parameters in approved acquisition program baselines, satisfying exit criteria for the next phase in the acquisition process, and obtaining and preparing key program documentation, such as the operational requirements document,; the test and evaluation master plan, and the command, control, computers, communications, and intelligence support plan between and for milestone decision reviews."

**DON Comments:**

In early June 2004, ASN(RD&A) announced and implemented a new programmatic database called DASHBOARD. This database had been under development and testing for approximately a year. DASHBOARD was developed as a management tool for the Milestone Decision Authority and provides the ability to assess the status of any of these ACAT programs from a management perspective. It contains the latest information on all of Navy's ACAT I and II programs. It is also available for use by the various PEO's, DRPM's, and SYSCOMs for the management of their ACAT III programs as they desire since they are the Milestone Decision Authorities for these lower ACAT programs.

The purpose of DASHBOARD is to provide SECNAV, ASN(RD&A), OPNAV, SYSCOMs, PEOs, DRPMs, and PM's a tool to manage the various ACAT programs with consistent data throughout the chain of command. This system specifically contains:

- Cost, schedule and performance parameters (objectives and thresholds included) from the latest approved Acquisition Program Baseline (APB) for the PM to provide their Current Estimate for each parameter;
- Ten areas of concern (performance, testing & evaluation, logistics, cost, funding, schedule, contracts, production, management, and interoperability) for the PM to assess the status of;
- Contract information such as contract value, target price, ceiling price, and Earned Value Information;

ENCLOSURE (1)

- Budget Information;
- Acquisition Strategy;
- Other issues and interest items

DASHBOARD is required to be updated by the program office once a quarter. The database automatically highlights all cost, schedule or performance breaches immediately and requires that an explanation be provided whenever one occurs.

The ability and requirement to reflect the current status and signature date of key program documentation is being developed and is planned to be implemented within the next month. Currently, DASHBOARD does not include the ability to provide the status of exit criteria from a previous Milestone Decision. However, this could be added to the DASHBOARD system fairly easily.

**Recommendation 2(a):**

"We recommend that Navy Program Executive Officers or Product Group Directors: Use information in the program manager's progress reports discussed in Recommendation 1. to require that program managers prepare program deviation reports when breaches of acquisition program baseline parameters occur."

**DON Comments:**

As stated in the DON Comments for Recommendation 1, ASN(RD&A) announced and implemented a new management tool and database called DASHBOARD. This system requires each of the PM's to quarterly provide a current estimate for each of the cost, schedule and performance parameters in the latest approved APB. When a current estimate exceeds the approved threshold value for any given parameter, automatically and immediately a red box appears around the current estimate to show that there is a breach. Additionally, whenever a breach to the APB is so noted, an explanation of the cause and plan of action to resolve the breach is required both in the database and in writing in the form of a Program Deviation Report (PDR).

A PDR is required through SECNAV Instruction 5000.2 whenever a PM believes that they will exceed the threshold for any cost, schedule or performance parameter in the last approved APB. This DASHBOARD database will further assist the PM's in determining when a breach does occur.

**Recommendation 2(b):**

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"We recommend that Navy Program Executive Officers or Product Group Directors: Report breaches of acquisition program baseline parameters and unattained program exit criteria to the Assistant Secretary of the Navy (Research Development and Acquisition) for consideration as material management control weaknesses for inclusion in the Navy annual statements of assurance as required in DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003, and DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996."

**DON Comments:**

The PM is controlling the baseline breaches by reporting breaches through the preparation and submission of a PDR to the Milestone Decision Authority (MDA). For the ACAT II programs, the Service Acquisition Executive (ASN(RD&A)) as the MDA considers these baseline breaches under his control and management, and as such they do not require a material weakness be submitted to ASN(FM&C) via CNO or parent system command in their annual statement of assurance. For the ACAT III programs, as long as the MDA considers these baseline breaches and associated risks to be under his control and management, they also are not required to submit these breaches as a material weakness. Additionally, as long as the PM considers the breach and associated risk to be within his management purview, he also is not required to submit a material weakness through his chain of command.

Per the SECNAV 5000.2 Instruction, the various PM's are required to submit a PDR to the appropriate MDA as soon as they believe that they will breach a parameter in their approved APB. These PDR's are provided to the PEO/DRPM/SYSCOM, the Chief of Naval Operations (CNO), and ASN(RD&A) or MDA. Therefore we believe that a PDR, which reports a deviation from the approved APB parameter, is by definition the reporting of a management control weakness through the acquisition chain of command.

DEPARTMENT OF THE NAVY RESPONSE TO  
VARIOUS FINDINGS AND COMMENTS REGARDING  
DODIG DRAFT REPORT ON IMPLEMENTATION OF THE  
DOD MANAGEMENT CONTROL PROGRAM FOR  
NAVY ACQUISITION CATEGORY II AND III PROGRAMS  
(PROJECT NO. D2004AE-0017)

**Finding:** Program Documentation Status, Page 19, Advanced Extremely High Frequency Navy Multiband Terminal. "The Assistant Secretary of the Navy (Research, Development and Acquisition) approved the Advanced Extremely High Frequency Navy Multiband Terminal program to enter into the system development and demonstration phase of the acquisition process on October 21, 2003. At program initiation, the APB and the TEMP were not approved. The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the APB on December 3, 2003, approximately 6 weeks after program initiation. As of June 2004, the Director, Operational Test and Evaluation, the final approval authority, had not approved the TEMP."

**DON Comments:**

Both the APB and the TEMP were provided to ASN(RD&A) for consideration prior to the ADM being signed on 21 October 2003. In fact, the updated APB had been provided, reflecting directed changes to include opportunities for joint development between the Navy and the Air Force. Although the APB was not signed until 3 Dec 2003 (42 days after the decision), all pertinent data was available prior to the ADM being approved. The delay in the signature of the APB was simply a slight administrative delay.

The TEMP was signed and approved by ASN(RD&A) on 21 July 2003 prior to the milestone decision and signature of the ADM. However, the final approval authority (Director, Operational Test and Evaluation (DOT&E)) did not sign the TEMP prior to program initiation. Further, the document has yet to be approved by DOT&E, although the program office has made every effort to meet the Test and Evaluation requirements. ASN(RD&A) continues to work with DOT&E to gain their signature on the TEMP.

**Finding:** Program Documentation Status, Page 19, AN/BLQ-11 Long-Term Mine Reconnaissance System. "The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the AN/BLQ-11 Long Term Mine Reconnaissance System for entry into the engineering, manufacturing, and development phase on May 24, 1996. The milestone approval was supported by an Acquisition Program Plan. This plan consisted of several program documents, including ORD, TEMP, and environmental section. Although an ORD was included in the Acquisition Program Plan, the Deputy

ENCLOSURE (2)

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Chief of Naval Operations (Resource, Requirements and Assessments), the final approval authority, did not approve the ORD until August 22 1996, nearly 3 months after milestone approval."

**DON Comments:**

In a memorandum to ASN(RD&A), dated 15 May 1996, the Program Executive Office Undersea Warfare recommended the signing of the Acquisition Program Plan and the Acquisition Decision Memorandum, noted that the ORD had been submitted for final Flag endorsement and approval, and stated that the LMRS program was ready to receive Milestone I/II Approval. While the ORD was not officially signed the program office had concurrence from the DCNO Resource, Requirements and Assessment office prior to recommendation of Milestone approval. At the Milestone II Decision ASN(RDA) was advised and concurred in with the status and maturity of the ORD. As such, the documentation status required for the Milestone decision by the MDA was considered appropriate and adequate, and as needed an action to the program office was provided and followed.

**Finding:** Updating Program Documentation Between Milestone Decision Reviews, Page 9. The first paragraph states that "For example, the Program Manager for the Complementary Low Altitude Weapon System, which experienced significant cost and schedule deviations, did not submit a program deviation report to document the effect on the program and did not timely request the MDA to approve a revised APB."

**DON Comments:**

The PM reported to the MDA the issues and the recommended revisions, within one month of the deviation of cost and schedule. The PM was given approval to go ahead by the MDA. At that point, the POM 06 process had began and CLAWS was placed on the unfunded list. This was immediately presented to and discussed with the MDA who held the APB until completion and finalization of the POM. The APB revisions, based on the latest POM, are incorporated at this time and are being staffed.

**Finding:** Updating Program Documentation Between Milestone Decision Reviews, Page 9. The second paragraph states that "The Common Aviation Command and Control System, which was approved to enter the system development and demonstration phase of the acquisition process on October 25, 2002, still does not have an approved acquisition strategy or APB... The lack of these important program documents during the

initial stages of the acquisition process may result in unforeseen schedule delays and cost overruns." (The same concern and finding regarding the status of the APB was expressed in the Program Documentation Status section, Page 19 for the Common Aviation Command and Control System.)

**DON Comments:**

The CAC2S Milestone B Acquisition Decision Memorandum (ADM) as signed by ASN(R&DA) states, " I have reviewed the CAC2S program as presented in a paper review format. My review included schedule, cost and budget, earned value and risk metrics, documentation status, evolutionary acquisition approach, contracting strategy and PDRR technical exit criteria.

*As a result of my review I will permit entry into the SDD phase..."*

Thus, the key program documentation was considered approved per the wording of the ADM. However, with the relocation, restructure and staffing of ASN(RDA), the documents were not signed and were recently signed. The delay in the signature of these documents was simply due to an administrative delay and not due to substantial programmatic issues and concerns.

**Finding:** Program Documentation Status, Page 19, Common Aviation Command and Control System. "The Assistant Secretary of the Navy (Research, Development and Acquisition) approved the Common Aviation Command and Control System to enter the system development and demonstration phase of the acquisition process on October 25, 2002. However, as of June 2004, the Assistant Secretary had not approved the APB submitted in support of that decision. Additionally, the program office had not obtained approval for a C4I support plan as of June 2004, even though the ORD identified system interoperability requirements as a key performance parameter. Program office personnel created a C4I support plan, but it was never completed or approved. At the time of the milestone decision, a new format was being developed for the C4I support plan and Marine Corps System Command, System Engineering and Integration personnel assumed responsibility for completion of the plan. As of June 2004, the C4I support plan had not been completed or approved. The Assistant Secretary did not approve the TEMP until May 30, 2003, 7 months after the October 25, 2002, decision."

**DON Comments:**

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The CAC2S Milestone B Acquisition Decision Memorandum (ADM) as signed by ASN(R&DA) states, " I have reviewed the CAC2S program as presented in a paper review format. My review included schedule, cost and budget, earned value and risk metrics, documentation status, evolutionary acquisition approach, contracting strategy and PDRR technical exit criteria.

*As a result of my review I will permit entry into the SDD phase..."*

Thus, the key program documentation was considered approved per the wording of the ADM. However, with the relocation, restructure and staffing of ASN(RDA), the documents were not signed and were signed recently. The delay in the signature of the APB (in particular) was simply due to an administrative delay and not due to substantial programmatic issues and concerns.

At the time of the Milestone B decision (25 October 2002), a specific format for the C4ISP was undergoing revision and the ORD was being revised. With the further refinement of the interoperability requirement definition (i.e., net ready key performance parameter) and an approved ISP format, the program office is developing the required document.

The draft report is correct in that the TEMP was initiated 20 July 2002 but not approved until 30 May 2003, 7 months after the decision.

**Finding:** Program Documentation Status, Page 19, Complementary Low Altitude Weapon System. "The Commander, Marine Corps Systems Command approved the Complementary Low Altitude Weapon System to enter the system development and demonstration phase of the acquisition process on March 27, 2001. As of June 2004, the program office had not completed and obtained approval for a C4I support plan. Program office personnel did not complete a C4I support plan because they did not believe that the document was a requirement, and the MDA had not identified the C4I support plan as a required document. The ORD, however, identifies system interoperability requirements as a key performance parameter."

**DON Comments:**

This statement is misleading. The MDA waived the C4ISP requirement (as appropriate per DoD 5000.1) at Milestone B based on the ORD requirements, which required the development of only a launcher. Since then, in 2003, the

ORD was revised and updated to include some minimal command and control and sensor requirements. A C4ISP is now in draft and being prepared for approval at Milestone C.

**Finding:** Program Documentation Status, Page 20, Mark XIIA, Mode 5 Program. "The Assistant Secretary of the Navy (Research, Development, and Acquisition) approved the Mark XIIA Mode 5 Program to enter the system development and demonstration phase on August 7, 2003. The TEMP for the program was not approved until November 17, 2003, 3 months after the milestone decision. As of June 2004, program office personnel still had not completed and obtained approval for a C4I support plan because they did not believe that the document was a requirement, even though the ORD identifies system interoperability requirements as a key performance parameter."

**DON Comments:**

Although the Mark XIIA, Mode 5 TEMP was not officially approved until November 17, 2003, 3 months after the milestone decision, the overall structure and objective were documented in the version submitted by the program office in support of the milestone decision. Consensus had been achieved on the TEMP through the various working groups. The signature process formalized the TEMP, but it did not change the development or operational test plan agreed to months earlier. The delay in signature was simply an administrative delay.

A C4ISP was not prepared as it was agreed that "the Improved Mark XII will not directly interoperate with any other C4I system. Information generated by the Improved Mark XII will be exchanged via the host surveillance/firing unit. The SV-1 within the ORD has been modified to clarify this. Specifically, differing design requirements preclude direct interoperability with Battlefield Combat Identification System (BCIS)." Also, the ORD similarly stated "the Improved Mark XII will not interface directly with these links, and does not presuppose a separate, dedicated CID C4ISR network." Thus a C4ISP was not considered as required.

Given the above, the documentation status required for the Milestone decision by the MDA was considered appropriate and adequate.

**Finding:** Navy Reporting Process, Program Deviation Reporting Requirements section, pg 10, second paragraph. "In addition, one program manager did not report a breach of APB parameters as a management control weakness as required

pages 21-22

page 10

in DoD Directive 5000.1 and the DoD Interim Guidebook. Specifically, the product manager for the AV-8B Open System Core Avionics Requirement prepared a program deviation report and requested a revision of the APB parameters; however, the Program executive Officer did not report the breach as a management control weakness to the Assistant Secretary of the Navy (Research, Development and Acquisition) as required. As a result, the Assistant Secretary of the Navy (Research Development and Acquisition) did not consider the breach for inclusion as a material management control weakness in the FY2003 statements of assurance prepared by the Assistant Secretary of the Navy (Financial Management and Comptroller)."

**DON Comments:**

A Program Deviation Report (PDR) was submitted to ASN(RDA). Per, the Interim Defense Acquisition Guidebook para. C7.14.1 a deviation from the approved APB parameters and exit criteria is defined as a material weakness. Therefore a PDR, which reports a deviation from the approved APB parameter, is by definition of the guidebook the reporting of a management control weakness. Additionally, SECNAVINST 5200.35 para. 3, which states, "To empower commanders and managers in this regard, and in recognition that many times management control reviews duplicate what other tools..... . Instead, commanders and managers are to consider their particular field level and situation, and use the mix of existing and ad hoc management tools most suitable for their activity to meet the requirement for an effective system of controls." This concept further supports the use of PDR as the reporting mechanism for management control weaknesses.

Additionally, ASN(RD&A) requires the PM to submit a PDR to the MDA as soon as the PM believes he will breach an APB parameter. As such, for the ACAT II programs, the Service Acquisition Executive (ASN(RD&A)) as the MDA considers these baseline breaches under his control and management, and as such they do not require a material weakness be submitted to ASN(FM&C) via CNO or parent system command in their annual statement of assurance. Further, the chain of command for reporting of material weaknesses with the Navy is not the same chain of command that is followed for the reporting of APB breaches and deviations. The PEO's, in general, report material weaknesses to their parent command. In this case, if a material weakness had been identified, it would have been reported to COMNAVAIRSYSCOM, then forwarded to CNO (if deemed appropriate) and then on to ASN(FM&C) (if again deemed appropriate). The reporting of material weaknesses from most of the various PEO's does not include ASN(RD&A). As such, ASN(RD&A) would not have received the identification of this as a material weakness nor would they have included such a breach in their statement of assurances. Instead ASN(RD&A) believes that the PM properly

reported the APB breach through the submission of a PDR to the MDA.

**Finding:** Mandatory Program Documentation Provided table, page 17 and Program Documentation Status, Page 20, AV-8B Open Systems Core Avionics Requirement. "The Program Executive Officer, Air Antisubmarine Warfare, Assault and Special Mission Programs approved the Open Systems Core Avionics Requirement to proceed into the engineering, manufacturing, and development phase of the acquisition process on March 6, 1997. The Program Executive Officer based his approval on a "streamlined" briefing package, which he considered sufficient to support the milestone decision. At the time of the milestone decision, the program manager did not have an approved APB or TEMP, nor did he have an approved ORD specific to the program. The APB was later approved on July 14, 2003, 3 years after the milestone approval. Similarly, the TEMP was not approved until August 1, 2002, more than 5 years after the milestone approval date. The Marine Corps Combat Command approved a document that consolidated measure of effectiveness and suitability from related program ORDs on February 26, 2002. However, as of June 2004, an ORD had not been prepared and approved for the Open Systems Core Avionics Requirement."

**DON Comments:**

Due to a significant restructure of the program, the OSCAR program's ACAT designation was changed from an ACAT IVT program to an ACAT II program as documented in ASN(RD&A) letter of Feb. 24, 1999. An APB for the ACAT II program was approved in July 2000. Due to this directed program restructure, a substantial amount of effort was required in order to revise OSCAR documentation.

A TEMP was required as noted in Enclosure (1) of the 6 March 1997 ADM. However, the documentation for the Milestone II was "tailored" and "streamlined". Processing of the TEMP was initiated following the March 1997 Milestone II and encountered the same program restructuring as discussed above. The basis of the TEMP is the ORD and as such the processing of the TEMP could not be fully begin until the ORD consolidation letter was received in February 2002.

We disagree that ORD was not available for the Milestone II decision. Since the initial OSCAR program was a form/fit/function replacement for existing legacy systems the program was started under the approved platform ORD. The program continued to operate under the existing platform ORD while efforts were begun to develop an ORD that contained changed requirements due to the program restructure. Ultimately, CNO ruled that an OSCAR specific ORD was not necessary and that OSCAR was governed by the AV-

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8B aircraft, AMC&D, and JDAM ORDs. CNO issued an ORD Consolidation letter to this effect in February 2002. There is no intent to issue an OSCAR specific ORD at this time.

**Finding:** Program Documentation Status, Page 20, Rapid Airborne Mine Clearance System. "ASN(RDA) approved the RAMICS to enter the system development and demonstration phase of the acquisition process on July 29, 2002. At the time of the milestone decision, the TEMP had not been approved. The TEMP was later approved by the Director, Operational Test and Evaluation on February 2, 2003, 7 months after the milestone decision."

**DON Comments:**

Although the RAMICS TEMP was not officially approved until February 2, 2003, 7 months after the July 29, 2002 Milestone decision, the overall structure and objective were documented in the version submitted by the Program office on 13 June 2002. The test planning objective consensus was achieved in TEMP working group meetings. The TEMP working group meetings included independent test community (COTF, VX-1) platform (MH-60S), DOT&E (Live fire & Lethality), Technical Design Agent, and Program Sponsor. The signature process formalized the TEMP, but it did not change the development or operational test plan agreed to months earlier. As such, the documentation status required for the Milestone decision by the MDA was considered appropriate and adequate, and as needed an action to the program office was provided and followed.

**Finding:** Program Documentation Status, Page 20, Tactical Tomahawk Torpedo Tube Launch. "The Program Executive Officer, Strike Weapons and Unmanned Aviation approved the Tactical Tomahawk Torpedo Tube Launch program to enter the system development and demonstration phase of the acquisition process on July 15, 2002, prior to the approval of the APB. The APB was approved by the Program Executive Officer a month later on August 21, 2002."

**DON Comments:**

The Tactical Tomahawk Torpedo Tube Launch APB was in the final chop chain with the UK and CNO when the MDA authorized entering into system development and demonstration. The MDA held the program accountable for completing the APB by adding a paragraph to the MS-B ADM stating that the APB was required to be approved within 60 days. The program responded appropriately and the APB was signed 36 days later on August 21, 2003, meeting the MDA's direction. As such, the documentation status required for the Milestone decision by the MDA was considered appropriate and adequate, and as

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needed an action to the program office was provided and followed.

**Finding:** In general throughout draft report but specifically mentioned in Navy Reporting Process, pg 5. "The existing reporting mechanism in the Navy did not require program managers for Acquisition Category II and III programs to inform the MDA, at least quarterly, of their progress towards satisfying cost, schedule, and performance requirements in approved APBs and exit criteria requirements for the next phase of the acquisition process. The Navy has more than 115 Acquisition Category II and III programs. Without a reporting mechanism in place, Navy MDAs cannot provide appropriate oversight for those programs. Although Acquisition Category II and III programs are valued less than Acquisition Category I programs, the sheer number of Acquisition Category II and III programs contributes to a large aggregate value. In an era of funding constraints, the Navy needs to manage its investment dollars wisely and cannot afford to overlook the oversight of its Acquisition Category II and III programs."

**DON Comments:**

In June 1996, ASN(RD&A) provided direction by memo to the various PEOs, DRPMS, SYSCOMS, and PM's establishing a formal periodic progress review process. These reviews were conducted with ASN(RD&A) semi-annually. These reviews were called Metrics meetings and they covered all the ACAT I and II programs specifically, with an overview of all the lower ACAT programs in one chart per PEO/DRPM/SYSCOM. While there was no specific format established at that time for the Metrics reviews, the total program and the status of the program was to be discussed (this included information as to the cost, schedule, and performance of the program as compared to the latest approved APB.) The format for these meetings changed over the course of several years, and in 1999 an emphasis was placed on the cost and schedule performance and on EVM information for the ACAT programs. Formal chart formats were developed over time as well, and in these formal chart formats the programs were specifically required to show the Objective, Threshold and Current Estimate for the Cost and Performance section of the APBs.

Additionally, in 1997, ASN(RD&A) instituted a reporting format and process for all ACAT I and II programs, and a select number of ACAT III programs. These reports were called the Program Summary Documents and were required to be updated and provided by each of these PMS approx every 4 months (consistent with the Navy budget review cycle). Within these reports, the PM was to describe any issues in the program (including cost, schedule and performance and others), and specifically to discuss any cost breaches or

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schedule breaches. These reports were used until the time of the development of the new ASN(RD&A) database called DASHBOARD.

Given the above, ASN(RD&A) disagrees that there was no reporting process for these ACAT II programs. While these reports were not required on a quarterly basis, they were several reports required and provided by the various PMs, PEOs, DRPMs, and SYSCOMs. The ACAT III programs had similar directions and requirements but they were specific to the various MDAs.

**Finding:** In general throughout draft report but specifically mentioned in Navy Reporting Process, Updating Program Documentation Between Milestone Decision Reviews section, third paragraph, page 9. "If program managers had formally reported delays to the MDAs in the completion or approval process for key program documents, such as the ORD and the TEMP, the MDAs could have initiated actions to make sure that the documentation was prepared, updated, and approved before the milestone decision reviews, or they could have rescheduled the milestone decision reviews pending the completion of the required program documentation. Because program managers were not periodically reporting their status toward completing or obtaining required program documentation, MDAs did not have information needed to take appropriate actions before the milestone decision reviews for the nine programs reviewed. However, MDAs also were not requesting information on the status of program documentation from programs managers before program milestone reviews."

**DON Comments:**

SECNAV Instruction 5420.188C of 16 July 1992, establishes and promulgates the requirements and structure of the formal Milestone Decision Meetings and Program Reviews for the Navy. This instruction has been updated several times and the latest version 5420.188E is dated 11 Dec 1997. In each of these instructions, the requirement exists for the Program offices to provide key unresolved issues and a program execution status. Included in these areas are the satisfaction of exit criteria; the program cost, schedule, and performance status as compared to the APB; Test and Evaluation status; Operational Requirements status; and such. These charts are required for each Milestone Decision brief and Program Review brief. The status of the key program documentation if it were uncompleted or unsigned would be considered a significant issue and as such required to be briefed at the meeting.

While there is currently no requirement to provide a quarterly status of the documentation, this is being revised

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in that a chart to describe the current status and signature dates for each of the documents is being developed. This chart will be implemented in the ASN(RD&A) DASHBOARD system and the ACAT PMs will be required to update the information quarterly.

## **Team Members**

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Acquisition Management prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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