

# Naval Audit Service



## Audit Report



# Navy's Management of Unmanned Systems

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**N2012-0051**  
**27 June 2012**

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### Acronym Key:

CNO – Chief of Naval Operations  
DoD – Department of Defense  
DON – Department of the Navy  
FY – Fiscal Year  
OPNAV – Chief of Naval Operations offices  
SECNAV – Secretary of the Navy  
UxS CFT – Unmanned System Cross-Functional Team



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MEMORANDUM FOR OFFICE OF THE DEPUTY UNDERSECRETARY OF THE  
NAVY (PLANS, POLICY, OVERSIGHT, AND  
INTEGRATION)

Subj: **NAVY’S MANAGEMENT OF UNMANNED SYSTEMS  
(AUDIT REPORT N2012-0051)**

Ref: (a) NAVAUDSVC memo 7510 N2010-NAA000-0126.000, dated 6 Apr 10  
(b) SECNAV Instruction 7510.7F, “Department of the Navy Internal Audit”

1. The report provides results of the subject audit announced in reference (a). Section A of this report provides our finding and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendix).

2. Actions planned by the Office of the Deputy Under Secretary of the Navy (Plans, Policy, Oversight, and Integration) meet the intent of both recommendations. The recommendations are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after target completion dates. Please provide all correspondence to the Assistant Auditor General for Research, Development, Acquisition, and Logistics Audits, XXXXXXXXXXXX, XXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

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3. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

Subj: **NAVY'S MANAGEMENT OF UNMANNED SYSTEMS**  
**(AUDIT REPORT N2012-0051)**

4. We appreciate the cooperation and courtesies extended to our auditors.



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XXXXXXXXXXXXXXXXX  
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# Executive Summary

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## Overview

The Department of Navy (DON), which includes the Navy and Marine Corps, has invested in a variety of unmanned systems. Unmanned systems consist of unmanned aircraft, unmanned ground vehicles, unmanned undersea vehicles, and unmanned surface vehicles. All of these systems can perform a vast array of tasks, such as intelligence gathering, surveillance and reconnaissance, hydrographic monitoring, mine detection, targeting, and precision strikes. The investments have resulted in unmanned systems transforming from being primarily remotely-operated, single-mission platforms into increasingly autonomous, multi-mission systems.

Unmanned systems provide battlefield commanders with real-time information through their intelligence, surveillance, and reconnaissance missions. Unmanned systems can provide for targeting and lethal and non-lethal actions, while protecting military personnel from threats. They also facilitate the use of integrated teams of air, ground, and maritime unmanned and manned systems for combat. Navy and Marine Corps unmanned systems have already made key contributions to operations in Afghanistan, Iraq, Libya, and in the counter-piracy effort off the eastern coast of Africa.

The Secretary of the Navy (SECNAV) established unmanned systems as one of DON's high priority objectives for Fiscal Years (FYs) 2011 and 2012. A memorandum dated 6 December 2010, "Department of the Navy High Priority Objectives For Fiscal Year 2011," jointly signed by SECNAV, the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps, states that these objectives will focus on key efforts that will provide real benefits to the nation in the fulfillment of the Navy leadership's responsibilities to maintain a capable Navy and Marine Corps. It also states that success will increase the effectiveness and efficiencies of the Department, improve the lives of Sailors and Marines, and result in greater security for the United States. Among SECNAV's and CNO's top strategic priorities for FYs 2010-2012 is DON's goal of becoming the world leader in unmanned systems and integrating unmanned systems with DON's existing platforms and capabilities. The specific objectives cited in the joint memorandum for leading in the field of unmanned systems are:

- Embracing unmanned systems in the DON culture;
- Developing unmanned systems in the air;
- Deploying and establishing unmanned systems on/under the sea; and
- Fielding unmanned systems on the ground.

To implement these unmanned systems objectives, SECNAV approved specific goals to finish Program Objective Memorandum 2012 and Program Objective Memorandum 2013 builds, and relevant ongoing unmanned systems, requirements, and acquisition processes. DON has invested approximately \$31 billion (as of FY 2012) for unmanned systems and plans to invest an approximate additional \$16.8 billion in the out years (FYs 2013-2016).

SECNAV informed the House Armed Services Committee in February 2010 that the Department will be tasked to develop a comprehensive roadmap for unmanned system development across all domains (air, ground, surface, and subsurface systems). CNO directed the Navy to take “a more holistic approach to unmanned systems by developing a strategy to guide the architecture, requirements, and procurement plan for these operational necessities.” CNO stated that a reorganization of OPNAV resource sponsor responsibilities for unmanned systems would allow better decision-making on cyber warfare and unmanned technologies to more effectively achieve decision superiority.

The Office of the Secretary of Defense has overall responsibility for ensuring that unmanned systems support the Department’s larger goals of fielding transformational capabilities, establishing joint standards, and controlling costs. The Office of the Secretary of Defense issued “Unmanned Systems Integrated Roadmaps” in April 2009 and October 2011. Both documents discuss challenges that must be addressed for the continuing development, fielding, and employment of unmanned systems technologies.

The Assistant Secretary of the Navy (Research, Development, and Acquisition) designated the Program Executive Office for Unmanned Aviation and Strike Weapons the “unmanned systems focal point” for all Naval unmanned systems acquisition activity in July 2009. The Office of the Chief of Naval Operations (OPNAV) was realigned in 2009, which included standing up the Deputy CNO (DCNO) for Information Dominance Directorate (N2/N6) to assume the responsibility for most of the Navy’s unmanned systems. DCNO Information Dominance Directorate (N2/N6) directed their staff to create an unmanned systems roadmap. The unmanned systems roadmap was published in January 2011 to synchronize commands’ and activities’ efforts supporting unmanned systems initiatives and to guide the Navy’s programmatic decisions in the years ahead. The roadmap only included unmanned systems aligned under DCNO Information Dominance Directorate (N2/N6).

## **Reason for Audit**

The audit objective was to verify that DON has developed a comprehensive and integrated master plan for unmanned systems, and established an oversight framework for the development, testing, acquisition, and fielding of unmanned systems.

SECNAV established unmanned systems as one of DON’s high priority objectives for FYs 2011 and 2012. As such, this audit focused on DON’s strategic planning efforts to

ensure the achievement of unmanned system objectives and goals of becoming the world leader in unmanned systems and integrating unmanned systems with DON's existing platforms and capabilities.

## Noteworthy Accomplishments

DON has increased management attention on unmanned systems and commenced the following four initiatives since November 2009 to address the challenges presented by the complex integration of unmanned systems across all domains:

- OPNAV was realigned and includes the standing up of the DCNO Information Dominance Directorate (N2/N6) to assume the responsibility for Navy unmanned systems;
- DCNO Information Dominance Directorate (N2/N6) crafted and published an unmanned systems roadmap for the systems within their portfolio;
- Working groups comprised of the Secretariat, OPNAV and Headquarters, Marine Corps staff developed DON's objectives and goals for unmanned systems; and
- A Cross-Functional Team for unmanned systems was formed and led by DCNO Information Dominance Directorate (N2/N6).

## Conclusions

Although SECNAV has established unmanned systems as one of DON's high-priority objectives for FYs 2011 and 2012, DON's approach does not include key elements of the overarching organizational framework. As outlined in the Government Performance and Results Act of 1993, fully integrated unmanned systems are needed within the DON culture. Because the roadmap developed by DCNO Information Dominance Directorate (N2/N6) does not cover all Navy and Marine Corps' unmanned systems, DON does not have:

- A comprehensive and integrated strategic plan to align departmental and service efforts to improve the management and operational use of unmanned systems with long-term implementation of goals, priorities, and timelines, as well as with other departmental planning efforts;
- An existing organization within DON to be the Office of Primary Responsibility that has comprehensive oversight to (1) maintain awareness of the unmanned systems programs through continuous coordination, (2) conduct routine assessments of individual and community unmanned systems program direction, status, performance, and goals, and (3) look across DON unmanned systems

programs for opportunities for efficiencies or process improvements for recommendation to DON leadership; or

- A governance process, involving senior DON leadership, to ensure discipline for the DON decisionmaking process by adjudicating and resolving issues to ensure achievement of the SECNAV's objectives and goals for unmanned systems.

## Communication with Management

We briefed the acting Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration about the preliminary results of the audit on 4 November 2010. We also discussed audit results and recommendations with the Principal Deputy to the Under Secretary of the Navy Plans, Policy, Oversight and Integration on 23 March 2012. We briefed the DCNO for Information Dominance on 13 May 2011 about the preliminary results and recommendations of the audit. We also discussed our preliminary conclusions and recommendations with top senior officials with the Office of the DCNO for Information Dominance on 3 September 2010 and 29 October 2010, to keep them informed of our audit progress, facilitate discussion, and foster prompt corrective actions where appropriate. We briefed the Program Executive Officer for Unmanned Aviation and Strike Weapons about the audit objectives, approach, progress, and preliminary results on 27 September 2010.

## Corrective Actions

We recommend that the Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration coordinate with Chief of Naval Operations, the Commandant of the Marine Corps, and the Assistant Secretary of the Navy (Research, Development and Acquisition) to:

1. Designate an existing organization within the Department of the Navy to be the Office of Primary Responsibility that has comprehensive oversight to (1) maintain awareness of the unmanned systems programs through continuous coordination, (2) conduct routine assessments of individual and community unmanned systems program direction, status, performance, and goals to evaluate progress toward the Secretary of the Navy's objectives and goals for unmanned systems, and (3) look across Department of the Navy unmanned systems programs for opportunities for efficiencies or process improvements for recommendation to Department of the Navy leadership; and
2. Establish a governance process, involving senior Department of Navy leadership, to ensure discipline for the program decision-making process within the

Department by adjudicating and resolving issues to ensure achievement of the Secretary of the Navy's objectives and goals for unmanned systems.

The Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration concurred with both recommendations. Management indicated they will leverage the existing structures for unmanned systems program coordination and assessment in the Office of the Chief of Naval Operations (N2/N6 (Information Dominance)), incorporating representation from all unmanned systems programs across the Department. They also responded that they will work with the staffs of the Chief of Naval Operations, Commandant of the Marine Corps and the Assistant Secretary of the Navy for Research, Development and Acquisition to establish a governance process using existing resources within the Secretariat. Management stated that actions are in the planning stages, and will be implemented by 1 June 2013.

The planned actions meet the intent of the recommendations.

## Section A:

# Finding, Recommendations, and Corrective Actions

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## Finding: Unmanned Systems

### Synopsis

The Department of the Navy (DON) has taken positive steps to improve unmanned systems program management, but its approach does not provide reasonable assurance that its investments in unmanned systems will facilitate their integration into the force structure efficiently in accordance with guidance. This condition occurred because DON has not designated an organization within the Department that is accountable for, or has comprehensive oversight responsibilities for: (1) maintaining awareness of the unmanned systems programs through continuous coordination; (2) conducting routine assessments of individual and community unmanned systems program direction, status, performance, and goals; and (3) looking across DON unmanned systems programs for opportunities for efficiencies or process improvements for recommendation to DON leadership. Also, DON has not established a governance process, involving senior DON leadership, to ensure discipline for the program decisionmaking process within the Department by adjudicating and resolving issues to ensure achievement of the Secretary of the Navy's (SECNAV's) objectives and goals for unmanned systems.

Without the necessary governance oversight process and controls in place for unmanned systems, DON may not be well-positioned to validate requirements, evaluate and integrate services plans, establish program and funding priorities, or make sound programmatic decisions for unmanned systems. DON plans to invest over \$47 billion to develop, procure, modify, and maintain existing unmanned systems. These investments are planned at a time when the Department of Defense is facing future significant fiscal challenges that are expected to increase downward pressure on defense spending. In this environment, it is increasingly important for DON decision-makers to evaluate competing priorities and alternatives to determine the most cost-effective solutions for providing needed capabilities, including unmanned systems. As a result, DON needs to be in the best position to ensure that investment decisions for unmanned systems are consistent with Department-wide priorities.

## Audit Results

DON's planning for development, testing, acquisition, and fielding of unmanned systems does not provide reasonable assurance that unmanned systems will be integrated into the DON culture efficiently. However, the Department has taken several positive steps intended to improve both the integration of unmanned systems into the force structure and management of the operational use of these systems. Specifically, SECNAV, in a memorandum dated 17 November 2010, identified the Principal Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration as the lead for unmanned systems goals. SECNAV also approved a set of goals for DON in implementing unmanned systems for Fiscal Year 2011. Additionally, SECNAV, the Chief of Naval Operations (CNO), and the Commandant of the Marine Corps (CMC) jointly signed two memoranda, one for Fiscal Year 2011 dated 3 December 2011, and the other for Fiscal Year 2012 dated January 2012, establishing DON objectives. Both memoranda included a strategic objective and goals for unmanned systems.

Separately, in January 2011, the office of the Deputy Chief of Naval Operations for Information Dominance (N2/N6), published the Navy's "Information Dominance Roadmap for Unmanned Systems." The roadmap only included unmanned systems aligned under its office. For example, the roadmap did not include unmanned systems aligned with four other Warfare Directorates or with the Marine Corps. We found Marine Corps unmanned ground vehicles and unmanned aircraft systems discussed in 2009 strategic documents (the Army's "Unmanned Ground Systems Roadmap" and the Marine Corps' "Concept of Operations for USMC [U.S. Marine Corps] Unmanned Aircraft Systems Family of Systems"). These strategic documents described no plans to integrate the Marine Corps' unmanned systems with the Navy's unmanned systems in a coherent framework primarily due to differences in mission, environment, and requirements.

Further, the Deputy Chief of Naval Operations for Information Dominance (N2/N6), in February 2011, established the Naval Unmanned System Cross-Functional Team (CFT) to coordinate the integration of Navy unmanned systems into operations and organization across the full spectrum of doctrine, organizations, training, material, leadership, personnel, and facilities within DON. However, the Unmanned Systems CFT does not have directive authority and resources to direct participation from stakeholders of unmanned systems across all Navy and Marine Corps domains, influence prioritization of efforts of participating organizations, or directly influence actions in support of SECNAV's objectives and goals regarding unmanned systems. The Marine Corps is a member of the Unmanned Systems CFT. The Unmanned Systems CFT organization is led by an Executive Steering Committee comprised of a two-star Navy Admiral from Program Executive Office for Weapons and Unmanned Vehicles, a one-star Marine Corps General from U.S. Marine Corps, Arms Control and Disarmament Agency, and a

civilian Senior Executive from United States Fleet Forces Command for Fleet Capabilities Requirements, Concepts, and Experimentation (USFF N8/N9).

However, we believe these efforts were not sufficient to provide reasonable assurance that unmanned systems were being efficiently integrated into the DON culture. The efforts should complement one another; however, the priorities for each initiative had not been fully integrated with a DON-wide approach to resolve challenges and determine how unmanned systems would be fully integrated. Consequently, the individual resource sponsors were developing their own unmanned systems without sufficient Department-wide guidance, thus increasing the risk of unnecessary and duplicated capabilities and leading to potentially higher costs and greater interoperability challenges.

While DON has elements of an unmanned systems strategic planning approach, it has not established a comprehensive strategic plan or set of plans for developing and fielding unmanned systems across DON. SECNAV, in a statement before the House Armed Services Committee on 24 February 2010 regarding unmanned systems, stated:

“In order to best direct our research and harness the capabilities of unmanned systems, I am tasking the Department to develop a comprehensive roadmap for unmanned system development, to include a coordinated strategy for air, ground, surface, and subsurface systems focused on integration and interoperability with existing platforms and capabilities.”

However, we found no guidance from SECNAV’s office directing or tasking any DON office with development of a comprehensive strategic plan for unmanned systems. The only guidance we found was the 17 November 2010 memorandum from SECNAV identifying the Principal Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration as the lead for unmanned systems goals. This memorandum did not define the mission or the Principal Deputy’s authority and responsibility as the lead for unmanned systems goals, or how the Principal Deputy will oversee the processes to be used in achieving the unmanned systems goals.

Further, the need to develop an unmanned system strategic plan was recognized by the Unmanned Systems CFT. In January 2012, in response to the SECNAV Unmanned Systems Goals for 2011, the Unmanned Systems CFT published a report, titled “Critical Mission Issues Derived from the Fast Attack Craft/Fast Inshore Attack Craft (FAC/FIAC) Mission Engineering Analysis.” This report identifies critical mission issues that limit operational and technical system effectiveness or hinder implementation of warfighting capability. One of the significant five critical mission issues identified from this analysis process was the absence of a Navy unmanned systems concept. Specifically, the report states:

“The absence of a Navy UxS (Unmanned Systems) Concept to drive UxS developmental and Fleet Concept of Operations (CONOPS), as well as the lack of continuity and a defined process for UxS CONOPS development throughout a CONOPS life cycle, prevents the comprehensive integration of UxS in Naval doctrine.”

The Government Performance and Results Act of 1993 provides a framework for establishing strategic planning and performance measurement in the Federal Government, and for ensuring that Federal programs with the same or similar goals are closely coordinated and mutually reinforcing. The strategic planning requirement of the framework consists of six key elements:

- **The Mission Statement** explains why the program exists and what it does. It also reflects the program’s statutory basis, if applicable;
- **Long-Term Goals and Objectives** are typically general in nature and lay out what the agency wants to accomplish in the next 5 years. They should be expressed in a manner that allows for future assessment of whether they are being achieved;
- **Approaches** (strategies) are the general methods the agency plans to use to accomplish the long-term goals;
- **The Relationship Between Long-Term Objectives and Annual Performance Goals** explain how annual goals will be used to measure progress toward achieving the long term goals;
- **Identification of External Factors** is examining factors external to the agency or program that are beyond the agency’s control and may significantly affect the agency’s ability to accomplish its goals; and
- **Program Evaluations** describe how program evaluations will be used to establish or revise strategic goals.

When applied collectively and combined with effective leadership, the strategic planning elements can provide a management framework to guide major programs, efforts, and activities, including development and integration of unmanned vehicles into the force structure. Nevertheless, SECNAV’s unmanned systems objectives and goals, and other efforts by the office of the Deputy Chief of Naval Operations for Information Dominance (N2/N6), represent a start on a strategic plan.

SECNAV’s 2010 memorandum did not define the mission, authority, or responsibility of the Principal Deputy as lead in overseeing the processes to achieve the unmanned systems goals. Because of this, DON had not, at the time of our audit, designated an existing organization that has sufficient authority Department-wide for integrating departmental and service efforts to resolve the full range of challenges presented by the

development and acquisition of unmanned systems and their integration into combat and training operations. Nor had DON established an appropriate governance process to include a top senior DON leadership to oversee the achievement of SECNAV's unmanned systems' objectives and goals. Our analysis shows that the program authority and accountability for unmanned systems is divided among different organizations within DON without oversight and guidance to ensure unmanned capability potential is fully realized. For example, the office of the Deputy Chief of Naval Operations for Information Dominance (N2/N6), the Deputy Chief of Naval Operations (Integration of Capabilities and Resources) (N8), and the Marine Corps each have separate authority and responsibilities for their respective unmanned systems.

Further, we could find no evidence of an existing organization within DON responsible for developing a comprehensive strategic plan and/or roadmap that would be applicable to all Navy and Marine Corps unmanned systems to ensure the achievement of SECNAV's unmanned systems goals and objectives. A comprehensive roadmap for the development of all unmanned systems that focused on integration and interoperability with the existing platforms and capabilities did not exist for DON.

We spoke with representatives from the office of Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration concerning DON not having a single integrated, and comprehensive strategic plan. According to Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration officials, they believe it would not be the best approach because unmanned systems programs across the Department often have little in common. The programs are also widely varied in mission, environment, and requirements, and each warfare domain and/or community has developed their own strategic planning documents. We do not take issue with this approach as long as there is a governance oversight process in place to ensure each of the various warfare domains and communities' respective strategic planning documents are aligned and support the achievement of SECNAV strategic goals and objectives for unmanned systems.

## **Recommendations and Corrective Actions**

Recommendations, summarized management responses, and Naval Audit Service comments on the responses are below. The complete text of management's response is in the Appendix.

We recommend that the Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration coordinate with Chief of Naval Operations, the Commandant of the Marine Corps, and the Assistant Secretary of the Navy (Research, Development, and Acquisitions) to:

**Recommendation 1.** Designate an existing organization within the Department of the Navy to be the Office of Primary Responsibility that has comprehensive oversight to (1) maintain awareness of the unmanned systems programs through continuous coordination; (2) conduct routine assessments of individual and community unmanned systems program direction, status, performance, and goals to evaluate progress toward the Secretary of the Navy's objectives and goals for unmanned systems; and (3) look across Department of the Navy Unmanned Systems programs for opportunities for efficiencies or process improvements for recommendation to Department of the Navy leadership.

**Management response to Recommendation 1.** We concur that the Department of the Navy should designate an Office of Primary Responsibility to maintain continuous awareness of unmanned systems programs, conduct routine assessments of those programs, and to look across the Department of the Navy for efficiencies and process improvements. We agree that the designation of an Office of Primary Responsibility would allow current coordination and assessment capabilities to be more comprehensive in scope.

Our intent is to leverage the existing structures for unmanned systems program coordination and assessment in the Office of the Chief of Naval Operations (N2/N6 (Information Dominance)), incorporating representation from all unmanned systems programs across the Department. This Office of Primary Responsibility will ensure that all warfighting domains are adequately represented in the assessment process. These improvements are in the planning stage, and will be implemented by 1 June 2013.

**Recommendation 2.** Establish a governance process, involving senior Department of the Navy leadership, to ensure discipline for the program decisionmaking process within the Department by adjudicating and resolving issues to ensure achievement of the Secretary of the Navy's objective and goals for unmanned system.

**Management response to Recommendation 2.** We concur with the recommendation to establish a governance process involving senior Department of the Navy leadership to adjudicate and resolve issues and ensure achievement of the Secretary's goals for unmanned systems. This governance process can be accomplished using existing resources within the Secretariat. We will work with the staffs of the Chief of Naval Operations, Commandant of the Marine Corps, and the Assistant Secretary of the Navy for Research, Development and Acquisition to establish this governance process. These improvements are in the planning stage, and will be implemented by 1 June 2013.

**Naval Audit Service comments on responses to Recommendations 1 and 2.** Actions planned by the Office of the Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration meet the intent of the

recommendations. We will follow-up with a future audit to assess DON progress of establishing an assessment and governance process for all warfighting domains unmanned systems. The recommendations are considered open until completion of those planned actions.

**Section B:**

# Status of Recommendations

Recommendations							
Finding <sup>1</sup>	Rec. No.	Page No.	Subject	Status <sup>2</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date <sup>3</sup>
1	1	11	Designate an existing organization within the Department of the Navy to be the Office of Primary Responsibility that has comprehensive oversight to (1) maintain awareness of the unmanned systems programs through continuous coordination; (2) conduct routine assessments of individual and community unmanned systems program direction, status, performance, and goals to evaluate progress toward the Secretary of the Navy's objectives and goals for unmanned systems; and (3) look across Department of the Navy Unmanned Systems programs for opportunities for efficiencies or process improvements for recommendation to Department of the Navy leadership.	O	Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration coordinate with Chief of Naval Operations, the Commandant of the Marine Corps, and the Assistant Secretary of the Navy (Research, Development, and Acquisitions)	6/1/13	
1	2	11	Establish a governance process, involving senior Department of the Navy leadership, to ensure discipline for the program decisionmaking process within the Department by adjudicating and resolving issues to ensure achievement of the Secretary of the Navy's objective and goals for unmanned system.	O	Deputy to the Under Secretary of the Navy for Plans, Policy, Oversight, and Integration coordinate with Chief of Naval Operations, the Commandant of the Marine Corps, and the Assistant Secretary of the Navy (Research, Development, and Acquisitions)	6/1/13	

<sup>1</sup> / + = Indicates repeat finding.

<sup>2</sup> / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

<sup>3</sup> If applicable.

## Exhibit A:

# Scope and Methodology

We performed this audit, “Navy’s Management of Unmanned Systems,” from 6 April 2010 to 10 May 2012. We visited and/or contacted officials at each location identified in Exhibit C. Our audit scope includes all Navy and Marine Corps unmanned systems for air, ground, surface, and undersea domains. Fiscal Year (FY) 2011 funding identified 23 unmanned systems programs totaling \$47 billion. We also identified 14 non-programs of record for unmanned systems.<sup>4</sup> Some of these non-programs of record are associated with the Littoral Combat Ship Program.

We obtained and analyzed FYs 2010 and 2011 funding profiles (Research, Development, Test and Evaluation (RDT&E) and Procurement) for unmanned systems programs. We addressed internal controls over the unmanned systems program on a Department-wide basis. Specifically, we obtained and reviewed Department of Defense (DoD) and Department of the Navy (DON) strategic planning documentation. We also obtained and reviewed DON, Office of the Secretary of Defense, and other Services’ unmanned systems roadmaps. Further, we obtained and reviewed the Chief of Naval Operations Managers’ Internal Control Program related to unmanned systems. Unmanned systems were not identified as an internal control weakness or an assessable unit.<sup>5</sup>

We reviewed Naval Audit Service, DoD Inspector General, and General Accountability Office audit reports and determined that there were no reports published in the past 5 years specifically covering all domains of DON’s unmanned systems; therefore, no followup was required. Statistical sampling techniques and data mining were not used in this audit.

We conducted this performance audit 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.

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<sup>4</sup> A “Program of Record” is a program that is funded (approved) across the Future Years Defense Program (FYDP), through the Program Objective Memorandum (POM). When this happens, the program becomes a “line item record” in the budget. A “non-program of record” is a program that has survived the POM and Budget process and is listed in the FYDP.

<sup>5</sup> Implementation of our recommendations will provide routine assessments of the program and provide a framework for future actions on Managers’ Internal Control Program decisions related to unmanned systems.

## **Federal Managers' Financial Integrity Act**

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. In our opinion, the conditions noted in this report do not warrant reporting in the Auditor General's annual Federal Managers' Financial Integrity Act memorandum identifying management control weaknesses to the Secretary of the Navy.

## Exhibit B:

# Pertinent Guidance

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**Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Control,” December 2004**, provides guidance to Federal managers for improving the accountability and effectiveness of Federal programs and operations. Management has a fundamental responsibility to develop and maintain effective internal control. The proper stewardship of Federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that Federal programs operate and Federal resources are used efficiently and effectively to achieve desired objectives. Programs must operate and resources must be used consistent with agency missions, in compliance with laws and regulations, and with minimal potential for waste, fraud, and mismanagement.

Internal control, in the broadest sense, includes the plan of organization, methods, and procedures adopted by management to meet its goals. Internal control includes processes for planning, organizing, directing, controlling, and reporting on agency operations. The three objectives of internal control are:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

**Government Performance and Results Act of 1993 (Public Law 103-62)**, is a United States law enacted in 1993. This act provides a framework for establishing strategic planning and performance measurement in the Federal Government, and ensuring that Federal programs with the same or similar goals are closely coordinated and mutually reinforcing. The strategic planning requirement framework consists of six elements:

- Mission Statement;
- Long-Term Goals and Objectives;
- Approaches (Strategies);
- Relationship Between Long-Term Objectives and Annual Performance Goals;
- Identification of External Factors; and
- Program Evaluations.

**Exhibit C:**

# Activities Visited and/or Contacted

Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics),  
Portfolio Systems Acquisition, Unmanned Warfare, Washington, DC

Office of the Under Secretary of Defense (Intelligence), Washington, DC

Office of the Deputy Under Secretary of the Navy (Plans, Policy, Oversight, and  
Integration), Washington, DC

Office of the Deputy Chief of Naval Operations (Information Dominance) (N2/N6),  
Washington, DC

Program Executive Officer (Unmanned Aviation and Strike Weapons), Patuxent River,  
MD

- Persistent Maritime Unmanned Aircraft Systems Program Office (PMA 262)\*  
Patuxent River, MD
- Navy and Marine Corps Small Tactical Unmanned Aircraft Systems Program  
Office (PMA 263) Patuxent River, MD
- Navy and Marine Corps Multi-Mission Tactical Unmanned Aircraft Systems  
Program Office (PMA 266) Patuxent River, MD
- Unmanned Combat Air System Demonstration Program Office (PMA 268)\*  
Patuxent River, MD

Office of the Commander, Naval Sea Systems Command, Washington, DC

- Remote Mine Hunting System Program Office (PMS 403)
- Unmanned Maritime Vehicle Systems Program Office (PMS 406)
- Naval Explosive Ordnance Disposal Technology Division

Office of the Commander, Space and Naval Warfare Systems Command, San Diego, CA

- Battlespace Awareness and Information Operations Program Office (PMW 120)\*
- Space and Naval Warfare Systems Command Systems Center Pacific\*

Headquarters, Marine Corps Department of Aviation, Washington, DC

Marine Corps Combat Development Command, Combat Development and Integration  
Division, Quantico, VA

(\*Activities contacted)

**Appendix:**

# Management Response From Office of the Deputy Under Secretary of the Navy (Plans, Policy, Oversight, and Integration)



THE DEPUTY UNDER SECRETARY OF THE NAVY  
WASHINGTON DC 20350-1000

1 JUN 19 2012

MEMORANDUM FOR ASSISTANT AUDITOR GENERAL FOR RESEARCH,  
DEVELOPMENT, ACQUISITION AND LOGISTICS  
AUDITS

SUBJECT: Department of the Navy Unmanned Systems Draft Audit Report Review

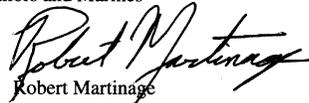
Thank you for the opportunity to review the Draft Audit Report (N2010-NAA000-0126) on Department of the Navy (DON) unmanned systems (UxS).

We concur with the report's first recommendation that the DON should designate an Office of Primary Responsibility (OPR) to maintain continuous awareness of UxS programs, conduct routine assessments of those programs and to look across the DON for efficiencies and process improvements. We agree that the designation of an OPR would allow current coordination and assessment capabilities to be more comprehensive in scope.

My intent is to leverage the existing structures for UxS program coordination and assessment in the Office of the Chief of Naval Operations (OPNAV) N2/N6 (Information Dominance), incorporating representation from all UxS programs across the Department. This OPR will ensure that all warfighting domains are adequately represented in the assessment process. These improvements are in the planning stage, and will be implemented by 1 June 2013.

We also concur with your second recommendation to establish a governance process involving senior DON leadership to adjudicate and resolve issues and ensure achievement of the Secretary's goals for unmanned systems. This governance process can be accomplished using existing resources within the Secretariat. I will work with the staffs of the Chief of Naval Operations, Commandant of the Marine Corps and the Assistant Secretary of the Navy for Research, Development and Acquisition to establish this governance process. These improvements are in the planning stage, and will be implemented by 1 June 2013.

In summary, we feel that the conclusions and recommendations of the draft audit report are reasonable, and the recommended courses of action will advance the unmanned capabilities to be delivered to Sailors and Marines

  
Robert Martinage

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