Report No. DODIG-2016-128

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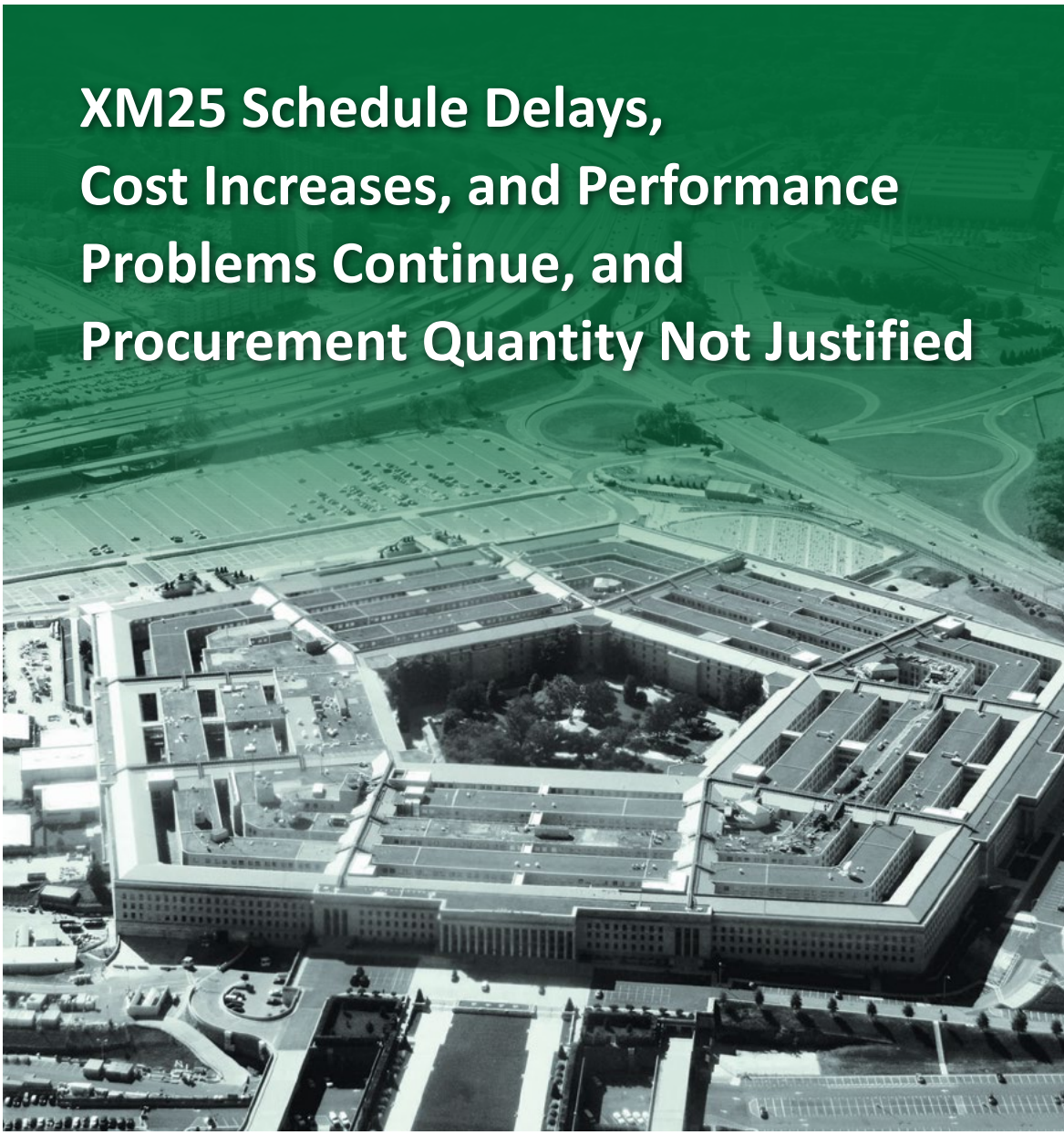
INSPECTOR GENERAL

U.S. Department of Defense

AUGUST 29, 2016

XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified



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Results in Brief

XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified

August 29, 2016

Objective

This is a follow-on audit to DoD IG Report No. DODIG-2014-048, "XM25 Program Management for the Initial Production Decision Needs Improvement," March 21, 2014. We determined the impact of schedule delays on the initial production decision for the XM25 weapon system program from March 2014 to June 2016. Additionally, we determined whether the Army appropriately assessed the affordability of the XM25 program and implemented Better Buying Power initiatives. The XM25 is a semiautomatic, shoulder-fired weapon system that fires 25mm high-explosive, air-bursting ammunition to allow soldiers to fire at hidden enemy targets.

Findings

Army officials could have managed the schedule, affordability, and quantity requirements of the XM25 program more effectively. The initial production decision for the XM25 has continued to be delayed since we issued our last report on the XM25 in March 2014. Specifically, Army officials removed procurement funding from the XM25 budget, which extended the engineering and manufacturing development phase by 2 years. Additionally, Army officials contributed to the initial production decision delay by placing a hold on the XM25 capability production document.

Findings (cont'd)

These conditions occurred because:

- the XM25 malfunctioned in 2013; and
- Army officials did not perform Government testing in 2013.

~~(FOUO)~~ When Army officials did perform testing in 2014, [redacted] Therefore, the capability production document remained on hold to allow for additional testing, which further delayed the initial production decision.

(~~FOUO~~) As a result of the weapon malfunction and [redacted] Army officials extended the development effort and XM25 research, development, test, and evaluation costs have increased from [redacted] between February 2013 and March 2016—a [redacted] increase.

In addition, Army G-8 officials have not developed, and the milestone decision authority has not approved, binding affordability constraints, in accordance with DoD guidance, because the program has not had a milestone decision since December 2010. Approved binding affordability constraints would require Army officials to manage the program within reasonable cost constraints.

(~~FOUO~~) Further, Army officials did not justify the XM25 basis of issue plan and corresponding XM25 procurement quantity. This occurred because Army officials did not conduct and maintain complete and verifiable analyses for determining the necessary XM25 procurement quantity. As a result, the Army has no assurance that the estimated procurement quantity of [redacted] systems, at an estimated cost of [redacted], is valid.

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Results in Brief

XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified

Recommendations

We recommend that the Assistant Secretary of the Army, Acquisition, Logistics, and Technology, determine whether to proceed with or cancel the XM25 program after reviewing the results of the 2016 Governmental testing, and review and approve the binding affordability constraints developed by Army G-8 officials for the XM25 program within 30 days of the issuance of this report. We recommend that the Commanding General, U.S. Army Maneuver Center of Excellence, perform and document comprehensive analyses with factual and verifiable data to determine the necessary procurement quantities of the XM25 weapon.

Management Comments and Our Response

The Deputy for Acquisition and System Management, responding for the Assistant Secretary of the Army, Acquisition, Logistics, and Technology, agreed with two recommendations, but his comments did not address the specifics of the recommendations to cancel the program if the weapon system does not meet its primary and secondary performance requirements or the timeframe for establishing affordability caps. The Deputy disagreed with the recommendation to develop policies for the retention of supporting documentation for basis of issue plans developed during the acquisition process. The Deputy stated that the Deputy Chief of Staff of the Army, G-3/5/7, is responsible for force development and documentation guidance and that Army guidance would be changed. We request additional comments to the recommendations related to any changes to guidance.

Management Comments (cont'd)

Comments from the Deputy Director of Force Management, responding for the Deputy Chief of Staff of the Army, G-3/5/7, did not address the specifics of the recommendation to retain in Army guidance the requirement to maintain supporting documentation for basis of issue plans developed during the acquisition process. We request the Deputy Chief of Staff of the Army, G-3/5/7, provide a plan of action with milestones for retaining documentation that supports the basis of issue plans.

Comments from the Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, addressed the recommendations to conduct an affordability analysis and develop binding affordability constraints for the XM25 program; however, additional comments are required to address when the recommendations will be implemented.

Comments from the Deputy to the Commanding General, responding for the Commanding General, U.S. Army Maneuver Center of Excellence, did not address the specifics of the recommendation to determine the necessary procurement quantities of the XM25 weapon system prior to the XM25 full-rate production decision in FY 2019. We request additional comments for this recommendation.

We request all additional comments by September 29, 2016. Please see the Recommendations Table on the following page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Assistant Secretary of the Army (Acquisition, Logistics, and Technology)	A.1.a, A.1.b, B.1	
Vice Chief of Staff, Army, Chair, Army Requirements Oversight Council	A.2	
Deputy Chief of Staff of the Army, G-8	A.3.a, A.3.b	B.3
Commanding General, U.S. Army Maneuver Center of Excellence	B.4	
Deputy Chief of Staff of the Army, G-3/5/7	B.2	B.3

Please provide Management Comments by September 29, 2016.

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

August 29, 2016

MEMORANDUM FOR THE AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified (Report No. DODIG-2016-128)

We are providing this report for review and comment. The XM25 program initial production decision has continued to be delayed since we issued our last report on the XM25 in March 2014, and Army officials did not justify the XM25 basis of issue plan and corresponding procurement quantity. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. The Assistant Secretary of the Army, (Acquisition, Logistics, and Technology) partially addressed the specifics of Recommendations A.1.a, A.1.b and did not address the specifics of B.1. The Deputy Chief of Staff of the Army, G-3/5/7, addressed the specifics of Recommendation B.3, but did not address the specifics of Recommendations B.2. The Deputy Chief of Staff of the Army, G-8, addressed the specifics of Recommendations A.3.a, A.3.b, and B.3 and also addressed the specifics of Recommendations A.2; however, additional comments are required on Recommendation A.2, A.3.a, and A.3.b. The Commanding General, U.S. Army Maneuver Center of Excellence did not address the specifics of Recommendation B.4. We request additional comments to the final report on Recommendations A.1.a, A.1.b, A.2, A.3.a, A.3.b, B.1, B.2, and B.4 by September 29, 2016.

Please send a PDF file containing your comments to asm@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9031 (DSN 664-9031).

Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Sustainment Management

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Introduction

Objective

This is a follow-on audit to DoD IG Report No. DODIG-2014-048.[1] We determined the impact of schedule delays on the initial production decision for the XM25 program from March 2014 to June 2016. Additionally, we determined whether the Army appropriately assessed the affordability of the XM25 program and implemented Better Buying Power initiatives. See Appendix A for scope, methodology, and prior audit coverage.

DoD IG Report 2014-048

(~~FOUO~~) In DODIG-2014-048, we found that [redacted]

Furthermore, PM IW officials conducted forward operational assessments on the XM25 in Afghanistan in 2011, 2012, and 2013, during which the system suffered three malfunctions, resulting in minor operator injuries. A forward operational assessment is conducted in an operational environment to determine the effectiveness and suitability of prototypes. The weapon malfunctions occurred because PM IW officials did not provide adequate training to soldiers prior to releasing the XM25 for use during the three forward operational assessments.

[1] Report No. DODIG 2014-048, "XM25 Program Management for the Initial Production Decision Needs Improvement," March 21, 2014.

[2] Army officials include PM IW, Army G-3/5/7, and Army G-8.

(~~FOUO~~) As a result, we concluded in DODIG-2014-048 that [redacted] The Army reclassified the XM25 program as an ACAT II program based on our recommendation in DODIG-2014-048. See Appendix B for more information on DODIG-2014-048.

Background

XM25 Weapon System

The XM25 is a semiautomatic, shoulder-fired weapon system that fires 25mm high-explosive, air-bursting ammunition to allow soldiers to fire at hidden enemy targets.[3] The XM25 consists of three integrated components: a target acquisition/ fire control system, 25mm weapon, and 25mm air-bursting ammunition. The target acquisition/fire control system allows soldiers to identify a target, determine the distance to the target, and fire at the target by programming the ammunition round to explode above or near the target covering the area with fragmentation. The ammunition in development includes target practice and high-explosive air-bursting rounds. See Figure 1 for the XM25 weapon system and the air-bursting ammunition.

(~~FOUO~~) Figure 1. XM25 Weapon System and Air Bursting Ammunition

(~~FOUO~~)

[redacted]

(~~FOUO~~)

Source: U.S. Army

[3] Hidden refers to the enemy seeking cover in trenches; behind walls, rocks, and rubble; or in buildings.

Acquisition of the XM25

(~~FOUO~~) The XM25 is an ACAT II program that entered the engineering and manufacturing development (EMD) phase of the DoD acquisition life-cycle in December 2010. DoD guidance[4] describes an ACAT II program as a major system with estimated RDT&E costs of more than $185 million or total estimated procurement costs of more than $835 million. The milestone decision authority (MDA) for Army ACAT II programs is the Army Acquisition Executive or its designee. As of March 2016, Army officials plan to procure [redacted], at a total estimated life-cycle cost of [redacted],[5] including:

- (~~FOUO~~)[redacted] in RDT&E costs;
- (~~FOUO~~) [redacted] in procurement costs; and
- (~~FOUO~~) [redacted] in operation and support costs.

See Table 1 for major XM25 program events and Table 2 for key organizations responsible for the XM25 program.

Table 1. Major XM25 Program Events

Program Event	Date
Entered Technology Development Phase	May 2008
Entered Engineering and Manufacturing Development Phase	December 2010
Capability Development Document Approved	January 2011
Estimated Initial Production Decision	1st Quarter FY 2017
Estimated Full Rate Production Decision	3rd Quarter FY 2019

Table 2. Key Organizations Responsible for the XM25 Program

Agencies	Responsibilities for the XM25 Program
Assistant Secretary of the Army, Acquisition, Logistics, and Technology	Milestone Decision Authority
Army Deputy Chief of Staff, G-3/5/7	Validates requirements for the program and approves requirements documents.
Army Deputy Chief of Staff, G-8	Determines the funding resources for the program and approves requirements documents.
Army Test and Evaluation Command	Independent tester and evaluator for the program, responsible for the program's test plan.
U.S. Army Maneuver Center of Excellence	Provides requirements recommendations to Army G-3/5/7 and prepares requirements documents for approval.
Product Manager Individual Weapons	Product manager for the program, responsible for day-to-day program management.

[4] DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015.

[5] The cost estimate was obtained from the Draft XM25 Acquisition Program Baseline, dated March 2016, and calculated in 2015 dollars.

Evolution of the XM25 Weapon System

The XM25 weapon system evolved from the Objective Individual Combat Weapon program, which began in February 2000. In 2005, the Objective Individual Combat Weapon program was canceled, though the development of the XM25 continued.

The Army's Small Arms Capabilities Based Assessment, dated April 2, 2008, identified a capability gap in which warfighters at the squad level lacked the ability to precisely and quickly engage hidden enemy personnel targets up to 500 meters away. Army officials developed the XM25 as the materiel solution to that gap. A materiel solution is a development, acquisition, procurement, or fielding of a new item to correct a deficiency or satisfy a capability gap.

In May 2008, the Program Executive Office Soldier, the MDA at the time,[6] authorized the XM25 program to enter the Technology Development phase of the acquisition process and to continue to develop the XM25 technical capabilities. The XM25 program became a formal acquisition program following the decision to enter the EMD phase in December 2010. In January 2011, the Deputy Chief of Staff, Army, G-3/5/7, approved the XM25 capability development document, which specifies the system's primary and secondary performance requirements. See Appendix C for an XM25 program timeline.

Better Buying Power Initiatives on Affordability

In November 2010, the Under Secretary of Defense for Acquisition, Technology, and Logistics, issued a memorandum implementing Better Buying Power Initiatives.[7] Specifically, the memorandum contained an initiative on affordability and controlling cost growth. The affordability initiatives included establishing an affordability requirement for acquisition and operating and support costs, which would be treated similarly to a primary performance requirement.

DoD incorporated the Better Buying Power Initiatives into DoD guidance.[8] The guidance requires an affordability analysis and binding affordability constraints at the decision to enter the EMD phase and all phases beyond in the DoD acquisition life-cycle. Additionally, DoD guidance directed the Army Acquisition Executive to issue Army-specific guidance on conducting an affordability analysis and the development of affordability constraints for ACAT II and III programs.

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[6] The XM25 program was originally classified as an ACAT III program. In response to a recommendation in DODIG-2014-048, it was reclassified as an ACAT II program in February 2015 and the Army Acquisition Executive retained the MDA.

[7] Implementation Directive for Better Buying Power - Obtaining Greater Efficiency and Productivity in Defense Spending, November 3, 2010.

[8] DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015.

The Army Acquisition Executive issued interim acquisition guidance[9] on establishing affordability constraints for ACAT II and III programs in June 2015. The interim policy required Army G-8 officials to perform an affordability analysis and develop binding affordability constraints for MDA approval as a program enters a new phase in the acquisition process. Once the Army establishes affordability constraints for an acquisition program, the program manager must manage the program within the approved constraints. The MDA will enforce affordability constraints throughout the life of the program. If a program manager concludes that a program will exceed an affordability constraint, despite efforts to control costs and reduce requirements, the program manager will notify the MDA to request assistance and resolution. If the program manger determines that a program cannot meet approved affordability constraints, even with aggressive cost control, the program manager must revise technical requirements, schedule, and required quantities. When a program still cannot meet constraints after undergoing revisions, and the Army cannot afford to raise the program's affordability constraints and obtain MDA approval, the program will be canceled. Because the XM25 has not had a milestone decision since the EMD decision in 2010, program officials have not implemented the 2015 guidance. According to Army G-8 officials, they will develop an updated affordability analysis to support the XM25 initial production decision, scheduled for first quarter FY 2017. At that time, Army G-8 officials will also develop binding affordability constraints.

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. We identified internal control weaknesses with the Army's determination of XM25 procurement quantities. Specifically, Army officials did not conduct and maintain complete and verifiable analyses for determining the necessary XM25 procurement quantity. We will provide a copy of this report to the senior official responsible for internal controls in the Department of the Army.

[9] Interim Acquisition Policy for the Management of Acquisition Programs in Accordance with Established Affordability Constraints, June 19, 2015.

Finding A

XM25 Schedule Delays Continue, and Affordability Constraints Not Developed or Approved

The initial production decision for the XM25 has continued to be delayed since we issued our last report on the XM25 in March 2014. Specifically, Army G-3/5/7 and Army G-8 officials removed FY 2015 and FY 2016 XM25 procurement funding from the President's Budget, which extended engineering and manufacturing development by 2 years. Additionally, Army G-3/5/7 officials contributed to the initial production decision delay by placing a hold on the XM25 capability production document. These conditions occurred because:

- the XM25 malfunctioned during a forward operational assessment in 2013; and
- Army officials did not perform Government testing in 2013.

(~~FOUO~~) When Army officials did perform Government testing in 2014, [redacted] Therefore, the capability production document remained on hold to allow for additional testing, which further delayed the initial production decision.

(~~FOUO~~) As a result of the weapon malfunction and the [redacted] Army officials extended the development effort and XM25 RDT&E costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase.

In addition, Army G-8 officials have not developed, and the MDA has not approved, binding affordability constraints, in accordance with DoD guidance,[10] because the program has not had a milestone decision since December 2010. Approved binding affordability constraints would require PM IW officials to manage the program within reasonable cost constraints.

[10] DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015.

Continued Initial Production Decision Delays

The initial production decision for the XM25 has continued to be delayed since we issued our last report on the XM25 in March 2014. Specifically, Army G-3/5/7 and Army G-8 officials removed FY 2015 and FY 2016 XM25 procurement funding from the President's Budget, which extended the EMD phase by 2 years. Additionally, Army G-3/5/7 officials contributed to the initial production decision delay by placing a hold on the XM25 capability production document.

Engineering and Manufacturing Development Phase Extended 2 Years

Army G-3/5/7 and G-8 officials removed XM25 procurement funding from the FY 2015 President's Budget and instead provided an additional 2 years of RDT&E funds, which extended the EMD phase by 2 years to further develop and test the XM25. The 2-year extension of the EMD phase allowed PM IW officials to perform the following before the planned estimated initial production decision in the first quarter FY 2017:

- Upgrade the XM25 target acquisition/fire control.
- Conduct Government testing in FY 2014 and FY 2016.
- Conduct contractor testing in FY 2015 and FY 2016.

Army G-3/5/7 Held the Capability Production Document

In February 2014, the Director, Capabilities Integration, Prioritization, and Analysis, Army, G-3/5/7, issued a memorandum placing the capability production document on hold until FY 2014 Government test results were briefed to Army G-3/5/7 officials. The capability production document specifies primary and secondary performance requirements and provides the information necessary to support the production, testing, and deployment of a weapon system. The document is submitted to the Joint Capabilities Integration and Development System process for staffing and approval prior to beginning the initial production phase.

(~~FOUO~~) Army Test and Evaluation Command officials reported that during the FY 2014 Government testing, [redacted] Army Test and Evaluation Command officials briefed the test results to the MDA for the XM25 program in January 2015. Based on those test results, Army G-3/5/7 officials recommended that the capability production document remain on hold into late FY 2015, when contractor test results were available to determine if the XM25 could meet the performance requirements.

~~(FOUO)~~ In September 2015, PM IW officials provided an update to Army G-3/5/7 officials regarding the results of FY 2015 contractor testing. Contractor test results indicated that the XM25 demonstrated improved performance when compared to FY 2014 Government test results; however, the XM25 [redacted] According to Army G-3/5/7 officials, the briefing satisfied the conditions in the February 2014 memorandum placing the program on hold, because contractor test results demonstrated that the weapon's performance had improved. As of June 2016, the capability production document is in the Army's capability requirement document staffing system.

The XM25 has experienced a total initial production decision delay of 5 years, from first quarter FY 2012 to planned first quarter FY 2017. However, the XM25 program cannot proceed to an initial production decision until Army Requirements Oversight Council officials approve the capability production document. PM IW officials stated that an approved XM25 capability production document is critical to the program's progress, meaning that every day Army Requirements Oversight Council officials do not approve the capability production document, the initial production decision is delayed. Therefore, if the FY 2016 Government testing demonstrates the XM25 has met performance requirements, Army Requirements Oversight Council officials should approve the XM25 capability production document to support a first quarter FY 2017 initial production decision. Table 3 illustrates total program delays.

Table 3. Total Program Delays

Milestone Decision	Original Estimate	Approved or Estimated Date	Delay
Engineering and Manufacturing Development Phase	4th quarter FY 2009	1st quarter FY 2011	1½ years
Initial Production Decision	1st quarter FY 2012	1st quarter FY 2017	5 years

2013 Weapon Malfunction Contributed to Schedule Delays

The XM25 weapon malfunction, during a forward operational assessment in February 2013, contributed to the initial production decision delay. Army G-3/5/7 officials stated that the malfunction demonstrated that the XM25 weapon needed additional development and was not ready for an initial production decision. PM IW officials redesigned the weapon and ammunition to correct the cause of the malfunctions. According to PM IW officials, the XM25 has not had any similar malfunctions since the changes were incorporated into the weapon and ammunition.

XM25 Government Testing

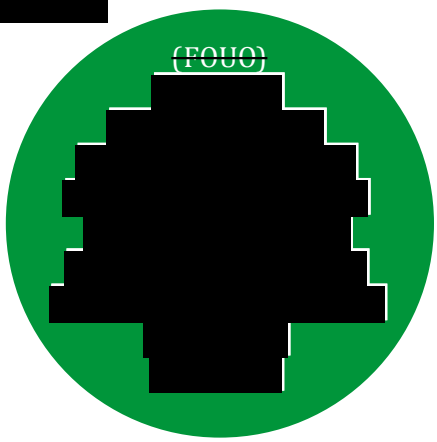
~~(FOUO)~~ Army officials did not perform Government testing on the weapon in 2013. In 2014, when Government testing did occur, [redacted]

2013 Testing Delayed

Government testing was scheduled to take place the first and second quarters of FY 2013. However, the XM25 weapon malfunction required weapon design changes. As a result, Government testing was delayed until FY 2014. According to the December 2010 acquisition decision memorandum, the XM25 MDA required acceptable Government test results prior to the program moving into the production and deployment phase. The purpose of the production and deployment phase is to produce and field a capability to operational units. The production and deployment phase includes initial and full-rate production.

~~(FOUO)~~ XM25 Has Not [redacted]

~~(FOUO)~~ Army Test and Evaluation Command officials conducted the FY 2014 Government testing from March to September 2014 [redacted] Specifically, Army Test and Evaluation Command officials fired:



- ~~(FOUO)~~ [redacted] rounds each from five XM25 weapons at ranges of 100 meters, 300 meters, and 500 meters to test system effectiveness. At ranges of 100 meters and 300 meters, [redacted] However, at 500 meters, [redacted].
- ~~(FOUO)~~ [redacted] According to Army Test and Evaluation Command officials, a failure to fire occurs when a soldier pulls the trigger and the weapon does not operate as intended. [redacted]

The XM25 contractor conducted additional testing from January to July 2015. The primary objective was to test the new configuration of the target acquisition/fire control system and assess its performance, endurance, and safety. The secondary objectives were to evaluate the design changes implemented to address problems observed during FY 2014 Government testing. Specifically, to improve system effectiveness at 500 meters, PM IW officials and the XM25 contractor worked to improve the weapon's overall accuracy by modifying the weapon and ammunition. According to PM IW officials, the changes helped to improve system accuracy; however, additional refinement and testing is required to further assess the changes. To improve weapon reliability, PM IW officials implemented weapon design modifications. According to PM IW officials, the modifications decreased weapon misfires.

The XM25 contractor conducted more testing from first to third quarter FY 2016. According to PM IW officials, the additional contractor testing continued to test the weapon and design changes to address problems observed during FY 2014 Government testing. PM IW officials also stated preliminary results show that system effectiveness performance remained the same while weapon reliability improved. The FY 2016 Government testing is scheduled to begin in June 2016 and end in November 2016. According to PM IW officials, the additional Government testing will demonstrate whether the weapon can meet both its primary and secondary performance requirements.

XM25 RDT&E Cost Increases

(~~FOUO~~) As a result of the weapon malfunction and the [redacted], Army officials extended the development effort and XM25 RDT&E costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase. Further, the XM25 program has been in the EMD phase of the DoD acquisition life-cycle since December 2010 and has been unable to proceed with the production and fielding of a necessary capability.

(~~FOUO~~) XM25 RDT&E costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase.

No Affordability Constraints

Army G-8 officials have not developed, and the XM25 MDA has not approved, binding affordability constraints, in accordance with DoD guidance,[11] because the program has not had a milestone decision since December 2010. DoD guidance requires an affordability analysis and binding affordability constraints at the decision to enter the EMD phase and all phases beyond in the DoD acquisition life-cycle.

(~~FOUO~~) Approved binding affordability constraints would require PM IW officials to manage the program within reasonable cost constraints and implement cost-reduction actions when a constraint is exceeded. The XM25 program's total estimated life-cycle costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase. Additionally, the XM25 has experienced a total initial production decision delay of 5 years, from first quarter FY 2012 to planned first quarter FY 2017. Therefore, Army G-8 officials should conduct an affordability analysis for the XM25 program and develop binding affordability constraints. The XM25 MDA should approve those constraints within 30 days of the issuance of this report.

(~~FOUO~~) XM25 program's total estimated life-cycle costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase.

Systemic XM25 Problems

(~~FOUO~~) The XM25 program continues to experience schedule delays, cost increases, and performance problems since the program entered the EMD phase in December 2010. Specifically, the XM25 program has experienced a total initial production decision delay of 5 years, from first quarter FY 2012 to planned first quarter FY 2017. Total estimated life-cycle costs have increased from [redacted] to [redacted] between February 2013 and March 2016—a [redacted] increase. Additionally, as of June 2016, the XM25 has [redacted] As a result of continued schedule delays, cost increases, and performance problems, the XM25 MDA should determine whether to cancel the program or immediately schedule an initial production decision if the FY 2016 Government test results demonstrate that the XM25 can meet its primary and secondary performance requirements. If the MDA cancels the XM25 program, [redacted] in funds can be put to better use. See Appendix D for details on how potential monetary benefits were calculated.

[11] DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015.

Management Comments on the Finding and Our Response

Assistant Secretary of the Army Acquisition, Logistics, and Technology Comments on the Engineering and Development Phase 2-Year Extension

The Deputy for Acquisition and System Management (DASM), responding for the ASA(ALT), recommended deleting the word "agreed" from the "Engineering and Manufacturing Development Phase Extended 2 Years" section, page 7, because it implied that the Project Management Office agreed or requested the different type of funds and that was not the case. Specifically, the DASM wanted the sentence to read, Army G-3/5/7 and Army G-8 officials removed XM25 procurement funding from the Fiscal Year 2015 President's Budget and instead provided an additional 2 years of RDT&E funds, which extended the EMD phase by 2 years to further develop and test the XM25.

Our Response

We deleted the word "agreed" and revised the sentence to read as the DASM recommended.

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments on the Research, Development, Test, and Evaluation Funding Timeframe

(~~FOUO~~) The DASM, responding for the ASA(ALT), agreed with the report finding that the program experienced a [redacted] cost growth in RDT&E due to various reasons. However, the DASM stated that it is important to convey that the growth occurred over a 6-year period (2010-2016), which includes the 3-year period (December 2010 to August 2013) established in the previous audit report (discussed on page 1 of this report) rather than a 3-year period (2013-2016) indicated on page 6 and 10 of this report.

Our Response

(~~FOUO~~) Our report states that the RDT&E cost growth of [redacted] occurred from February 2013 through March 2016. PM IW officials provided the audit team the February 2013 Acquisition Program Baseline and draft March 2016 Acquisition Program Baseline. In May 2016, PM IW officials converted program costs to FY 2015 dollars. To calculate the RDT&E costs, the audit team added the forward operational assessment costs from the draft March 2016 Acquisition Program Baseline [redacted] to the RDT&E costs in the February 2013 Acquisition Program Baseline [redacted] for a total of [redacted] as recommended by

(~~FOUO~~) PM IW officials.[12] The 2016 Acquisition Program Baseline included RDT&E costs of [redacted]. The difference is [redacted] or [redacted] rounded. Therefore, the [redacted] growth covers the period from February 2013 through March 2016. Additionally, in the report Background, we state that the RDT&E program cost estimate [redacted]

Deputy Chief of Staff of the Army, G-8, Comments on Potential Monetary Benefits

(~~FOUO~~) The Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, stated that the maximum potential monetary benefit will be much less than the [redacted] stated in the report. The Director stated that the current programmed amount in the President's Budget for FY17 procurement funding is [redacted] instead of [redacted]. The Director also stated that operation and support costs will be less than the [redacted] stated in the report.

Our Response

(~~FOUO~~) While the current programmed procurement amount is [redacted], as stated by Army G-8 officials, and the potential monetary benefit could be less than [redacted],[13] the potential monetary benefit section of the report identifies the maximum amount of funds that could be put to better use if the XM25 program was canceled. The audit team's cost projections of [redacted] in procurement and [redacted] in operation and support costs represent the costs for the remaining projected life of the program.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend that the Assistant Secretary of the Army, Acquisition, Logistics, and Technology:

a. Determine whether to proceed with the XM25 program and the initial production decision after Government testing is completed in the fall of 2016. Specifically, if the test results show that the XM25 meets all of its primary and secondary performance requirements, the milestone

[12] Forward operational assessment costs were not included in the FY 2013 acquisition program baseline because PM IW added those costs to the draft March 2016 acquisition program baseline in response to recommendations in DoD IG Report No. DODIG-2014-048. Please see Appendix B, Recommendation A.2, for the recommendation and ASA(ALT) response.

[13] We used the Draft Acquisition Program Baseline, dated March 1, 2016 to calculate potential monetary benefits.

decision authority should immediately schedule an initial production decision. If the test results show that the weapon does not meet all of its primary and secondary requirements, the program should be canceled.

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments

The DASM, responding for the ASA(ALT), agreed, stating that the Army Acquisition Executive, with the Chief of Staff of the Army, continues to support the completion of pre-production qualification testing which should lead to an initial production decision. When the testing is completed, the MDA will review test results and determine whether to proceed into initial production.

Our Response

Although the DASM agreed with the recommendation, the response did not address whether the ASA(ALT) will cancel the program if the XM25 does not meet all of its primary and secondary requirements. Therefore, we request that ASA(ALT) provide additional comments on its action plan to terminate a program that continues to have schedule delays, cost increases, and performance problems unless there are quantifiable program improvements.

b. Review and approve the binding affordability constraints developed by Army G-8 officials for the XM25 programs in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015, within 30 days of the issuance of this report.

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments

The DASM, responding for the ASA(ALT), agreed, stating that consistent with guidance in DoD Instruction 5000.02, the MDA will establish and enforce affordability constraints based on Army G-8 officials' affordability analysis and recommendations. The affordability constraints will be documented in the initial production (Milestone C) Acquisition Decision Memorandum.

Our Response

(~~FOUO~~) Although the DASM agreed with the recommendation, the DASM did not address the specifics of the recommendation. The DASM stated that the milestone decision authority will establish and enforce affordability constraints when an initial production decision is made. However, the ASA(ALT) will make the initial production decision after the pre-production qualification testing, which

(~~FOUO~~) is scheduled for completion in November 2016. The XM25 program increased [redacted] in total estimated life cycle costs from February 2013 through March 2016, with a total initial production decision delay of 5 years. Therefore, it is important that the ASA(ALT) determine the affordability of the XM25 program before an initial production decision. Additionally, Army G-8 officials stated that affordability constraints should be completed by August 5, 2016. Therefore, we request that the ASA(ALT) provide additional comments on whether they have approved the binding affordability constraints developed by Army G-8 officials.

Recommendation A.2

We recommend that the Vice Chief of Staff, Army, Chair, Army Requirements Oversight Council, approve the XM25 capability production document to support a first quarter FY 2017 initial production decision.

Deputy Chief of Staff of the Army, G-8, Comments

The Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, agreed, stating that the Army has begun the Army Requirements Oversight Council process and that the Army Requirements Oversight Council is scheduled to brief the Chief of Staff of the Army on August 5, 2016. On August 11, 2016, Army G-8 officials stated that the Army Requirements Oversight Council briefing to the Chief of Staff of the Army has been rescheduled for August 19, 2016.

Our Response

The Director addressed the specifics of the recommendation. However, we request that the Vice Chief of Staff, Army, Chair, Army Requirements Oversight Council, provide additional comments on the outcome of the briefing to the Chief of Staff of the Army on August 19, 2016.

Recommendation A.3

We recommend that the Deputy Chief of Staff of the Army, G-8:

a. **Conduct an affordability analysis for the XM25 program within 30 days of the issuance of this report, in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015.**

Deputy Chief of Staff of the Army, G-8, Comments

The Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, partially agreed, stating that the affordability analysis for the XM25

has been initiated and is intended to be finished before the August 5, 2016, Army Requirements Oversight Council briefing to the Chief of Staff of the Army. On August 11, 2016, Army G-8 officials stated that the Army Requirements Oversight Council briefing to the Chief of Staff of the Army has been rescheduled for August 19, 2016.

Our Response

Although the Director partially agreed, the comments addressed the intent of the recommendation. However, we request the Deputy Chief of Staff of the Army, G-8, provide the results of the affordability analysis.

b. Develop binding affordability constraints for the XM25 program within 30 days of the issuance of this report, in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015.

Deputy Chief of Staff of the Army, G-8, Comments

The Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, agreed, stating that the affordability cap for the XM25 will be published after the completion of the affordability analysis, which is intended to be completed before August 5, 2016.

Our Response

The Director addressed the specifics of the recommendation. However, we request the Deputy Chief of Staff of the Army, G-8, provide additional comments on whether the affordability constraints have been finalized and provided to ASA(ALT) for approval.

Finding B

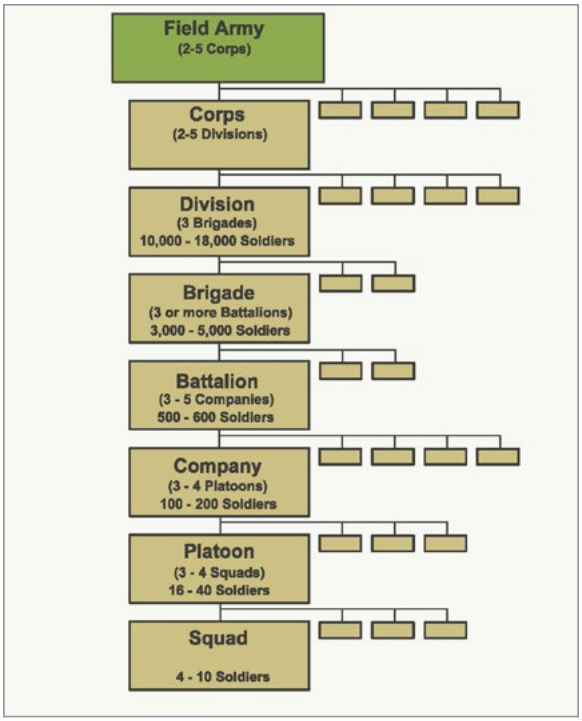
XM25 Quantity Not Justified

(~~FOUO~~) U.S. Army Maneuver Center of Excellence (MCOE) officials did not justify the XM25 basis of issue plan and corresponding XM25 procurement quantity. This occurred because MCOE officials did not conduct and maintain complete and verifiable analyses for determining the necessary XM25 procurement quantity. As a result, the Army has no assurance that the estimated procurement quantity of [redacted], at an estimated average unit cost of [redacted] per weapon, and an estimated total cost of [redacted], is valid.

XM25 Basis of Issue Plan and Procurement Quantity

(~~FOUO~~) MCOE officials did not justify the XM25 basis of issue plan and corresponding XM25 procurement quantity of [redacted]. A basis of issue plan is a document that describes the planned placement of quantities of new equipment within the Army's force structure. The basis of issue plan describes the equipment's capabilities and where the equipment is needed within the Army's operational unit structure. See Figure 2 for the Army's operational unit structure.

Figure 2. Army Operational Unit Diagram



Source: U.S. Army

(~~FOUO~~) The Organizational Requirements Document Approval Board (Requirements Approval Board)[14] approved the XM25 basis of issue plan and corresponding procurement quantity of [redacted] on March 21, 2012. MCOE officials stated that they develop basis of issue recommendations and submit the recommendations for staffing to the Army's Requirements Approval Board. Army guidance[15] requires the Requirements Approval Board to review and approve all new or amended basis of issue plans. According to MCOE officials, Army officials calculated the XM25 procurement quantity by applying the approved basis of issue plan to the Army force structure. See Table 4 for the March 2012 Requirements Approval Board's approved XM25 basis of issue plan supporting the procurement quantity of [redacted]

(~~FOUO~~) Table 4. March 2012 Requirements Approval Board Approved Basis of Issue Plan

(~~FOUO~~) Army Organization	XM25 Basis of Issue
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted] (~~FOUO~~)

On July 19, 2013, the Commanding General, MCOE, issued a memorandum detailing his concerns and recommendations regarding the XM25 program. The General's concerns included the unproven lethality of the XM25 system, the weight of the system, and the risks of limiting soldiers' capabilities when carrying the XM25 system. Specifically, the Commanding General was concerned that a soldier would have to turn in his or her rifle to carry the XM25. The Commanding General stated that without a rifle:

- the soldier is unable to perform required tasks in many squad battle drills;
- the XM25 basic load of 36 rounds is depleted quickly in a direct-fire engagement; and
- the soldier has a reduced capacity to engage targets at close range.

(~~FOUO~~) The Commanding General recommended changing the basis of issue plan from [redacted]. MCOE officials stated that implementing the General's recommendation would have reduced the

[14] The Requirements Approval Board members include the Assistant Secretary of the Army (Acquisition, Logistics, and Technology); Chief Information Officer, G-6; Deputy Chief of Staff, G-1; Deputy Chief of Staff, G-3/5/7; Deputy Chief of Staff, G-4; Deputy Chief of Staff, G-8; U.S. Army, Training and Doctrine Command; and Deputy Commander, U.S. Army Force Management Support Agency.

[15] Army Regulation 71-32, "Force Development and Documentation," July 1, 2013.

(~~FOUO~~) estimated XM25 procurement quantity to approximately [redacted]. Army G-8 officials stated that this reduction would have increased the average unit cost of the XM25 to an unaffordable amount. As a result of the Commanding General's recommendation to lower the basis of issue plan and procurement quantity to [redacted], PM IW officials stated that they visited and briefed the other seven Army Centers of Excellence[16] on the XM25 program and its capabilities. MCOE officials stated that PM IW officials conducted these briefings to expand the fielding of the XM25 program to Army-wide and to increase the XM25 procurement quantities.

(~~FOUO~~) On July 9, 2015, the Director, Army Capability Integration Center, issued a memorandum as a result of PM IW officials briefing the other seven Army Centers of Excellence. The memorandum recommended a change to the basis of issue plan, which resulted in an increased XM25 procurement quantity to [redacted] Army G-8 officials provided comments to the proposed change to the basis of issue plan, stating that the resulting procurement quantity of [redacted] was unaffordable. Specifically, Army G-8 officials stated that including the [redacted] in the basis of issue plan significantly increased the XM25 procurement quantity, driving up the cost of the program and making it unaffordable. Army G-8 officials recommended that MCOE officials remove the [redacted] from the basis of issue plan. MCOE officials stated they updated and resubmitted the basis of issue plan for Requirements Approval Board staffing in December 2015, based on Army G-8 officials' comments. As of June 2016, the basis of issue plan is still in Requirements Approval Board staffing.[17] See Table 5 for the proposed basis of issue plan in Requirements Approval Board staffing as of June 2016.

(~~FOUO~~) Table 5. Proposed Basis of Issue Plan in Requirements Approval Board Staffing, as of June 2016

(~~FOUO~~) Army Organization	XM25 Basis of Issue
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
	(~~FOUO~~)

[16] The eight Army Centers of Excellence are Mission Command, Maneuver, Fires, Aviation, Cyber, Intelligence, Maneuver Support, and Sustainment.

[17] (~~FOUO~~) If the basis of issue plan is approved, the XM25 estimated procurement quantity would be [redacted]. MCOE officials stated that the XM25 procurement quantity could increase or decrease after staffing is completed based on Army force structure changes.

Procurement Quantity Not Supported by Required Analysis

MCOE officials did not conduct and maintain complete and verifiable analyses for determining the necessary XM25 procurement quantity. Specifically, MCOE officials could not provide the underlying support for their XM25 basis of issue plan recommendations. Army guidance[18] requires that Office of the Assistant Secretary of the Army, Acquisition, Logistics, and Technology (ASA[ALT]) officials establish policies for the retention of supporting documentation for a basis of issue plan developed during the acquisition process, including the identification of the data source and the rationale for selection.

ASA(ALT) officials stated Army G-3/5/7 officials are revising the Army guidance, which requires retention of basis of issue plan supporting documentation. ASA(ALT) officials explained they requested Army G-3/5/7 officials remove that section of the guidance because ASA(ALT) officials believed that supporting documentation used to generate the basis of issue plan comes from previously approved acquisition documentation. Specifically, ASA(ALT) officials stated that they believed the basis of issue plan supporting documentation is already included in the approved capability development document, the approved capability production document and cost-benefit analysis, the system training plan, the basis of issue guidance, and the operation mode summary and mission profile.

(~~FOUO~~) [redacted]

- (~~FOUO~~) [redacted]
- (~~FOUO~~) [redacted]
- (~~FOUO~~) [redacted]

(~~FOUO~~) [redacted]

[18] Army Regulation 71-32, "Force Development and Documentation," July 1, 2013.

(~~FOUO~~) [redacted] The approved capability development document, the system training plan, basis of issue guidance, and the operation mode summary and mission profile discuss different operational scenarios and uses of the XM25. These documents do not contain the underlying support for MCOE officials' XM25 basis of issue plan recommendations for the different Army squads, platoons, and companies, contrary to what ASA(ALT) officials believed. Therefore, Army G-3/5/7 officials should retain the section in the Army guidance requiring ASA(ALT) officials establish policies for the retention of basis of issue plan supporting documentation. Additionally, ASA(ALT) officials should develop policies for the retention of basis of issue plan supporting documentation.

(~~FOUO~~) MCOE officials stated that no formal documentation supporting the basis of issue plan recommendations exists. Specifically, MCOE officials stated that MCOE and U.S. Army Training and Doctrine Command personnel performed analysis in the 1980s for the Objective Individual Combat Weapon program supporting the basis of issue plan. Additionally, MCOE and U.S. Training and Doctrine Command officials worked together using modeling to determine how effective a squad would be with and without the weapon. Modeling can be used to illustrate different scenarios, such as [redacted] to see how much more effective the squad was with the weapon. MCOE officials also used Army professional judgement to determine what specific equipment each squad needed.

MCOE officials stated that no formal documentation supporting the basis of issue plan recommendations exists.

MCOE and Army G-3/5/7 officials provided briefing charts and an approval memorandum showing that the basis of issue plan and procurement quantity was staffed and approved by the Requirements Approval Board. However, the briefings did not contain underlying analyses and support for the XM25 basis of issue plan and planned procurement quantities.

Re-evaluating Future Procurement Quantity

(~~FOUO~~) The Army has no assurance that the estimated procurement quantity of [redacted], at an estimated cost of [redacted], is valid. Specifically, Army officials plan to purchase [redacted], at an estimated average unit cost of [redacted], without being able to justify the XM25 basis of issue plan and

(~~FOUO~~) procurement quantity. Quantity requirements are necessary factors to consider when planning a program, especially when considering affordability. DoD guidance[19] places strict constraints on affordability, including requiring affordability caps that are equivalent to key program requirements. Any quantity increase or decrease will significantly impact program cost, which could breach these caps and make the program unaffordable. Generally, any increase in quantity will cause an increase in the program's total life-cycle cost and a quantity decrease will result in an increased average procurement unit cost, both of which are affordability constraints. Therefore, MCOE officials should re-evaluate the XM25 basis of issue plan and procurement quantity prior to the full-rate production decision in FY 2019. Additionally, the Requirements Board Co-chairs should verify and validate the comprehensive analysis supporting the recommended XM25 basis of issue plan and corresponding procurement quantity, prior to approving the basis of issue plan.

Quantity requirements are necessary factors to consider when planning a program, especially when considering affordability.

Management Comments on the Finding and Our Response

Assistant Secretary of the Army, Acquisition, Logistics, and Technology, Comments on the XM25 Basis of Issue Plan and Procurement Quantity

The DASM, responding for the ASA(ALT), stated in this report, as indicated on page 19, that PM IW officials visited and briefed seven Army Centers of Excellence in addition to MCOE. However, the DASM stated that in addition to MCOE, the program office informed only three Centers of Excellence (Fires, Maneuver Support, and Sustainment) of the system and its capabilities.

Our Response

Army G-8, MCOE, and PM IW officials informed the audit team that PM IW officials visited and briefed the other seven Army Centers of Excellence. We revised the report to say that PM IW officials stated they visited the other Army Centers of Excellence.

[19] DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015.

Recommendations, Management Comments, and Our Response

Recommendation B.1

We recommend that the Assistant Secretary of the Army, Acquisition, Logistics, and Technology develop policies for the retention of supporting documentation for basis of issue plans developed during the acquisition process, including the identification of the data source and the rationale for selection, as required by Army Regulation 71-32, "Force Development and Documentation," July 1, 2013.

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments

The DASM, responding for the ASA(ALT), disagreed, stating that the component responsible for force development and documentation guidance, which includes the basis of issue plan and basis of issue plan feeder data process, is the Deputy Chief of Staff of the Army, G-3/5/7. The DASM stated that any guidance directing organizations to retain supporting documentation for this process should come from the Deputy Chief of Staff of the Army, G-3/5/7, and be articulated in its regulation that governs this activity. Therefore, the DASM recommended that we redirect this recommendation to the Deputy Chief of Staff of the Army, G-3/5/7.

DASM further stated that after reviewing the requirements in Army Regulation 71-32, and after discussions with Army G-3/5/7 officials and the Army Regulation 71-32 action officer, ASA(ALT) requested Army G-3/5/7 officials remove the requirement from the Army regulation.[20] The DASM stated that once the basis of issue plan is approved, the basis of issue feeder data has no value. The DASM stated that the supporting documentation used to generate the basis of issue feeder data comes from the approved requirements documents, with the cost benefit analysis, system training plan, basis of issue guidance, and operation summary and mission profile. The DASM stated those documents are retained by the program manager and the Army Capabilities Integration Center.

The DASM also stated that retention of supporting documentation from basis of issue plan development has no value in establishing procurement quantities. The ASA(ALT), with Army G-3/5/7 officials, is creating an automated feeder data module for the basis of issue plan in the Standard Study Number–Line Item Number Automated Management and Integrating System, which will capture organizations inputs, track coordination, and store approved basis of issue plan feeder data in the database. The planned implementation date for the system is first quarter FY 2017.

[20] AR 71-32, paragraph 2-4.f.

Our Response

The DASM did not address the specifics of the recommendation. The Deputy Chief of Staff of the Army, G-3/5/7, is the proponent for Army Regulation 71-32. Army Regulation 71-32, by order of the Secretary of the Army, describes the force development and documentation responsibilities for Headquarters, Department of the Army staff and support agencies. The Regulation states that ASA(ALT) should establish guidelines, guidance, and policies for various aspects of force development, including the retention of supporting documentation for the basis of issuance plan feeder data. Section 2-4 of the Regulation also contains nine other ASA(ALT) responsibilities regarding basis of issue plan and basis of issue plan feeder data.

Furthermore, while the requirements documents referenced by the DASM discuss the different operational scenarios and uses of the XM25, they do not contain the underlying support for the different Army squads, platoons, and companies. Without retaining supporting documentation for basis of issue plan recommendations, the Army cannot justify the March 2012 XM25 basis of issue plan.

(~~FOUO~~) Because Army officials did not justify the XM25 basis of issue plan, the Army has no assurance that the estimated procurement quantity of [redacted] is valid. Therefore, ASA(ALT) should develop policies for the retention of supporting documentation for basis of issuance plans developed during the acquisition process, as required by Army Regulation 71-32. Additionally, it is unclear whether the automated basis of issue plan feeder data system under development will include adequate organizational inputs and the underlying analysis and support for basis of issue plan feeder data.

We request the ASA(ALT) provide comments to the final report and clarify the regulation that it states "governs this activity" when the DASM refers to the Deputy Chief of Staff of the Army, G-3/5/7. Additionally, the ASA(ALT) should clarify the type of data that organizations will input into the new basis of issue plan feeder data module.

Recommendation B.2

We recommend that the Deputy Chief of Staff of the Army, G-3/5/7 retain the section in any future revision to Army Regulation 71-32, "Force Development and Documentation," which requires the Assistant Secretary of the Army, Acquisition, Logistics, and Technology to establish policies for the retention of supporting documentation for basis of issue plans developed during the acquisition process, including the identification of the data source and the rationale for selection.

Deputy Chief of Staff of the Army, G-3/5/7, Comments

The Deputy Director of Force Management, responding for the Deputy Chief of Staff of the Army, G-3/5/7, disagreed, stating that the supporting documentation for basis of issue plan development is included in the approved requirements document and supporting documents that include the cost benefit analysis, system training plan, basis of issue guidance, and operation mode summary and mission profile. The Deputy Director also stated supporting documents developed by the Training and Doctrine Command are maintained based on Training and Doctrine Command internal policies. The Deputy Director stated the basis of issue plan feeder data is maintained in the logistics information warehouse.

Our Response

Comments from the Deputy Director did not address the specifics of the recommendation. The Deputy Director's comments were similar to the DASM's regarding the basis of issue plan supporting documentation. However, as we explained in response to the DASM's comments, the approved requirements document and supporting documents discuss the different operational scenarios and uses of the XM25 but do not contain the underlying support for MCOE officials' XM25 basis of issue plan recommendations for the different Army squads, platoons, and companies. Additionally, those documents do not include the identification of the data source or the rationale for the data used to support the basis of issue plan.

Furthermore, MCOE officials stated that no formal documentation supporting the XM25 basis of issue plan exists. Therefore, Army G-3/5/7 officials should retain the section in Army Regulation 71-32 and require ASA(ALT) officials to establish policies for the retention of basis of issue plan supporting documentation. We request the Deputy Chief of Staff of the Army, G-3/5/7, provide milestones for implementing the requirement to retain documentation that supports the basis of issue plans.

Recommendation B.3

We recommend that the Army Organizational Requirements Document Approval Board Co-chairs, Deputy Chief of Staff of the Army, G-3/5/7, and Deputy Chief of Staff of the Army, G-8, verify and validate the comprehensive analysis supporting the recommended XM25 basis of issue plan and corresponding procurement quantity, prior to approving the basis of issue plan.

Deputy Chief of Staff of the Army, G-3/5/7, Comments

The Deputy Director of Force Management, responding for the Deputy Chief of Staff of the Army, G-3/5/7, agreed, stating that the Requirements Approval Board is no longer co-chaired by the Deputy Chief of Staff of the Army, G-3/5/7, and the Deputy Chief of Staff of the Army, G-8. The Requirements Approval Board is now chaired by the Director of Force Management.

The Deputy Director stated that an amendment for the XM25 basis of issue plan was recently reviewed by the Requirements Approval Board and removed from consideration pending a review by the Vice Chief of Staff of the Army during the Army Requirements Oversight Council briefing on August 5, 2016. The Deputy Director stated that a comprehensive analysis supporting the recommended XM25 basis of issue plan and corresponding procurement quantity, will be conducted to support the Vice Chief of Staff of the Army decision.

Our Response

The Deputy Director's comments addressed all specifics of the recommendation, and no further comments are required.

Deputy Chief of Staff of the Army, G-8, Comments

The Director, Force Development, responding for the Deputy Chief of Staff of the Army, G-8, agreed, stating that there are three ongoing actions addressing the report recommendations. The Director stated that Army G-8 officials are reviewing the XM25 basis of issue plan. Additionally, the Director stated the Army Requirements Oversight Council is scheduled to brief the Chief or Vice Chief of Staff of the Army on August 5, 2016. Further, the Director stated the affordability assessment that will provide the XM25 affordability cap is scheduled to be completed before the briefing on August 5, 2016. Lastly, the Director stated the Organizational Requirements Documentation Approval Board General Officer Steering Committee is scheduled to meet after the briefing on August 5, 2016. On August 11, 2016, Army G-8 officials stated that the Army Requirements Oversight Council briefing to the Chief of Staff of the Army has been rescheduled for August 19, 2016.

Our Response

The Director's comments addressed the specifics of the recommendation. However, we request the Deputy Chief of Staff of the Army, G-8, provide additional comments on the results of the affordability assessment and affordability cap after the Army Requirements Oversight Council briefing on August 19, 2016. We also request comments on the results of the Organizational Requirements Document Approval Board General Officer Steering Committee meeting.

Recommendation B.4

We recommend that the Commanding General, U.S. Army Maneuver Center of Excellence, perform and document comprehensive analyses to determine the necessary procurement quantities of the XM25 weapon system prior to the XM25 full-rate production decision in FY 2019. The analyses should include factual and verifiable data supporting the U.S. Army Maneuver Center of Excellence official's basis of issue plan recommendations.

U.S. Army Maneuver Center of Excellence Comments

The Deputy to the Commanding General, responding for the Commanding General, U.S. Army Maneuver Center of Excellence, agreed, stating that MCOE officials would ensure that in the future they keep better documentation on the basis of issue decisions on the XM25 and other programs, and why changes have occurred that affect the basis of issue. The Deputy stated that MCOE officials will not document changes in force structure that affect the quantity of items procured due to the frequency of force structure changes. However, the Deputy stated that MCOE officials will ensure the most current force structure is used when fielding begins.

Our Response

Comments from the Deputy did not address the specifics of the recommendation. While the Deputy stated MCOE officials would keep better documentation to support basis of issue decisions in the future, the Deputy did not state that MCOE officials would perform and document comprehensive analyses to determine the necessary XM25 procurement quantities prior to the full-rate production decision in FY 2019. We request the Commanding General, U.S. Army Maneuver Center of Excellence, provide additional comments on the final report.

Management Comments on Prior Coverage and Our Response

Assistant Secretary of the Army Acquisition, Logistics, and Technology Comments on the inclusion of DoD IG Report No. DODIG-2013-131

The DASM stated that DoD IG Report No. DODIG-2013-131 is not a prior report on the XM25 program. The DASM stated that the subject report relates to the Individual Carbine program, not the XM25 program.

Our Response

We included Report No. DODIG-2013-131 in the prior report coverage because the report discussed small arms program management and quantity validation. We discussed both small arms program management and quantity validation in this report.

Appendix A

Scope and Methodology

We conducted this performance audit from October 2015 through June 2016 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.

We collected, reviewed, and analyzed documents dated from August 2000 through June 2016. We reviewed and analyzed acquisition documents to determine the impact of schedule delays in the initial production decision since issuing DoD IG Report No. DODIG-2014-048 on March 21, 2014. Additionally, we interviewed Army officials and reviewed cost-estimating documentation to determine whether the Army appropriately assessed the affordability of the XM25 program and implemented Better Buying Power initiatives for the program. Furthermore, we reviewed DoD and Army policies and procedures regarding basis of issuance to determine whether the Army could support the XM25 procurement quantity.

We visited the XM25 program office located at Picatinny Arsenal, New Jersey, to determine how schedule delays have impacted the XM25 initial production decision.

In addition, we interviewed officials from:

- the office of the Assistant Secretary of the Army, Acquisition, Logistics, and Technology;
- the office of the Deputy Chief of Staff, Army, G-3/5/7;
- the office of the Deputy Chief of Staff, Army, G-8;
- the Army Test and Evaluation Command;
- the Army Armament Research, Development, and Engineering Center;
- the Army Maneuver Center of Excellence; and
- the Program Executive Office Soldier.

We also reviewed the following DoD and Federal guidelines:

- DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 15, 2015;
- Chairman of the Joint Chiefs of Staff Instruction 3170.01I, "Joint Capabilities Integration and Development System," January 2015;
- Army Regulation 71-32, "Force Development and Documentation," July 1, 2013; and
- Under Secretary of Defense, Acquisition, Technology, and Logistics memorandum, "Implementation Directive for Better Buying Power—Obtaining Greater Efficiency and Productivity in Defense Spending," November 3, 2010.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued three reports related to the XM25 program. Unrestricted GAO reports can be accessed at http://www.gao.gov. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm.

GAO

Report No. GAO-15-466, "Weapon System Acquisitions: Opportunities Exist to improve the Department of Defense's Portfolio Management," August 2015

DoD IG

Report No. DODIG-2014-048, "XM25 Program Management for the Initial Production Decision Needs Improvement," March 21, 2014

Report No. DODIG-2013-131, "Army Requirement to Acquire Individual Carbine Not Justified," September 16, 2013

Appendix B

Summary of Report DODIG-2014-048, "XM25 Program Management for the Initial Production Decision Needs Improvement"

The DoD OIG previously performed an audit on the management of the Army's development and acquisition of the XM25. The first audit determined whether the Project Manager for Soldier Weapons effectively managed and developed the XM25 Individual Semiautomatic Airburst System for the low-rate initial production decision. The first audit produced Report No. DODIG-2014-048, "XM25 Program Management for the Initial Production Decision Needs Improvement," dated March, 21, 2014. The report finding is discussed in the background of this report.

Report Recommendations and Management Comments

The report contained recommendations to the ASA(ALT), Program Executive Office Soldier, and the PM IW. ASA(ALT) officials responded for the Army and agreed to all of the recommendations. A summary of the recommendations and management comments follow.

DODIG-2014-048 Report Recommendation A.1

The report recommended that the Assistant Secretary of the Army, Acquisition, Logistics, and Technology:

a. ***(~~FOUO~~)*** [redacted]

b. ***Reclassify the XM25 program as an ACAT II program, and not delegate the milestone decision authority to the Program Executive Office to ensure it receives the appropriate level of oversight.***

Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments

Regarding Recommendation A.1.a, ASA(ALT) officials stated they will defer any decisions on program termination until at least 30 days after the XM25 pre-production qualification testing is completed in the fourth quarter FY 2014. In February 2015, the ASA(ALT) supported the continuation of the XM25 program after the results of the FY 2014 Government test results were briefed to her.

Regarding Recommendation A.1.b, ASA(ALT) officials acknowledged additional costs incurred by the program warranted a reclassification from ACAT III to ACAT II. Program Executive Office Soldier initiated notification to the Army Acquisition Executive in accordance with the Interim DoD Instruction 5000.02 and Army Regulation 70-1 to reclassify the XM25 program as an ACAT II program. In February 2015, the ASA(ALT) reclassified the XM25 as an ACAT II program and retained the MDA.

DODIG-2014-048 Report Recommendation A.2

The report recommended that the Program Executive Office Soldier direct PM IW officials to include the $29 million in RDT&E funds used to conduct forward operational assessment and $22.3 million in RDT&E funds spent on developing the XM25 under the Objective Individual Combat Weapon program, as part of the XM25 program cost estimate to ensure decision makers have accurate program costs to make informed decisions.

Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments

Regarding the Recommendation A.2, ASA(ALT) officials agreed to include the $29 million used to conduct forward operational assessments in the Acquisition Program Baseline for the initial production decision. Additionally, ASA(ALT) officials agreed to add a footnote to the next update of the Acquisition Program Baseline that explained the added amount of $22.3 million for weapon development under the Objective Individual Combat Weapon program.

DODIG-2014-048 Report Recommendation A.3

The report recommended that PM IW refrain from conducting another forward operational assessment until testing demonstrated that the cause of the weapon malfunction was corrected and a training plan has been tested and proven effective.

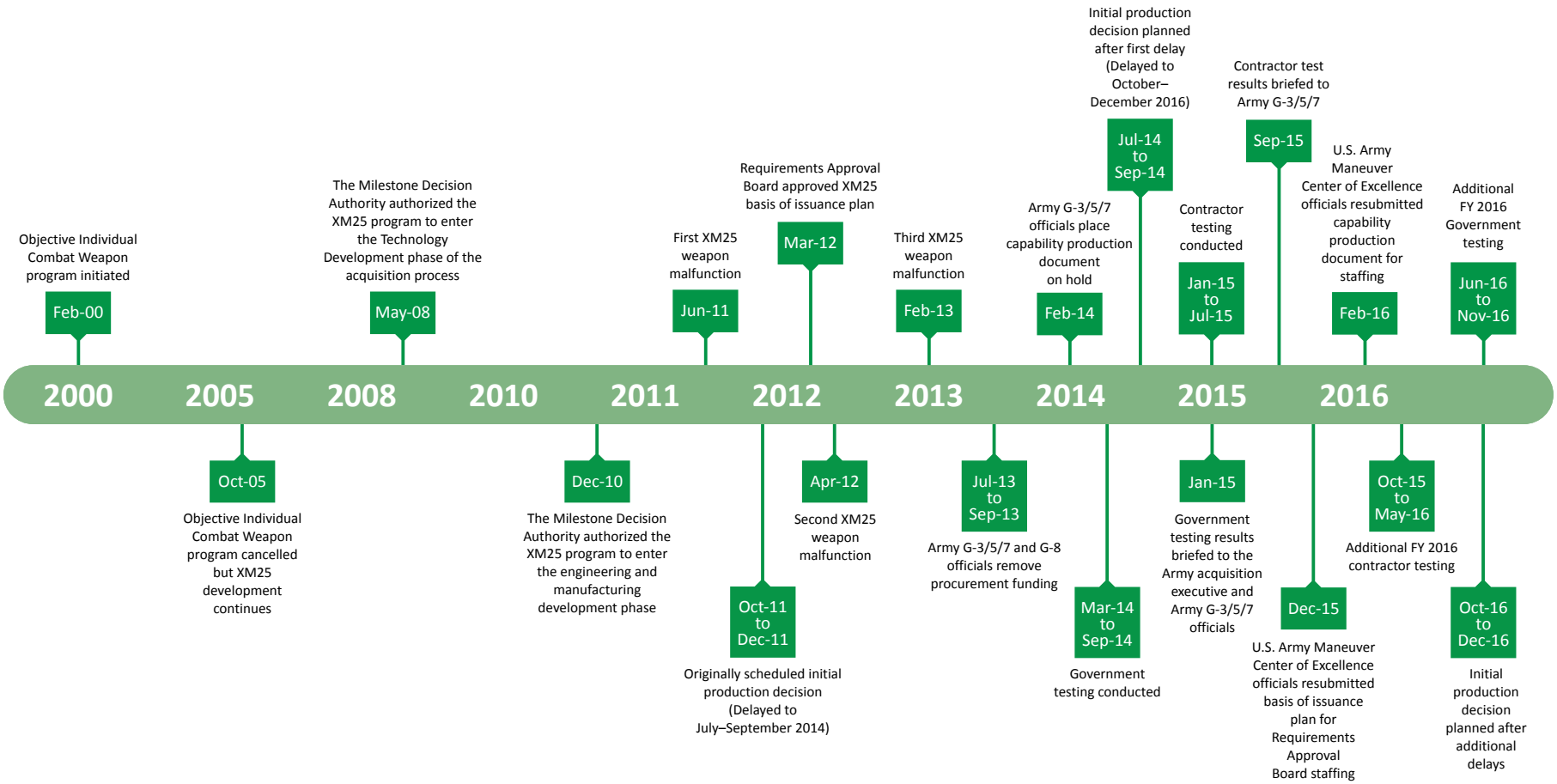
Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments

Regarding the Recommendation A.3, ASA(ALT) officials stated that the protection and safety of Soldiers is the top priority for the Army. The new equipment training and program of instruction for the XM25 was tested and verified by Soldiers prior to the forward operational assessment. Program Executive Office Soldier officials continuously evaluate and update new equipment training and program of instructions to ensure that lessoned learned are incorporated. The Program Executive Office Soldier directed PM IW to delay a follow-on forward operational assessment until testing demonstrated that the cause of the weapon malfunction was corrected and a training plan was tested and proven effective.

Appendix C

XM25 Program Significant Acquisition Events

Figure 3. XM25 Program Timeline



Appendix D

Summary of Potential Monetary Benefits

(~~FOUO~~) We calculated the potential monetary benefits using the Draft Acquisition Program Baseline, dated March 1, 2016, as shown in Table 6. The actual benefits achieved could range from zero to $[redacted] or more, depending on the extent of actions taken in response to the report recommendation to cancel the XM25 due to government test results that show that the XM25 [redacted]

(~~FOUO~~) Table 6. Potential Monetary Benefits Associated With Actions Taken in Response to the Recommendation for the XM25 Program

(~~FOUO~~) Recommendation	Type of Benefit	Amount of Benefit (Millions)	Appropriation
A.1.a	Funds Put to Better Use	$[redacted]	Procurement
A.1.a		$[redacted]	Operations and Support
Total		**$**[redacted]	(~~FOUO~~)

Management Comments

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON, DC 20310-0103

JUL 21 2016

SAAL-SMS

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350-3606

SUBJECT: Response to Department of Defense Office of the Inspector General Project No. D2016-D000AU-0004.00 Draft Report, "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified," 20 June 2016

1. References:

a. The Department of Defense Office of the Inspector General (DoDIG) Report Project No. D2016-D000AU-0004.000, dated 20 June 2016, subject: "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified."

2. This memorandum responds to the three recommendations for the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (OASA(ALT)) recommendations.

a. DoDIG Recommendation A.1.a.

(1) Recommendation: Determine whether to proceed with the XM25 program and the initial production decision after government testing is completed in fall 2016. Specifically, if the test results show that the XM25 meets all of its primary and secondary performance requirements, the Milestone Decision Authority (MDA) should immediately schedule an initial production decision. If the test results show that the weapon does not meet all of its primary and secondary requirements, the program should be canceled.

(2) Action Taken or Planned: Concur. The Army Acquisition Executive, in concert with the Chief of Staff of the Army, continues to support the completion of pre-production qualification testing (PPQT #2) leading to a Milestone (MS) C decision. At that time, the MDA will review test results and determine whether to proceed into initial production.

b. DoDIG Recommendation A.1.b.

(1) Recommendation: Review and approve the binding affordability constraints developed by Army Deputy Chief of Staff, G-8 officials for the XM25 programs in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated 7 January 2015, within 30 days of the issuance of this report.

(2) Action Taken or Planned: Concur. Consistent with guidance in DoD Instruction 5000.02, the MDA will set and enforce affordability constraints based on the Deputy Chief of Staff, G-8's affordability analysis and recommendations. These affordability constraints will be documented in the MS C Acquisition Decision Memorandum.

c. DoDIG Recommendation B.1.

(1) Recommendation. We recommend that the OASA(ALT) develop policies for the retention of supporting documentation for basis of issue plans developed during the acquisition

Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments (cont'd)

SAAL-SMS
SUBJECT: Response to Department of Defense Office of the Inspector General Project No. D2016-D000AU-0004.00 Draft Report, "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified," 20 June 2016

process, including the identification of the data source and the rationale for selection, as required by Army Regulation (AR) 71-32, "Force Development and Documentation," dated July 1, 2013.

(2) Action Taken or Planned: Non-concur. The OASA(ALT) disagrees with the DoDIG's proposed recommendation. The proponent for Force Development and Documentation guidance, which includes the Basis of Issue Plan (BOIP) and Basis of Issue Plan Feeder Data (BOIPFD) process, is the Army Deputy Chief of Staff, G-3/5/7. Any guidance directing organizations to retain supporting documentation for this process should come from the Army Deputy Chief of Staff, G-3-5-7 and be articulated in their regulation that governs this activity. Information retained should include the identification of data source, rationale for selection and time period to retain information. Recommend the DoDIG change recommendation B.1. to read: "The Deputy Chief of Staff G 3-5-7 develop policies for the retention of supporting documentation for basis of issue plan feeder data developed during the acquisition process, including the identification of the data source and rationale for selection."

(a) After a review of OASA(ALT) requirements articulated in AR 71-32 and discussions with the Deputy Chief of Staff, G-3 BOIP and AR 71-32 action officer, OASA(ALT) requested the Deputy Chief of Staff, G-3 remove para 2-4 F, establish policies for the retention of supporting documentation for BOIPFD developed during the acquisition process, including the identification of the data source.

(b) Rationale: Once the BOIP is established and approved, the BOIPFD has no value. Supporting documentation used to generate the BOIPFD comes from the approved requirements document, either a Capability Development Document or Capability Production Document, along with additional supporting documents consisting of Cost Benefit Analysis with worksheet, System Training Plan, Basis of Issue Guidance, and Operation Mode Summary/Mission Profile. These documents are maintained by the Program Manager and the Army Capabilities Integration Center, who is the gatekeeper for these documents. Therefore, there is nothing gained by establishing policy for organizations to maintain any supporting documentation. Additionally, the retention of supporting documentation from basis of issue plan development has no value in establishing procurement quantities.

(c) The OASA(ALT), in collaboration with the Deputy Chief of Staff, G-3/5/7, is building an automated BOIPFD module in Standard Study Number-Line Item Number Automated Management and Integrating System (SLAMIS) which will capture organizations inputs, track coordination and store approved BOIPFD on the SLAMIS database. The planned implementation date is in the first quarter of Fiscal Year 2017.

3. Additional Comments:

(a) Upon review of the draft report, please consider the following comments where information cited in the report appears to be inconsistent with the supporting documentation that was provided by the program office.

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Assistant Secretary of the Army, Acquisition, Logistics, and Technology Comments (cont'd)

(~~FOUO~~)

SAAL-SMS
SUBJECT: Response to Department of Defense Office of the Inspector General Project No. D2016-D000AU-0004.00 Draft Report, "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified," 20 June 2016

b. Recommend a change to the "Engineering and Manufacturing Development (EMD) Phase Extended Two Years," paragraph, page 7, to state: The Army Deputy Chief of Staff, G-3/5/7 and Deputy Chief of Staff, G-8 officials removed XM25 procurement funding from the Fiscal Year 2015 President's Budget and instead provided an additional two years of Research, Development, Test and Evaluation (RDT&E) funds, which extended the EMD phase by two years to further develop and test the XM25.

(1) Rationale: The use of the word "agreed" implies that the Project Management Office agreed or requested the removal of the procurement funding in lieu of RDT&E funding and the two year program delay.

b. While we concur with report finding that the program experienced a [redacted] cost growth in RDT&E due to various reasons, we believe it is important to convey that the growth occurred over a six-year period (2010-2016) which includes the three-year period (December 2010 to August 2013) established in the previous audit report (on page 1 of this report) rather than a three-year period (2013-2016) indicated on page 10.

c. The report indicates on page 15 that Product Manager Individual Weapons (PM IW) individuals visited and briefed seven Army Centers of Excellence (CoEs) in addition to the Maneuver Center of Excellence (MCoE). However, in addition to MCoE, the program office informed only three CoEs (Fires, Maneuver Support and Sustainment) of the system and its capabilities.

d. Reference to page 21 of the DoDIG Report No. DODIG-2013-131 as a prior audit report on the XM25 program is inaccurate. The subject report relates to the Individual Carbine program, not the XM25 program.

4. The point of contact is [redacted]

L. NEIL THURGOOD
Major General, U.S. Army
Deputy for Acquisition and
System Management

3

(~~FOUO~~)

Deputy Chief of Staff of the Army, G-3/5/7, Comments

DEPARTMENT OF THE ARMY
Office of the Deputy Chief of Staff, G-3/5/7
400 Army Pentagon
Washington, DC 20310-0400

19 July 16

DAMO-FMD

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350

SUBJECT: Response to Department of Defense Office of the Inspector General Project No. D2016-D000AU-0004.00 Draft Report, "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified," 20 June 2016

1. References:

a. The OIG Report Project No. D2016-D000AU-0004.000, "XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified," 20 June 2016.

2. This memorandum responds to two (DAMO-FM) recommendations.

a. DoDIG Recommendation B.2.

(1) Recommendation: The Deputy Chief of Staff of the Army, G-3/5/7 retain the section in any future revision to Army Regulation 71-32, "Force Development and Documentation," which requires the Assistant Secretary of the Army, Acquisition, Logistics, and Technology to establish policies for the retention of supporting documentation for Basis of Issue Plans (BOIP) developed during the acquisition process, including the identification of the data source and the rationale for selection.

(2) Action Taken or Planned: Non- Concur. The primary supporting documentation for BOIP development is the approved requirements document (CDD/CPD with supporting documents, Cost Benefit Analysis with worksheet, System Training Plan (STRAP), Basis of Issue Guidance, and Operation Mode Summary/Mission Profile). These are maintained by the Materiel Developer and ARCIC. Supporting documents generated by the G1 /G4 /G8 / TRADOC, etc., have their own internal policy for retaining documentation. The BOIPFD is maintained in the LIW for use if an amendment is required.

b. DoDIG Recommendation B.3.

(1) Recommendation: The Army Organizational Requirements Document Approval Board (ORDAB) Co-chairs, Deputy Chief of Staff of the Army, G-3/5/7, and Deputy Chief of Staff of the Army, G-8, verify and validate the comprehensive analysis supporting the recommended XM25 BOIP and corresponding procurement quantity, prior to approving the basis of issue plan.

Deputy Chief of Staff of the Army, G-3/5/7, Comments (cont'd)

(2) Action Taken or Planned: Concur with comment. The ORDAB is no longer co-chaired by the G-3/5/7 and the G-8. Rather, it is chaired solely by the G-3-5-7, Director, Force Management, who considers input from other Army stakeholders as part of the approval process. A BOIP amendment for the XM25 BOIP was recently reviewed by the ORDAB and removed from consideration pending a VSCA of review in the Army Requirements Oversight Council (AROC) on 5 August 2016. Additional action on this system, to include a comprehensive analysis supporting the recommended XM25 BOIP and corresponding procurement quantity, will be conducted consisted with VCSA AROC decision.

3. The point of contact is [redacted].

for
John P. McLaurin, III
Deputy Director of Force Management

Deputy Chief of Staff of the Army, G-8, Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-8
700 ARMY PENTAGON
WASHINGTON DC 20310-0700

REPLY TO ATTENTION OF

JUL 20 2016

DAPR-FDD

MEMORANDUM FOR Inspector General, U.S. Department of Defense (DoDIG)

SUBJECT: DoDIG Report D2016-D000AU-0004.000 Response (XM25)

References

DoDIG Draft Report, D2016-D000AU-0004.000, XM25 Schedule Delays, Cost Increases, and Performance Problems Continue, and Procurement Quantity Not Justified; dated 20 Jun 16.

Project: D2016-D000AU-0004.000
Audit Location: Alexandria, VA
Objective Designation: A
Objective Title: XM25 Schedule Delays and Affordability Constraints

Objective: Were XM25 production delays reasonably justified? Were the lack of approved affordability constraints a violation of the Army Acquisition Executive's guidance and the Defense Better Buying Power Initiatives?

Conclusions:
The initial production decision for the XM25 has continued to be delayed since DoDIG issued their last report on the XM25 in March 2014. Specifically, Army G-3/5/7 and Army G-8 officials removed Fiscal Year 2015 (FY15) and FY16 XM25 procurement funding from the President's Budget, which extended engineering and manufacturing development by two years. Additionally, Army G-3/5/7 officials contributed to the initial production decision delay by placing a hold on the XM25 capability production document. These conditions occurred because: the XM25 malfunctioned during a forward operational assessment in 2013; and Army officials did not perform Government testing in 2013. ~~(FOUO)~~ When Army officials did perform Government testing in 2014, [redacted] Therefore, the capability production document remained on hold to allow for additional testing, which further delayed the initial production decision. Army G-8 has not developed, and the Milestone Decision Authority has not approved, binding affordability constraints, in accordance with DoD guidance because the program has not had a milestone decision since December 2010.

Deputy Chief of Staff of the Army, G-8, Comments (cont'd)

DAPR-ZA
SUBJECT: DoDIG Report D2016-D000AU-0004.000 Response (XM25)

Recommendations:

Recommendation A.2: We recommend that the Vice Chief of Staff, Army (VCSA), Chair, Army Requirements Oversight Council, approve the XM25 capability production document to support a first quarter FY17 initial production decision.

Action taken or planned:

Concur. The Army has initiated the AROC process and has completed three AROC Functional Councils (AFC) and the AROC Review Board to date and the AROC to the CSA (possibly the VCSA) is scheduled for 5 August 2016.

Recommendation A-3a: We recommend that the Deputy Chief of Staff of the Army, G-8 conduct an affordability analysis for the XM25 program within 30 days of the issuance of this report, in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015.

Action taken or planned:
Partial Concur. The Army has initiated the affordability analysis for the XM25 with the intent to be completed prior to the 5 August 2016 AROC to the CSA which precedes Milestone C when the affordability analysis and cap is now required. The last milestone decision for this program was in 2010 prior to this update to the DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015.

Recommendation A-3b: We recommend that the Deputy Chief of Staff of the Army, G-8 develop binding affordability constraints for the XM25 program within 30 days of the issuance of this report, in accordance with DoD Instruction 5000.02, "Operation of the Defense Acquisition System," dated January 7, 2015.

Action taken or planned:
Concur. At the conclusion of the affordability analysis projected to occur prior to the 5 August 2016 AROC to the CSA, Army G-8 intends to publish the Affordability Cap for the XM25 program in accordance with DoD Instruction 5000.02.

Objective Designation: B
Objective Title: XM25 Quantity Not Justified

Objective: Did the Army conduct the necessary analysis to determine the appropriate basis of issue for the XM25?

Conclusions: ~~(FOUO)~~ U.S. Army Maneuver Center of Excellence (MCOE) officials did not justify the XM25 basis of issue plan and corresponding XM25 procurement quantity. This occurred because MCOE officials did not conduct and maintain complete and verifiable analyses for determining the necessary XM25 procurement quantity. As a

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Deputy Chief of Staff of the Army, G-8, Comments (cont'd)

~~(FOUO)~~

DAPR-ZA
SUBJECT: DoDIG Report D2016-D000AU-0004.000 Response (XM25)

result, the Army has no assurance that the estimated procurement quantity of [redacted] systems, at an estimated average unit cost of [redacted] per weapon, and an estimated total cost of [redacted] is valid.

Recommendation B3: We recommend that the Army Organizational Requirements Document Approval Board Co-chairs, Deputy Chief of Staff of the Army, G-3/5/7, and Deputy Chief of Staff of the Army, G-8, verify and validate the comprehensive analysis supporting the recommended XM25 basis of issue plan (BOIP) and corresponding procurement quantity, prior to approving the basis of issue plan.

Action taken or planned:
Concur. There are three ongoing actions addressing the recommendations in this report. First, we are reviewing the basis of issue for the XM25 program. Secondly, the Army Organizational Requirements Council (AROC) is scheduled to be presented to the CSA/VCSA on 5 August 2016. The affordability assessment which will provide the affordability cap is scheduled to occur prior to the 5 August 2016 AROC. Finally, the Organizational Requirements Documentation Approval Board General Officer Steering Committee is scheduled to convene after the completion of the 5 August AROC.

Potential Monetary Benefits:
Concur with the DoDIG estimate of potential monetary benefit of up to [redacted]. Given that current programmed amount is [redacted] (PB 17, FY17-FY21) vice [redacted] and the corresponding Operations and Support cost will be reduced from [redacted], the maximum total potential monetary benefit will be much less than the USAAA projected maximum of [redacted]

The HQDA, G-8 point of contact for this action is [redacted]

CEDRIC T. WINS
Major General, U.S. Army
Director, Force Development

3

~~(FOUO)~~

U.S. Army Maneuver Center of Excellence Comments

DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY MANEUVER CENTER OF EXCELLENCE
1 KARKER STREET
FORT BENNING, GEORGIA 31905-5000

REPLY TO
ATTENTION OF

ATZB-CIS

JUL 29 2016

MEMORANDUM FOR Department of Defense Office of the Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350

SUBJECT: Response to DoDIG Project No. D2016-DOOOAU-0004.000 Draft Report, "XM25 Schedule Delays, Cost Increases, and performance Problems Continue, and Procurement Quantity Not Justified" 20 June 2016

1. References

a. DoDIG Draft Report, D2016-DOOOAU-0004.000, XM25 Schedule Delays, Cost Increases, and performance Problems Continue, and Procurement Quantity Not Justified; dated 20 June 2016.

2. This memorandum responds to recommendation B.4.

a. Recommendation: The Commanding General, U.S. Army Maneuver Center of Excellence, perform and document comprehensive analyses to determine the necessary procurement quantities of the XM25 weapon system prior to the XM25 full-rate production decision in FY 2019. The analyses should include factual and verifiable data supporting the U.S. Army Maneuver Center of Excellence official's basis of issue plan recommendations.

b. Action Taken or Planned: Concur. Based on the draft recommendation discussions and the specific recommendation in B4 we will ensure that in the future we keep better documentation on the BOI decisions that are made on this program and others. We will also ensure that this documentation accurately accounts for why the change occurred. When simulations or other experiments are conducted that inform BOI decisions those will be accounted for as well. Changes in force structure that do not affect the BOI, but rather affect the number of items procured will not be directly accounted for with each change due in large part to version control and the sheer number of force structure changes that are occurring. We will however ensure that as fielding begins that current force structure is what is used to ensure that the appropriate number of systems are procured.

3. POC is [redacted]

DONALD M. SANDO
Deputy to the Commanding General

Acronyms and Abbreviations

ACAT	Acquisition Category
ASA(ALT)	Assistant Secretary of the Army, Acquisition, Logistics, and Technology
DASM	Deputy for Acquisition and System Management
EMD	Engineering and Manufacturing Development
MCOE	U.S. Army Maneuver Center of Excellence
MDA	Milestone Decision Authority
PM IW	Product Manager Individual Weapons
RDT&E	Research, Development, Test, and Evaluation

Whistleblower Protection
U.S. Department of Defense

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