

# Naval Audit Service



## Audit Report



# Naval Sea Systems Command and Affiliated Program Executive Offices' Management Oversight for Select Acquisition Category III and IV Programs

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**N2014-005**

**19 December 2013**

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**Subj: NAVAL SEA SYSTEMS COMMAND AND AFFILIATED PROGRAM EXECUTIVE OFFICES' MANAGEMENT OVERSIGHT FOR SELECT ACQUISITION CATEGORY III AND IV PROGRAMS (AUDIT REPORT N2014-005)**

**Ref:** (a) NAVAUDSVC memo 2011-177, dated 14 Jul 11  
 (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 the management responses is included in the Appendices.

<b>Command</b>	<b>Finding No.</b>	<b>Recommendation No.</b>
Assistant Secretary of the Navy (Research, Development and Acquisition)	1	1,2
Commander, Naval Sea Systems Command	1	3
Program Executive Office (Submarines)	1	4,5,6
Program Executive Office (Littoral Combat Ships)	1	7
Program Executive Office (Integrated Warfare Systems)	1	8

2. The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RDA)) responded to Recommendations 1-2. Commander, Naval Sea Systems Command (NAVSEA) responded to Recommendation 3. NAVSEA also responded to Recommendations 4-6, 7, and 8 on behalf of Program Executive Office (PEO) (Submarines), PEO (Littoral Combat Ships), and PEO (Integrated Warfare Systems), respectively. Actions planned by ASN (RDA) and NAVSEA meet the intent of the recommendations. Recommendations 1-4, 7, and 8 are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Recommendations 5 and 6 are closed. Management should provide a written status report on the open recommendations within 30 days after target completion dates. Please provide all correspondence to the Assistant Auditor General for Research, Development, Acquisition, and Logistics Audits, XXXXXXXXXXXXXXXX, by e-mail at

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**Subj: NAVAL SEA SYSTEMS COMMAND AND AFFILIATED PROGRAM  
EXECUTIVE OFFICES' MANAGEMENT OVERSIGHT FOR SELECT  
ACQUISITION CATEGORY III AND IV PROGRAMS  
(AUDIT REPORT N2014-005)**

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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).

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



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# Executive Summary

## Overview

The Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RD&A)) is the Department of Navy (DON) Component Acquisition Executive and is responsible for all DON research, development, and acquisition. ASN (RD&A) serves as the Milestone Decision Authority for Acquisition Category (ACAT) component, major automated information system component, and II acquisition programs.<sup>1</sup> For ACAT III, IV, and Abbreviated Acquisition Programs, ASN (RD&A) delegates Milestone Decision Authority and program decision authority to Program Executive Officers, Commanders of Systems Commands, and Direct Reporting Program Managers. Our audit focused on ACAT III and IV programs managed by Naval Sea Systems Command (NAVSEA) and its affiliated Program Executive Offices (PEOs). NAVSEA's affiliated PEOs are listed below:

- PEO (Ships)
- PEO (Aircraft Carriers)
- PEO (Littoral Combat Ships)
- PEO (Integrated Warfare Systems)
- PEO (Submarines)

The Milestone Decision Authority is required to conduct milestone reviews for all DON-assigned ACAT programs, and holds program decision meetings before milestone<sup>2</sup> decisions. The primary responsibilities of the Milestone Decision Authority include reviewing and approving all appropriate milestone documentation, reviewing the program decision briefing, chairing the program decision meeting, and signing the acquisition decision memorandum.

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<sup>1</sup> Navy programs are categorized by ACAT. The largest programs are ACAT I, while the smallest programs are ACAT III and IV. The ACAT assigned to a program is determined by the total Research, Development, Test and Evaluation, and total procurement funding the program receives over the life of the program. The funding thresholds for ACAT III and IV Weapon System Programs are the same: Research, Development, Test and Evaluation funding that is no greater than \$140 million in Fiscal Year 2000 constant dollars, and procurement funding that is no greater than \$660 million in Fiscal Year 2000 constant dollars.

<sup>2</sup> Defense Acquisition System, uses "milestones" to oversee and manage acquisition programs. At each milestone, a program must meet specific statutory and regulatory requirements before the program can proceed to the next phase of the acquisition process. There are three milestones: Milestone A — initiates technology development, Milestone B — initiates engineering and manufacturing development, and Milestone C — initiates production and deployment.

We evaluated the effectiveness of the Naval Sea Systems Command and affiliated PEO management oversight of their respective ACAT III and IV programs. We selected 13 ACAT III and IV programs with a total estimated research and development cost of \$1.22 billion and a total estimated procurement cost of \$4.71 billion, and total estimated operations and maintenance cost of \$495.3 million.

As of September 2011, NAVSEA and its affiliated PEOs managed 37 ACAT III and IV programs with a total budget of approximately \$13.9 billion through Fiscal Year 2016. The budget included estimated total research and development, procurement, and operations and maintenance costs. We reviewed 13 programs with total estimated costs of approximately \$6.4 billion (see Exhibit H for an overview of the programs).

We conducted this audit from 6 October 2011 through 19 June 2013. This audit is the first audit in a series of audits addressing Systems Command and their affiliated Program Executive Offices' management oversight for their respective Acquisition Category III and IV Programs. The audit results of these audits and other related systemic issues will be included in an overall summary report to be issued at a later time.

## **Reason for Audit**

The audit objective was to verify that NAVSEA and its affiliated PEOs were providing oversight of ACAT III and ACAT IV programs in accordance with Secretary of the Navy and Department of Defense (DoD) acquisition policy.

## **Conclusions**

We found that ASN (RD&A) needs to improve the oversight of delegated Milestone Decision Authority responsibilities for NAVSEA and its affiliated PEOs' ACAT III and IV programs. NAVSEA and its affiliated PEOs were not providing oversight of ACAT III and ACAT IV programs in accordance with Secretary of the Navy and Department of Defense (DoD) acquisition policy. For the ACAT III and IV programs we reviewed, we determined NAVSEA and its affiliated PEOs with delegated Milestone Decision Authority responsibilities approved programs for entry into the next phase of the acquisition process before obtaining all required or properly approved acquisition documentation.

This occurred because of the following management internal control weaknesses:

- ASN (RD&A) had not issued any formal policy or procedures for the Deputy Secretaries of the Navy oversight and management responsibilities for ACAT III and IV programs;

- Secretary of the Navy Instruction 5240.188F does not identify or assign any office within ASN (RD&A) to ensure delegated Milestone Decision Authority is carried out in accordance with acquisition policy and requirements;
- ASN (RD&A) has not developed formal policy or procedures for the use of Dashboard<sup>3</sup> as a program management tool to manage all ACAT programs; and
- NAVSEA Instruction 5000.3E for program reviews and reporting had not been updated since March 1998 and did not reflect the current operating environment for ACAT III and IV programs. The instruction also did not clarify roles and responsibilities for program reviews and reporting, or outline procedures for reporting program information in Dashboard.

As a result, NAVSEA and its affiliated PEOs approved 8 of 13 programs reviewed before either obtaining all required documentation or before acquisition documentation was properly approved. Four of the 13 programs we reviewed did not input program information into Dashboard, while 4 of the 9 programs that had information in Dashboard did not update program information quarterly as required. One program out of the 13 reviewed exceeded the ACAT III program cost thresholds.

**Communication with Management.** Throughout the audit, we kept program officials informed of the conditions noted. Specifically, we met with the AN/BYG-1 program manager and assistant program manager on 30 April 2012; Smartship Integrated Ship Controls personnel on 5 January 2012; Nulka program personnel on 19 January 2012; Countermine System program personnel on 10 November 2011; Next Generation Countermeasure program personnel on 26 March 2012; and T-AGS 66 program personnel on 30 April 2012 (for a description of each program, please see Exhibit G). We held closing briefs with PEO (Integrated Warfare Systems) on 25 October 2012, PEO (Littoral Combat Ships) on 10 October 2012, along with PEO (Submarines) on 15 October 2012, and PEO (Ships) on 17 October 2012. We provided a status briefing and an audit results briefing to the Deputy Assistant Secretary of the Navy for Management and Budget on 18 April 2012 and 28 March 2013, respectively. We briefed the Deputy Assistant Secretary of the Navy (Research, Development and Acquisition) for Ship Programs on the audit results on 10 April 2013. We briefed the audit results to the Principal Military Deputy to the ASN (RD&A) on 16 May 2013 (see Exhibit E for a list of activities visited or contacted).

## Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the

<sup>3</sup> Dashboard is the Navy's official programmatic database. The purpose of Dashboard is to provide the Secretary of the Navy, ASN (RD&A), Office of the Chief of Naval Operations, System Commands, PEOs, Direct Reporting Program Managers, and the Program Managers a tool to manage the various ACAT programs with consistent data throughout the chain of command.

effectiveness of the agency's internal and accounting system controls. In our opinion, the conditions noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

## Corrective Actions

We made the following two recommendations to improve oversight by ASN (RD&A) for Milestone Decision Authority responsibilities delegated to NAVSEA and its affiliated PEOs for ACAT III and IV programs:

- Revise the Secretary of the Navy Instruction 5420.188F to identify and require the designated office within ASN (RD&A) to provide oversight for delegated Milestone Decision Authority for ACAT III and IV programs to ensure responsibilities are carried out in accordance with acquisition policy and process requirements; and
- Update policy and procedures for the use of Dashboard as a program management tool to manage all ACAT programs.

We made a recommendation to the Commander, Naval Sea Systems Command to update Naval Sea Systems Command Instruction 5000.3E to reflect the current acquisition environment to include organizational roles and responsibilities, and current DoD and DON acquisition policies and procedures.

We also recommended that PEO (Submarines): approve the Next Generation Countermeasure Program's Test and Evaluation Master Plan; approve the Capability Production Document to reflect the current program direction of the Integrated Submarine Imaging System program; and update the Acquisition Strategy to reflect the current acquisition approach and approve the Acquisition Program Baseline for each increment of the AN/BYG-1 program.<sup>4</sup>

We recommended that PEO (Littoral Combat Ships) request that the Assistant Secretary of the Navy (Research, Development and Acquisition) re-designate the Countermine System Program as an Acquisition Category II program.

And finally, we recommended that PEO (Integrated Warfare Systems) update the Acquisition Program Baseline for the AN/SPQ-9B Radar Program.

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<sup>4</sup> PEO (Submarines) began and completed corrective actions during the audit to approve the Capability Production Document and update the Acquisition Strategy. However, we are including recommendations on these issues to allow us to formalize the actions in our follow-up system.

## Section A:

# Finding, Recommendations, and Corrective Actions

## Finding: Oversight of Acquisition Category III and IV Programs

### Synopsis

The Office of Assistant Secretary of the Navy (Research, Development and Acquisition (ASN (RD&A))) did not provide sufficient oversight of delegated Milestone Decision Authority responsibilities for Naval Sea Systems Command (NAVSEA) and its affiliated Program Executive Offices' (PEOs') Acquisition Category (ACAT) III and IV programs. For instance, we found the Office of the Deputy Assistant Secretary of the Navy for Ship Programs (DASN (Ships)) did not provide any oversight of delegated Milestone Decision Authority responsibilities for NAVSEA and its affiliated PEOs' ACAT III and IV programs. This office is responsible for monitoring and advising ASN (RD&A) on ship programs managed and supported by NAVSEA and PEO (Ships). In 1995, we conducted a capacity evaluation review of the assignment of DASN (Ships) oversight for ACAT III and IV Ship Programs at the request of DASN (Ships). The evaluation objective was to assess whether oversight for ACAT III and IV programs by DASN (Ships) was effective. We were able to validate the DASN's concerns about the lack of necessary management controls (i.e., written policy and procedures) for the oversight and assignment of ACAT III and IV Programs. The 1995 report noted the following reasons for not providing the oversight of these programs:

- DASN (Ships) spent 90 percent of its time with ACAT I programs;
- The intent regarding oversight of ACAT III/IV programs was to rely on the Milestone Decision Authority (Program Executive Offices/Systems Command); and
- DASN (Ships) thought various systems' commands possessed the knowledge and skills necessary to provide oversight.

During a meeting held on 10 April 2013 with DASN (Ships), we were told that these conditions still exist today and that DASN (Ships) does not actively manage ACAT III and IV programs. The 1995 report noted DASN (Ships) was not always informed of important information, such as the start of the new program changes and changes in program names, because of the lack of oversight. The 1995 report recommended the development of written policy and procedures for the oversight and assignment of ACAT

III/IV programs. However, currently, there are still no written policies and procedures for DASN's management and oversight responsibilities of ACAT III and IV programs.

Furthermore, DASN for Management and Budget (M&B) sends monthly delinquency reports to the Product DASNs informing them of their respective ACAT programs requiring updates of programmatic information in Dashboard. However, DASN (M&B) representatives told us that they do not receive any feedback from DASN (Ships) regarding the delinquency reports.

This continued lack of oversight for ACAT III and IV Programs occurred because of the following management internal control weaknesses:

- ASN (RD&A) had not issued any formal policy or procedures for the DASNs' oversight and management responsibilities for ACAT III and IV programs;
- Secretary of the Navy Instruction 5240.188F does not identify or assign any office within ASN (RD&A) to ensure delegated Milestone Decision Authority is carried out in accordance with acquisition policy and requirements;
- ASN (RD&A) has not developed formal policy or procedures for the use of Dashboard as a program management tool to manage all ACAT programs. Secretary of the Navy Instructions 5000.2E and 5240.188F do not address Dashboard oversight and reporting requirements for ACAT III and IV programs. For instance, the "Department of the Navy Acquisition and Capabilities Guidebook" only states that Product DASNs and DASN (M&B) will track ACAT I and Major Automated Information System (IA) programs using Dashboard. Furthermore, Product DASNs and DASN (M&B) will advise ASN (RD&A) when program execution is at risk of breaching Acquisition Program Baseline thresholds; and
- NAVSEA Instruction 5000.3E for program reviews and reporting had not been updated since March 1998 and did not reflect the current operating environment for ACAT III and IV programs. The instruction also did not clarify roles and responsibilities for program reviews and reporting, or outline procedures for reporting program information in Dashboard.

As a result, NAVSEA and its affiliated PEOs were not properly executing their delegated responsibilities for ACAT III and IV programs in full compliance with acquisition regulations. Specifically:

- Eight of the 13 programs reviewed entered the next phase of the acquisition process before either obtaining all required documentation, or having properly approved acquisition documentation;

- Four of the 13 programs we reviewed did not add program information into Dashboard, while an additional 4 of the 9 programs that had information in Dashboard did not update program information quarterly as required; and
- One program exceeded the ACAT III program cost thresholds, and we found no evidence proper action had been taken.

Also, the affiliated PEOs (or applicable Milestone Decision Authorities) did not have all the necessary information to make fully informed milestone decisions to ensure that programs achieved desired cost, schedule, and performance goals, and to take appropriate management actions between milestone decision reviews.

## Discussion of Details

### Background

NAVSEA is comprised of command staff, headquarters directorates, five affiliated PEOs, and numerous field activities. The command and its affiliates engineer, build, buy, and maintain ships, submarines, and combat systems to meet the Fleet's current and future operational requirements.

NAVSEA's five affiliated PEOs are responsible for all aspects of life-cycle management for their assigned programs. PEOs report to the NAVSEA commander for planning and execution of in-service support, and to ASN (RD&A) for acquisition-related matters. As of September 2011, NAVSEA and its affiliated PEOs had 37 ACAT III and IV programs with a total budget of approximately \$13.9 billion through Fiscal Year 2016. The budget included estimated total research and development, procurement, and operations and maintenance costs. We reviewed 13 programs with total estimated costs of approximately \$6.4 billion (see Exhibit B for an overview of the programs and the methodology for their selection).

Department of Defense (DoD) Instruction 5000.02 and Secretary of the Navy Instruction 5000.2E identify programmatic documentation that is required for programs in order to enter different stages of the acquisition process and milestone decision review. Some documents are required for each milestone decision review. Other documents, such as the Acquisition Program Baseline, are required for certain specific milestone decision reviews.

Secretary of the Navy Instruction 5240.188F delegates the management of the ACAT III and IV programs to the cognizant PEO or System Command. This instruction does not delineate clearly the responsibilities of oversight for ASN (RD&A) regarding ACAT III and IV programs. Secretary of the Navy policy mandates reporting requirements for ACAT I and ACAT Major Automated Information System (ACAT IA) Programs in

Dashboard. However, policy does not address Dashboard oversight and reporting requirements for ACAT III and IV Programs.

Navy programs are categorized by ACAT. The largest programs are ACAT I, while the smallest programs are ACAT III or IV. The ACAT assigned to a program is determined by the total Research, Development, Test and Evaluation, and total procurement funding the program receives over the life of the program. The funding thresholds for ACAT III and IV programs are the same<sup>5</sup>: Research, Development, Test and Evaluation funding that is no greater than \$140 million in Fiscal Year 2000 constant dollars, and procurement funding that is no greater than \$660 million in Fiscal Year 2000 constant dollars. If either of these funding thresholds are exceeded, the program must be reclassified as an ACAT II program or higher according to Secretary of the Navy Instruction 5000.2E. The Milestone Decision Authority for ACAT III and IV programs is the cognizant PEO.

Dashboard is the authoritative database for programmatic information within the Navy. It is mandatory that each program office update each ACAT program's information at least quarterly. Dashboard includes, among other things, Acquisition Program Baselines, milestone decisions, program budget and schedule, contract information, and program costs. The purpose of Dashboard is to provide Navy management and program managers with a tool to manage the various ACAT programs with consistent data throughout the chain of command.

For further background, see Exhibit A.

## Audit Results

Overall, ASN (RD&A) needed to improve oversight of ACAT III and IV programs. NAVSEA and its affiliated PEOs were not providing oversight of ACAT III and ACAT IV programs in accordance with Secretary of the Navy and Department of Defense acquisition policy. We reviewed a total of 13 programs (see Exhibit B for a description of the scope and methodology, and Exhibit G for a description of each program reviewed). Opportunities existed to:

- Establish controls to ensure PEO/Systems Commands that have been delegated Milestone Decision Authority comply with required oversight responsibility;
- Update NAVSEA policy to reflect the current acquisition environment; and
- Incorporate Dashboard reporting requirements for all ACAT programs into Secretary of the Navy policy.

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<sup>5</sup> The ACAT thresholds for weapon system programs are different for information technology programs.

As a result, we identified the following acquisition program compliance weaknesses of not having sufficient oversight, internal controls, and activities in place for ACAT III and IV programs:

- Eight of the 13 programs entered the next phase of the acquisition process before obtaining all required program documentation;
- One of 13 programs exceeded the ACAT III program cost thresholds; and
- Four of 13 programs did not submit program information in Dashboard, while 4 of the 9 programs reporting in Dashboard did not update program information.

Further, NAVSEA Instruction 5000.3E for program reviews and reporting had not been updated since March 1998 and did not reflect the current operating environment for ACAT III and IV programs. The NAVSEA instruction does not clarify roles and responsibilities for program reviews and reporting, or outline procedures for reporting program information in Dashboard for ACAT III and IV programs.

### **Program Documentation**

We determined that 8 of the 13 programs reviewed entered the next phase of the acquisition process before obtaining all required or properly approved acquisition documentation (see Exhibit D). One additional program did not update program documentation to reflect current life-cycle cost estimates. Secretary of the Navy Instruction 5240.188F does not delineate clearly the responsibilities of oversight for ASN (RD&A) for ACAT III and IV programs. Even though management of the ACAT III and IV programs is delegated to the command and its PEOs, in our opinion, ASN (RD&A) is still responsible for the oversight of ACAT III and IV programs. Controls need to be implemented to ensure that PEO/Systems Commands that have been delegated Milestone Decision Authority comply with required oversight responsibility. Both DoD and Secretary of the Navy instructions require program managers to provide key documents for the Milestone Decision Authority to review before program initiation and at subsequent program milestone reviews.

When program documentation is not prepared or approved in time for milestone reviews in accordance with acquisition guidance, PEOs or Milestone Decision Authorities do not have all the necessary information to make fully informed milestone decisions. This increases the potential risk that the program will not achieve desired cost, schedule, and performance goals. PEOs should ensure that all documentation required by the DoD 5000 series<sup>6</sup> and Secretary of the Navy instructions is obtained and properly approved prior to milestone decision reviews, and that program documentation is updated as necessary when significant changes to the program or acquisition approach are made.

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<sup>6</sup> The Department of Defense (DoD) acquisition policy is referred to as the DoD 5000 series. It is comprised of DoD Instructions 5000.01 and 5000.02.

The specific issues for each program are presented in Exhibit D. The last column (titled “required documentation”) summarizes whether the program complied with the required documentation at each milestone review (see Exhibit F for a description of the documents reviewed).

The following are examples of programs which entered into the next phase of the acquisition process before obtaining all required or properly approved acquisition documentation. The following programs may have entered the next phase of the acquisition process without having assurance that the programs would achieve their desired cost, schedule, and performance goals, or would have appropriate management actions between milestone decision reviews.

### ***Integrated Submarine Imaging System***

The Integrated Submarine Imaging System program, managed by PEO (Submarines), provisionally approved Milestone B on 7 January 2004 without an approved Operational Requirements Document, Acquisition Program Baseline, or a Test and Evaluation Master Plan. These documents were not approved until 10 March 2005, 18 March 2005, and 11 March 2005, respectively. They did not have an equivalent of an Initial Capabilities Document. In addition, the program did not have a Capability Production Document approved for the Low Rate Initial Production and Full Rate Production milestone reviews. The latter was approved 7 December 2007. A Capability Production Document was not approved at the start of our audit. DoD Instruction 5000.02 and Secretary of the Navy Instruction 5000.2C require that programs have an approved Acquisition Program Baseline, Test and Evaluation Master Plan, and a requirements document prior to approving Milestone B. In addition, the Secretary of the Navy instruction requires an approved Capability Production Document prior to approving the program for Low Rate Initial Production and Full Rate Production. Based on our audit work, the Capability Production Document was updated and approved to reflect the current program direction of the Integrated Submarine Imaging System program. The Capability Production Document was approved on 3 July 2012. However, we are still including a recommendation on this matter in order to formalize the action in our followup system.

### ***AN/BYG-1 Combat Control Systems***

The AN/BYG-1 Combat Control Systems program, managed by PEO (Submarines), did not have an Acquisition Strategy that reflects their current acquisition approach. The Acquisition Strategy was approved on 28 May 1996. Secretary of the Navy Instruction 5000.2E requires that the acquisition strategy reflect the current acquisition approach. Based on our audit work, the program office developed a Single Acquisition Management Plan to describe the current acquisition approach while complying with the 5000 series. This was completed in September 2012.

We also determined that the AN/BYG-1 Combat Control Systems program also did not have an approved Acquisition Program Baseline for the previous increments. DoD Instruction 5000.02 and Secretary of the Navy Instruction 5000.2E require that programs have an approved Acquisition Program Baseline for each increment. Based on our audit work, the Acquisition Program Baseline for the next increment was updated and approved on 13 January 2012. However, we are still including a recommendation on this matter in order to formalize the action in our followup system.

### ***AN/SPQ-9B Radar***

The AN/SPQ-9B Radar program, managed by PEO (Integrated Warfare Systems), had reached Milestone II in 12 October 1994. The latest Acquisition Program Baseline did not reflect the current life-cycle cost estimates for the AN/SPQ-9B Radar program. The baseline was last updated 13 February 2004, showing a procurement threshold of approximately \$322.4 million. However, budget documentation, obtained during the audit and dated 24 March 2011, showed a total procurement spending estimate of approximately \$774.3 million.<sup>7</sup> DoD Instruction 5000.02 states the Acquisition Program Baseline is to be revised as a result of a breach at the determination of the Milestone Decision Authority. In our opinion, the large difference in procurement funds constitutes a breach that should have resulted in an update to the baseline. Program personnel have acknowledged the need to update the Acquisition Program Baseline to reflect the current cost situation.

### ***Next Generation Countermeasure***

The Milestone Decision Authority for PEO (Submarines) provisionally approved Milestone B for the Next Generation Countermeasure program on 24 April 2008 without an approved Acquisition Program Baseline, Capability Development Document, Acquisition Plan, or Test and Evaluation Master Plan. In addition, the Initial Capabilities Document and System Engineering Plan were not approved. The Acquisition Program Baseline, Capability Development Document, System Engineering Plan, and Acquisition Plan were approved between 1 and 4 months after the milestone decision. However, the Test and Evaluation Master Plan and Initial Capabilities Document were not approved at the time of the audit. DoD Instruction 5000.02 and Secretary of the Navy Instruction 5000.2C require that programs have all of these documents approved prior to approving Milestone B.

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<sup>7</sup>Preliminary indications are that the program will not reach the ACAT II level until Fiscal Year 2029 if only Other Procurement, Navy (OPN) costs are considered. It will not reach this level until Fiscal Year 2019 if both Shipbuilding and Conversion, Navy (SCN) and OPN costs are considered. SCN costs are included in the Ship's ACAT program costs, so they should not be included in this program. Design and development of the program has been completed. The additional program costs arise directly from an increase in the number of platforms receiving SPQ-9B and, even given this, ACAT II thresholds are not reached for a number of years based on current Ship forecasts. Once the program cost update is completed, the Chief of Naval Operations sponsor and ASN (RD&A) will be consulted regarding the need to possibly revise the program ACAT level.

### **ACAT III Program Cost Thresholds**

The Countermine System program, managed by PEO (Littoral Combat Ships), was approved for Milestone B on 6 July 2007 without an approved Test and Evaluation Master Plan. DoD Instruction 5000.02 and Secretary of the Navy Instruction 5000.2C require that programs have an approved Test and Evaluation Master Plan prior to approving Milestone B. This document was not signed and approved until November 2008.

The Countermine System program exceeded the ACAT III program cost thresholds. According to the latest Life-Cycle Cost Estimate, dated March 2011, Research and Development, Testing and Evaluation costs were estimated at \$236.1 million. This figure exceeds the Research and Development, Testing and Evaluation threshold of \$140 million for an ACAT III program. Thus, the program should be re-designated as an ACAT II. Based on our audit work, PEO (Littoral Combat Ships) requested that ASN (RD&A) re-designate the Countermine System as an ACAT II program.

We met and briefed the Principal Military Deputy to ASN (RD&A) on 16 May 2013 to discuss our audit results, including those relating to this program. The Principal Military Deputy informed us during the meeting that he had reviewed the Countermine System Program and is considering their ACAT II designation request, but he had not made a decision yet. As a result, the Principal Military Deputy requested the Countermine System's Program Office to provide additional information.

### **Dashboard Reporting**

We found that 4 of the 13 programs reviewed did not submit program information in Dashboard as of the start of the audit (see Table 2). Based on our audit, the AN/BYG-1 Combat Control System and Ocean Class-Auxiliary General Purpose Oceanographic Research Ship programs started reporting in Dashboard during the audit. Four of the 9 programs that had information in Dashboard did not update information quarterly, as required by a memo from ASN (RD&A), "Updating Programmatic Information in Dashboard," dated 25 July 2007 (see Table 2). Program personnel stated the reasons for not submitting or updating program information in Dashboard was due to misinterpretation of policy, not knowing who had responsibility for updating Dashboard, and not having required documentation to update Dashboard. Secretary of the Navy Instructions 5000.2E and 5240.188F do not address Dashboard oversight and reporting requirements for ACAT III and IV Programs.

**Table 1: Dashboard Reporting as of 22 May 2012**

Program	In Dashboard	Last Update	Updated Quarterly
<b>Integrated Submarine Imaging System</b>	Yes	5/14/2012	Yes
<b>AN/BYG-1 Combat Control System <sup>1</sup></b>	No	4/10/2012	Yes
<b>Nulka</b>	Yes	4/27/2012	Yes
<b>AN/SPQ-9B Radar</b>	Yes	5/17/2012	Yes
<b>Countermine System</b>	Yes	2/3/2012	No
<b>Integrated Ship Controls</b>	No	N/A	N/A
<b>Ocean Class-Auxiliary General Purpose Oceanographic Research Ship <sup>1</sup></b>	Yes	3/26/2012	Yes
<b>Fiber Optic Data Multiplexing System</b>	Yes	1/7/2010	No
<b>T-AGS 66</b>	No	N/A	N/A
<b>Next Generation Countermeasure</b>	No	9/16/2008	No
<b>Advanced Explosive Ordnance Disposal Robotic System</b>	Yes	3/26/2012	Yes
<b>AN/SLQ-32 (V)4 Electronic Surveillance Enhancement Processor Upgrade (V)4</b>	Yes	3/28/2012	Yes
<b>AN/PYX-1 Identity Dominance System</b>	Yes	6/30/2011	No

<sup>1</sup> The AN/BYG-1 Combat Control System and Ocean Class-Auxiliary General Purpose Oceanographic Research Ship programs started reporting in Dashboard during the audit

Dashboard is the authoritative database for programmatic information within the Navy. It is mandatory that each program office update each ACAT program's information at least quarterly. If the program manager, PEO, or Systems Command desires to update the information more frequently than each quarter, or if something should arise that requires immediate attention, then more frequent updates are encouraged and permitted. Dashboard includes: Acquisition Program Baselines, milestone decisions, program budgets and schedules, contract information, and program costs. During quarterly assessments, program management is required to provide data on milestone information, documentation status, and exit criteria as it applies to each program in Dashboard.

The purpose of Dashboard is to provide Navy management consistent data as a tool to manage various ACAT programs. In addition, Dashboard is a useful tool to assist managers in decision making and alert them when program documentation requirements are not met or when cost, schedule, or performance issues occur. NAVSEA PEOs could improve the visibility of ACAT III and IV programs by reporting information in Dashboard and updating program information quarterly. Reporting quarterly in Dashboard is a key management control to help ensure PEOs have all required statutory and regulatory acquisition documentation to support milestone reviews.

### **NAVSEA Instruction**

NAVSEA Instruction 5000.3E for program reviews and reporting had not been updated since March 1998 and did not reflect the current operating environment for ACAT III and IV programs. The instruction does not clarify roles and responsibilities for program reviews and reporting, or outline procedures for reporting program information in Dashboard. This instruction also references outdated guidance. It outlines the roles and responsibilities of the Acquisition Support Office, which no longer exists, and it requires completion of Acquisition Program Status Reports, which are no longer required. The Acquisition Policy Office (which replaced the Acquisition Support Office) has acknowledged the need to update NAVSEA Instruction 5000.3E.

The responsibility for updating NAVSEA Instruction 5000.3E has subsequently been taken over by the Program Management Competency Office. This office provided us a draft copy of NAVSEA Instruction 5000.3F. The draft updates the criteria referenced in the instruction, adds procedures for reporting program information in Dashboard and the Probability of Program Success system, deletes a previous requirement to prepare Acquisition Program Status Reports, and clarifies roles and responsibilities for program reviews and reporting. The updated instruction should also include policies and procedures for quarterly Dashboard reporting. Completion of the revised policy should improve program oversight by clarifying the roles and responsibilities of the organization and its affiliated PEOs.

## **Recommendations and Corrective Actions**

Our recommendations, summarized management responses, and our comments on the responses follow. The complete text of management responses are in the appendices.

We recommend that the Assistant Secretary of the Navy (Research, Development and Acquisition):

**Recommendation 1.** Revise Secretary of the Navy Instruction 5420.188F to identify and require the designated office(s) within Assistant Secretary of the Navy (Research, Development and Acquisition) to provide oversight for delegated Milestone Decision

Authority for Acquisition Category III and IV programs to ensure responsibilities are carried out in accordance with acquisition policy and processes.

**Management response to Recommendation 1.** Concur with comment. It is agreed that Secretary of the Navy Instruction 5420.188F requires revision and updates to reflect changes in the acquisition decision process and assign oversight responsibilities at the ASN [Assistant Secretary of the Navy] level to the appropriate DASN [Deputy Assistant Secretary of the Navy]. However, due to the time associated with updating an instruction (rewriting, solicitation of comments, comment adjudication, etc.), the ASN (Research, Development and Acquisition (RDA)) will issue interim guidance via a policy memo on oversight for delegated Milestone Decision Authority for Acquisition Category III and IV programs. Target Completion Date: 15 January 2014.

**Naval Audit Service comments on response to Recommendation 1.**

Actions planned meet the intent of the recommendation, which is considered open.

**Recommendation 2.** Update policy and procedures for the use of Dashboard as a program management tool to manage all Acquisition Category programs.

**Management response to Recommendation 2.** Concur with comment. ASN (Research, Development and Acquisition) concurs with the recommendation and will reissue guidance originally released by ASN (RDA) and DASN Management and Budget memos, dated 19 and 25 July 2007, respectively that addressed the use of the RDA Information System (RDAIS) which was previously known as DASHBOARD. The re-issued guidance will be updated and expanded to cover changes in RDAIS 2.0, the recently deployed update to the original DASHBOARD. Target Completion Date: 15 January 2014.

**Naval Audit Service comments on response to Recommendation 2.**

Actions planned meet the intent of the recommendation, which is considered open.

We recommend that Commander, Naval Sea Systems Command:

**Recommendation 3.** Update Naval Sea Systems Command Instruction 5000.3E to reflect current Naval Sea Systems Command organizational roles and responsibilities and current Department of Defense and Department of the Navy acquisition policies and procedures.

**Management response to Recommendation 3.** Concur. The pertinent instruction, Naval Sea Systems Command Instruction 5000.3E, is being rewritten. The program Management Competency Program office (PMCPPO) has the lead for

this instruction. The Naval Sea Systems Command Acquisition Policy group, which organizationally falls under PMCPO, remains available to assist program offices with acquisition-related inquiries. Target Completion Date: 31 March 2014.

**Naval Audit Service comments on response to Recommendation 3.** The command originally projected their target completion date for 30 September 2013. However, based on subsequent discussion, they provided a revised estimated completion date of 31 March 2014. Actions planned meet the intent of the recommendation, which is considered open pending completion of agreed-upon actions.

We recommend that Program Executive Office (Submarines):

**Recommendation 4.** Approve the Test and Evaluation Master Plan for the Next Generation Countermeasure Program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management response to Recommendation 4.** Concur. As a result of significant budget reductions, which were reflected in POM-13 for Fiscal Years (FYs) 2013-2017, the subject program is in the process of establishing a new baseline, which will include a reassessment of the Milestone B documentation and will establish a schedule for updating the appropriate Milestone Documentation, including the TEMP [Test and Evaluation Master Plan]. The estimated approval of the TEMP is the first quarter of FY 2016, which supports Development Testing (DT) in the first quarter of FY 2017. Target Completion Dates: The interim target completion date for re-baselining the program and establishing a schedule for updating the appropriate Milestone Documentation, including the TEMP, is no later than 31 March 2014. The final target completion date for all actions is 31 December 2015.

**Naval Audit Service comments on response to Recommendation 4.** Actions planned meet the intent of the recommendation, which is considered open pending completion of agreed-upon actions.

**Recommendation 5.** Approve the Capability Production Document to reflect the current program direction of the Integrated Submarine Imaging System program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management response to Recommendation 5.** Concur. The Capability Production Document was updated and approved 3 July 2012 to reflect the current program direction of the Integrated Submarine Imaging System program. Target Completion Date: Completed 3 July 2012.

**Naval Audit Service comments on response to Recommendation 5.** Actions taken meet the intent of the recommendation, which is considered closed. The target completion date is based off of the signature date listed on the Capability Production Document.

**Recommendation 6.** Update the Acquisition Strategy to reflect the current acquisition approach and approve the Acquisition Program Baseline for each increment of the AN/BYG-1 program.

**Management response to Recommendation 6.** Concur. The program office developed a Single Acquisition Management Plan to describe the current acquisition approach, which complies with the 5000 series. It was approved in September 2012. The Acquisition Program Baseline for the next increment was updated and approved on 13 January 2012. Target Completion Date: Completed 12 September 2012.

**Naval Audit Service comments on response to Recommendation 6.** Actions taken meet the intent of the recommendation, which is considered closed. The target completion date is based off of the signature date listed on the Single Acquisition Management Plan.

We recommend that Program Executive Office (Littoral Combat Ships):

**Recommendation 7.** Request that the Assistant Secretary of the Navy (Research, Development and Acquisition) re-designate the Countermine System Program as an Acquisition Category II program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management response to Recommendation 7.** Concur with the recommendation. PEO LCS initiated a request in October 2012 to change the acquisition category designation of the Countermine System to ACAT II. PMS495 is addressing additional information requested by ASN (RDA), which includes an Independent Cost Estimate (ICE), recommended Unexploded Ordnance (UXO) requirements, and the feasibility of complying with the OSD UXO policy. An updated countermine system ACAT II request will be submitted upon completion of these tasks.

Target Completion Date for all actions being completed: 31 December 2013  
- A letter requesting Office of the Secretary of Defense UXO Policy clarification: Completed: July 2013  
- Technical Program Review on the feasibility of complying with the UXO Policy based on the Office of the Secretary of Defense Policy Clarification: first quarter of FY 2014

- Independent Cost Estimate to include Insensitive Munitions and Unexploded Ordnance completed by: fourth quarter of FY 2013
- Update proposed APB to reflect latest ICE: first quarter of FY 2014

**Naval Audit Service comments on response to Recommendation 7.**

Actions planned meet the intent of the recommendation, which is considered open pending completion of agreed-upon actions.

We recommend that Program Executive Office (Integrated Warfare Systems):

**Recommendation 8.** Update the Acquisition Program Baseline for the AN/SPQ-9B Radar Program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management response to Recommendation 8.** Concur. Target completion date to update the Acquisition Program Baseline (APB) for the AN/SPQ-9B Radar Program is 31 December 2013. Target Completion Date: No later than 31 December 2013.

**Naval Audit Service comments on response to Recommendation 8.**

Actions planned meet the intent of the recommendation, which is considered open pending completion of agreed-upon actions.

## Section B:

# Status of Recommendations

Recommendations							
Finding <sup>8</sup>	Rec. No.	Page No.	Subject	Status <sup>9</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date <sup>10</sup>
1	1	14	Revise Secretary of the Navy Instruction 5420.188F to identify and require the designated office(s) within Assistant Secretary of the Navy (Research, Development and Acquisition) to provide oversight for delegated Milestone Decision Authority for Acquisition Category III and IV programs to ensure responsibilities are carried out in accordance with acquisition policy and processes.	O	Assistant Secretary of the Navy (Research, Development and Acquisition)	1/15/2014	
1	2	15	Update policy and procedures for the use of Dashboard as a program management tool to manage all Acquisition Category programs.	O	Assistant Secretary of the Navy (Research, Development and Acquisition)	1/15/2014	
1	3	15	Update Naval Sea Systems Command Instruction 5000.3E to reflect current Naval Sea Systems Command organizational roles and responsibilities and current Department of Defense and Department of the Navy acquisition policies and procedures.	O	Commander, Naval Sea Systems Command	3/31/2014	
1	4	16	Approve the Test and Evaluation Master Plan for the Next Generation Countermeasure Program in accordance with Secretary of the Navy Instruction 5000.2E.	O	Program Executive Office (Submarines)	12/31/2015	3/31/2014
1	5	16	Approve the Capability Production Document to reflect the current program direction of the Integrated Submarine Imaging System program in accordance with Secretary of the Navy Instruction 5000.2E.	C	Program Executive Office (Submarines)	7/3/2012	
1	6	17	Update the Acquisition Strategy to reflect the current acquisition approach and approve the Acquisition Program Baseline for each increment of the AN/BYG-1 program.	C	Program Executive Office (Submarines)	9/12/2012	

<sup>8</sup> / + = Indicates repeat finding.

<sup>9</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>10</sup> If applicable.

Recommendations							
Finding <sup>8</sup>	Rec. No.	Page No.	Subject	Status <sup>9</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date <sup>10</sup>
1	7	17	Request that the Assistant Secretary of the Navy (Research, Development and Acquisition) re-designate the Countermine Systems Program as an Acquisition Category II program in accordance with Secretary of the Navy Instruction 5000.2E.	O	Program Executive Office (Littoral Combat Ships)	12/31/2013	
1	8	18	Update the Acquisition Program Baseline for the AN/SPQ-9B Radar Program in accordance with Secretary of the Navy Instruction 5000.2E.	O	Program Executive Office (Integrated Warfare Systems)	12/31/2013	

## Exhibit A:

# Background

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The Naval Sea Systems Command (NAVSEA) is comprised of command staff, headquarters directorates, five affiliated Program Executive Offices (PEOs) and numerous field activities. The command and affiliates engineer, build, buy, and maintain ships, submarines, and combat systems that meet the Fleet's current and future operational requirements.

NAVSEA is the largest of the Navy's five system commands. With an annual budget of nearly \$30 billion, NAVSEA accounts for one quarter of the Navy's entire budget. As of 21 September 2011, NAVSEA and its affiliated PEOs managed a total of 37 Acquisition Category (ACAT) III and IV programs.

NAVSEA has the further responsibility of establishing and enforcing technical authority in combat system design and operation. These technical standards use the organization's technical expertise to ensure systems are engineered effectively, and that they operate safely and reliably. As of 21 September 2011, NAVSEA itself managed seven ACAT III and IV programs.

### **Program Executive Offices**

NAVSEA's five affiliated PEOs are responsible for all aspects of life-cycle management for their assigned programs. PEOs report to the NAVSEA commander for planning and execution of in-service support and to the Assistant Secretary of the Navy (Research, Development and Acquisition) (ASN (RD&A)) for acquisition-related matters.

**PEO (Aircraft Carriers)** focuses on the design, construction and delivery, and life-cycle support of all aircraft carriers and the integration of systems into aircraft carriers. No ACAT III or IV programs have been identified in PEO (Aircraft Carriers) as of 21 September 2011.

**PEO (Integrated Warfare Systems)** manages surface ship and submarine combat technologies and systems, and coordinates Navy Open Architecture across ship platforms. As of 21 September 2011, PEO (Integrated Warfare Systems) managed seven ACAT III and IV programs.

**PEO (Ships)** is responsible for executing the development and procurement of all destroyers, amphibious ships, special mission and support ships, and special warfare craft. As of 21 September 2011, PEO (Ships) managed three ACAT III and IV programs.

**PEO (Submarines)** focuses on the design, construction, delivery, and conversion of submarines and advanced undersea and anti-submarine systems, including: Special Operations Forces delivery systems; submarine rescue systems; torpedoes; towed acoustics sensors; and unique submarine sonar, control, imaging and electronic warfare systems. As of 21 September 2011, PEO (Submarines) managed 17 ACAT III and IV programs.

**PEO (Littoral Combat Ships).** As of July 2011 the Navy established the PEO (Littoral Combat Ships). With the stand-up of PEO (Littoral Combat Ships), the Navy disbanded PEO (Littoral and Mine Warfare). PEO (Littoral Combat Ships) is responsible for acquiring and maintaining the littoral mission capabilities of the littoral combat ship class from end to end, beginning with procurement, and ending with Fleet employment and sustainment. These include programs in support of Mine Warfare, Littoral Combat Ship Mission Modules, Unmanned Maritime Systems, Littoral Combat Ship, and Fleet Introduction, Test and Evaluation, and In-Service Support. As of 21 September 2011, PEO (Littoral Combat Ships) managed three ACAT III and IV programs.

## Exhibit B:

# Scope and Methodology

The Naval Sea Systems Command (NAVSEA) budget for Acquisition Category (ACAT) III and IV programs is approximately \$13.9 billion for Fiscal Years 2010 to 2016. The 13 active ACAT programs selected for audit were the: Integrated Submarine Imaging System, AN/BYG-1 Combat Control System, Nulka, AN/SPQ-9B Radar, Countermine System, Integrated Ship Controls, Ocean-Class Auxiliary General Purpose Oceanographic Research Ship, Fiber Optic Data Multiplexing System, T-AGS 66, Next Generation Countermeasure, AN/SLQ-32 (V)4 Electronic Surveillance Enhancement Processor Upgrade (V)4, Advanced Explosive Ordnance Disposal Robotic System, and the Identity Dominance System. The total budget for the selected sample was approximately \$6.4 billion (approximately 46 percent of total ACAT III and IV program costs) (see Exhibit G for a description of each program reviewed).

Dashboard is the only official Navy system that we used to perform this audit. We queried Dashboard to determine the universe of NAVSEA ACAT III and IV programs. We assessed the data reliability for this system, which is the Navy's authoritative database for programmatic information. To assess data reliability, we queried Dashboard on 2 November 2011 to determine the number of active NAVSEA ACAT III and IV programs. We then compared the Dashboard report to a program list of ACAT III and IV programs generated by NAVSEA on 14 September 2011. We noted active programs in Dashboard that were not on NAVSEA's program list, and identified programs on NAVSEA's list that were not in Dashboard. Our analysis casts doubt on the reliability of data in Dashboard. We will determine whether the reliability of data in Dashboard is a systemic weakness during our series of audits of System Command and their Affiliated Program Executive Offices' Management Oversight for Select Acquisition Category III and IV Programs. Despite the discrepancies noted above, we were able to use Dashboard and performed alternate procedures such as discussions with NAVSEA personnel to determine our audit universe and accomplish our audit objective.

To ensure that we had a sample that included programs of different sizes and at various phases in the acquisition process, we judgmentally selected 13 programs. This included: the five highest-dollar programs, as well as the three highest-dollar programs per remaining Program Executive Offices (PEOs), and five programs that had not reached the Production and Deployment Phase. We evaluated internal controls over NAVSEA and affiliated PEO oversight by verifying that: (1) PEOs had reviewed and approved required statutory and regulatory documentation supporting milestone decisions as related to cost, schedule, and performance; (2) PEOs had complied with Navy and Department of Defense (DoD) acquisition regulations; and (3) PEOs had sufficiently supervised, managed, and provided oversight of assigned programs to ensure that programs achieved

cost, schedule, and performance goals. We evaluated statutory and regulatory documents required to support milestone decisions. In addition, we determined whether the program was designated in the appropriate acquisition category. Lastly, we verified compliance with Dashboard reporting requirements.

We reviewed the following documents (see Exhibit F for a glossary of terms defining these documents). These documents constitute the primary control over milestone decision reviews:

- Analysis of Alternatives
- Acquisition Decision Memoranda
- Acquisition Plan
- Acquisition Program Baseline
- Acquisition Strategy
- Capability Development Document
- Capability Production Document
- Entrance/Exit Criteria
- Initial Capabilities Document
- Life-Cycle Cost Estimates
- Milestone Decision Reviews
- Operational Requirements Document
- Systems Engineering Plan
- Test and Evaluation Master Plan
- Test and Evaluation Reports

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.

**Prior Audits:** We conducted a search of Naval Audit Service, DoD Inspector General, and Government Accountability Office reports. We found that the DoD Inspector General issued a report published on 9 March 2007, entitled, “Navy Acquisition Executive’s Management Oversight and Procurement Authority for Acquisition Category I and II Programs.” This report covered oversight of ACAT I and II programs. However, our report covers oversight of ACAT III and IV programs, so no followup was required. We found no other reports conducted in the last 5 years that related to our audit objective.

## Exhibit C:

# Pertinent Guidance

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The Department of Defense (DoD) 5000 series documents provide policy and guidance to the DoD components to manage their acquisition programs.

**DoD Instruction 5000.02, “Operation of the Defense Acquisition System,” dated 8 December 2008**, specifies program documents that program managers must provide at milestone decision reviews and requires Milestone Decision Authority to establish mandatory procedures for assigned programs.

**Secretary of the Navy Instruction 5000.2E, “Department of the Navy Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System,” dated 1 September 2011**, implements DoD Instruction 5000.02. Secretary of the Navy Instruction 5000.2E identifies milestone documentation as the key management control for acquisition programs and the milestone decision review process as the evaluation of that control. It also establishes the Assistant Secretary of the Navy (Research, Development and Acquisition) as the component acquisition executive, who is responsible for all Department of the Navy research, development, and acquisition.

**Assistant Secretary of the Navy (Research, Development and Acquisition) Memo, dated 25 July 2007**, states that Dashboard is the authoritative database for programmatic information within the Navy and requires program managers to update programmatic information in Dashboard for all Acquisition Category programs quarterly. The purpose of Dashboard is to provide the Secretary of the Navy, Assistant Secretary of the Navy (Research, Development and Acquisitions), Naval Operations, Systems Commands, Program Executive Offices, Direct Reporting Program Managers, and Program Managers with consistent data throughout the chain of command.

**Naval Sea Systems Command Instruction 5000.3E, “Acquisition Program Review and Reporting,” dated 18 March 1998**, assigns functions and defines procedures for acquisition program reviews and reporting at the Naval Sea Systems Command for both weapon systems and information technology programs.

**Exhibit D:**

# Program Documentation

Programs	AoA or COEA	APB	SEP	ICD	AS/AP	ORD, CDD, or CPD	TEMP	Test Reports	ADM, MDR	Exit Criteria	LCCE	Required Documentation
Integrated Submarine Imaging System	Yes	No <sup>1</sup>	N/A	N/A	Yes	No <sup>1</sup>	No <sup>1</sup>	Yes	Yes	Yes	No	No
AN/BYG-1 Combat Control System	No <sup>1</sup>	No <sup>1</sup>	Yes	Yes	No <sup>1</sup>	Yes	Yes	No <sup>1</sup>	Yes	Yes	No <sup>1</sup>	No
NULKA/Shipboard Improvement Program	UNK	No <sup>1</sup>	N/A	UNK	Yes	UNK	UNK	Yes	No	Yes	Yes	No
AN/SPQ-9B Radar	Yes	UNK	N/A <sup>3</sup>	N/A <sup>2</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Countermine System	Yes	Yes	Yes	Yes	Yes	Yes	No <sup>1</sup>	N/A	Yes	Yes	Yes	No
Smartship Integrated Ship Controls <sup>8</sup>	No	No	N/A <sup>3</sup>	N/A <sup>3</sup>	UNK <sup>7</sup>	No <sup>7</sup>	UNK	UNK	No	No	No	No
Ocean Class- Auxiliary General Purpose Oceanographic Research Ship	N/A <sup>4</sup>	Yes	Yes	N/A <sup>4</sup>	Yes	Yes	N/A <sup>4</sup>	N/A <sup>4</sup>	Yes	Yes	Yes	Yes
Fiber Optic Data Multiplex System <sup>8</sup>	N/A <sup>5</sup>	Yes	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Oceanographic Survey Ship T-AGS 66	N/A <sup>6</sup>	No <sup>1</sup>	N/A <sup>6</sup>	N/A <sup>6</sup>	Yes	N/A <sup>6</sup>	N/A <sup>6</sup>	N/A <sup>6</sup>	No	No	N/A	No
Next Generation Countermeasure	No <sup>1</sup>	No <sup>1</sup>	N/A	No	No <sup>1</sup>	No <sup>1</sup>	No	N/A	Yes	Yes	Yes	No
AN/SLQ-32 (V)4 Electronic Surveillance Enhancement Processor Upgrade	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes
Advanced Explosive Ordnance Disposal Robotics System	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes
AN/PYX-1 Identity Dominance System	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes

<sup>1</sup> Document approved after Milestone Decision.

<sup>2</sup> The Operational Requirements Document contains the mission needs statement.

<sup>3</sup> Not applicable under Department of Defense Instruction 5000.2, dated 23 February 1991.

<sup>4</sup> Analysis of Alternatives and Initial Capabilities Document completed through studies and reports to Congress on University-National Oceanographic Laboratory System fleet renewal. Commander, Operational Test and Evaluation Force determined that operational test and evaluation is not appropriate for Ocean Class-Auxiliary General Purpose Oceanographic Research Ships due to the commercial nature of the program.

<sup>5</sup> Fiber Optic Data Multiplexing System is a preplanned update to the Data Multiplexing System program. Documentation provided was in compliance with the requirements under Department of Defense Instruction 5000.2, dated 23 February 1991.

<sup>6</sup> The program is a modified repeat of the T-AGS 60. The program is a Congressional plus-up.<sup>11</sup> The program personnel used prior documentation. There is no formal record of program initiation.

<sup>7</sup> Document was provided, but we were unable to determine if it was approved prior to the Milestone Decision Review.

<sup>8</sup> Integrated Ship Controls and Fiber Optic Data Multiplexing System are no longer active.

KEY
ADM- Acquisition Decision Memorandum
AoA- Analysis of Alternatives
AP- Acquisition Plan
APB- Acquisition Program Baseline
AS- Acquisition Strategy
CDD- Capability Development Document
COEA- Cost and Operational Effectiveness Analysis
CPD- Capability Production Document
ICD- Initial Capabilities Document
LCCE- Life Cycle Cost Estimate
MDR- Milestone Decision Review
ORD- Operational Requirements Document
SEP- Systems Engineering Plan
TEMP- Test and Evaluation Master Plan

<sup>11</sup> Congressional “plus-ups” are funds appropriated, but not requested by the Department of Defense.

**Exhibit E:**

# **Activities Visited and/or Contacted**

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Naval Sea Systems Command Headquarters, Washington Navy Yard, Washington, DC

Program Executive Office (Submarines), Washington Navy Yard, Washington, DC

Program Executive Office (Ships), Washington Navy Yard, Washington, DC

Program Executive Office (Integrated Warfare Systems), Washington Navy Yard, Washington, DC

Program Executive Office (Littoral Combat Ships), Naval Surface Warfare Center Dahlgren, Dahlgren, VA

Office of the Deputy Assistant Secretary of the Navy, Management and Budget, Pentagon, Arlington, VA

Deputy Assistant Secretary of the Navy, Ships, Pentagon

Principal Military Deputy to the ASN (RD&A), Pentagon

# Glossary of Terms

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**Analysis of Alternatives.** The evaluation of the operational effectiveness, operational suitability, and estimated costs of alternative systems to meet a mission requirement. Alternatives include developing a program in-house, by contract, or through cooperative agreements with foreign countries. The analysis assesses the advantages and disadvantages of alternative systems being considered to satisfy a validated need. The results of the Analysis of Alternatives provide the basis for the Technology Development Strategy, which is approved at Milestone A – Technology Development.

**Acquisition Decision Memorandum.** A document signed by the Milestone Decision Authority to record decisions made as the result of a milestone review or decision review.

**Acquisition Plan.** A formal written document reflecting the specific actions necessary to execute the approach established in the approved acquisition strategy. There is no Department of Defense-level rule that precludes the program manager from preparing a single document to satisfy both the requirement for an Acquisition Plan and Acquisition Strategy.

**Acquisition Program Baseline.** A key document for program management that reflects the approved program being executed. The Acquisition Program Baseline prescribes the significant cost, schedule, and performance constraints that must be achieved before the next milestone decision review in the acquisition process. Acquisition Program Baseline parameter values represent the program as it is expected to be produced or deployed.

**Acquisition Strategy.** A business and technical management approach designed to achieve program objectives within the proposed resource constraints. It is the framework for planning, directing, contracting for, and managing a program. It provides a master schedule for research, development, test, production, fielding, modification, post production management, and other activities essential for program success.

**Capability Development Document.** A document that captures the information necessary to develop a proposed program, normally using an evolutionary acquisition strategy. An evolutionary approach delivers capability in increments, recognizing, up front, the need for future capability improvements. The Capability Development Document outlines an affordable increment of militarily useful, logistically supportable, and technically mature capability. The Capability Development Document supports program initiation at Milestone B – Engineering and Manufacturing Development.

**Capability Production Document.** A document that addresses the production elements specific to a single increment of an acquisition program. The Capability Production Document supports Milestone C – Production and Deployment.

**Entrance/Exit Criteria.** Each phase of the acquisition cycle has clear entrance and exit criteria. Entrance criteria are conditions that must be met before a program is approved for entry into a specific phase of the acquisition cycle. Conversely, exit criteria are conditions that have been met within a particular phase of the acquisition cycle.

**Initial Capabilities Document.** A document that describes the need for a material approach to a specific capability gap. The Initial Capabilities Document defines the capability gap in terms of the functional area, the relevant range of military operations, desired effects, and time. The Initial Capabilities Document supports the Materiel Development Decision at Milestone A.

**Life Cycle Cost Estimates.** The estimated total cost to the Government for the acquisition and ownership of a system over its full life time. It includes the cost of research, development, acquisition, support, and disposal. Life Cycle Cost Estimates are prepared early in the program, and are updated throughout the program's life cycle.

**Milestone Decision Authority.** The designated individual with overall responsibility for a program. The Milestone Decision Authority approves program initiation and entry of an acquisition program into the next phase of the acquisition process. The Milestone Decision Authority is accountable for cost, schedule, and performance reporting to higher authorities, including Congress.

**Milestone Decision Reviews.** Milestone decision reviews are required at Milestone A – Technology Development, Milestone B – Engineering and Manufacturing Development, and Milestone C – Production and Deployment.

**Operational Requirement Document.** A legacy document that includes operational performance requirements and parameters for the proposed concept or system. Operational Requirement Documents were accepted for Joint Staff review until late December 2003. The Capability Development Document and Capability Production Document replaced the Operational Requirement Document.

**Program Executive Offices.** Program Executive Offices are responsible for all aspects of life-cycle management of their assigned programs. These offices report to the commander for planning and execution of in-service support, and to the Assistant Secretary of the Navy (Research, Development and Acquisition) for acquisition-related matters. A Program Executive Officer is a military or civilian official who has the responsibility for directing several Major Defense Acquisition Programs and for directing major and non-major system acquisition programs. A Program Executive Officer has no

other command or staff responsibilities within the component, and reports to and receives guidance from only the component acquisition executive.

**Systems Engineering Plan.** A comprehensive, living document that defines the program's systems engineering activities, addressing both Government and contractor technical activities and responsibilities. The Systems Engineering Plan describes the program's overall approach, including processes, resources, metrics, and applicable performance incentives. The plan also details the timing, conduct, and success criteria of technical reviews. Systems engineering focuses on defining user needs and required functionality early in the development cycle. It works with documenting requirements and then proceeds with design and system validation to achieve total capability.

**Test and Evaluation Master Plan.** The Test and Evaluation Master Plan documents the overall structure and objectives of the Test and Evaluation program. The Test and Evaluation Master Plan describes planned developmental, operational, and live-fire testing, including measures to evaluate the performance of the system during these test periods. The plan also documents the test schedule and the resource requirements to accomplish the planned testing.

**Test and Evaluation Reports.** Primary test reports for Acquisition Category III and IV programs include the Developmental Test and Evaluation Report and the Operational Test and Evaluation Report. The Developmental Test and Evaluation Report is a technical test conducted to determine whether critical system performance parameters are achievable. The Operational Test and Evaluation Report is used to determine the operational effectiveness and suitability of a system under realistic operational conditions.

## Exhibit G:

# Program Descriptions

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**Integrated Submarine Imaging System.** The Integrated Submarine Imaging System replaces the optical light path of existing submarine periscopes with a system that integrates new periscope mounted high-resolution cameras and fiber optic digital imagery, while allowing images to continue to be viewed via the optical path. A submarine operator can manipulate an outboard camera with a joystick while observing the digital video on a computer monitor. An onboard suite of video processing equipment allows the display and analysis of video images on existing submarine control room tactical displays. The image can be shared with the combat team on various displays aboard the submarine.

**AN/BYG-1 Combat Control System.** The AN/BYG-1 Combat Control System program is an open-architecture submarine combat control system for analyzing and tracking submarine and surface ship contacts, providing situational awareness, as well as the capability to target and employ torpedoes and missiles. The Combat Control System replaces central processors with commercial-off-the-shelf computer technology and software.

**Nulka.** Nulka is an integral part of a ship's self-defense system against active anti-ship missile attacks. It is a rocket-propelled, disposable, off board, active decoy designed to divert anti-ship missiles away from their targets. It has a unique design in that it hovers in midair while attracting the incoming anti-ship missile.

**AN/SPQ-9B Radar.** The AN/SPQ-9B Radar program supports surface engagement capability in detecting and tracking sea-skimming, low-flying, high-speed anti-ship missile targets.

**Countermine System.** The Countermine System is an air-delivered weapon system in development to destroy or neutralize mine threats. The aim is to defuse anti-landing and anti-tank mines in the beach and surf zones.

**Smartship Integrated Ship Controls.** The Navy's program for adapting commercial technology solutions for reduced ship manning in the Fleet. Smartship Integrated Ship Controls integrate the controls of a ship's major systems (propulsion, engineering services, weapons control, fuel control, damage control, and machinery control). These controls benefit the Navy with cost savings through reduced manning, equipment acquisition, and maintenance.

**Ocean Class - Auxiliary General Purpose Oceanographic Research Ship.** These ships are ocean science research vessels capable of integrated, interdisciplinary, general purpose oceanographic research in coastal and deep ocean areas. They are built in support of the University-National Oceanographic Laboratory System research consortium of U.S. oceanographic institutions.

**Fiber Optic Data Multiplexing System.** This is a general-purpose, dual network system that meets expanding shipboard communications requirements. Systems are installed on DDG 51 Class ships and Amphibious Assault Ship LHD 1 Class ships. Some of the systems supported in the DDG 51 installations are steering, propulsion, navigation, damage control, alarm and indicating, and combat systems.

**Oceanographic Survey Ship (T-AGS 66).** A ship capable of deep-ocean and coastal surveys, oceanographic sampling and data collection of surface, mid-water, and ocean floor parameters, and operation of remotely operated vehicles. T-AGS 66 is designed to perform acoustic, biological, physical, and geophysical surveys to provide the U.S. military with essential information on the ocean environment. T-AGS 66 will be capable of charting broad sections of the ocean floor.

**Next Generation Countermeasure.** This is a submarine anti-torpedo defense system that is in the development stage. The Next Generation Countermeasure will replace the legacy acoustic device countermeasure MK 2 and ME 3 torpedo countermeasure in an attempt to improve Navy submarine defenses against homing torpedoes.

**Advanced Explosive Ordnance Disposal Robotic System.** The goal of this system's program is to develop a family of interoperable and interchangeable robotic systems that employ Open Architecture, enable robust multi-manufacturer innovation, allow for compatibility, support emerging technologies, and ultimately reduce the cost of explosive ordnance disposal robots.

**AN/SLQ-32 (V) 4 Electronic Surveillance Enhancement Processor Upgrade.** The V (4) Electronic Surveillance Enhancement Processor is a software upgrade program that extends the Electronic Surveillance Enhancement capabilities to the CVN-68 class Aircraft Carrier's specific AN/SLQ-32(V) configuration. The AN/SLQ-32(V) is the principal electronic warfare system carried by major U.S. Navy surface ships. The (V) 4 is used on aircraft carriers.

**AN/PYX-1 Identity Dominance System.** The AN/PYX-1 Identity Dominance System is a compact, lightweight, portable device in development that will use biometrics to help identify individuals encountered in austere maritime environments and remote locations.

**Exhibit H:****Overview of 13 Programs Reviewed**

Program Name	MDA	Phase	Last Milestone Decision	ACAT	RDT&E (in millions)	Procurement (in millions)	O&M (in millions)	Total Cost
Integrated Submarine Imaging System	PEO SUBS	P&D	December 7, 2007	IVT	\$56.40	\$483.80	\$2.70	542.9
AN/BYG-1 Combat Control System <sup>12</sup>	PEO SUBS	P&D	November 18, 2011	III	686.0	1,376.7	103.9	2,166.6
NULKA/Shipboard Improvement Program <sup>13</sup>	PEO IWS	P&D	January 28, 1999	III	61.9	996.5	69.3	1,127.7
AN/SPQ-9B Radar	PEO IWS	P&D	February 26, 2004	III	48.1	774.3 <sup>14</sup>	100.1	922.5
Countermine System	PEO LCS	EM&D	July 6, 2007	III	236.1	89.3	173.8	499.2
Smartship Integrated Ship Controls	SEA 21	P&D	Unknown	IVT	18.8	391.4	10.5	420.7
Ocean Class- Auxiliary General Purpose Oceanographic Research Ship	PEO SHIPS	P&D	September 29, 2011	III	8.5	177.0	0.0	185.5
Fiber Optic Data Multiplex System	NAVSEA	O&S	June 19, 2003	III	13.5	260.8	11.0	285.4
Oceanographic Survey Ship T-AGS 66	PEO SHIPS	P&D	NONE	III	0.0	116.5	0.0	116.5
Next Generation Countermeasure	PEO SUBS	EM&D	April 24, 2008	III	48.0	8.4	0.0	56.4
AN/SLQ-32 (V)4 Electronic Surveillance Enhancement Processor Upgrade <sup>15</sup>	PEO IWS	EM&D	July 23, 2009	IVT	19.4	8.7	13.5	41.6

<sup>12</sup> Budget Information provided for all Acquisition Category (ACAT) III increments. Each increment includes a separate Acquisition Program Baseline with its own cost, schedule, and performance objectives, and thresholds. Therefore, each increment is considered a separate ACAT III program.

<sup>13</sup> The procurement dollar total in the Fiscal Year 2012 President's budget submission is \$996.5 million in-then year dollars. The procurement value in the program life cycle cost estimate is \$815.2 million in Constant Year 2000 dollars. This is broken down into Other Procurement, Navy (OPN) procurement of \$560.9 million and Shipbuilding and Conversion, Navy, of \$254.3 million. The Shipbuilding and Conversion, Navy (SCN) is covered in other ship programs.

<sup>14</sup> Preliminary indications are that the program will not reach the ACAT II level until 2029 considering only OPN costs, and Fiscal Year 2019 when both SCN and OPN costs are considered. SCN costs are included in the Ship's ACAT program costs, so they should not be included in this program. Design and development of the program has been completed. The additional program costs arise directly from an increase in the number of platforms receiving SPQ-9B and, even given this, ACAT II thresholds are not reached for a number of years based on current Ship forecasts. Once the program cost update is completed, the Chief of Naval Operations sponsor and Assistant Secretary of the Navy (Research, Development and Acquisition) will be consulted regarding the need to possibly revise the program ACAT level.

<sup>15</sup> Budget Information updated as of February 2012.

Advanced Explosive Ordnance Disposal Robotics System <sup>16</sup>	NAVSEA	EM&D	January 31, 2011	IVM	12.7	16.0	0.0	28.7
AN/PYX-1 Identity Dominance System	NAVSEA	EM&D	July 19, 2010	IVT	<u>14.7</u>	<u>14.3</u>	<u>10.5</u>	<u>39.6</u>
			<b>Totals</b>		<u>\$1,224.2</u>	<u>\$4,713.8</u>	<u>\$495.3</u>	<u>\$6,433.4</u>

KEY
ACAT- Acquisition Category
EM&D- Engineering, Manufacturing, and Development Phase
IWS- Integrated Warfare Systems
LCS- Littoral Combat Ships
MDA- Milestone Decision Authority
NAVSEA- Naval Sea Systems Command
O&M- Operations and Maintenance
O&S- Operation and Support
P&D- Production and Deployment Phase
PDR- Preliminary Design Review
PEO- Program Executive Office
RDT&E- Research, Development, Test and Evaluation
SUBS- Submarines

<sup>16</sup> Budget Information updated as of March 2012.

Appendix 1:

# Management Response from the Assistant Secretary of the Navy (Research, Development and Acquisition)



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(RESEARCH, DEVELOPMENT AND ACQUISITION)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

NOV 5 2013

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

FROM: Deputy Assistant Secretary of the Navy (Management and Budget)

SUBJECT: NAVSEA AND AFFILIATED PEO'S MANAGEMENT OVERSIGHT FOR SELECT ACAT III AND IV PROGRAMS (N2011-177)

The following management comments are provided in response to the draft NAVSEA and Affiliated PEOs' Management Oversight for Select ACAT III and IV Programs (N2011-177):

Recommendation 1. Revise Secretary of the Navy Instruction 5420.188F to identify and require the designated office(s) within Assistant Secretary of the Navy (Research, Development and Acquisition) to provide oversight for delegated Milestone Decision Authority for Acquisition Category III and IV programs to ensure responsibilities are carried out in accordance with acquisition policy and processes.

Concur with comment: It is agreed that SECNAVINST 5420.188F requires revision and update to reflect changes in the acquisition decision process and assign oversight responsibilities at the ASN level to the appropriate DASN. However, due to the time associated with updating an instruction (rewriting, solicitation of comments, comment adjudication, etc.) ASN (RDA) will issue interim guidance via a policy memo on oversight for delegated Milestone Decision Authority for Acquisition Category III and IV programs.

Recommendation 2. Update policy and procedures for the use of Dashboard as a program management tool to manage all Acquisition Category programs.

Concur with comment: ASN (RDA) concurs with the recommendation and will reissue guidance originally released by ASN (RDA) and DASN Management and Budget memos dated 19 and 25 July 2007 respectively that addressed the use of the RDA Information System (RDAIS) which was previously known as DASHBOARD. The re-issued guidance will be updated and expanded to cover changes in RDAIS 2.0, the recently deployed update to the original DASHBOARD.

My point of contact for this issue is [REDACTED] he can be reached at [REDACTED]

FOIA (b)(6)

BY WHITE-OLSON

Appendix 2:

# Management Response from Commander, Naval Sea Systems Command



DEPARTMENT OF THE NAVY  
NAVAL SEA SYSTEMS COMMAND  
1333 ISAAC HULL AVE SE  
WASHINGTON NAVY YARD DC 20378-0001

IN REPLY REFER TO:

7510  
Ser 00N2C/075  
25 Jul 13

From: Commander, Naval Sea Systems Command (SEA 00N)  
To: Auditor General of the Navy (Attn: AUD-3)

Subj: DRAFT AUDIT REPORT ON AUDIT OF NAVAL SEA SYSTEMS  
COMMAND'S AND AFFILIATED PROGRAM EXECUTIVE OFFICES'  
MANAGEMENT OVERSIGHT FOR SELECT ACAT III AND ACAT IV  
PROGRAMS (2011-177)

Ref: (a) NAVAUDSVC Memo 7510 2011-177 of 19 Jun 13

Encl: (1) NAVSEA response to recommendations three through  
eight

1. In accordance with reference (a), enclosure (1) provides the NAVSEA response to the subject report. Based on our review of the subject report, we concur with the report's recommendations.
2. The point of contact for this audit is [REDACTED] who may be reached at [REDACTED] or e-mail: [REDACTED]

J. E. NELSON  
Inspector General

Copy to:  
NAVINGEN (N14)  
OPNAV (DNS-3C)

FOIA (b)(6)

**NAVSEA Response to Naval Audit Service Draft Report on  
Naval Sea Systems Command and Affiliated Program Executive  
Offices' Management Oversight for Select Acquisition Category  
III and IV Programs (2011-177) 19 June 2013**

**Recommendation #3:** Update Naval Sea Systems Command Instruction 5000.3E to reflect current Naval Sea Systems Command organizational roles and responsibilities and current Department of Defense and Department of the Navy acquisition policies and procedures.

**Management Response:** Concur. The pertinent instruction, NAVSEAINST 5000.3E is being rewritten. The program Management Competency Program office (PMCPO) has the lead for this instruction. The NAVSEA Acquisition Policy group, which organizationally falls under PMCPO, remains available to assist program offices with acquisition related inquiries.

Target Completion Date: No later than 30 September 2013

**Overall Comments:**

The corrective actions for all of the findings with exception of one have been completed. The remaining open item is the Next Generation Countermeasure (NGCM) Test and Evaluation Master Plan approval which will be completed after the program is rebaselined.

To improve the management and oversight of the ACAT III and IV programs under my cognizance, I am initiating a quarterly review process to review each ACAT III and IV program to ensure consistency with the SECNAV requirements and ensure the ASN Dashboard is kept up to date. Additionally, prior to each Milestone, the Director of Acquisition and Contracts will review programs' compliance to the SECNAV requirements and document the programs' readiness to request Milestone approval.

**Recommendation #4:** Approve the Test and Evaluation Master Plan for the Next Generation Countermeasure Program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management Response:** Concur. As a result of significant budget reductions, which were reflected in POM-13 for FY13-17, the subject program is in the process of establishing a new baseline, which will include a reassessment of the Milestone B documentation and will establish a schedule for updating the

Encl (1)

appropriate Milestone Documentation, including the TEMP. The estimated approval of the TEMP is 1QFY16 which supports Development Testing (DT) in 1QFY17.

Target Completion Date: No later than 31 March 2014

**Recommendation 5:** Approve the Capability Production Document to reflect the current program direction of the Integrated Submarine Imaging System program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management Response:** Concur. The Capability Production Document was updated and approved 3 July 2012 to reflect the current program direction of the Integrated Submarine Imaging System program.

Target Completion Date: Completed 12 July 2013

**Recommendation 6:** Update the Acquisition Strategy to reflect the current acquisition approach and approve the Acquisition Program Baseline for each increment of the AN/BYG-1 program.

**Management Response:** Concur. The program office developed a Single Acquisition Management Plan to describe the current acquisition approach which complies with the 5000 series. It was approved in September 2012. The Acquisition Program Baseline for the next increment was updated and approved on 13 January 2012.

Target Completion Date: Completed 6 September 2013

**Recommendation #7:** Request that the Assistant Secretary of the Navy (Research, Development and Acquisition) re-designate the Countermine System Program as an Acquisition Category II program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management Response:** Concur with the recommendation; PEO LCS initiated a request in October 2012 to change the ACAT designation of the Countermine System to ACAT II. PMS495 is addressing additional information requested by ASN RDA which includes an Independent Cost Estimate (ICE), recommended Unexploded Ordnance (UXO) requirements and the feasibility of complying with the OSD UXO policy. An updated CMS ACAT II request will be submitted upon completion of these tasks.

**Target Completion Date:**

- A letter requesting OSD UXO Policy clarification: Completed: July 2013
- Technical Program Review on the feasibility of complying with the UXO Policy based on OSD's Policy Clarification: 1QFY14
- Independent Cost Estimate (ICE) to include Insensitive Munitions and Unexploded Ordnance completed by: 4QFY13
- Update proposed APB to reflect latest ICE: 1QFY14

**Recommendation 8:** We recommend that Program Executive Office (Integrated Warfare Systems) update the Acquisition Program Baseline for the AN/SPQ-9B Radar Program in accordance with Secretary of the Navy Instruction 5000.2E.

**Management Response:** Concur. Target completion date to update the Acquisition Program Baseline (APB) for the AN/SPQ-9B Radar Program is 31 Dec 2013.

Target Completion Date: No later than 31 December 2013.

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