

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

MULTIFUNCTIONAL INFORMATION DISTRIBUTION
SYSTEM

Report No. 93-120

June 21, 1993

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Acronyms

ADM	Acquisition Decision Memorandum
ASD	Assistant Secretary of Defense
C ³ I	Command, Control, Communications, and Intelligence
DAB	Defense Acquisition Board
EMD	Engineering and Manufacturing Development
FSD	Full-Scale Development
FSED	Full-Scale Engineering Development
JROC	Joint Requirements Oversight Council
JTIDS	Joint Tactical Information Distribution System
LRIP	Low-Rate Initial Production
LVT	Low-Volume Terminal
MDAP	Major Defense Acquisition Program
MIDS	Multifunctional Information Distribution System
OSD	Office of the Secretary of Defense
OT	Operational Test
P ³ I	Pre-Planned Product Improvement
PMOU	Program Memorandum of Understanding
TADIL-J	Tactical Digital Information Link-J
USD(A)	Under Secretary of Defense for Acquisition
USD(A&T)	Under Secretary of Defense for Acquisition and Technology



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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June 21, 1993

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND TECHNOLOGY**

**SUBJECT: Audit Report on the Review of the Multifunctional Information
Distribution System as a Part of the Audit of the Defense Acquisition
Board Review Process--FY 1993 (Report No. 93-120)**

We are providing this final report for your information and use. Comments on a draft of this report were considered in preparing the final report. DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, all addressees must provide final comments on the unresolved recommendations by August 20, 1993. See the "Management Comments" section at the end of the Executive Summary and the finding for the unresolved recommendations and the specific requirements for your comments.

As required by DoD Directive 7650.3, the comments must indicate concurrence or nonconcurrence in the finding and each recommendation addressed to you. Recommendations are subject to resolution in the event of nonconcurrence or failure to comment. We also ask that your comments indicate concurrence or nonconcurrence with the material internal control weaknesses highlighted in Part I.

We appreciate the courtesies extended to the audit staff. If you have any questions on this report, please contact Program Director Russell A. Rau at (703) 693-0186 (DSN 223-0186). Appendix D lists the planned distribution of this report.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

Office of the Inspector General, DoD

Audit Report No. 93-120
Project No. 2AE-0033.03

June 21, 1993

REVIEW OF THE MULTIFUNCTIONAL INFORMATION DISTRIBUTION SYSTEM AS A PART OF THE AUDIT OF THE DEFENSE ACQUISITION BOARD REVIEW PROCESS--FY 1993

EXECUTIVE SUMMARY

Introduction. The Multifunctional Information Distribution System (MIDS) is a multinational (United States, France, Germany, Italy, and Spain) cooperative development program established to design, develop, and deliver low-volume, lightweight tactical information system terminals for U.S. fighter aircraft, as well as foreign fighter aircraft, helicopters, ships, and ground sites. The terminals will be designed as a Pre-Planned Product Improvement (P³I) of the Joint Tactical Information Distribution System (JTIDS) Class 2 terminals. The U.S. cost to acquire the MIDS is estimated at about \$1.2 billion.

Objectives. The overall audit objective was to evaluate the Defense Acquisition Board (DAB) review process for the acquisition of the MIDS. Specifically, we assessed DAB oversight of the MIDS Program, effect on the DAB process of the MIDS status as an international program, and adequacy of the documentation prepared for the DAB Milestone II review then scheduled for April 1993 and now scheduled for August 1993.

Audit Results. The DAB process had not been effective for the MIDS Program. In the 3 years since MIDS transitioned to a DAB-cognizant major Defense acquisition program, no DAB review was held, no acquisition program baseline was approved, and no exit criteria were established as prerequisites for entry into Engineering and Manufacturing Development (EMD). Also, the impact on interoperability of Air Force withdrawal from the Program was not adequately addressed. The international agreement for the current phase was concluded without a DAB review and before an acquisition strategy was approved and was not signed by the proper authority. Further, not all documentation required by regulations for the upcoming Milestone II review was being prepared, however, the Navy was fully complying with the more limited document requirements established by the Office of the Secretary of Defense for the MIDS Program and associated acquisition regulations concerning document content. Finally, the Navy planned for the Service Acquisition Executive rather than the Under Secretary of Defense for Acquisition Technology (USD[A&T]) to make the low-rate initial production (LRIP) decision.

Internal Controls. The audit identified material internal control weaknesses in that controls were not developed for programs transitioning to DAB-cognizant major Defense acquisition programs or implemented for approval of international agreements at the proper level. Additionally, in the absence of established internal controls for international programs, the Navy took appropriate action to ensure the DAB oversight process for the upcoming Milestone II review was approved in advance by the USD(A&T) through timely submission of the acquisition strategy report. Part I of the report discusses these internal control weaknesses.

Potential Benefits of Audit. Potential monetary benefits are not readily quantifiable because the DAB program review has not occurred (Appendix B). Savings could result from ensuring the MIDS Program meets all prerequisites for entering EMD before the United States commits to an international agreement and ensuring entry into LRIP is fully supported by demonstrated Program progress.

Summary of Recommendations. We recommended that procedures be developed to require a DAB program review within 6 months of a decision by USD(A&T) to transition a program to a DAB-cognizant major Defense acquisition program. We also recommended that a DAB program review be held for the MIDS Program during EMD as a basis for the initial LRIP decision and that a Developmental Test and Evaluation Report and Early Operational Assessment Report be prepared for the review. Additionally, we recommended that the international agreement for EMD be concluded by the USD(A&T). We further recommended that the Joint Requirements Oversight Council (JROC) perform a JROC assessment of Navy, Air Force, and allied aircraft interoperability before the upcoming DAB Milestone II review of MIDS in order to evaluate Air Force withdrawal from the Program.

Management Comments. The Office of the USD(A&T) partially concurred with our finding and recommendations. A full discussion of its response is in Part II and the complete text of its comments is in Part IV. We request that the Office of the USD(A&T) reconsider its position and provide additional comments to the report by August 20, 1993.

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This report was prepared by the Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 614-6303 (DSN 224-6303).

Part I - Introduction

Background

Description and Cost. The Multifunctional Information Distribution System (MIDS) is a multinational (United States, France, Germany, Italy, and Spain) cooperative development program established to design, develop, and deliver smaller, lighter-weight tactical information system terminals for U.S. fighter aircraft, as well as foreign fighter aircraft, helicopters, ships, and ground sites. The MIDS terminals are intended for use on platforms that cannot accommodate the bulkier, heavier Joint Tactical Information Distribution System (JTIDS) Class 2 terminals. The terminals will be a Pre-Planned Product Improvement (P³I) of the JTIDS Class 2 terminals. The cost to acquire the MIDS is estimated at \$1.191 billion: \$544 million for development and \$647 million for procurement. The procurement average unit cost for the planned acquisition of 630 production units is \$1.026 million.¹ Presently, Program plans call for U.S. use of MIDS strictly on the F/A-18 aircraft.

Early History: Project Definition. In April 1986, following enactment of the Nunn-Quayle Amendment to the Arms Export Control Act, the Under Secretary of Defense for Research and Engineering proposed a North Atlantic Treaty Organization-cooperative development of the JTIDS low-volume Class 2 terminal, which would be smaller, lighter, and fully compatible with and as capable as the JTIDS Class 2 terminal. The proposal called for the United States to lead the project and for a U.S. contractor to lead an international industrial team in performing the MIDS Project Definition Phase (termed "Phase I") analyses. The Air Force was assigned to represent the United States in Phase I. The purpose of this phase was to prepare an initial terminal design that would meet the requirements of 11 applications and show the feasibility of terminal physical characteristics, technology employed, and cost parameters. In March 1989, the international industrial team delivered an End-of-Study report stating that Phase I achieved all its goals. The Air Force subsequently determined that the F-16 aircraft was no longer a candidate for the MIDS terminal. On October 30, 1989, the Assistant Secretary of Defense (Command, Control, Communication, and Intelligence) designated the Navy as the lead on the MIDS Program because only the Navy had a MIDS platform requirement.

Objectives

The overall audit objective was to evaluate the Defense Acquisition Board (DAB) review process for the acquisition of the MIDS. Specifically, we assessed DAB oversight of the MIDS Program, effect on the DAB process of the MIDS' status as an international program, and adequacy of documentation prepared for the DAB Milestone II review. Further, we assessed compliance with DoD Directive 5000.1, "Defense Acquisition," February 23, 1991; DoD Instruction 5000.2, "Defense Acquisition Management Policies and

¹ All dollars mentioned in this report are current (then-year) dollars.

Introduction

Procedures," February 23, 1991; and DoD Manual 5000.2-M, "Defense Acquisition Management Documentation and Reports," February 23, 1991. Additionally, we reviewed applicable internal controls.

Scope

We performed this program audit from January through March 1993 and reviewed records dated from 1986 through 1993 relating to the MIDS. We performed this audit in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were deemed necessary. We discussed issues related to the MIDS and the DAB review process with Office of the Secretary of Defense (OSD), Joint Staff, Defense Information Systems Agency, and Navy personnel responsible for the preparation or review of DAB-required documents. Appendix C lists activities visited or contacted.

Internal Controls

The audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Controls were not developed for acquisition programs transitioning to DAB-cognizant major Defense acquisition programs to ensure establishment of exit criteria, an acquisition program baseline, and other program requirements. Also, controls were not implemented for the MIDS Program to ensure international agreements were concluded by the proper authority or to ensure required documentation was prepared for the Milestone II review. Recommendations 1. through 5., if fully implemented, will correct these weaknesses. Monetary benefits are not readily quantifiable because the DAB program review recommended before LRIP has not occurred. Copies of this report will be provided to the senior officials responsible for internal controls within OSD and the Department of the Navy.

Prior Audits and Other Reviews

During the last 5 years, there has been no prior audit coverage on the MIDS relating to the DAB review process.

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Part II - Finding and Recommendations

Effectiveness of the Defense Acquisition Board Review Process

The DAB review process had not been effective for the MIDS Program. In the 3 years since the MIDS transitioned to a DAB-cognizant major Defense acquisition program, no DAB review was held; no acquisition program baseline was approved; and no exit criteria were established as prerequisites for entry into Engineering and Manufacturing Development (EMD). Additionally, the impact on interoperability of Air Force withdrawal from the Program was not adequately assessed. The current international agreement was concluded without a DAB review and before an acquisition strategy was approved and was signed by the Secretary of the Navy rather than the Under Secretary of Defense for Acquisition and Technology² (USD[A&T]). Also, although the Navy was preparing all DAB documentation required by the Command, Control, Communications, and Intelligence (C³I) System Committee, the Navy was not preparing all documentation required by regulation at Milestone II. Further, the Navy planned for the Service Acquisition Executive rather than the USD(A&T) to make the decision to enter low-rate initial production (LRIP). As a result, the MIDS Program has lacked necessary direction, and the upcoming DAB will not be supported by essential information upon which to base a decision to proceed with the Program.

Background

The MIDS is a major Defense acquisition program (MDAP), for which the USD(A&T) is the milestone decision authority.³ The USD(A&T) chairs the DAB for milestone reviews, and the DAB is supported by three committees. The committee responsible for oversight of the MIDS Program is the Command, Control, Communications, and Intelligence (C³I) Systems Committee, chaired by the Deputy Assistant Secretary of Defense (Strategic and Tactical Command, Control, and Communications), Office of the Assistant Secretary of Defense (C³I). Boards, councils, committees, and staffs facilitate decisionmaking by providing advice to those responsible for managing programs. These bodies also may develop independent assessments of programs when requested by milestone decision authorities for their consideration. However, they have no authority to issue programmatic direction.

Reviews. The DAB process provides for four types of reviews: DAB milestone, DAB special program, milestone committee, and non-milestone committee reviews.

² Before May 1993, title was under Secretary of Defense for Acquisition (USD[A]).

³ The MIDS was placed on the MDAP list in 1991.

Effectiveness of the Defense Acquisition Board Review Process

DAB Milestone Reviews. The purpose of a DAB milestone review is to determine where the program is versus where it should be, where the program is going and how the program manager proposes to get there, what risks exist in the program and how the program manager will identify and close those risks, and whether the program manager's proposed approach is affordable. Documentation is the primary means for the functional staff and the program manager to provide the milestone decision authority with the information needed to make a milestone decision. The milestone decision authority documents completion of the milestone review by issuing an acquisition decision memorandum (ADM).

The ADM for Milestone I, Concept Demonstration Approval, should approve the initiation of a new program and entry into Phase I, Demonstration and Validation; approve the proposed or modified acquisition strategy and concept baseline; establish program-specific exit criteria that must be accomplished during Phase I; and identify affordability constraints derived from the planning, programming, and budgeting system. DoD Directive 5000.1 states that broad objectives for cost, schedule, and performance parameters are to be established at the new start milestone decision point. The objectives are to be refined, expanded as appropriate, and included in subsequent program baselines.

The ADM for Milestone II, Development Approval, should approve entry into Phase II, Engineering and Manufacturing Development; approve the proposed or modified acquisition strategy and development baseline; establish exit criteria that must be accomplished during Phase II; and identify LRIP quantities, if appropriate.

DAB Special Program Reviews. The USD(A&T) may hold special program reviews between milestone reviews to address either the overall program status or particular issues of concern. Agenda topics should be identified at least 30 calendar days before the scheduled review. Documentation required should be tailored to the specific requirements for the program review but should not exceed the requirements for a milestone review without specific authorization of the USD(A&T).

Milestone Committee Reviews. The purposes of the DAB committee reviews are to verify that exit criteria and the minimum required accomplishments of the phase preceding the milestone have been completed; provide an independent assessment of the program that, together with the Component's Integrated Program Summary, is the basis for the DAB review; and make recommendations on trade-offs among cost, schedule, and performance proposed by the program manager for decision by the USD(A&T). Six months before the milestone review, a planning meeting is held by the cognizant committee to ascertain program readiness for a DAB review, assess plans for key milestone documents, and determine availability of test results. Within 7 days of this meeting, the Committee Chair will issue a Committee Memorandum to the USD(A&T) that will identify issues on exit criteria and minimum required accomplishments to be addressed in program documentation, report program readiness for the milestone review, and make a recommendation on whether to proceed with the review.

Effectiveness of the Defense Acquisition Board Review Process

Non-Milestone Committee Reviews. The three committees convene periodically for special reviews, apart from the DAB milestone review process, as approved by the USD(A&T). In general, the procedures for milestone reviews apply. However, specific requirements are tailored to meet schedule constraints or special review considerations.

International Agreements and the USD(A&T). DoD Directive 5134.1, "Under Secretary of Defense for Acquisition (USD[A])," September 30, 1992, states that the USD(A) shall "develop, in coordination with the Under Secretary of Defense for Policy, agreements with friendly and Allied Nations relating to acquisition matters consistent with DoD Directive 5530.3." DoD Directive 5530.3, "International Agreements," June 11, 1987, states that for cooperative research, development, test, evaluation, technical data exchange, and related standardization agreements that are not implemented through the Security Assistance program, authority to negotiate and conclude international agreements is delegated to the Secretaries of the Army, Navy, and Air Force for health and medical agreements; and to the USD(A) for all other acquisition matters.

Test and Evaluation Programs. DoD Instruction 5000.2 establishes general policies for test and evaluation programs, stating the program should be structured to provide:

- o Essential information for assessment of acquisition risk and for decisionmaking,
- o Verification of attainment of technical performance specifications and objectives,
- o Verification that systems are operationally effective and suitable for intended use, and
- o Essential information in support of decisionmaking.

At critical program decision points, test results are documented in order to support the decision by the milestone decision authority. At the Milestone II (EMD) decision, a Developmental Test and Evaluation Report providing the results of developmental testing performed is required. Additionally, an Early Operational Assessment Report is required to support an LRIP decision at Milestone II if LRIP is included in the EMD phase. Operational assessments at the Milestone II decision point can be based on computer modelling, simulation, or analysis of system requirements and design specifications, where production-representative units are unavailable for testing.

Waivers. Requests for exceptions or waivers to any mandatory provisions of DoD Instruction 5000.2 must be submitted to the USD(A&T) via the DoD Component Acquisition Executive unless specific waiver authority has been granted below the Under Secretary level by the Instruction. Statutory requirements may not be waived.

No DAB Review Held

Transition to a DAB Program. On March 27, 1989, the USD(A) advised the Service Secretaries that a U.S. Service requirement was needed to continue U.S. participation in the MIDS Program into EMD. The Navy was the only Service to identify a requirement, citing the F/A-18 aircraft as a candidate platform. The Air Force withdrew the F-16 aircraft as a candidate platform, which we believe raises interoperability concerns for Navy, Air Force, and North Atlantic Treaty Organization aircraft.

On August 25, 1989, the Assistant Secretary of the Air Force (Acquisition) wrote the USD(A) that "I am concerned that Nunn-sponsored activities may be driving us into a position of premature commitment to an international development/production program without either a valid user requirement or appropriate DAB milestone approvals." The USD(A) replied on September 25, 1989, and suggested the Assistant Secretary request a Joint Requirements Oversight Council (JROC) review of the MIDS Program in early October. He added that "Once that review is complete, OASD [Office of the Assistant Secretary of Defense] (C³I) will schedule a C³I Systems Committee review to be followed by a DAB decision meeting."

On October 30, 1989, the ASD(C³I) told the Services that

The DAB⁴ also agreed that while MIDS is viewed primarily as a Pre-Planned Product Improvement (P²I), of the Class 2 terminal, it requires a DAB review. Accordingly, the Navy should take the lead, with Air Force support, to prepare for a C³I Systems Committee review of proposed U.S. participation in the MIDS effort leading to a DAB decision. This review should be scheduled for mid-January 1990. No further international MIDS action shall be taken until the DAB is held and the proposed acquisition strategy is approved.

The Assistant Secretary of the Navy (Research, Engineering, and Systems) responded to the ASD(C³I) on November 13, 1989, and stated that the Navy would assume the lead in presenting the MIDS Program to the C³I Systems Committee review in mid-January 1990 and that "Because of the clearly established requirement for JTIDS, a JROC review is not necessary." He also said, "Navy recognizes the importance of this review relative to international commitments already in place. This DAB review will require waivers on some of the documentation requirements normally expected at a DAB Milestone II review."

On December 16, 1989, the Assistant Secretary of the Air Force (Acquisition), citing no foreseeable requirement for MIDS capability on future Air Force fighter aircraft, notified the ASD(C³I) of his decision to discontinue Air Force participation in the MIDS Program. The decision by the Air Force to terminate

⁴ That approved LRIP for JTIDS, September 7, 1989.

Effectiveness of the Defense Acquisition Board Review Process

participation in MIDS without a JROC review of the overall interoperability impact of such action was inappropriate and further supported the need for timely DAB-level oversight of the Program. The interoperability implications of the Air Force decision not to participate in MIDS should have been addressed both by the JROC and the DAB. We view the unilateral Air Force decision as undermining the authority of the USD(A&T) for acquisition matters.

On April 12, 1990, the ASD(C³I) advised the Assistant Secretary of the Navy (Research, Development, and Acquisition) that "It is important to present the MIDS-LVT⁵ program to the C³I Systems Committee and Defense Acquisition Board at the earliest possible date in order to proceed with the Full-Scale Development (FSD)⁶ phase of the program in FY 92."

C³I Systems Committee Review. On November 29, 1990, the C³I Systems Committee reviewed the status of the MIDS Program, but no DAB review was held. Following the Committee review, the Committee Chairman issued a memorandum to the USD(A) to provide information on the following decisions made by the principals:

- o MIDS would have three phases: Pre-Full-Scale Engineering Development (FSED) (1991), FSED (1991-97), and Production (1997-2010);

- o After OSD staffing, USD(A) would be requested to sign a MIDS-Low-Volume Terminal (LVT) Program Memorandum of Understanding (PMOU) and a Supplement 1 for the Pre-FSED phase;

- o After other nations sign the PMOU/Supplement 1, ASD(C³I) would authorize Navy to release the request for proposals for FSED to the MIDS contractor; and

- o Navy would proceed to Milestone II DAB in late 1991.

The memorandum contained no recommendation for USD(A), and there was no documented USD(A) approval of the decisions. The C³I action officer explained that USD(A) approved the Committee decisions through silence.

In the case of the November 1990 C³I Systems Committee review for MIDS, the Committee essentially acted as a decisionmaking body in making programmatic decisions that substituted for both a DAB review and USD(A) decision. Only documented acquisition decisions by the USD(A) can be considered as program direction. The Committee scheduled a DAB Milestone II review for late 1991; however, the review was slipped several times and is now scheduled for August 1993. Consequently, the Program will have gone almost 4 years without a DAB review.

⁵ Low-Volume Terminal

⁶ Earlier term for Engineering and Manufacturing Development.

No Baseline or Exit Criteria for Current Phase

Current Phase. Although the MIDS Program was not placed on the MDAP list until 1991, it effectively entered the DAB process in October 1989 when the ASD(C³I) directed the Navy to prepare for a C³I Systems Committee review to be followed by a DAB decision. Although the ASD(C³I) did not specify a milestone review, the Navy stated in November 1989 that it would assume full program responsibility for MIDS after a DAB Milestone II review. In April 1990, ASD(C³I) implied that the DAB review would be a Milestone II when he linked the review to proceeding with the FSD (now EMD) phase. However, the Milestone II review was not formally scheduled until after the C³I Committee review of November 1990. The phase from that point until the upcoming Milestone II decision has been termed "Pre-FSED" and was planned to be completed within a year. DoD Instruction 5000.2 does not address Pre-FSED. The phase preceding Milestone II is Phase I, Demonstration and Validation. A traditional MDAP would have entered Phase I after successfully passing Milestone I, Concept Demonstration Approval.

MIDS did not have a new start milestone decision point because the MIDS Program was a P³I of JTIDS and the ASD(C³I) decided to enter the Program in the DAB process between Milestone I and Milestone II. Further, the Pre-EMD phase was intended to cover a period of months, not years. Although an acquisition strategy was approved by the USD(A) in March 1992, no baseline or exit criteria were established for the Pre-EMD phase, now ongoing for more than 2 years. In addition to omitting exit criteria, the acquisition strategy did not provide for the milestone decision authority to determine the quantities for LRIP at Milestone II or approve entry into LRIP. As a result, the DAB will have no formal measure to judge Program success at Milestone II or readiness to enter Phase II.

Guidance for Milestone II Review. On April 9, 1992, a planning meeting was held for the Milestone II review. On June 26, 1992, the Committee Chair issued the Committee Memorandum. The memorandum stated that the Committee would review the MIDS Program in early January 1993 to consider whether the Program was ready to proceed to a DAB Milestone II review. The memorandum included four issues to be addressed at the Committee review: Acquisition Strategy Report, contract issues, Cost and Operational Effectiveness Analysis, and management risks. It stated that these were the remaining issues identified in the USD(A) memorandum of March 20, 1992, and at the DAB planning meeting.

The Committee Memorandum did not provide timely or adequate guidance for the Milestone II review because it was issued more than 2 months late; did not address exit criteria, minimum accomplishments, or documentation needed for a Milestone II review (Appendix A); and did not recommend a DAB milestone review. Instead the Memorandum deferred the decision on a DAB review to the Committee review.

Of greater concern, the C³I Committee did not address as an issue the interoperability between Navy, Air Force, and North Atlantic Treaty

Organization aircraft as a result of withdrawal by the Air Force from the MIDS Program. We consider a JROC assessment of the MIDS Program essential before entry into EMD, with particular attention to the interoperability issues associated with the lack of Air Force participation in the Program.

International Program Requirements and the DAB Process

Modified DAB Procedures. On March 20, 1992, the USD(A) approved the Acquisition Strategy Report and Request for Proposal for the EMD phase of the MIDS Program. The USD(A) also approved the Navy's proposed DAB process leading to contract award for this international program, as described in attachment 1 of the Acquisition Strategy Report.⁷

The key points in the Navy's modified DAB process for MIDS are that:

- o DAB approval must occur before PMOU Supplement 2 is signed by the United States and before the United States is fully committed to the Program;
- o A five-nation commitment, including funding, must occur before final contract negotiations ensue; and
- o The Steering Committee is responsible for finalizing program details to the satisfaction of the five nations.

Generally, the detailed program and results of contract negotiations are presented to the DAB for approval. Upon DAB approval, contract award is executed.

Under the modified procedures, the program and results of preliminary evaluation of the request for proposal are presented to the DAB for approval. Upon DAB approval, PMOU Supplement 2 is signed, the contract is negotiated within the framework of Steering Committee guidance and DAB exit criteria, and the program and contract are presented to the Steering Committee. Upon the Committee's approval, the contract is signed.

The key difference is that the modified procedures substitute the Steering Committee for the USD(A) as the decision authority on the final program details for award of the contract and approval of the international PMOU. No criteria exists in DoD Instruction 5000.2 for programs such as MIDS that are both DAB-cognizant major Defense acquisition programs and international acquisition programs to ensure compatibility of the DAB process with requirements of international programs.

⁷ The draft revised Acquisition Strategy Report, February 12, 1993, page 3, outlines the modified DAB process.

Effectiveness of the Defense Acquisition Board Review Process

The modified DAB procedures for MIDS are a reasonable approach to satisfying requirements of two processes simultaneously for contract negotiation and award and execution of the PMOU. Also, the modified procedures were properly approved by the USD(A). However, the modified procedures do not provide that the USD(A), as the proper authority, approve the negotiation and conclusion of PMOU Supplement 2 (EMD) for MIDS. Further, these procedures address only the MIDS Program.

International Action Taken. Contrary to the ASD(C³I) written direction of October 30, 1989, that "No further international MIDS action shall be taken until the DAB is held and the proposed acquisition strategy is approved," on August 27, 1991, an international PMOU and a Supplement 1 were signed by the United States and four other nations without a DAB review and before an acquisition strategy was approved.⁸ Also, contrary to the recommendation of the C³I Committee review, the documents were signed by the Secretary of the Navy, not by the USD(A), the proper authority for this category of agreement. The DoD Directive 5530.3 states that for cooperative research, development, test, evaluation, technical data exchange, and related standardization agreements that are not implemented through the Security Assistance Program, authority to negotiate and conclude international agreements is delegated to the USD(A). However, no provisions are provided in the Directive for further delegation of the authority of the Secretary of Defense beyond his delegation to the USD(A).

The Chairman, International Project Group 9 (MIDS), serves within the ASD(C³I). The Chairman informed us in February 1993 that "USD(A) delegated authority to conclude the PMOU and the Supplement 1 for the Pre-EMD phase to the Navy to complete the on-going work prior to entering the EMD phase of the program" and that "...these Pre-EMD activities were not in contradiction to the USD(A) direction to conduct no further formal action for the EMD phase prior to convening a DAB." In addition, the draft MIDS Acquisition Strategy Report, February 12, 1993, stated that "The Navy was tasked to complete negotiations with the other Participants, sign the PMOU, release the RFP [Request for Proposal], and bring the results forward to a DAB Milestone II decision." However, the ASD(C³I) direction of October 30, 1989, contained no qualification regarding a particular phase that could be completed before a DAB review and the Secretary of the Navy was not the proper authority to conclude the agreement. Although the Deputy Under Secretary of Defense for International Programs delegated this authority to the Secretary of the Navy on June 19, 1991, no provision exists for such delegation.

Documentation for Milestone II Review

The Navy was preparing all documentation required by the C³I Systems Committee for the DAB Milestone II review and most of the documentation required by DoD Instruction 5000.2 (Appendix A). However, it was not

⁸ The acquisition Strategy Report was approved by the USD(A) on March 20, 1992.

Effectiveness of the Defense Acquisition Board Review Process

preparing a Developmental Test and Evaluation Report or Early Operational Assessment Report, and the requirement had not been waived by the USD(A&T).

Navy Justification for No Test Reports. The Program Office initially informed us that a draft waiver was on file for the Developmental Test and Evaluation Report. The Program Office later stated that there was no waiver request for the report on file because there was no vehicle to make such a request in DoD Instruction 5000.2, no requirement for developmental testing of MIDS prior to Milestone II under current Program guidance, and conflicting information in the Instruction on early developmental testing. We consider the requirement in DoD Instruction 5000.2 for a Developmental Test and Evaluation Report to be clear, with the lack of such testing before entry into EMD as a significant factor in Program risk.

The Program Office also initially informed us that the Early Operational Assessment Report was not required because MIDS is a P³I effort of JTIDS. Later, when asked how the Program Manager determined that the report was not required, the Program Office replied that the statement was erroneous and that the Program Manager's intention was to address an operational assessment in support of entry into LRIP at the DAB Milestone II review and comply with the DoD Instruction 5000.2 requirement for report. Specifically, he stated that "PMW-159 (the MIDS Program Manager) will discuss with OPTEVFOR (Operational Test and Evaluation Force) feasibility of developing an Early Operational Assessment based on a P³I effort from JTIDS or request waiver to delay this document until one can be developed and evaluated prior to an LRIP decision."

JTIDS Test Results. In a memorandum dated February 17, 1993, the MIDS Program Executive Officer stated to ASD(C³I) and the Assistant Secretary of the Navy (Research, Development, and Acquisition) that JTIDS developmental and operational testing from 1989 through 1993 had verified wave-form, hardware and software performance, and Link-16 message standard, network, and interoperability characteristics. Therefore, he concluded that, as MIDS is a P³I of the JTIDS, no MIDS-LVT program-unique Development and Operational Test and Evaluation is required before Milestone II.

However, recent JTIDS test results indicate that complete reliance on JTIDS testing as a basis for MIDS may not be sound. The JTIDS Developmental Test Phase IIC-2, conducted from June through November 1992, evaluated Link-16 operation and JTIDS performance at sea for the Anti-Air Warfare mission. The test report, dated January 14, 1993, stated that JTIDS demonstrated excellent potential for the Anti-Air Warfare mission and would be satisfactory upon correction of deficiencies which must be corrected before technical evaluation. However, an operational test (OT) report, dated January 22, 1993, of the third phase of initial operational test and evaluation (OT-IIC) of the JTIDS to assess the potential operational effectiveness and suitability of JTIDS and its readiness for continued integration into designated platforms found that:

- a. Due to the large number of major deficiencies remaining from previous testing, and the results of OT-IIC, COMOPTEVFOR can no longer attest to

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the potential operational effectiveness and potential operational suitability of JTIDS.

b. OT-IIC results do not support a recommendation for limited fleet introduction until specific major deficiencies are corrected and an additional phase of operational test and evaluation is conducted prior to operational evaluation (OPEVAL).

These test results invalidate the Navy's rationale for dismissing the requirement for an operational assessment of MIDS at Milestone II because it is a P³I of JTIDS or for developing an Early Operational Assessment for Milestone II based on MIDS being a P³I effort from JTIDS. We asked the Program Executive Officer if he was aware of the results of the JTIDS OT-IIC when he issued the February 17, 1993, memorandum. He replied that he was aware of the unfavorable results but explained that an analysis of the test showed the deficiencies were primarily associated not with JTIDS but with the interface to other on-board aircraft systems.

Discussions With OSD Staff. We discussed the issues raised by the Navy with an official of the Office of the Deputy Director (Test and Evaluation), Office of the USD(A). He stated that the Developmental Test and Evaluation Report was a valid Milestone II requirement and no conflict existed in DoD Instruction 5000.2, as the Program Office contended.

We also discussed these issues with an official of the Office of the Director, Operational Test and Evaluation. He stated that the Early Operational Assessment Report was required before an LRIP decision, which may occur either at Milestone II or during Phase II via a DAB program review or C³I Systems Committee meeting, if the Program was deemed low risk. He agreed that the Early Operational Assessment Report was a valid requirement that should have been identified and addressed by the DAB process. However, the requirement for a Developmental Test and Evaluation Report and Early Operational Assessment Report was not identified at the DAB planning meeting.

We also addressed MIDS documentation requirements with an official of the Office of the Director, Acquisition Planning and Program Integration, Office of the USD(A). He stated that all documentation requirements for Milestone II were discussed at the DAB planning meeting, but an Early Operational Assessment Report and a Developmental Test and Evaluation Report were considered unnecessary because JTIDS was presumed effective. Therefore, MIDS was considered low risk. He added that USD(A) did not require such documentation unless it was deemed necessary. Further, all documentation requirements were contained in the guidance memorandum resulting from the C³I Committee meeting. The guidance memorandum did not contain documentation requirements, and we consider DAB documentation requirements for a milestone review to be fixed by DoD Instruction 5000.2 unless specifically waived by the milestone decision authority. Additionally, the rationale for not needing the test reports is not supported by the recent poor operational performance of the JTIDS and should be reconsidered.

Effectiveness of the Defense Acquisition Board Review Process

LRIP Scheduled Before Next DAB Review. The MIDS-LVT Development Schedule, dated February 9, 1993, showed that the next DAB review scheduled after Milestone II (then scheduled for April 1993) was Milestone III, Production and Deployment, in January 2001. During EMD, the Operational Flight Program and developmental testing were scheduled to begin in April 1994 and 1995, respectively. PMOU Supplement 3 (EMD II) and award of the EMD II contract were scheduled for February and June 1997, respectively; and awards of the LRIP 1 contract for 24 units and LRIP 2 for 82 units were scheduled for October 1998 and April 2000, respectively. Under this schedule, after Milestone II, two LRIP blocks totalling 106 units, or 17 percent of planned production, will be procured without a DAB review. DoD Instruction 5000.2 states that during the Demonstration and Validation phase of the acquisition process, the quantities to be procured for LRIP must be identified and approved at the Milestone II decision point by the milestone decision authority.

The Acquisition Strategy Report approved by USD(A) on March 20, 1992, provided for a DAB Milestone IIA decision before an LRIP acquisition. However, the draft MIDS Acquisition Strategy, dated February 12, 1993, proposed that the LRIP 1 decision be made by the Service Acquisition Executive at Milestone IIA in 1998. The recent JTIDS test results and the Navy's plan to make the LRIP decisions without a DAB review highlight why the requirement for a Developmental Test and Evaluation Report and an Early Operational Assessment Report at Milestone II should have been enforced. Since these test reports were not being prepared before the planned April 1993 DAB Milestone II review based on the established DAB documentation requirements, we consider a DAB program review before entry into LRIP to be essential to review both the results of developmental and operational testing completed and the operational assessment of the potential for MIDS to meet mission requirements. We do not agree that the Developmental Test and Evaluation and Operational Assessment Reports should not have been required by the DAB C³I Committee. However, we recognize that these documents can be prepared before entry into LRIP without significantly increasing Program risk. This is particularly true, given the impact that additional delays in the Milestone II review could have on the international agreement for the Program. We remain concerned, however, that these documents and, more fundamentally, the underlying tests were not performed.

Causes for Ineffectiveness of the DAB Process

The DAB process for the MIDS Program was not effective for the following reasons:

- o No control existed to ensure a DAB review was held in a timely way after the MIDS' transition from a Nunn program to a DAB-cognizant major Defense acquisition program to determine where the Program should enter the process, what exit criteria must be satisfied before the next milestone, the overall acquisition program baselines and acquisition strategy, and documentation needed in the current phase or at the next milestone.

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- o No criteria existed to explain how differences between the DAB process and the requirements of an international program such as the MIDS should be reconciled, including DAB review of international agreements.

- o The Office of the USD(A) allowed the MIDS Program to pursue a moving Milestone II date and thus continue in a transition/"Pre-EMD" phase for more than 3 years without a DAB review. Further, it did not provide needed oversight to ensure the MIDS Program complied with USD(A) direction and DoD requirements for a DAB Milestone II review. As a result, the C³I Systems Committee and the Navy developed an informal, ad hoc approach to address issues and at times acted in lieu of a DAB. In particular, the C³I Systems Committee review of November 29, 1990, did not result in recommendations to be considered at a DAB review but instead in decisions made by the Committee principals themselves.

- o The C³I Systems Committee did not ensure that the DAB planning meeting and resulting Committee Memorandum provided the Navy with adequate guidance on exit criteria, required accomplishments, or necessary documentation.

- o Although the Navy earlier recognized the need for some waivers to the Milestone II documentation requirements, it did not request waivers or otherwise recognize the validity of the document requirements. On the contrary, the Navy justified its non-compliance by reference to the JTIDS P³I program, which was in reality experiencing significant developmental problems.

Conclusion

The MIDS Program began in 1986 as a Nunn-initiated, Air Force-led, North Atlantic Treaty Organization-cooperative development, P³I of the JTIDS Program. After a project definition phase ended in 1989 and the Air Force unilaterally withdrew from the program, the JTIDS Program transitioned to a Navy-led, DAB-cognizant major Defense acquisition program, then to a Pre-EMD phase to prepare for DAB Milestone II review. No DAB-level approval was ever granted for Air Force withdrawal or the effect of the lack of the Air Force interoperability with Navy and allied aircraft. Although in late 1989, the ASD(C³I) directed the Navy to prepare for a C³I Committee review in early 1990 followed by a DAB decision, no DAB review occurred. By Milestone II, the MIDS Program will have existed more than 7 years without a DAB review or a baseline and will reach that decision point without exit criteria for the current phase for all required documentation. This situation occurred because some procedures were not developed and others were not implemented.

We believe that procedures should be developed to ensure that other programs that transition from a non-major to major status receive a special DAB program review within 6 months after transition. The review should include critical issues, such as in which phase or at which milestone the program should enter the DAB process, what documentation is needed currently or at the next

Effectiveness of the Defense Acquisition Board Review Process

milestone (or what may be waived), and what exit criteria must be met by the next milestone. The review should also ensure that an acquisition program baseline and other required DAB documentation are available for approval by the milestone decision authority.

The Navy modified the MIDS Program DAB procedures for compatibility with its international requirements, specifically regarding approval of the PMOU and contract negotiation and award. Although we generally agreed with the modifications, we believe that the PMOU should be signed by the USD(A&T), the proper authority for concluding international agreements for programs such as the MIDS.

The Navy plan for the MIDS LRIP decisions will effectively avoid DAB oversight by using the P³I rationale at Milestone II to bypass test and evaluation report requirements and revising the MIDS acquisition strategy to substitute a Navy review for a DAB review during Phase II. Under this plan, two LRIP blocks totalling 106 units, or 17 percent of planned production, would be procured without a DAB review until the full-rate production decision point. Because the MIDS is an international program, we believe it should not be delayed solely due to lack of compliance with certain documentation requirements at Milestone II (i.e., the test reports). The importance of a DAB review of test documentation is most critical before a production decision is made. In our opinion, a special DAB program review should be conducted for the MIDS Program during EMD after sufficient testing has been accomplished but before any commitment is made to production. The special DAB program review should include, as a minimum, a decision to enter LRIP based on the test reports that should have been submitted at Milestone II.

Recommendations, Management Comments, and Audit Response

We recommend that the Under Secretary of Defense for Acquisition and Technology:

1. Revise Department of Defense Instruction 5000.2 to require a Defense Acquisition Board review within 6 months of when a program transitions to a Defense Acquisition Board-cognizant major Defense acquisition program, including establishment of an acquisition program baseline and review of which phase or at which milestone the program should enter the Defense Acquisition Board process, what documentation is needed currently or at the next milestone, and what exit criteria must be met before the next milestone.
2. Conduct a special Defense Acquisition Board program review for the Multifunctional Information Distribution System Program before entry into low-rate initial production. The review should be held before Supplement 3 of the Program Memorandum of Understanding is signed and the Engineering and Manufacturing Development II contract is awarded. It

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should require, as a minimum, preparation of a Developmental Test and Evaluation Report and Early Operational Assessment Report by the Navy, as well as other Defense Acquisition Board documentation considered necessary.

3. Serve as approval authority for the international agreement Program Memorandum of Understanding Supplement 2 for the Multifunctional Information Distribution System Program.

4. Request the Joint Requirements Oversight Council perform a Joint Requirements Oversight Council assessment of Navy, Air Force, and allied aircraft interoperability before the upcoming Defense Acquisition Board Milestone II review of the Multifunctional Information Distribution System Program to evaluate the impact of Air Force withdrawal from the Program.

5. Direct the Assistant Secretary of the Navy (Research, Development, and Acquisition) to prepare documentation to support the Defense Acquisition Board review of the entry of the Multifunctional Information Distribution System Program into low-rate initial production. The documentation should include, as a minimum, a Developmental Test and Evaluation Report and Early Operational Assessment Report as specified in Department of Defense Manual 5000.2-M, "Defense Acquisition Management Documentation and Reports," February 23, 1991.

Management Comments. We received comments from the Office of the USD(A&T) which were coordinated with the Navy. The Office of the USD(A&T) nonconcurred with Recommendation 1. and partially concurred with Recommendations 2. through 5.

Regarding Recommendation 1., the Office of the USD(A&T) stated that there is no reason to hold a DAB review until a program is ready for a milestone review.

Regarding Recommendation 2., the Office of the USD(A&T) agreed to conduct a DAB program review of the MIDS-LVT before the Program enters LRIP. However, the USD(A&T) did not agree that the review should be held before award of the EMD II contract.

Regarding Recommendation 3., the Office of the USD(A&T) deferred the decision on whether the USD(A&T) would sign the international agreement or delegate it to the Secretary of the Navy.

Regarding Recommendation 4., the Office of the USD(A&T) concurred that the JROC should evaluate interoperability before the Milestone II review but stated that the issue of interoperability of Air Force fighter aircraft was not a major concern.

Regarding Recommendation 5., the Office of the USD(A&T) planned to conduct a DAB program review prior to LRIP but did not desire to direct the Navy to prepare LRIP documentation at this time.

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Audit Response. Comments by the Office of the USD(A&T) are not fully responsive.

o The Office of the USD(A&T) did not concur with our finding, as it interpreted it, that the DAB process was not effective for the MIDS since no DAB review has been held in 3 years. The lack of a DAB review was not the sole reason for our evaluation that the process was not effective. Rather, we believe that its absence created a dearth of formal direction by the USD(A&T) and led to deficiencies such as no baseline for the current phase, no exit criteria to proceed to the next phase, unauthorized deletion of documentation requirements for Milestone II, and improper delegation of approval authority for the international agreement.

o The Office of the USD(A&T) disagreed with the timing of our evaluation and equated the DAB process with the DAB milestone review. This logic is flawed since the DAB process is ongoing from a program's inception and a DAB review is merely one, albeit key, decision point. Further, the preparation for a DAB by the Military Department and the DAB committee review proceedings are absolutely fundamental to evaluation of the DAB process, with the DAB review and issuance of the ADM being the culmination of a particular acquisition phase. Major Defense acquisition programs should not proceed for extended periods without baselines, exit criteria, and critical program plans and documentation. The Office of the USD(A&T) position that there has not been a need for a DAB review until MIDS was ready to enter EMD, applied across the board to MDAPs, does not provide for appropriate program oversight and significantly weakens the internal management controls in the major acquisition process. Specifically, the lack of approved baselines, exit criteria, and program plans against which to measure program progress precludes timely detection and correction of major program problems by OSD.

o The Office of the USD(A&T) disagreed with our conclusion that the impact on interoperability of Air Force withdrawal from the Program was not adequately addressed. The USD(A&T)'s Office stated that the Air Force:

o Did not have a requirement for MIDS-LVT in Air Force fighters, and

o Intended to equip its Command and Control platforms with Tactical Digital Information Link-J (TADIL-J) interoperable systems.

The lack of a requirement for the MIDS-LVT by the Air Force did not impact interoperability of the MIDS-LVT with other allied TADIL-J systems, because the Navy's requirement for the MIDS-LVT Program focused only on the F/A-18 receiving TADIL-J capability. While the Air Force will have TADIL-J capability on its Command and Control platforms, we maintain that the Air Force's unilateral withdrawal significantly impacted interoperability in that its fighter aircraft will not have TADIL-J capability. We believe this could have a major impact during combined operations with Navy and other allied fighter aircraft that do have TADIL-J systems. The USD(A&T) and JROC should have

Effectiveness of the Defense Acquisition Board Review Process

formally assessed the prudence of Air Force withdrawal and rendered a decision at that time. The Office of the USD(A&T) comments did not explain why interoperability was not a major concern and is requested to do so.

o The Office of the USD(A&T) implies that because the Deputy Under Secretary of Defense for International Programs has delegated authority to conclude international agreements for other programs, such delegation is proper for the MIDS Program. We maintain our position, supported by DoD Directive 5530.3 cited in our report, that there is no provision for delegation beyond the USD(A&T) to conclude the MIDS international agreement. We request management reconsider its position.

o The Office of the USD(A&T) disagreed with our statement that not all documentation was being prepared for Milestone II. There is no basis for this disagreement. Acquisition regulations clearly require the Developmental Test and Evaluation Report and Early Operational Assessment Report at Milestone II. These documents were not being prepared and no waiver was obtained from the USD(A&T).

o The Office of the USD(A&T) erroneously believes that the Navy Acquisition Executive may make the LRIP decision based on a purported low dollar value of the LRIP. As the MIDS is a major Defense acquisition program, the USD(A&T) is the proper authority to make the LRIP decision, and management comments indicated a DAB review would occur prior to entry into LRIP in order to make the decision.

o The Office of the USD(A&T) disagreed with our conclusion that since there is no baseline or exit criteria, the DAB will have no formal measure of Program success at Milestone II or readiness to enter Engineering and Manufacturing Development. However, the Office of the USD(A&T) acknowledged that neither a baseline nor exit criteria were established which, according to acquisition regulations, respectively constitute the performance measures for program readiness to continue in the current phase and proceed into the next acquisition phase. The Office of the USD(A&T) asserted that the formal measures of Program success were the milestone review and international agreement by participating nations. While these are significant events, they do not ensure disciplined oversight consistent with decentralized execution of acquisition programs within approved program parameters during an acquisition phase.

o Regarding the Office of the USD(A&T) comment on our characterization of the \$1.2 billion cost of the MIDS Program, we believe the report clearly describes the cost as a total U.S. Program cost and not just EMD.

Our specific responses to management comments on the recommendations follow.

o Concerning the Office of the USD(A&T) response to Recommendation 1., our purpose in recommending a special DAB review within 6 months of a program transitioning to MDAP status is to ensure that the USD(A&T) provides timely direction and establishes requirements for exit

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criteria, a current baseline, and other documentation normally addressed at preceding milestone DABs. A primary cause for the deficiencies noted in this report (including no baseline, no exit criteria, and incomplete Milestone II documentation) was a lack of formal involvement by the USD(A&T) via a DAB review soon after recognition that the MIDS would be a major program. As this recognition occurred in October 1989, formal oversight should have commenced soon after that point, despite the administrative act of entering the MIDS on the MDAP list in 1991. We request that management reconsider its position.

o Concerning the Office of the USD(A&T) response to Recommendation 2., management agreed to conduct a DAB program review prior to entry into LRIP but disagreed the review should also address the decision to proceed with award of the EMD II contract. Since the events are within close proximity on the Program schedule and we consider it essential that both be reviewed by the DAB, a single DAB-level review is practical. The EMD II contract will be based on the PMOU that must be executed by USD(A&T); therefore, the Program must be reviewed before execution of both the agreement and subsequent contract. Conducting a DAB program review after the EMD II contract is awarded but prior to entering LRIP negates the primary purpose of the review, which is to verify that the Program is ready to commit to further development and production. We ask management to reconsider its position on the timing of the DAB review.

o Concerning the Office of the USD(A&T) response to Recommendation 3., we did not recommend that PMOU Supplement 2 be signed after the Milestone II DAB although we do not object to it. However, we did recommend that the USD(A&T) sign the agreement and that is the part about which the Office of the USD(A&T) is noncommittal. We view this as a nonconcurrency and ask management to reconsider its position.

o Concerning the Office of the USD(A&T) response to Recommendation 4., we disagree that direct interoperability between Air Force, Navy, and North Atlantic Treaty Organization fighters is not a major concern. Since the JROC addressed this issue after issuance of our draft report, we request management provide the specific results of the JROC review and further explain why the lack of direct interoperability between Air Force and Navy aircraft is not a major concern when such interoperability with allied countries is considered essential.

o Concerning the Office of the USD(A&T) response to Recommendation 5., we did not recommend that the USD(A&T) require the Navy to prepare the Developmental Test and Evaluation Report and Early Operational Assessment Report at this time but rather before the future DAB program review that Office of the USD(A&T) has agreed to conduct. If Office of the USD(A&T) will confirm its intent to take this action, we will assume concurrence with Recommendation 5.

Generally, the Office of the USD(A&T) contends that our finding and conclusions are premature in that the DAB review has not been conducted. It further questions our criteria for measuring effectiveness of the DAB process.

Effectiveness of the Defense Acquisition Board Review Process

Effectiveness is based, at a minimum, on compliance with key provisions of acquisition and related regulations. Effectiveness is also based on prudent management practices where regulations do not exist. In the case of the MIDS Program, we believe that we have supported our overall evaluation that the DAB process was not effective because of the lack of compliance with acquisition regulations and effective program oversight.

Part III - Additional Information

Appendix A. Milestone II Documentation Requirements

Operational Requirements Document
System Threat Assessment Report
Defense Intelligence Agency Intelligence Report
Joint Requirements Oversight Council Assessment
Integrated Program Summary
Integrated Program Assessment
Program Life-Cycle Cost Estimate
Acquisition Program Baseline Agreement
Manpower Estimate Report
Test and Evaluation Master Plan
Developmental Test and Evaluation Report
Independent Cost Estimate
Independent Cost Estimate Report
Cost and Operational Effectiveness Analysis
Early Operational Assessment Report

Appendix B. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1.	Program Results. Would ensure unique issues of programs transitioning from non-major to major Defense program status are addressed in a timely way and at the proper level.	Nonmonetary.
2.	Program Results. Would ensure the DAB reviews the MIDS Program before entry into LRIP and before the United States commits to further international agreement.	Not quantifiable because the DAB review has not occurred.
3.	Compliance. Would ensure the proper authority approves negotiation and conclusion of the international agreement.	Nonmonetary.
4.	Program Results. Would ensure that the interoperability impact of Air Force withdrawal for the Program is adequately assessed.	Nonmonetary.
5.	Program Results. Would ensure necessary documentation is prepared for the MIDS' DAB program review.	Nonmonetary.

Appendix C. Activities Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Washington, DC
Director, Defense Research and Engineering, Washington, DC
Assistant Secretary of Defense (Command, Control, Communications and Intelligence),
Washington, DC
Assistant Secretary of Defense (Program Analysis and Evaluation), Washington, DC
Comptroller of the Department of Defense, Washington, DC
Director, Acquisition Policy and Program Integration, Washington, DC
Director, Operational Test and Evaluation, Washington, DC
Deputy Director (Test and Evaluation), Office of the Director, Defense Research and
Engineering, Washington, DC

Department of the Navy

Assistant Secretary of the Navy (Financial Management), Washington, DC
Assistant Secretary of the Navy (Research, Development and Acquisition),
Washington, DC
Multifunctional Information Distribution System Program Office, Arlington, VA

Other Defense Organizations

Defense Information Systems Agency, Arlington, VA
Joint Staff, Washington, DC

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Assistant Secretary of Defense (Program Analysis and Evaluation)
Comptroller of the Department of Defense
Director, Operational Test and Evaluation

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Research, Development and Acquisition)
Comptroller of the Navy
Naval Audit Service Headquarters
Program Manager, Multifunctional Information Distribution System Program

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Acquisition)

Other Defense Organizations

Director, Defense Contract Audit Agency
Inspector General, Defense Intelligence Agency
Director, Defense Logistics Agency
Director, Defense Logistics Studies Information Exchange
Director, National Security Agency
Director, Joint Staff

Non-Defense Activities

Office of Management and Budget
U.S. General Accounting Office, National Security and International Affairs Division,
Technical Information Center

Chairman and Ranking Minority Member of the Following Congressional Committees
and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
Government Operations

Part IV - Management Comments

**Office of the Under Secretary of Defense
for Acquisition**

Office of the Under Secretary of Defense for Acquisition and Technology Comments



ACQUISITION

OFFICE OF THE UNDER SECRETARY OF DEFENSE
WASHINGTON, DC 20301

May 25, 1993

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Draft Audit Report on the Review of MIDS-LVT
Program As a Part of the Audit of the Defense
Acquisition Board Review Process -- FY 1993
(Project No. 2AE-0033.03)

We reviewed the subject draft report and the following
comments are provided:

- We have not yet received all of the draft documents required for the upcoming Milestone II DAB from the Navy. Therefore, the findings and conclusions in your draft report are premature and cannot adequately address a process that has not yet occurred. We recommend you prepare the final audit report after a DAB review is conducted.
- Secondly, we believe there is a need to better define what constitutes the effectiveness of the DAB process and how one can best measure it. We would be better able to respond to your issues if you could more clearly articulate these criteria.

Our comments on your findings and recommendations have been coordinated with the Navy (see Attachment), and they represent a consolidated response to your request for comments from the USD(A) and the Secretary of the Navy.

A handwritten signature in black ink, appearing to read "Gene H. Porter".

Gene H. Porter
Director, Acquisition
Program Integration

Attachment

cc:
Navy SAE

COMMENTS ON FINDINGS
DOD IG DRAFT AUDIT REPORT
(MIDS-LVT)

FINDING: The US cost to acquire MIDS-LVT is estimated at about \$1.2 billion.

OUSD(A) COMMENT: Concur

However, the report appears to indicate that the funds are only in support of the Engineering and Manufacturing Development (EMD) phase. The \$1.2B is the US portion of the total life-cycle cost of the MIDS-LVT program in then year dollars, and it represents the US cost to develop, produce and integrate the terminals into the F/A-18 as well as the cost to support them in the field over their life.

FINDING: The DAB process has not been effective for the MIDS-LVT, since no DAB review was held in three years.

OUSD(A) COMMENT: Do Not Concur.

We don't see how one can address the effectiveness of a process that has not yet taken place. While there has not been a DAB for the MIDS-LVT, which was designated an ACAT I program in FY 1991, there has not been a need for one until the program was ready to enter the Engineering and Manufacturing Development (EMD) phase.

In the meantime, there have been numerous activities to ensure proper management control of the program. For example, the C3I Systems Committee reviewed the Navy's plan to structure the international cooperative program for the MIDS-LVT; OSD conducted a review of the Request for Proposal (RFP) and the Acquisition Strategy Report (ASR); and all DAB principals reviewed the Request for Authority to Negotiate (RAN) and the Request for Authority to Conclude (RAC) packages. Approval of the ASR by the USD(A) on March 20, 1992, constituted the principle oversight mechanism to ensure that an appropriate strategy was being followed as the US deals with the international community in preparing for the Milestone II DAB.

FINDINGS: The impact on interoperability of Air Force withdrawal from the program was not adequately addressed.

OUSD(A) COMMENT: Do not Concur.

The lack of Air Force participation in the MIDS-LVT program is a concern for the program, but does not have a major

impact on interoperability. In a June 1990 memorandum to USD(A), the Air Force stated that it did not have a requirement for MIDS-LVT in Air Force fighters. The memorandum also indicated that they intended to equip their Command and Control (C2) platforms with TADIL-J interoperable systems. Since the Navy requirement for the MIDS-LVT program was focused on the F/A-18 receiving TADIL-J capability, there is no impact on interoperability of the MIDS-LVT with other U.S. and NATO TADIL-J systems.

FINDINGS: The international agreement for the current phase was concluded without a DAB review and before an acquisition strategy was approved and was not signed by the proper authority.

OUSD(A) COMMENT: Partially Concur.

It is correct that the international agreement for the current phase was concluded without a DAB review. In a memorandum dated 19 June 1991, the Deputy Under Secretary of Defense for International Programs (DUSD(IP)) delegated the authority to conclude the Program Memorandum of Understanding (PMOU) Supplement 1 for pre-EMD activities to the Secretary of the Navy or his designated representative, as has been done for other international programs. Therefore, we do not concur with the finding that the international agreement was not signed by the proper authority. The Supplement 1 was signed in FY 1991 for the pre-EMD phase and US commitment to this phase is less than \$1M.

We concur with the recommendation that USD(A) sign the PMOU Supplement 2 after the DAB. The decision as to whether USD(A) will sign the PMOU Supplement 2 or delegate the authority to the Secretary of the Navy, has not been determined. MIDS-LVT program documentation (e.g., ASR and RFP) were reviewed by DAB principals before the US signed the RAN and RAC to initiate PMOU Supplement 2 negotiations.

FINDINGS: Not all documentation for Milestone II was being prepared.

OUSD(A) COMMENT: Do Not Concur.

The above finding is premature since the Navy is in the process of preparing the required Milestone II documentation. The documents at issue in the report are the Developmental Test and Evaluation Report (DT&ER) and the Early Operational Assessment Report (EAOR), which are required for a Low Rate Initial Production (LRIP) decision. Because we plan to review the MIDS-LVT program for a LRIP decision, we do not need the EAOR at this Milestone II DAB.

Since MIDS-LVT is a P3I program of JTIDS and no DT&E was conducted, there is no need for DT&ER at this time.

FINDINGS: Navy plans for its Service Acquisition Executive (SAE) rather than USD(A) to make the LRIP decision.

OUSD(A) COMMENT: Concur.

We understand that the Navy may request, based upon the low dollar value of the LRIP, delegation of authority to make a MIDS-LVT LRIP decision to the Navy SAE. USD(A) will decide whether to agree or disagree with the Navy recommendation.

FINDINGS: Since there is no APB or Exit Criteria for the current phase, the DAB will have no formal measure to judge program success at Milestone II or readiness to enter Phase II.

OUSD(A) Response: Do Not Concur.

While it is correct that there is no approved APB and that no exit criteria have been established for entry into EMD, the set of Milestone II documentation that will be available for DAB principals to review will provide an ample basis for judging readiness to enter the EMD phase. In a typical DAB program, an APB of the program and exit criteria for the Milestone II are established at Milestone I DAB. Since the MIDS-LVT is a P3I of the JTIDS program, and maturity of its technology has progressed to the state that warrants direct entry into the EDM phase, Milestone II DAB is appropriate.

In fact, the formal measure of success for this program will be the conduct of the Milestone II DAB itself, since this would mean that all participating nations have agreed to sign the Supplement 2 and to fully fund the program. Milestone II DAB also provides the opportunity to verify the fact that the MIDS-LVT program is an executable program and that the Navy has complied with all required DAB documentation.

OSD RESPONSE TO RECOMMENDATIONS

Recommendation 1: We recommend that USD(A) revise DoDI 5000.2 to require a DAB review within 6 months of when a program transitions to a DAB-cognizant major defense acquisition program (MDAP), including establishment of an Acquisition Program Baseline (APB) and review of which phase or at which milestone the program should enter the DAB process, what documentation is needed currently or at the next milestone, and what exit criteria must be met before the next milestone.

OSD(A) RESPONSE: Do not concur.

A DAB review of a program is normally held when the program is ready for a significant acquisition decision. We do not see any compelling reason to hold a DAB review of a program just because it appears on the MDAP list. We can establish the programmatic requirements of the program such as Acquisition Strategy Report (ASR), Acquisition Program Baseline (APB), program structure and others without holding a DAB review. In this case, the review and approval of the ASR served to ensure that the USD(A) was informed and in agreement with the activities that were underway.

Recommendation 2: We recommend that USD(A) conduct a special DAB program review for the MIDS program before entry into Low-rate Initial Production (LRIP). The review should be held before Supplement 3 of the Program Memorandum of Understanding is signed and the EMD II contract is awarded. It should require, as a minimum, preparation of a Developmental Test and Evaluation Report (DT&ER) and Early Operational Assessment Report (EOAR) by the Navy, as well as other DAB documentation considered necessary.

OSD(A) RESPONSE: Partially concur.

We plan to conduct a DAB program review of the MIDS-LVT prior to entry into LRIP. However, we do not concur with the recommendation to have a special DAB prior to the award of the EMD II contract. This strategy will be reviewed by USD(A) as a part of the Milestone II DAB. DT&ER and EOAR as well as other documentation will be required for the LRIP decision.

Recommendation 3: We recommend that USD(A) serve as approval authority for the international agreement PMOU Supplement 2 for the MIDS program.

OUSD(A) Response: Partially Concur.

We concur with the recommendation that the PMOU Supplement 2 be signed after the DAB. The decision as to whether USD(A) will sign the PMOU Supplement 2 or delegate the authority to the Secretary of the Navy, has not been determined and will be made at a later date.

Recommendation 4: We recommend that USD(A) request the JROC perform a JROC assessment of Navy, Air Force, and allied aircraft interoperability before the upcoming DAB Milestone II review of the MIDS program to evaluate the impact of Air Force withdrawal from the program.

OUSD(A) Response: Partially concur.

We concur with recommendation that a JROC be held and that interoperability should be evaluated before the Milestone II DAB. On April 29, 1993, the JROC reviewed the key performance parameters of the Operational Requirement Document (ORD) including F/A-18 and Link-16 interoperability. MIDS-LVT will enable F/A-18 to operate with all of the Air Force's Link-16 C3 platforms. The issue surrounding the intentions of the Air Force with respect to using Link-16 for its fighters is not a major concern.

Recommendation 5: We recommend that the USD(A) direct ASN(RD&A) to prepare documentation to support the DAB review of the entry of MIDS-LVT program into LRIP. The documentation should include, as a minimum, a DT&E Report (DT&ER) and Early Operational Assessment Report (EOAR) as specified in DoDM 5000.2-M.

OUSD(A) Response: Partially Concur.

As stated earlier, we plan to conduct a DAB Program Review prior to LRIP, and will follow DoDI 5000.2 procedures. We do not concur with recommendation that the USD(A) should direct the Navy to prepare LRIP documentation at this time.

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