

DOD SARs Paint Bleak Picture of Problematic Program Management

Written by Administrator
Monday, 05 April 2010 00:00

On April 2, 2010 the Department of Defense [released](#) its annual Selected Acquisition Reports (SARs).

As the DOD release noted

SARs summarize the latest estimates of cost, schedule, and performance status. These reports are prepared annually in conjunction with submission of the President's Budget.

Subsequent quarterly exception reports are required only for those programs experiencing unit cost increases of at least 15 percent or schedule delays of at least six months.

Quarterly SARs are also submitted for initial reports, final reports, and for programs that are rebaselined at major milestone decisions.

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In summary, the December 2009 SARs reported an aggregate increase in program estimates at completion (EACs) of \$107,241 million, which is an increase of 7.2 percent over the prior quarter's SARs. DOD reported that—

The cost increase is due primarily to a net increase in planned quantities (+\$44,851.5 million), higher program cost estimates (+\$51,338.8 million), an increase in support requirements (+\$25,434.6 million), and a net stretchout of development and procurement schedules (+\$8,973.4 million). These increases are partially offset by the application of lower escalation rates (-\$23,980.3 million).

The DOD announcement also included a listing of those programs that have breached their Nunn-McCurdy limits. (We previously reported on two of those programs [here](#).) There are two types of Nunn-McCurdy breaches. “Critical” breaches are those programs that have experienced unit cost increases of at least 25 percent when compared to the current Acquisition Program Baseline (APB) or at least 50 percent when

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compared to the program's original APB. "Significant" breaches are those programs that have experienced unit cost increases of between 15 and 25 percent of the current APB, or that have experienced unit cost increases of between 30 and 50 percent of the original APB.

DOD notes that—

Pursuant to 10 U.S.C. § 2433, for those programs with significant breaches, Congressional notifications are required, as well as detailed unit cost breach information in the SAR. For those programs with critical breaches, notifications and unit cost breach information are also required. In addition a certification determination by the Under Secretary of Defense for Acquisition, Technology & Logistics must be made no later than June 1, 2010.

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For this reporting period there are six programs with “critical” breaches and one program with a “significant” breach. In our previous article ([link above](#)) we discussed breaches associated with the ATIRCM/CMWS program and WGS satellite program. In addition, DOD announced breaches associated with the following programs:

- Apache Helicopter, Block III (AB3) – Breach does not stem from poor program management. It stems from the addition of 56 new aircraft to the APB, whereas the original APB only envisioned remanufacture of existing aircraft.
- Zumwalt-class Destroyer (DDG 1000) – Breach does not stem from poor program management. It stems from reduction in planned number of ships from 10 to 7.
- F-25 Lightning II Joint Strike Fighter (JSF) – No surprises here. Breach stems from “larger-than-planned development costs driven by ... weight growth and a longer forecasted development schedule, increase in labor and overhead rates, degradation of airframe commonality, lower production quantities, increases in commodity prices (particularly titanium), major subcontractor cost growth, and the impact of revised inflation indices.” Additional causal factors included “substantially higher change traffic (i.e., changes in design not resulting from changes in requirements or capability), which led to increased engineering and software staffing; extended manufacturing span times; and delayed delivery of aircraft to flight test, led to a further slip of the development and flight test program.”
- Remote Minehunting System (RMS) – Breach stems from a combination of factors, including “a reduction in production quantities [cut from 108 to 54 units], the use of an incorrect average unit cost as a basis of estimate in the 2006 program baseline calculation, and an increase in development costs needed to address reliability issues.”
- C-130 Avionics Modernization Program (AMP) – Breach stems from a variety of factors that might be characterized as a failure to plan. According to the DOD, “the program amended its strategy to provide for depot installs during

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the Future Years Defense Program (FYDP) and amended its estimate for the level of spares.

It also added costs for training systems not previously included, adjusted for current inflation indices, and incurred a one-year gap in production.”

DOD also reported that 35 other programs (some of which have been discussed here before) experienced “program cost changes” that did not give rise to Nunn-McCurdy breaches, or that actually had *decreases* in estimated program costs. You can find the entire list by clicking on the link at the beginning of this article. In addition, DOD published a summary document that can be found [here](#)

As can be seen from the foregoing, some Nunn-McCurdy breaches are caused by factors beyond the program team’s control—such as decreases in the number of units to be acquired or the addition of work beyond the scope of the original program baseline. Some breaches, however, appear to be caused by factors that were within the control of the program team. We might suggest that those programs consider upgrading their management effectiveness, lest they repeat the fate of the Armed Reconnaissance Helicopter and Future Combat Systems—to name just two of several programs recently terminated or severely curtailed.

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