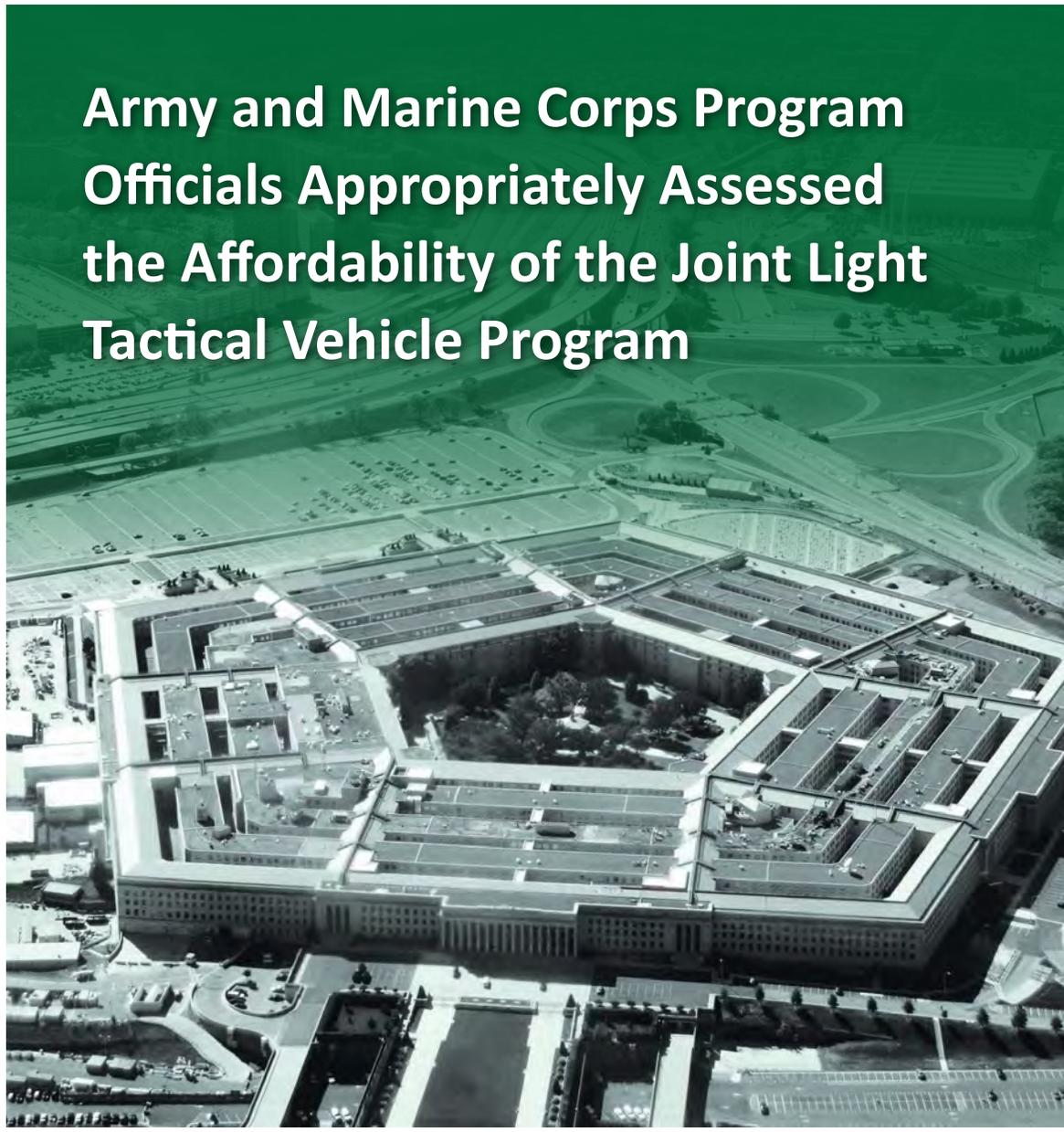


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INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 30, 2014



Army and Marine Corps Program Officials Appropriately Assessed the Affordability of the Joint Light Tactical Vehicle Program

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Results in Brief

Army and Marine Corps Program Officials Appropriately Assessed the Affordability of the Joint Light Tactical Vehicle Program

September 30, 2014

Objective

We determined whether Joint Light Tactical Vehicle (JLTV) Joint Program Office (JPO) officials appropriately assessed the affordability of the JLTV program.

Findings

Army and Marine Corps officials appropriately assessed the affordability of the JLTV program in accordance with DoD policies and procedures prior to the program entering the Engineering and Manufacturing Development (EMD) phase. Specifically:

- JLTV JPO officials conducted a tradeoff analysis in 2011 that reduced the JLTV's average procurement cost from \$475,000 to \$399,000 per vehicle.
- Deputy Assistant Secretary of the Army for Cost and Economics, Naval Center for Cost Analysis, and JLTV JPO officials used an established cost-estimating method and the actual JLTV costs to develop a joint cost estimate for the JLTV program at the start of the EMD phase.
- Deputy Chief of Staff of the Army, G-8, Program Analysis and Evaluation and Marine Corps Programs and Resources officials performed an affordability analysis in July 2012 on the JLTV program.

Findings (cont'd)

- (FOUO) [REDACTED]

We are not making recommendations in this report. However, in preparation for the program to enter the Production and Deployment phase of the acquisition process, scheduled for July 2015, the Army and Marine Corps officials are responsible for continuing to ensure that the JLTV program remains affordable. Specifically:

- Army G-8 and Marine Corps Programs and Resources officials are responsible for updating the JLTV affordability analysis to include life-cycle funding projections for the next 30 to 40 years to determine the life-cycle costs and inventory implications of the JLTV program on the Army and Marine Corps operations;
- JLTV JPO officials are responsible for ensuring JLTV costs do not exceed the estimated JLTV average procurement and annual operation and support costs limits; and
- JLTV JPO officials are responsible for updating these cost estimates at entry into the Production and Deployment phase.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

September 30, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY,
AND LOGISTICS
NAVAL INSPECTION GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Army and Marine Corps Program Officials Appropriately Assessed the Affordability of
the Joint Light Tactical Vehicle Program (DODIG-2014-125)

We are providing this report for your information and use. In this report, we determined that Army and Marine Corps officials appropriately assessed the affordability of the JLTV program in accordance with DoD policies and procedures prior to the program entering the Engineering and Manufacturing Development phase. Army and Marine Corps officials are responsible for continuing to ensure that the JLTV program remains affordable as prescribed by DoD policies and procedures in preparation for the program to enter into the Production and Deployment phase of the acquisition process, scheduled for July 2015. We considered management comments on a discussion draft of this report in preparing the final and revised the report as appropriate.

This audit is the first in a series of audits on the Joint Light Tactical Vehicle program. We plan to perform the next audit in FY 2015 based on the program testing schedule.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver
Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition, Parts, and Inventory

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Acronyms and Abbreviations



Introduction

Objective

The audit is the first in a series of audits on the Joint Light Tactical Vehicle (JLTV) program. Our overall objective for the series of audits was to determine whether the Army and Marine Corps were effectively managing the JLTV acquisition program. For this audit, we determined whether the JLTV Joint Program Office (JPO) appropriately assessed the affordability of the JLTV program. We plan to perform the next audit in FY 2015 based on the program testing schedule. See Appendix A for the Scope and Methodology. See Appendix B for key organizations responsible for the JLTV program.

Background

The JLTV is being developed to replace the High Mobility Multi-purpose Wheeled Vehicle (HMMWV) through a joint acquisition by the Army and Marine Corps. The JLTV will provide added protection while maintaining vehicle load carrying capacity. There are two variants for the JLTV: a Combat Tactical Vehicle that can transport four passengers and carry 3,500 pounds, and a Combat Support Vehicle that can transport two passengers and carry 5,100 pounds. The JLTV is an acquisition category (ACAT) ID program. According to the Interim DoD Instruction 5000.02, "Operation of the Defense Acquisition System," November 25, 2013, ACAT ID programs have estimated Research, Development, Test, and Evaluation (RDT&E) costs of \$480 million or greater or estimated total procurement costs of \$2.79 billion or greater. These programs are considered major defense acquisition programs with the Under Secretary of Defense (USD) for Acquisition, Technology, and Logistics (AT&L) designated as the milestone decision authority (MDA).

~~(FOUO)~~ The JLTV entered the engineering and manufacturing development (EMD) phase of the acquisition process in [REDACTED]. The objective of the EMD phase is to complete the development of the system, complete full system integration, develop affordable and executable manufacturing processes, and test and evaluate the system before proceeding into the production and deployment (P&D) phase. JLTV program officials plan for the program to enter the P&D phase in [REDACTED]. The objective of the P&D phase is to produce and deploy a system to the user. The P&D phase has two major efforts, low-rate initial production and full-rate production.



Figure 1 shows the prototype from each EMD contractor.



Figure 1. Three JLTV Prototypes
Source: www.army.mil

Army Quantity Requirements

As of June 2014, the Army's requirement for the JLTV was 49,099 vehicles. According to Deputy Chief of Staff, Army G-3/5/7 and Combined Armed Support Command officials, the approved Army JLTV acquisition quantity will replace the light-tactical vehicle fleet used in combat brigades and units. The Army has HMMWVs in its current fleet of light-tactical vehicles, and the future fleet will consist of both JLTVs and HMMWVs. The Army Audit Agency is conducting an audit on the Army's fleet size and mix of light-tactical vehicles, which includes a review of the JLTV quantity requirement.

Marine Corps Quantity Requirements

As of June 2014, the Marine Corps JLTV quantity requirement was 5,500 vehicles. According to Marine Corps Combat Development Command officials, the approved JLTV acquisition quantity for the Marine Corps will replace the light-tactical vehicle fleet used in combat brigades and units. The Marine Corps has HMMWVs in its current fleet of light-tactical vehicles, and the future fleet will consist of both JLTVs and HMMWVs. The 5,500 vehicles have been designated for the Marine Corps' three Marine Expeditionary Brigades and seven Marine Expeditionary Units, as well as, the Maritime Prepositioning Force and supporting establishments. According to officials at Marine Corps Combat Development Command, each Marine Expeditionary Brigade was designated 1,200 JLTVs, each Marine Expeditionary Unit was designated

200 JLTVs, and the remainder were reserved for Maritime Prepositioning Force and supporting establishments. Additionally, the officials stated that the quantity requirement of 5,500 vehicles was based on the reduction of forces and reduced ground combat tactical vehicle fleet of 17,860 vehicles.

Criteria

The following United States Code, DoD Instructions, and USD (AT&L) Better Buying Power Memorandums contain requirements for assessing the affordability of acquisition programs:

- Section 2366b, title 10, United States Code, requires that the MDA receives concurrence from Office of the Secretary of Defense (OSD), Cost Assessment and Program Evaluation (CAPE) that a reasonable cost estimate was developed prior to approving a major defense acquisition program to enter the EMD phase.
- DoD Instruction 5000.02, "Operation of the Defense Acquisition System," December 8, 2008¹, required a program to have an affordability analysis prior to entry into the EMD phase for all acquisition programs. The Defense Acquisition Guidebook, which is designed to complement the principles and procedures described in DoD Instruction 5000.02, states that the affordability analysis includes an examination of all programs and portfolios, extending over enough years to reveal the life-cycle costs and inventory implications of the longest programs for the Component. DoD Instruction 5000.02 also required OSD CAPE to develop an Independent Cost Estimate (ICE) for all ACAT ID programs prior to entering the EMD and P&D phases of the acquisition process. To strengthen and improve transparency in cost estimation, subsequent to the release of this instruction, the Office of the Secretary of Defense issued a memorandum on March 12, 2009, requiring Services to develop a cost estimate for all ACAT ID programs prior to entering the EMD and P&D phases of the acquisition process.
- Interim DoD Instruction 5000.02, November 25, 2013, reissues and cancels DoD Instruction 5000.02, December 8, 2008. This interim instruction provides additional guidance on how to conduct affordability analyses. Specifically, it requires DoD Components to develop life-cycle affordability constraints for procurement unit cost and sustainment cost by conducting

¹ This DoD Instruction was effective at the time the Army and Marine Corps conducted their affordability analysis in 2012.

portfolio affordability analyses prior to entry into the EMD and P&D phases of the acquisition process. The affordability analysis should contain program life-cycle funding projections and supporting analysis over the next 30-40 years to reveal the life-cycle costs and inventory implications of the program on the Component. The analysis should be subdivided into portfolios to facilitate tradeoff analysis.

- The USD (AT&L) memorandum, “Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending,” November 3, 2010, requires the program office to conduct a tradeoff analysis to demonstrate how cost varied in relation to design and schedule changes. This memorandum also states that the MDA should establish an average procurement and average annual operation and support (O&S) cost limit that would be the equivalent of a primary system requirement for the program.
- USD (AT&L) memorandum, “Should-cost and Affordability,” August 24, 2011, provides additional guidance on cost limits and states that any future cost increases above the established limits requires the MDA and the user to review and remove requirements to stay within the cost limits, or determine whether the program must be terminated.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. Army and Marine Corps internal controls over JLTV program affordability were effective as they applied to the audit objective; we identified no internal control weaknesses. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army and the Marine Corps.

Finding

Army and Marine Corps Program Officials Appropriately Assessed the Affordability of the Joint Light Tactical Vehicle Program

Army and Marine Corps officials appropriately assessed the affordability of the JLTV program in accordance with DoD policies and procedures prior to the program entering the EMD phase. Specifically:

- JLTV JPO officials conducted a tradeoff analysis in 2011 that demonstrated how the JLTV average procurement cost varied in relation to vehicle design and schedule changes. The analysis identified possible tradeoffs that reduced the JLTV's average procurement cost from \$475,000 to \$399,000 per vehicle.
- Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE), Naval Center for Cost Analysis, and JLTV JPO officials used an established cost-estimating method and the actual JLTV costs to develop a joint cost estimate for the JLTV program at the start of the EMD phase.
- Deputy Chief of Staff of the Army, G-8, Program Analysis and Evaluation (PA&E) and Marine Corps, Programs and Resources (P&R) officials performed an affordability analysis on the JLTV program in July 2012.

(FOUO) [REDACTED]

We are not making recommendations in this report. However, in preparation for the program to enter the P&D phase of the acquisition process, scheduled for July 2015, the Army and Marine Corps officials are responsible for continuing to ensure that the JLTV program remains affordable. Specifically:

- Army G-8 and Marine Corps, P&R officials are responsible for updating the JLTV affordability analysis to include life-cycle funding projections for the next 30 to 40 years to determine the life-cycle costs and inventory implications of the JLTV program on the Army and Marine Corps operations;
- JLTV JPO officials are responsible for ensuring JLTV costs do not exceed the estimated JLTV average procurement and annual O&S costs limits; and
- JLTV JPO officials are responsible for updating these cost estimates at entry into the P&D phase.

Tradeoff Analysis

The Vice Chief of Staff of the Army and the Assistant Secretary of the Army, Acquisition, Logistics, and Technology requested the JLTV JPO to perform a tradeoff analysis in late 2011 to attempt to lower the JLTV's average procurement cost. JLTV JPO officials conducted a tradeoff analysis that demonstrated how the JLTV average procurement cost would vary in relation to vehicle design and schedule changes. According to JLTV JPO officials, the analysis identified possible tradeoffs that helped reduce the JLTV's average procurement cost from \$475,000 to \$399,000 per vehicle. The average procurement cost for the JLTV system includes the vehicle manufacturing costs, add-on armor kits, and program management and is calculated by dividing the total estimated procurement costs for the JLTV by the total number of vehicles to be purchased. This analysis also shows how the system could be made less expensive without loss of important capabilities.

The JLTV JPO studied the costs of the Mine Resistant Ambush Protected All-Terrain Vehicle, HMMWV, and JLTV prototype costs to determine high cost vehicle components, their potential tradeoffs, and the impact on JLTV requirements. JLTV JPO officials developed a list of potential tradeoffs and provided them to the users to see which options were acceptable. JLTV JPO officials explained that the tradeoff analysis only recommended trades for noncritical features of the JLTV. No tradeoffs were made for primary requirements described in the capability development document. The tradeoff analysis indicated that vehicle manufacturing costs could be reduced for the JLTV program, ultimately allowing for the average procurement cost to be reduced from \$475,000 to \$399,000 per vehicle. JLTV JPO officials also stated that they provided the suggested tradeoffs to the three EMD contractors as options that could potentially reduce the average procurement unit cost. The contractors were not

required to make any of the trades listed in the analysis. However, JLTV JPO officials stated that the source selection criteria for the JLTV production contract (to be awarded prior to entering into the P&D phase in July 2015) will include the contractor's ability to produce an affordable vehicle while meeting the JLTV requirements.

Cost Estimates

~~(FOUO)~~ DASA-CE, Naval Center for Cost Analysis, and JLTV JPO officials used an established cost-estimating method² and actual JLTV costs to develop a joint cost estimate. OSD CAPE also developed an ICE for the JLTV program. OSD CAPE concurred with the use of the joint cost estimate as the official cost position for the JLTV program at entry into the EMD phase. In addition, the JLTV program's total estimated costs have [REDACTED]

Joint Cost Position

Army and Marine Corps officials developed a joint cost estimate called the joint cost position (JCP) for the JLTV program. JLTV JPO officials stated that the Army and Marine Corps established a cost review working group, including officials from DASA-CE, Naval Center for Cost Analysis, and JLTV JPO. The cost review working group used actual JLTV prototype cost data obtained from JLTV technology development phase³ as the starting point to help develop estimates for RDT&E and vehicle procurement costs. JLTV JPO officials explained that the cost review working group first compared the proposed EMD contractor designs to the actual prototypes developed during the technology development phase. The officials then compared the cost data of the proposed vehicle with the cost data of a similar prototype developed during the technology development phase. The JCP showed that the total estimated JLTV acquisition costs were \$54.509 billion with an estimated average procurement cost of \$399,000 per vehicle. JLTV JPO officials explained that the Assistant Secretary of the Army, Financial Management and Comptroller reviewed and approved the JCP and the MDA provided final approval. The MDA approved the JCP as the official cost estimate for the JLTV program with his decision to approve the JLTV to enter the EMD phase in August 2012.

² The cost-estimating method is a mathematical formula that was used to estimate future costs of the JLTV.

³ According to Interim DoD Instruction 5000.02, November 25, 2013, the purpose of the technology development phase is to reduce risk, mature technologies, and demonstrate manufacturing feasibility on prototypes.

Independent Cost Estimate

(FOUO) OSD CAPE officials used historical cost data from the [REDACTED] [REDACTED] to help develop an ICE for the JLTV program prior to entering the EMD phase in August 2012. [REDACTED]

[REDACTED] According to an OSD CAPE official, he used an established cost-estimating method to account for differences between the [REDACTED]

The ICE showed that the [REDACTED]

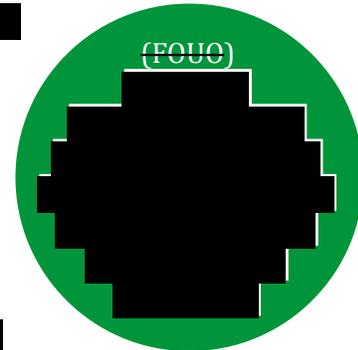
Difference Between the Joint Cost Position and Independent Cost Estimate

(FOUO) [REDACTED]

[REDACTED] According to an OSD CAPE official, the main difference between the JCP total estimated acquisition costs of \$54.509 billion and the ICE [REDACTED] was the different inflation rates used to develop the estimates. [REDACTED]

[REDACTED] in accordance with Office of Management and Budget Circular A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis," October 29, 1992. Circular A-94 recommended that the deflator rate be used for the inflation rate when preparing budget estimates. The deflator rate measures the change in prices of goods that are newly produced over the course of a specific time period and is used to account for inflation. [REDACTED]

[REDACTED] According to an OSD CAPE official, the JCP and ICE total acquisition cost estimates were within 2 percent of each other when the different inflation rates were removed. The OSD CAPE official stated that they considered a difference of less than 5 percent to be a good estimate, especially for a program where costs were being estimated over a 30-year period.



Estimated Costs Decreased

(FOUO) [Redacted]

[Redacted] The change in the cost estimates was a result of:

- incorporating actual cost data as it became available;
- decreased personnel costs;
- changes in procurement schedules of vehicles and kits; and
- an updated EMD development test schedule.

According to JLTV JPO officials, these changes were minor cost-estimating changes that generally occurred in many programs and did not affect primary vehicle requirements or quantity requirements. See the Table below for a [Redacted]

(FOUO) [Redacted]

| [Redacted] | [Redacted] | [Redacted] | [Redacted] |
|------------|------------|------------|------------|
| [Redacted] | [Redacted] | [Redacted] | [Redacted] |
| [Redacted] | [Redacted] | [Redacted] | [Redacted] |
| [Redacted] | [Redacted] | [Redacted] | [Redacted] |
| [Redacted] | [Redacted] | [Redacted] | [Redacted] |
| [Redacted] | [Redacted] | [Redacted] | [Redacted] |

NOTE: [Redacted]

(FOUO)

Affordability Analysis

Army G-8, PA&E and Marine Corps, P&R officials performed an affordability analysis on the JLTV program in July 2012. The Defense Acquisition Guidebook states that affordability analysis is a process for the Component leadership to set priorities and determine what it can afford for each acquisition. The Guidebook states that Components subdivide their accounts⁴ into portfolios, and when summed, the total cost for all portfolios cannot be above the Component’s future total budget projection for that account. The Guidebook further states that the affordability analysis examines all programs and portfolios together, extending over enough years to reveal the life-cycle cost and inventory implications of the longest program for the Component.

⁴ The Services used funding-based accounts to build the budget and track programs through budget analysis and execution.

Army Affordability Analysis

Army G-8, PA&E officials stated they reviewed the Army's portion of the JLTV JCP and compared it to the Army's requested future funding levels for FY 2014 through FY 2018. Army G-8, PA&E officials reviewed the future funding levels for the Army's equipping account that included the transportation portfolio to determine whether the JLTV program was affordable. The transportation portfolio included the JLTV program. Army G-8, PA&E officials determined that the Army's portion of the JLTV JCP was less than the future funding levels for the transportation portfolio. Army G-8, PA&E officials stated that, if necessary, Army officials could adjust future funding between transportation portfolio priorities to ensure the JLTV program remains funded to the requirement established in the JLTV JCP because the JLTV was the Army's number one acquisition priority in the transportation portfolio.



JLTV was the Army's number one acquisition priority in the transportation portfolio.

Additionally, Army G-8, PA&E officials provided the MDA with Army investment plan funding bar charts to support the affordability of the JLTV program, prior to the approval decision to enter the EMD phase. They explained that the charts were divided into different portfolios which make up the Army's equipping account, including transportation, soldier, air and missile defense, mission command, and aviation portfolios. All portfolios were combined to show the total future funding amount needed through FY 2030. The charts supported that the total future funding amount needed for the collective portfolios was less than the future anticipated funding amounts through FY 2030; therefore, the Army determined the JLTV program was affordable.

Marine Corps Affordability Analysis

~~(FOUO)~~ Marine Corps, P&R officials reviewed the Marine Corps' portion of the JLTV JCP and compared it to the Marine Corps' future funding levels for FY 2013 through FY 2017. [REDACTED]

[REDACTED]

(FOUO) [REDACTED]
[REDACTED] Marine Corps, P&R officials determined that [REDACTED]
[REDACTED]
[REDACTED]

(FOUO) Additionally, Marine Corps, P&R officials provided the MDA [REDACTED]
[REDACTED]
[REDACTED]. The charts divided [REDACTED]
[REDACTED]
[REDACTED] The charts showed that the [REDACTED]
[REDACTED]
[REDACTED] therefore, the Marine Corps determined the JLTV program was affordable. Marine Corps, P&R officials stated that prior to entering the P&D phase, [REDACTED]
[REDACTED].

Affordability Limits

(FOUO) The MDA established an average procurement cost limit of [REDACTED]
[REDACTED] and an average annual O&S cost limit of [REDACTED]. USD (AT&L) memorandum, "Should-cost and Affordability," August 24, 2011, provides guidance on the cost limits. The memorandum stated that any future cost increases above the established limits requires the MDA and the user to review and determine what requirements can be removed to stay within the affordability requirement or whether the program must be terminated. As of July 2014, the estimated JLTV average procurement and annual O&S costs have remained at or below the established limits, with the average procurement cost of [REDACTED] and the average annual O&S cost of [REDACTED].

As of July 2014, the estimated JLTV average procurement and annual O&S costs have remained at or below the established limits.

Procurement Cost Limit

(FOUO) At entry into the EMD phase, the average procurement cost limit of [REDACTED] was calculated by dividing the total procurement JCP cost by the total number of vehicles to be procured. See the equation below:

$$(FOUO) \frac{[REDACTED]}{[REDACTED]}$$

O&S Cost Limit

(FOUO) At entry into the EMD phase, the average annual O&S cost limit of [REDACTED] was calculated by dividing the total O&S JCP cost by the total operational vehicle years. Total operational vehicle years were determined by multiplying the total number of vehicles to be procured by its estimated economic useful life of 20 years. See the equation below.

$$(FOUO) \frac{[REDACTED]}{[REDACTED]}$$

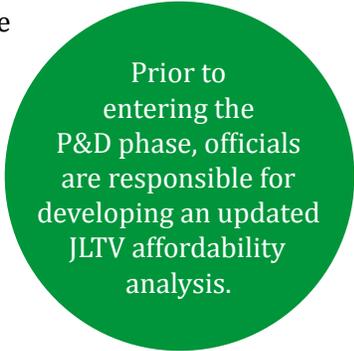
Maintaining Vehicle Affordability

Army and Marine Corps officials are responsible for continuing to ensure that the JLTV program remains affordable as directed by DoD policies and procedures. DoD has a history of starting acquisition programs that prove to be unaffordable, resulting in costly program cancellations and reductions in inventory objectives. The purpose of conducting an affordability analysis is to avoid starting or continuing programs that cannot be produced and supported within reasonable expectations for future budget. Affordability analysis and cost limits are tools to promote responsible and sustainable investment decisions by examining the possible long-range implications of today's capability requirements choices and investment decisions. These decisions are based on reasonable projections of future force structure equipment needs before substantial resources are committed to a program. Therefore, Army and Marine Corps officials should perform the affordability analysis for entry into the P&D phase, as required by the interim DoD Instruction 5000.02. The affordability analysis should take into account the potential effects of the Budget Control Act and the possible reductions in the Army and Marine Corps force structure. In addition, Army and Marine Corps officials should continue to monitor JLTV costs to ensure they do not exceed the procurement and O&S limits.



Future Affordability Analysis

Prior to entering the P&D phase, Army G-8, PA&E and Marine Corps, P&R officials are responsible for developing an updated JLTV affordability analysis. The affordability analysis should contain program life-cycle funding projections and supporting analysis over the next 30-40 years to reveal the life-cycle costs and inventory implications of the JLTV program on the Army and Marine Corps. The analysis should be subdivided into portfolios to facilitate tradeoff analysis.



Prior to entering the P&D phase, officials are responsible for developing an updated JLTV affordability analysis.

Future Cost Estimates and Limits

JLTV JPO officials are responsible for continuing to monitor JLTV cost estimates to ensure they do not exceed the JLTV average procurement and annual O&S costs affordability limits. If the estimated procurement and O&S costs exceed the established limits, the JLTV program would be at risk of having capability requirements removed, the program may be delayed, or the program may be terminated. As a result, the Army and Marine Corps could be without a needed replacement for the HMMWV and not able to fill the mobility, transportability, and protection capability gap of their light tactical vehicle fleets.

Appendix A

Scope and Methodology

We conducted this performance audit from March 2014 through September 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Review of Documentation and Interviews

We collected, reviewed, and analyzed documents dated from October 1992 through July 2014. We reviewed JLTV program documentation to determine whether JLTV JPO officials appropriately assessed affordability of the JLTV program. We reviewed acquisition documents related to the JLTV affordability assessment, cost estimates, and requirements documents. We also reviewed the JLTV system engineering tradeoff analysis and cost documentation.

We conducted a site visit to the JLTV JPO from May 12, 2014 through May 15, 2014. In addition, we interviewed officials from:

- OSD CAPE;
- Assistant Secretary of the Army, Acquisition, Logistics, and Technology;
- DASA-CE;
- Deputy Chief of Staff of the Army, G-3/5/7;
- Deputy Chief of Staff of the Army, G-8;
- Combined Arms Support Command;
- Headquarters Marine Corps, P&R;
- Marine Corps Systems Command; and
- Marine Corps Combat Development Command.

We also reviewed the following DoD and Federal guidelines.

- Section 2366b, title 10, United States Code, “Major Defense Acquisition Programs: Certification Required Before Milestone B or Key Decision Point B Approval;”
- DoD Instruction 5000.02, “Operation of the Defense Acquisition System,” December 8, 2008;
- Interim DoD Instruction 5000.02, “Operation of the Defense Acquisition System,” November 25, 2013;
- DoD 5000.4-M, “Cost Analysis Guidance and Procedures,” December 11, 1992;
- Defense Acquisition Guidebook;
- USD (AT&L) Memorandum, “Implementation Directive for Better Buying Power - Obtaining Greater Efficiency and Productivity in Defense Spending,” November 3, 2010; and
- USD (AT&L) Memorandum, “Implementation Directive for Better Buying Power 2.0 – Achieving Greater Efficiency and Productivity in Defense Spending,” April 24, 2013;

Use of Computer-Processed Data

We used computer-processed data from the Defense Acquisition Management Information Retrieval System, an online acquisition data source and repository, to obtain data about the JLTV program, including program cost and schedule information. To assess the accuracy of the data from the Defense Acquisition Management Information Retrieval System, we verified the data with the information obtained from the JLTV JPO. Based on our verification, we concluded that the data obtained through the Defense Acquisition Management Information Retrieval System was sufficiently reliable to accomplish our audit objective.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) issued three reports discussing the affordability of the tactical wheeled vehicle fleet. Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

GAO

GAO-12-859, "U.S. Tactical Wheeled Vehicle Manufacturers Face Period of Uncertainty as DoD Purchases Decline and Foreign Sales Potential Remains Unknown," September 13, 2012

GAO-12-181T, "Future Ground-Based Vehicles and Network Initiatives Face Development and Funding Challenges," October 26, 2011

GAO-11-83, "Issues to Be Considered as DoD Modernizes Its Fleet of Tactical Wheeled Vehicles," November 5, 2010

Appendix B

Key Organizations Responsible for the JLTV Program

| Organization | Roles |
|---|--|
| Under Secretary of Defense, Acquisition, Technology, and Logistics | The milestone decision authority for the JLTV program. |
| Office of the Secretary of Defense, Cost Assessment and Program Evaluation | Responsible for developing the JLTV independent cost estimate. |
| Assistant Secretary of the Army, Financial Management and Comptroller | Provide financial information to enable Army leaders to incorporate cost considerations into their decision-making. Reviewed and approved the joint cost position before sending to the milestone decision authority for final approval. |
| The Deputy Assistant Secretary of the Army for Cost and Economics | Responsible for developing the Army's component cost estimate which is reconciled with the program office estimate to determine the joint cost position. |
| Assistant Secretary of the Army for Acquisition, Logistics, and Technology | Army's Acquisition Executive for the JLTV program |
| Army G-3/5/7, Capabilities Integration | Jointly developed the Army's JLTV requirement with Combined Arms Support Command and validated the requirement. |
| Army G-8, Program Analysis and Evaluation | Responsible for the milestone B and milestone C affordability analyses. |
| Combined Arms Support Command | Jointly developed the Army's JLTV quantity requirement with Army G-3/5/7. |
| Naval Center for Cost Analysis | Responsible for developing the Marine Corps' cost estimates which was reconciled with the Army's cost estimate to determine the joint cost position at the start of the EMD phase. |
| Headquarters Marine Corps, Programs and Resources | Jointly developed the quantity requirement of the JLTV vehicle for the Marine Corps and analyzed the affordability of the JLTV program. |
| Marine Corps Combat Development Command | Jointly developed the quantity requirement of the JLTV vehicle for the Marine Corps. |
| Marine Corps Systems Command | Officials make up the Marine Corps' portion of the JLTV Joint Program Office. |
| JLTV Joint Program Office | Manages day to day operations of the program. Responsible for the program office estimate. |

Acronyms and Abbreviations

| | |
|-----------------------|--|
| ACAT | Acquisition Category |
| DASA-CE | Deputy Assistant Secretary of the Army for Cost And Economics |
| EMD | Engineering and Manufacturing Development |
| HMMWV | High Mobility Multi-purpose Wheeled Vehicle |
| ICE | Independent Cost Estimate |
| JCP | Joint Cost Position |
| JLTV | Joint Light Tactical Vehicle |
| JPO | Joint Program Office |
| MDA | Milestone Decision Authority |
| O&S | Operation and Support |
| OSD CAPE | Office of the Secretary of Defense, Cost Assessment and Program Evaluation |
| P&D | Production and Deployment |
| P&R | Marine Corps, Programs and Resources |
| PA&E | Program Analysis and Evaluation |
| RDT&E | Research, Development, Test, and Evaluation |
| USD (AT&L) | Under Secretary of Defense for Acquisition, Technology, and Logistics |

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