

October 7, 2005



Acquisition

Acquisition of the Objective Individual Combat Weapon (D-2006-004)

This special version of the report has been revised to omit attorney client privilege, predecisional, and source selection sensitive data.

Department of Defense
Office of the Inspector General

Quality

Integrity

Accountability

Additional Copies

To obtain additional copies of this report, visit the Web site of the Inspector General of the Department of Defense at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit, Audit Followup and Technical Support at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact Audit Followup and Technical Support at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General of the Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

DEPARTMENT OF DEFENSE

hotline

To report fraud, waste, mismanagement, and abuse of authority.

Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900
Phone: 800.424.9098 e-mail: hotline@dodig.osd.mil www.dodig.osd.mil/hotline

Acronyms

ACAT
OICW

Acquisition Category
Objective Individual Combat Weapon



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

October 7, 2005

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
ASSISTANT SECRETARY OF DEFENSE (NETWORK AND
INFORMATION INTEGRATION)
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, JOINT STAFF
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

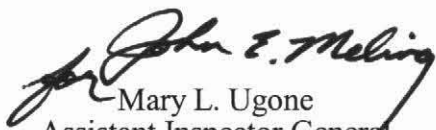
SUBJECT: Report on the Acquisition of the Objective Individual Combat Weapon
(Report No. D-2006-004) (U)

(U) We are providing this report for review and comment. This report is the first in a series of reports on the overall management of the Objective Individual Combat Weapon. We considered management comments on a draft of this report when preparing the final report.

(U) DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments, we revised Recommendation 1. by adding Recommendation 1.b. to clarify our intention. Therefore, we request that the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of Defense (Network and Information Integration); and the Director, Operational Test and Evaluation provide comments on Recommendation 1.b.; that the Under Secretary also provide comments on Recommendation 1. a.; and that the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) provide additional comments on Recommendations 3.a. and 3.b. by November 7, 2005.

(U) We appreciate the courtesies extended to the staff. Questions should be directed to Mr. John E. Meling at (703) 604-9091 (DSN 664-9091) or Mr. Jack D. Snider at (703) 604-9087 (DSN 664-9087). See Appendix I for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:


Mary L. Ugone
Assistant Inspector General
Acquisition and Technology Management

This special version of the report has been revised to omit attorney client privilege, predecisional, and source selection sensitive data.

Department of Defense Office of Inspector General

Report No. D-2006-004

October 7, 2005

Project No. D2005-D000AE-0021

Acquisition of the Objective Individual Combat Weapon (U)

Executive Summary (U)

(U) Who Should Read This Report and Why? DoD and military personnel involved in the management, support, and acquisition of the Objective Individual Combat Weapon (OICW) and acquisition officials responsible for managing acquisition programs should read this report because it discusses oversight issues that must be addressed before the program progresses further through the acquisition process.

(U) Background. This report is the first in a series of reports on the overall management of the OICW Increments I, II, and III. Because the Army issued a request for proposal for the development and production of Increment I before the program entered the system development and demonstration phase of the acquisition process, we evaluated whether management was complying with the required acquisition procedures. The OICW is a dual engagement weapon: its primary subsystem fires a * * * airbursting munition and its secondary subsystem fires the standard * * * munition. The Army designed the OICW Increment I, valued at about * * * in FY 2005 dollars, as a * * * * throughout the U.S. Army.

(U) Results. The Army issued the request for proposal before the program entered the system development and demonstration phase and before the Army completed key required program documentation needed for decision making; before it determined the appropriate acquisition category that, as a matter of classification, would highlight the level of proposed investment and importance to the DoD; and before it resolved issues with the OICW operational requirements document, which had not identified a requirement for a family of weapons. On May 27, 2005, we sent a memorandum to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) suggesting that he suspend the request for proposal until the OICW Program rectified the above tasks. In response to the memorandum, the Assistant Secretary suspended the request for proposal on July 19, 2005, until the Joint Requirements Oversight Council convenes to complete the Joint Capabilities Integration and Development System process for the OICW capability development document. Until the Army completes those tasks, it cannot be assured that the OICW satisfies warfighter needs, with measurable improvements to mission capability and operational support, in a timely manner. The Under Secretary of Defense for Acquisition, Technology, and Logistics needs to designate the OICW as an Acquisition Category ID major Defense acquisition program. Further, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) needs to complete an analysis of alternatives for the OICW. In addition, the Assistant Secretary needs to enforce the existing management controls associated with the OICW Program and suspend or terminate the request for proposal until the program is in compliance with required acquisition procedures. Lastly, the Joint Requirements Oversight Council should not approve the OICW capability development document until the Office of the Director, Program Analysis and Evaluation prepares the initial guidance for the analysis of alternatives and reviews the analysis plan and the final analysis products. (See the Finding section of the report for the detailed recommendations.)

* (U) Predecisional and source selection sensitive data omitted.

(U) The management control program that we reviewed for the OICW did not ensure that the Army addressed weaknesses associated with program documentation, acquisition category classification, and OICW capability requirements. The Office of the Secretary of Defense and the Army should implement the corresponding management controls in the DoD 5000 series and the applicable Army regulations to correct those weaknesses.

(U) Management Comments and Audit Response. On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) issued a memorandum in which he stated that his office was working the issues discussed in our May 27, 2005, memorandum and expected to resolve all issues before the system development and demonstration milestone decision in the third quarter of FY 2006. See Appendixes C and D for our memorandum and the Assistant Secretary's comments, respectively.

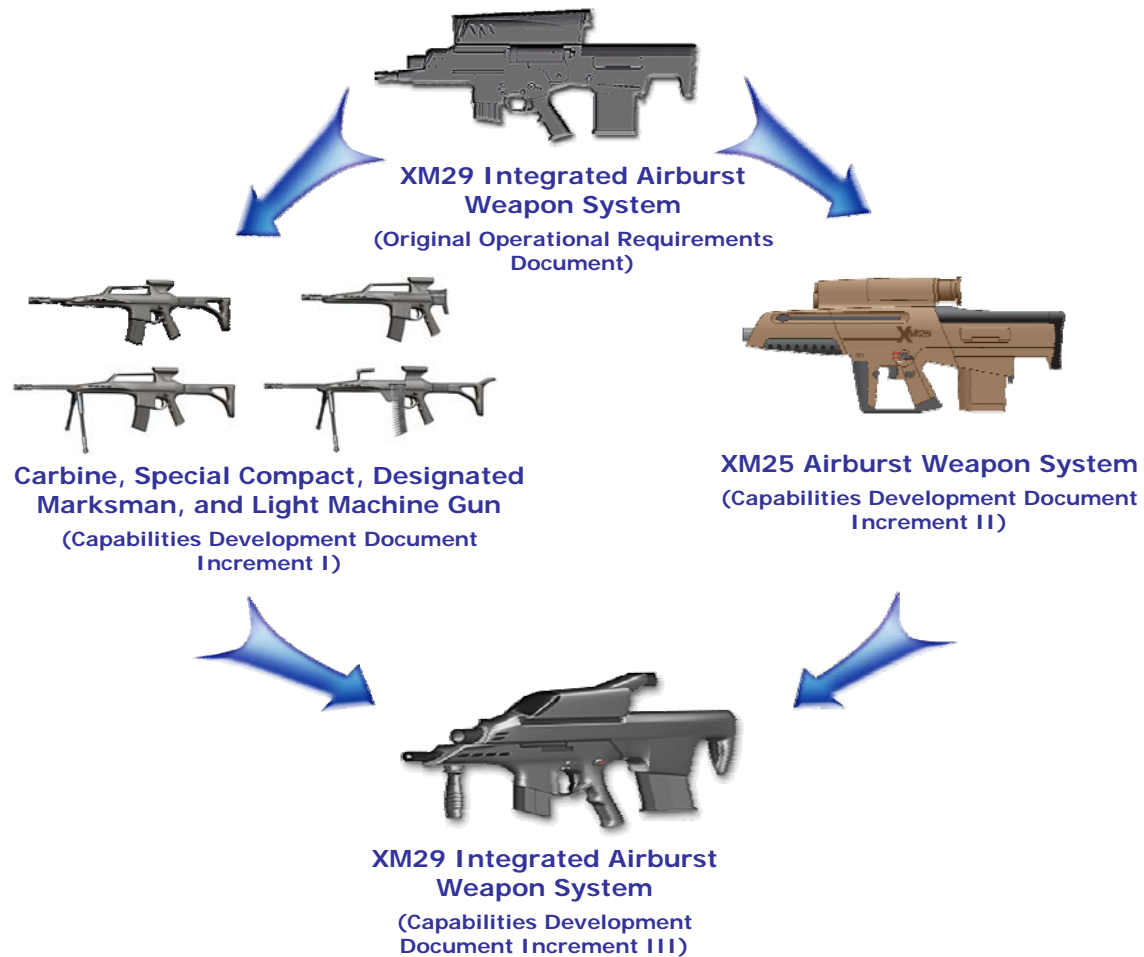
(U) Our August 16, 2005, draft report restated our position on issues in the May 27, 2005, memorandum that required completion. We received comments from the Director, Defense Systems, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of the Army (Acquisition, Logistics, and Technology); the Principal Deputy Director, Program Analysis and Evaluation; the Director for Force Structure, Resources, and Assessment, responding for the Chairman, Joint Requirements Oversight Council; and the Army Deputy General Counsel (Acquisition), Department of the Army Office of the General Counsel.

(U) The Director, Defense Systems partially concurred with the recommendation to designate the OICW as an Acquisition Category ID major Defense acquisition program. The Assistant Secretary nonconcurred with the recommendation to enforce the existing management controls associated with the OICW Program because he believed that they had implemented appropriate controls. He stated that his office suspended the request for proposal and would not release it until the Joint Requirements Oversight Council completes its review. The Principal Deputy Director concurred with the recommendation to direct the Assistant Secretary to complete an analysis of alternatives for the OICW. He also agreed with the draft report and the remaining recommendations not specifically addressed to him. The Director for Force Structure, Resources, and Assessment concurred with the recommendation to not approve the OICW capability development document until the Office of the Director, Program Analysis and Evaluation completed its oversight review. The Army Deputy General Counsel addressed two separate legal opinions by his office concerning the OICW Program and stated that they were consistent with each other when viewed in their proper context. (See the Finding section of the report for a discussion of the management comments and the Management Comments section of the report for the complete text of the comments.)

(U) In response to the comments by the Director, Defense Systems and the Assistant Secretary of the Army and to obtain intended corrective action, we revised and added a recommendation to change DoD Instruction 5000.2 to require the milestone decision authority to authorize the initiation of a new acquisition program before the program office can issue a request for proposal. Therefore, we request that the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Assistant Secretary of Defense (Network and Information Integration) and the Director, Operational Test and Evaluation, respond to the new recommendation. In addition, we request that the Under Secretary review his office's position on the acquisition category for the OICW and that he, not his staff, comment on the final report. We also request that the Assistant Secretary of the Army comment on the recommendations concerning management controls and the request for proposal. The comments on this report should be provided by November 7, 2005.

Table of Contents

Executive Summary	i
Background	1
Objectives	4
Managers' Internal Control Program	5
Finding	
Program Management of the Objective Individual Combat Weapon	7
Appendixes	
A. Scope and Methodology	27
Prior Coverage	28
B. Glossary	29
C. DoD Office of Inspector General Memorandum Concerning Request for Proposal	36
D. Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Response to DoD Office of Inspector General Memorandum	39
E. Audit Response to Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments on DoD Office of Inspector General Memorandum	43
F. Project Manager Soldier Weapons Memorandum for XM8 Carbine	48
G. Program Executive Officer Soldier Acquisition Decision Memorandum for XM8 Carbine	50
H. Response to the Office of the Secretary of Defense and the Department of the Army Comments Concerning the Report	52
I. Report Distribution	75
Management Comments	
Under Secretary of Defense for Acquisition, Technology, and Logistics	77
Assistant Secretary of the Army (Acquisition, Logistics, and Technology)	79
Director, Program Analysis and Evaluation	91
Joint Staff	92
Department of the Army General Counsel	94



Source: Project Manager Soldier Weapons

Incremental Strategy for the Objective Individual Combat Weapon (U)

Background (U)

(U) This report is the first in a series of reports on the overall management of the Objective Individual Combat Weapon (OICW) Increments I, II, and III. Because the Army issued a request for proposal for the development and production of the OICW Increment I before the program entered the system development and demonstration phase of the acquisition process,¹ we evaluated whether management was complying with required acquisition procedures. The OICW is a dual engagement weapon: its primary subsystem fires a * * * airbursting munition and its secondary subsystem fires the standard * * * munition. The Army designed the OICW Increment I as a * * * throughout the U.S. Army.

The OICW Program has been on the Director, Operational Test and Evaluation Oversight List since 1996 and therefore was subject to approval of test strategy and test plans and review of operational test and evaluation results by the Office of the Director, Operational Test and Evaluation. Appendix B is a glossary of technical terms used in this report.

(U) Program Executive Office Soldier. The Program Executive Office Soldier is the materiel developer of the OICW Program. The Program Executive Office Soldier's mission is to arm and equip soldiers to dominate the full spectrum of peace and war, now and in the future. Reporting to the Program Executive Office Soldier is the Project Manager Soldier Weapons who ensures that soldiers have needed weapons capabilities on present and future battlefields and maintains weapons' readiness for the Army through intensive management of the full acquisition lifecycle. Reporting to the Project Manager Soldier Weapons is the Product Manager Individual Weapons who maintains and improves existing individual weapons, such as rifles, carbines, pistols, and grenade launchers for the Army and other Military Departments.

(U) OICW Mission Need Statement. In December 1993, the Assistant Deputy Chief of Staff of the Army for Operations and Plans, Force Development approved the OICW mission need statement that identified the requirement to engage primary targets, such as personnel protected with body armor or in improvised fortifications and tactical vehicles, and secondary targets, such as light armor and slow moving aircraft. The U.S. Army Infantry Center, who is the user representative,

* * * * *

¹(U) A request for proposal is a solicitation used in negotiated acquisitions to communicate Government requirements to prospective contractors. Based on prudent business judgment, a request for proposal should not be issued until after a program enters the system development and demonstration phase of the acquisition process and complies with applicable statutory and regulatory requirements, including approved requirements and program goals. However, the OICW was not ready to enter the system development and demonstration phase because the required capability had not been approved; the required statutory and regulatory documents had not been prepared; and the program goals for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle had not been established.

*(U) Predecisional and source selection sensitive data omitted.

* * * *

(U) OICW Operational Requirements Document. In February 2000, the Army approved the OICW operational requirements document for the dual engagement weapon * * * *. In March 2000, the milestone decision authority approved the OICW as a new acquisition program.

* * * *. In August 2000, the Picatinny Center for Contracting and Commerce awarded a contract for the development of the OICW (XM29).

(U) Change in Acquisition Strategy. In September 2001, when the OICW (XM29) did not meet the threshold for the weight key performance parameter,

* * * *

(U) On September 9, 2002, the Project Manager Soldier Weapons, as the materiel developer, initiated an urgent requirement for the development of the XM8 Lightweight Carbine, which was based on the ongoing requirement of the Program Executive Office Soldier to lighten the weight of equipment carried by warfighters. On September 13, 2002, the Project Manager Soldier Weapons, citing the urgent requirement, had the OICW contract modified to develop the XM8 (Increment I).

* * * *

(U) Incremental Evolutionary Development. In January 2003, the Program Executive Officer Soldier briefed the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) on a new approach for incrementally developing the OICW subsystems by maturing two separate-but-parallel capabilities: the kinetic energy system (XM8 [Increment I]) and the stand-alone, high explosive, airbursting system (XM25 [Increment II]).

* * * * 2 *

* (U) Predecisional and source selection sensitive data omitted.

²(U) On April 1, 2005, the Army reorganized the Army Deputy Chief of Staff (G-3) into the Army Deputy Chief of Staff (G-3/5/7) responsible for operations, strategic plans and policy, force management, training, battle command, and capabilities integration. The reorganization was retroactively effective on November 16, 2004.

* * * *

(U) * * * *
* * * In September 2004, the Army Deputy Chief of Staff (G-3) issued a memorandum, "Analysis Supporting Objective Individual Combat Weapon (OICW) Increment I Milestone (MS) B Decision," to the Army Training and Doctrine Command, initiating the analysis of alternatives. By then, Increment I had been expanded to include four weapons variants, or a family of weapons.

(U) * * * * even though the OICW mission need statement and the February 2000 operational requirements document did not identify a need for a family of weapons, * * *. As of October 2005, the Joint Requirements Oversight Council had not approved the Increment I capability development document.

(U) OICW Increment I.

* * * *

(U) OICW Increment II. Draft documentation for Increment II states that it will fire * * *, high explosive, airbursting munitions that will allow the soldier to acquire a target, day or night, using optical and thermal systems with a laser range finder.

* * * *

(U) OICW Increment III.

* * * *

(U) Full and Open Competition.

* * * *

*(U) Attorney client privilege, predecisional, and source selection sensitive data omitted.

* * * * *

(U) Request for Proposal. On May 11, 2005, the Picatinny Center for Contracting and Commerce issued a request for proposal for the development and production of the * * * *

(U) DoD Office of Inspector General Memorandum. On May 27, 2005, the DoD Office of Inspector General sent a memorandum to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) suggesting that he suspend the request for proposal until the OICW Program completed the required program documentation, determined the appropriate ACAT, and resolved weaknesses in the OICW operational requirements document, approved in February 2000. On July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes to complete the Joint Capabilities Integration and Development System process for the OICW capability development document.

(U) This report expands upon the issues identified in the DoD Office of Inspector General's memorandum (see Appendix C). A follow-on draft report will address OICW Increment II.

(U) Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Response to DoD Office of Inspector General Memorandum. On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) issued a memorandum in response to the May 27, 2005, DoD Office of Inspector General memorandum. In his response, the Assistant Secretary stated that his office was working the issues discussed in the DoD Office of Inspector General memorandum and expected to resolve them all before the system development and demonstration milestone decision in the third quarter of FY 2006. Further, he provided a point paper as an enclosure in response to the DoD Office of Inspector General's memorandum. The Assistant Secretary also stated that he had suspended the request for proposal until the capability development document completed the Joint Capabilities Integration and Development System process. See Appendixes D and E for the complete text of the Assistant Secretary's comments and the audit response, respectively.

Objectives (U)

(U) The primary audit objective was to evaluate the overall management of the OICW Increments I, II, and III. Because the Army issued a request for proposal for the development and production of Increment I before the program entered the system development and demonstration phase, we determined whether management was complying with required acquisition procedures and

* (U) Predecisional and source selection sensitive data omitted.

implementing best business practices available through acquisition initiatives. We also evaluated the management control program as it relates to the audit objective.

(U) The initial audit announcement letter was for the Airburst Weapon System (XM25) and the Integrated Airburst Weapon System (XM29), but it did not mention the Modular Assault Weapon System (XM8). As a result, we reannounced it as the audit of the “Acquisition of the Objective Individual Combat Weapon” to include Objective Individual Combat Weapon Increments I, II, and III (XM8, XM25, and XM29, respectively). See Appendix A for a discussion of the scope and methodology and prior coverage related to the audit objectives.

Managers’ Internal Control Program (U)

(U) DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996, and DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

(U) Scope of the Review of the Management Control Program. In accordance with DoD policy, acquisition managers are to use program cost, schedule, and performance parameters as control objectives to implement the requirements of DoD Directive 5010.38. Accordingly, we limited our review to management controls directly related to the areas of program documentation, ACAT classification, and capability requirements for the OICW.

(U) Adequacy of Management Controls. We identified a material management control weakness in the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) as defined by DoD Instruction 5010.40. Although the management controls outlined in the DoD 5000 series of guidance and Army Regulation 70-1, “Army Acquisition Policy,” December 31, 2003, were adequate for controlling acquisitions, such as the OICW Program, the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) did not use those controls. Specifically, the Product Office Individual Weapons issued a request for proposal for the development and production of the OICW Increment I without completing an analysis of alternatives, an initial capabilities document, a capability development document, a test and evaluation master plan, an acquisition program baseline, an affordability assessment, a cost analysis requirements description, an independent cost estimate, a manpower estimate, and a technology development strategy for OICW Increment I as required by the DoD 5000 series of guidance and Army Regulation 70-1. Further, the Office of the Assistant Secretary did not correctly categorize the program as an ACAT I, even though the procurement estimate for the OICW Increment I exceeded the ACAT I threshold. Finally, the Project Manager Soldier Weapons developed the XM8 (Increment I) * * * * without an

*(U) Predecisional and source selection sensitive data omitted.

approved requirement. Recommendations 1., 2., 3., and 4., if implemented, will improve controls for completing required program documentation, for determining the ACAT, and for resolving weaknesses in OICW operational requirements. We will provide a copy of this report to the senior Army official responsible for management controls in the Department of the Army.

(U) Adequacy of Management's Self-Evaluation. In the Army's "Fiscal Year 2005 (FY05) Annual Statement of Assurance on Management Controls," July 22, 2005, the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) identified material weaknesses; however, none of those weaknesses was attributed to the OICW Program. Although the Office of the Assistant Secretary identified the Program Executive Office Soldier as an assessable unit, the Office of the Assistant Secretary did not perform an evaluation of the Program Executive Office Soldier because the Program Executive Office Soldier conducts self-evaluations. If the Program Executive Office Soldier identifies a material weakness, it includes the weakness in its annual statement of assurance to the Office of the Assistant Secretary.

(U) The Program Executive Office Soldier identified the Project Manager Soldier Weapons Office as an assessable unit; however, it did not identify a material weakness associated with the OICW Program in its "FY 2005 Annual Assurance Statement on Management Control," June 27, 2005, to the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology). The Program Executive Office Soldier conducts quarterly reviews of the Project Manager Soldier Weapons Office and subordinate product offices. The subordinate product offices include the Product Manager Individual Weapons Office that manages the OICW Program. The Program Executive Office Soldier based its annual statement of assurance on the results of those reviews. Further, the Project Manager Soldier Weapons Office in its "Fiscal Year 2005 Annual Assurance Statement on Management Control," June 6, 2005, did not identify any material weaknesses. Management's self-evaluations did not identify any material weaknesses because the checklists and other methods of evaluation that management used did not detect any management control deficiencies that management considered to be material weaknesses.

(U) Because we identified a material control weakness associated with the Program Executive Office Soldier and the Army relied on Program Executive Office Soldier for self-evaluations, we plan to assess Program Executive Office Soldier's management controls during Project No. D2005-D000AE-0224, "Audit of Army Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs."

Program Management of the Objective Individual Combat Weapon (U)

(U) At the request of the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), the Picatinny Center for Contracting and Commerce, issued a request for proposal for the development and production of the OICW Increment I before the program entered the system development and demonstration phase of the acquisition process and before the Army completed key required program documentation needed for objective acquisition decision making; determined the appropriate acquisition category that, as a matter of classification, would highlight the level of proposed investment and importance to the DoD; and resolved weaknesses with the OICW operational requirements document, which had not identified a requirement for a family of weapons. During the audit, on July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes to complete the Joint Capabilities Integration and Development System process for the OICW capability development document. The request for proposal was issued prematurely because the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) did not enforce the management controls outlined in the DoD 5000 series of guidance and Army Regulation 70-1 for the acquisition of the OICW to:

- require that program documentation, including an approved analysis of alternatives, an initial capabilities document, a capability development document, a test and evaluation master plan, an acquisition program baseline, an affordability assessment, a cost analysis requirements description, an independent cost estimate, a manpower estimate, and a technology development strategy were completed before pursuing the development of a materiel solution;
- notify the Under Secretary of Defense for Acquisition, Technology, and Logistics of a potential ACAT I program; and
- develop materiel solutions for the acquisition strategy that met the requirements of the approved OICW operational requirements document.

(U) Without completing the required documentation, determining the appropriate acquisition category, and resolving issues with the operational requirements document, the Army cannot be assured that the OICW satisfies warfighter needs with measurable improvements to mission capability and operational support, in a timely manner.

Management Control Guidance (U)

(U) **DoD Policy.** DoD Directive 5000.1, “Defense Acquisition System,” May 12, 2003, along with DoD Instruction 5000.2, “Operation of the Defense Acquisition System,” May 12, 2003, provides management principles and mandatory policies for managing all acquisition programs. DoD Instruction 5000.2 establishes a simplified and flexible management framework for translating mission needs and technology opportunities, based on approved mission needs and requirements, into stable, affordable, and well-managed acquisition programs.

(U) **Army Policy.** Army Regulation 70-1 contains management control provisions and identifies key internal controls that must be evaluated. The Regulation states that the key internal controls for both major and non-major Defense acquisition programs are the milestone documentation requirements specified in DoD Instruction 5000.2

Enforcing Management Controls (U)

(U) On May 11, 2005, the Picatinny Center for Contracting and Commerce issued a “final solicitation,” W15QKN-05-R-0449 (request for proposal), to obtain proposals for the development and production of the OICW Increment I family of weapons to * * * *. However, the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) did not complete the required key program documentation needed for objective acquisition decision making; determine the appropriate acquisition category that, as a matter of classification, would highlight the level of proposed investment and importance to the DoD; and resolve weaknesses in the OICW operational requirements document before issuing the request for proposal. On July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes. However, the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) should suspend or terminate the request for proposal until the program documentation, ACAT, and operational requirements issues are also resolved.

Program Documentation (U)

(U) **Required Program Documentation.** DoD Instruction 5000.2 requires each increment in an evolutionary acquisition program to begin with a system development and demonstration decision followed by a production and deployment decision. The Instruction identifies the mandatory statutory and regulatory documents that the program manager is required to submit in support of the system development and demonstration decision review. Some of the required statutory documents for submission include an independent cost estimate; a manpower estimate; a technology development strategy; and an acquisition program baseline. Some of the required regulatory documents include an initial capabilities document, a capability development document, an

*(U) Predecisional and source selection sensitive data omitted.

acquisition strategy, an analysis of alternatives, an affordability assessment, a cost analysis requirements description, and a test and evaluation master plan.

(U) DoD Instruction 5000.2 also requires the Director, Program Analysis and Evaluation to direct that an analysis of alternatives is developed for potential and designated ACAT I programs. The DoD Component representative is required to provide the analysis of alternatives to the Director, Program Analysis and Evaluation not later than 60 days before a Defense Acquisition Board review.

(U) Chairman of the Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005, states that the Under Secretary of Defense for Acquisition, Technology and Logistics will advise on whether the applicable capabilities are in place to achieve the desired objective, and the Director, Program Analysis and Evaluation may provide specific guidance on the conduct of an analysis of alternatives, as approved by the milestone decision authority.

(U) Approved Program Documentation. As of October 2005, the OICW Increment I did not have a completed analysis of alternatives and an approved capability development document, test and evaluation master plan, acquisition program baseline, affordability assessment, cost analysis requirements description, independent cost estimate, manpower estimate, and technology development strategy. In addition, the OICW milestone decision authority, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), had not approved Increment I for entry into the system development and demonstration or production and deployment phases of the acquisition process. Further, the Joint Requirements Oversight Council had not approved the capability development document for OICW Increment I.

(U) On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that the test and evaluation master plan and the acquisition program baseline were in draft form and would be updated for final approval based on the outcome of the competitive procurement. Further, the Assistant Secretary stated that the Army Requirements Oversight Council approved the capability development document on October 19, 2004, and entered Joint Requirements Oversight Council staffing on or about February 28, 2005, with anticipated completion in September 2005.³ The Assistant Secretary also stated that all the necessary documents would be completed before the system development and demonstration decision in the 3rd quarter of FY 2006.

(U) The Army Training and Doctrine Command had not completed an analysis of alternatives to support the development of a materiel solution for OICW Increment I. On February 9, 2005, during a review of the Increment I analysis of

³(U) In the August 24, 2005, minutes of the Joint Capabilities Board meeting, the Board stated that the capability development document for the OICW Increment I would not proceed without the results of the analysis of alternatives. As of October 2005, the Army has not provided the results of the analysis of alternatives to the Joint Capabilities Board.

alternatives, the Study Advisory Group, chaired by the Deputy Under Secretary of the Army (Operations and Research), requested:

- the Army Training and Doctrine Command to further develop the qualitative analysis for the family of weapons key performance parameter;
- the Program Executive Office Solider to clarify how to mount the Multi-Purpose Sighting System on the existing M4s;
- the Army Training and Doctrine Command Analysis Center, the Office of the Army Deputy Chief of Staff (G-8), and the Deputy Assistant Secretary of the Army (Cost and Economics) to revise the cost analysis and the follow-on affordability assessment; and
- the Project Manager Soldier Weapons to update the cost and affordability analyses for the existing weapons.

(U) Even though the tasks that the Study Advisory Group requested had not been completed, the Deputy Under Secretary of the Army (Operations Research) stated that the analysis of alternatives was sufficient to support the capability development document for Increment I through the Joint Requirements Oversight Council approval process.

(U) On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that the Study Advisory Group supported a system development and demonstration decision and that he anticipated a formal analysis of alternatives in September 2005.⁴ Further, he stated that the U.S. Army Infantry Center and School conducted the Family of Weapons Analysis and provided the Analysis to the U.S. Army Training and Doctrine Command in May 2005. The Assistant Secretary also stated that the Project Manager Soldier Weapons compiled new operations and maintenance cost data for the existing weapons and developed a business case analysis that compared the OICW Increment I family of weapons to the existing weapons.

Acquisition Category (U)

(U) DoD Acquisition Category Policy. DoD Instruction 5000.2 requires DoD Components to notify the Under Secretary of Defense for Acquisition, Technology, and Logistics when a cost growth or a change in acquisition strategy results in reclassifying a formerly lower ACAT program as an ACAT I or IA program. Further, the Instruction requires DoD Components to report ACAT-level changes as soon as the program is within 10 percent of the next ACAT level. The Under Secretary of Defense for Acquisition, Technology, and Logistics reclassifies ACAT levels. The Instruction defines an ACAT I program as one that costs more than \$2.1 billion for procurement in FY 2000 dollars. Further, the

⁴(U) See Footnote 3, page 9.

Instruction states that the Under Secretary may classify programs as ACAT ID when a program has a special interest based on one or more of the following factors: technological complexity, congressional interest, a large commitment of resources, critical capability or set of capabilities, or a joint program.

(U) Army Acquisition Category Policy. Army Regulation 70-1 states that ACAT level changes will be reported as soon as the program executive officer or the program manager suspects that the program is within 10 percent encroachment of the next ACAT level. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) is responsible for notifying the Under Secretary of Defense for Acquisition, Technology, and Logistics when cost growth or a change in acquisition strategy results in changing a previously lower categorized program to an ACAT I or IA program.

(U) Projected Procurement Quantity for OICW Increment I. The Army listed the OICW Increment I as an ACAT II program and Increments II and III as another ACAT II program. The Army incorrectly categorized the OICW Program as two ACAT II programs even though the procurement estimate for Increment I alone exceeds the dollar threshold for ACAT I procurement. The Joint Requirements Oversight Council-unapproved capability development document states that Increment I will
The existing Army inventory of small arms listed in the Army Materiel Command Weapon System Major Item Asset List identifies approximately 1.3 million weapons that Increment I may replace.

(U) Acquisition Strategy.

(U) Estimated Cost of Increment I.

Using the cost estimate and the number of weapons to be replaced as listed in the Army inventory of small arms,

(U) On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that the OICW Program should be designated as an ACAT I, based on the result of meetings with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. Specifically, during those meetings, it was determined that the program was of sufficient size to be an

*(U) Predecisional and source selection sensitive data omitted.

⁵(U) The draft Acquisition Program Baseline states that the OICW Increment I weapon will replace 90 percent of the M9s.

ACAT I program and had the potential for use by other Military Departments. Further, the Assistant Secretary anticipated that the Office of the Secretary of Defense would publish guidance concerning the ACAT I designation after the analysis of alternatives is signed and available for review.

Operational Requirements (U)

(U) DoD Policy. DoD Regulation 7000.14, “Financial Management Regulation,” Volume 3, August 2000, states that a program, subprogram, modification, project, or subproject that was neither previously justified by DoD nor funded by the Congress through the normal budget process is a new start. Further, congressional committees discourage reprogramming funds to initiate programs.

(U) Developing a New Rifle. The Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) used about \$33 million in OICW funds to develop * * * that was unrelated to the high explosive, airbursting weapon described in the OICW operational requirements document.

(U) In August 2000, the Picatinny Center for Contracting and Commerce awarded contract DAAE30-00-C-1065 to develop the OICW (XM29). On September 9, 2002, after the OICW did not meet the threshold for the weight key performance parameter, the Project Manager Soldier Weapons issued a memorandum to the Picatinny Center for Contracting and Commerce that established a requirement for the XM8 carbine. The memorandum stated that the Program Executive Officer Soldier had an ongoing requirement to reduce the weight of equipment carried by its warfighters, including the weight of their weapons. Based on the memorandum, the Picatinny Center for Contracting and Commerce modified contract DAAE30-00-C-1065 to accelerate the development of the XM8 carbine. As of October 2005, the Project Manager Soldier Weapons Office had not provided documentation that supported the urgent need for a lighter weapon. See Appendix F for the September 9, 2002, memorandum.

(U) On March 12, 2003, the Program Executive Officer Soldier issued a memorandum that established an urgent requirement for 200 XM8 carbines using one of four prototype configurations of the XM8. Based on the memorandum, on April 25, 2003, the Picatinny Center for Contracting and Commerce modified contract DAAE30-00-C-1065 as an undefinitized contractual action until the contractor and the contracting officer completed negotiations. The associated statement of work addressed the delivery of 200 XM8 carbines before entry into production and deployment and required the development of assault, compact, sharpshooter, and auto-rifle XM8 weapon variants, which first introduced the family of weapons concept into the OICW, but without an approved operational requirement and without full and open competition. The total cost associated with developing the XM8 was more than \$33 million.

(U) On June 11, 2003, the Program Executive Officer Soldier issued an acquisition decision memorandum for the XM8 carbine, even though the Assistant

*(U) Predecisional and source selection sensitive data omitted.

Secretary of the Army (Acquisition, Logistics, and Technology) was the milestone decision authority for the OICW Program. The memorandum authorized the start of a project to develop the XM8 and the entry of the project into the system development and demonstration phase of the acquisition process; it further stated that the XM8 four weapon variants or family of weapons and the exit criteria for entry into production and deployment were based on the operational requirements document for the Future Combat Rifle. According to a representative from the Army Infantry Center, the operational requirements document for the Future Combat Rifle did not exist when the acquisition decision memorandum was issued; it was only a concept. The Army Infantry Center later prepared a draft operational requirements document for the Future Combat Rifle. In addition, the Program Executive Officer Soldier initiated the system development and demonstration phase without preparing the minimum documentation: an initial capabilities document, an analysis of alternatives, cost and affordability analyses, a capability development document, or a competition for a stand-alone family of weapons. See Appendix G for the June 11, 2003, acquisition decision memorandum.

(U) On September 25, 2003, the Picatinny Center for Contracting and Commerce definitized the contract modification with Alliant Techsystems and established a negotiated cost-plus-fixed-fee price.

(U) Army Legal Opinion.

* * * * *

(U) Competition for Increment I.

* * * * *

because the scope of the competition for the OICW, as described in the operational requirements document, changed by * * * * *.

(U) The Program Executive Officer Soldier and the Project Manager Soldier Weapons spent 2 years and more than \$33 million for the development of the XM8 family of weapons. Now, the Army plans to compete for * * * * *. The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) should not have directed the competition for * * * * * until the Army had provided the program documentation required by statute and DoD guidance that justified the continued development and acquisition of OICW Increment I and that was needed for fully informed decision making. In particular, the * * * * * concept was not contained

* (U) Attorney client privilege, predecisional, and source selection sensitive data omitted.

in the approved OICW operational requirements document for the dual engagement weapon. Additionally, initiating contracting actions without key program information on costs and performance is premature.

(U) On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that, under the original operational requirements document, the Army called the OICW kinetic energy capability the XM8 and based the funding to initiate the XM8 effort on the Army policy of spiraling out emerging technologies. Further, he stated that Congress confirmed that they were properly notified.

(U) Congressional Interest. Congress has expressed interest in the OICW Program; the House of Representatives Conference Report 108-773, October 9, 2004, directed the Army to report to the congressional Defense committees not later than November 15, 2004, on plans to begin fielding the XM8 family of weapons. On November 29, 2004, the Deputy Chief of Staff, G-3/5/7 responded:

The XM-8 [XM8] is a prototype materiel solution development to meet the Army's future force requirements as outlined in the Objective Individual Combat Weapon Capabilities [Capability] Development Document. The Army is conducting testing and evaluation to support the final weapon selection, in order to provide a significant improvement to our warfighting capabilities.

(U) Further, Report 109-89 of the House of Representatives Committee on Armed Services on the National Defense Authorization Act for FY 2006, May 20, 2005, requires:

. . . the Secretary of the Army to award the contract for procurement of the Objective Individual Combat Weapon (OICW) Increment One using full and open competition. In addition, before appropriated funds are obligated, the Secretary shall provide a report to the congressional defense committees that certifies this contract was conducted using full and open competition.

The committee believes the Secretary of the Army should examine the requirement for the OICW, Increment One to determine whether this is a developmental or non-developmental item and to determine accordingly the appropriate period for review for requests for proposals.

(U) Subsequently, Report 109-119 of the House of Representatives Committee on Appropriations for the DoD Appropriations Bill, 2006, June 10, 2005, states that:

The fiscal year 2006 budget request includes \$32,484,000 for procurement of the Objective Individual Combat Weapon. In the House-passed version of the fiscal year 2005 Department of Defense Appropriations bill, \$25,900,000 was added in an attempt to accelerate fielding this weapon. Although the procurement request for fiscal year 2006 is similar in some respects to the proposed acceleration of the program last year, the Committee notes that the Army has altered its acquisition strategy for the program and added requirements as well. As a result, the Committee recommends a reduction of \$10,200,000 from the procurement request for this program. In addition, the Committee directs the Secretary of the Army to provide a report to the congressional defense committees, not later than October 31, 2005, which provides the

following information: a detailed explanation of the extent to which the Army will replace the M-16, M-4, and any other families of weapons, to include the overall Army Acquisition Objective; a description of the OICW fielding plan to include support units; and, the length of time over which the Army intends to field this weapon.

Recent Program Actions (U)

(U) Request for Proposal. As stated in the May 27, 2005, DoD Office of Inspector General memorandum (Appendix C) to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), the Picatinny Center for Contracting and Commerce issued a request for proposal on May 11, 2005, for the development and production of the OICW Increment I * * *. However, this action was premature because the Army had not completed the required program documentation to provide objective acquisition information, determined the appropriate ACAT, or resolved weaknesses with the OICW operational requirements document. Accordingly, the DoD Office of Inspector General memorandum stated that the Army should suspend the request for proposal to ensure that best business practices and prudent acquisition procedures were followed in developing and procuring the OICW Increment I. Subsequently, on July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes to complete the Joint Capabilities Integration and Development System process for the OICW capability development document.

(U) Assistant Secretary's Initial Action in Response to DoD Office of Inspector General Memorandum. According to the Military Deputy to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), the Assistant Secretary directed him to address the issues in the memorandum. On June 20, 2005, representatives from the DoD Office of Inspector General met with the Military Deputy concerning the memorandum. As a result of the meeting, the Military Deputy stated that his staff would arrange a meeting with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. The objectives of the meeting were to determine the acquisition category of the OICW Program and whether the request for proposal should be suspended.

(U) Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Meeting. On June 29, 2005, at the request of the Army Acquisition Executive's Military Deputy, the Deputy Director of Defense Systems, Land Warfare and Munitions, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics chaired a meeting with representatives from the Offices of the Director, Operational Test and Evaluation; the Joint Staff; the Director, Program Analysis and Evaluation; the Army Deputy Chief of Staff (G-3/5/7); the Army Deputy Chief of Staff (G-8); the Army Deputy General Counsel (Acquisition); the Assistant Secretary of the Army (Financial Management and Comptroller); and the Program Executive Officer Soldier. Also in attendance was a representative from the Institute for Defense Analyses. As a result of the meeting, the Deputy Director of Defense Systems, Land Warfare and

*(U) Predecisional and source selection sensitive data omitted.

Munitions tentatively determined that the OICW Program was an ACAT I program. A representative from the Under Secretary's office stated that the Deputy Director planned to meet with the Director, Defense Systems in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics to discuss whether the OICW Program should be designated as an ACAT ID or IC program.

(U) Discussion on Military Deputy's Recommendation to the Assistant Secretary. On July 8, 2005, at the request of the Army Acquisition Executive's Military Deputy, representatives from the DoD Office of Inspector General met with the Military Deputy to discuss his recommendation to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) concerning the May 27, 2005, memorandum. The Military Deputy stated that he understood that the Deputy Director of Defense Systems, Land Warfare and Munitions planned to designate the OICW Program as an ACAT I, but whether the program was an ACAT ID or IC would be determined at a future Defense Acquisition Board meeting. Further, the Military Deputy stated that the Deputy Under Secretary of the Army (Operations Research) indicated that the analysis of alternatives for OICW Increment I supported a decision to enter the system development and demonstration phase of the acquisition process. The representatives from the DoD Office of Inspector General stated that the analysis of alternatives was not supported by an initial capabilities document and that the existing mission need statement and operational requirements document were for a different capability. The Military Deputy stated that the DoD 5000 series allowed him to "tailor" the requirement for an initial capabilities document; therefore, he thought that an initial capabilities document was not necessary.

(U) At the meeting, a representative from the Office of the Deputy Under Secretary of the Army (Operations Research) stated that he believed that the Office of the Director, Program Analysis and Evaluation planned to approve the analysis of alternatives for Increment I without requiring additional analysis. Further, the representative stated that a functional needs analysis and a functional area analysis were completed to support the preparation of the capability development document for Increment I. The representative stated that the Office of the Director, Program Analysis and Evaluation considered those documents, in addition to the OICW mission need statement and the OICW operational requirements document, to be sufficient support for the analysis of alternatives for the incremental OICW instead of a new initial capabilities document. The Military Deputy agreed that the OICW mission need statement and the OICW operational requirements document described the initial need for the OICW and stated that starting over from the beginning with documentation every time a program changes direction was not practical. After the meeting, a representative from the Office of the Director, Program Analysis and Evaluation stated that, at that time, his office had not decided whether to approve the analysis of alternatives for Increment I without requiring additional analysis.

(U) Finally, the Military Deputy stated that he planned to recommend to the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) that the request for proposal be suspended until the Joint Requirements Oversight Council

approved the capability development document to certify that the documentation was subjected to the uniform process established by the DoD 5000 series. Subsequently, on July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes to complete the Joint Capabilities Integration and Development System process for the OICW capability development document.

(U) Assistant to the Army General Counsel Opinion.

* * * * *

U) In a May 27, 2005, meeting with representatives from the DoD Office of Inspector General, the Deputy General Counsel and the Assistant to the General Counsel stated that they stood by the September 27, 2004, opinion. However, as noted above, they changed their position as discussed in the Assistant to the Army General Counsel's opinion on July 11, 2005.

(U) In response to the draft report, the Army Deputy General Counsel (Acquisition) stated that the September 27, 2004, and the July 11, 2005, opinions addressed two separate legal questions and are consistent with each other when viewed in their proper context. Further, the Deputy General Counsel stated that the September 27, 2004, opinion was in response to the Army Acquisition Executive's request to determine whether the Army's requirements for the kinetic-

* (U) Attorney client privilege data omitted.

energy portion of the OICW had changed so significantly to require a new competition; it did not address whether the OICW Program Office was required to notify Congress of a new start. He also stated that the July 11, 2005, memorandum discussed in the draft report was an internal product that responded to a question from the DoD Office of Inspector General on whether notification of a new start was required. The Deputy General Counsel stated that, based on the facts available at the time, he concluded that notification was not required.

(U) In his July 11, 2005, opinion, the Assistant to the Army General Counsel also stated that the Program Executive Officer Soldier has stated on several occasions that the Army briefed Members of Congress regularly on the OICW Program and specifically on the XM8. Further, he stated that to date, no Member of Congress or the congressional staff has raised an issue with the Army that the new start notification provisions had not been followed. The Assistant to the Army General Counsel also stated that the most recent notification was in the February 2005 Exhibit P-40 forms that stated “the XM8 Modular Assault Weapon is the first increment of the OICW program.” In addition, he stated that previous years’ authorization acts referenced the OICW Program and the XM8.

(U) In response to the draft report, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that, as part of the regular reporting process of Exhibit P-40, “Budget Item Justification Sheet,” (P forms) and Exhibit R-2, “Army RDT&E [research, development, test, and evaluation] Budget Item Justification,” (R forms) and frequent briefings, the Army had been keeping Congress informed of the progress and changes in the acquisition strategy for the entire OICW Program. Exhibit P-40 for the Integrated Air Burst Weapon System Family (G16101), February 2004, shows that the XM8 assault weapon is a new start under G16102 as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29. In addition, Exhibit P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2005, shows that the XM8 modular assault weapon is the first increment of the OICW Program. Further, the Exhibit shows that the XM8 is a multi-configurable weapon that has four variants: a baseline assault weapon, a designated marksman, a special compact, and a light machinegun. However, the exhibits did not show that the Army did not, and still does not, have an approved requirement for a family of weapons

*

*

*

*

*

(U) In addition, we reviewed the congressional briefing charts provided by the Program Executive Office Soldier for briefings to various congressional members from December 2002 through March 2005. The briefing charts describe the benefits and capabilities of a family of weapons and an integrated sighting module, but they do not describe the requirement for a family of weapons or the approval of such a requirement.

*(U) Predecisional and source selection sensitive data omitted.

(U) Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Response to DoD Office of Inspector General Memorandum. On July 27, 2005, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) issued a memorandum in response to the May 27, 2005, DoD Office of Inspector General memorandum. In his response, the Assistant Secretary stated that his office was working the issues discussed in the DoD Office of Inspector General memorandum and expected to resolve them all before the system development and demonstration milestone decision in the third quarter of FY 2006.

Conclusion (U)

(U) The incomplete program documentation, which decision makers overlooked; the lack of timely notification to the Under Secretary of Defense for Acquisition, Technology, and Logistics that the OICW was potentially an ACAT I program; and the uncertain acquisition strategy for materiel solutions demonstrate a breakdown in the Army's management controls and the need for the Office of the Secretary of Defense to become involved in the OICW Program. The OICW Program should be designated as an ACAT ID major Defense acquisition program to provide assurance that it is cost-effectively developed in a timely manner to satisfy warfighter needs and to determine whether the Army is following best business practices and prudent acquisition procedures for the OICW Program. Further, the Army should not just suspend the "final solicitation," W15QKN-05-R-0449 (request for proposal), until the Joint Requirements Oversight Council convenes, it should suspend or terminate the request for proposal until the Office of the Secretary of Defense and the Army resolve the weaknesses associated with program documentation, ACAT classification, and operational requirements.

Management Comments on the Finding and Audit Response (U)

(U) Summaries of management comments on the finding and audit responses are in Appendix H.

Recommendations, Management Comments, and Audit Response (U)

(U) Revised and Added Recommendations. In response to the draft report, the Director, Defense Systems, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics; and the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that the program documentation cited in the draft audit report to support a milestone decision was not necessarily required before release of a request for proposal. However, we continue to believe that it is prudent business judgment not to issue a request for proposal until after a program is approved to enter the system development and demonstration phase. This process ensures that the proposed program has complied with statutory and regulatory requirements and includes approved

requirements and program goals. If the milestone decision authority does not authorize entry into the system development and demonstration phase of the acquisition process because the program does not comply with statutory and regulatory requirements and key required program documentation needed for decision making have not been prepared, the premature issuance of a request for proposal could result in suspending, revising, or terminating the proposal and exposing the Army to contractor liability charges. In turn, those conditions could result in a potential waste of resources; the diminished credibility or reputation of management; and the impaired fulfillment of essential missions or operations, such as meeting warfighter needs in a timely manner.⁶ Therefore, we revised Recommendation 1. by adding a recommendation that the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Assistant Secretary of Defense (Network and Information Integration) and the Director, Operational Test and Evaluation, revise DoD Instruction 5000.2 to require the milestone decision authority to authorize the initiation of a new acquisition program before the program office can issue a request for proposal.

(U) We received comments from the Director for Force Structure, Resources, and Assessment, responding for the Chairman, Joint Requirements Oversight Council, who made comments on Recommendation 4. Based on those comments, we revised the recommendation and added another.

(U) 1. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics:

a. Designate the Objective Individual Combat Weapon as an Acquisition Category ID major Defense acquisition program.

(U) Director, Defense Systems, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments. The Director, Defense Systems, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, partially concurred with the recommendation, stating that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics was working with the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) to understand the Army's rationale for designating the OICW as an ACAT II major program. The Director stated that, if the OICW meets the ACAT I criteria, the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) will designate the OICW as an ACAT I program. For the complete text of the Director's comments, see the Management Comments section of this report.

(U) Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments. Although not required to comment, the Assistant Secretary stated that his office will notify the Under Secretary of Defense for Acquisition, Technology, Logistics that the OICW Program has the potential to breach the

⁶(U) DoD Instruction 5010.40 identifies potential impacts of a weakness that a manager may consider when determining whether the absence of or noncompliance with a control is a material weakness.

threshold requirements for an ACAT I program. For the complete text of the Assistant Secretary's comments, see the Management Comments section of this report.

(U) Principal Deputy Director, Program Analysis and Evaluation Comments. Although not required to comment, the Principal Deputy agreed with the recommendation. For the complete text of the Principal Deputy's comments, see the Management Comments section of this report.

(U) Audit Response. The comments from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics were not fully responsive. DoD Instruction 5000.2 does not state that reclassifying a formerly lower ACAT program as an ACAT I program is based on understanding the DoD Component's rationale for ACAT designation; the Instruction states that ACAT designation is based on cost growth or a change in acquisition strategy. Specifically, the Instruction requires DoD Components to notify the Under Secretary of Defense for Acquisition, Technology, and Logistics when cost growth or a change in the acquisition strategy results in reclassifying a formerly lower ACAT program as an ACAT I program. The Instruction defines an ACAT I program as one that costs more than \$2.1 billion for procurement in FY 2000 dollars. Further, the Instruction requires the DoD Component to report the ACAT-level change when the program is estimated to be within 10 percent of the next ACAT level. The Under Secretary of Defense for Acquisition, Technology, and Logistics may reclassify an acquisition program at any time. As stated in the finding, using the cost estimate and the number of weapons to be replaced as listed in the Army inventory of small arms,

* * * * *

(U) We request that the Under Secretary of Defense for Acquisition, Technology, and Logistics review his office's position on the recommendation and that he, not his staff, comment on the final report and include when he will decide the acquisition category for the OICW Program.

b. In coordination with the Assistant Secretary of Defense (Network and Information Integration) and the Director, Operational Test and Evaluation, revise DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, to require the milestone decision authority to authorize the initiation of a new acquisition program before the program office can issue a request for proposal.

(U) We request that the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of Defense (Network and Information Integration); and the Director, Operational Test and Evaluation provide comments on this recommendation in response to the final report.

*(U) Predecisional and source selection sensitive data omitted.

(U) 2. We recommend that the Director, Program Analysis and Evaluation require the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) to develop an analysis of alternatives for the Objective Individual Combat Weapon that refines the selected concept documented in an approved initial capabilities document, as required by DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003.

(U) **Principal Deputy Director, Program Analysis and Evaluation Comments.** The Principal Deputy concurred with the recommendation.

(U) 3. We recommend that the Assistant Secretary of the Army (Acquisition, Logistics, and Technology):

a. **Enforce the management controls outlined in DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, and Army Regulation 70-1, "Army Acquisition Policy," December 31, 2003, for the acquisition of the Objective Individual Combat Weapon.**

(U) **Army Comments.** The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) nonconcurred with the recommendation, stating that his office followed management controls. He stated that his office previously managed the OICW program as an ACAT II program and that the OICW Increment I had:

- an analysis of alternatives that the Deputy Under Secretary of the Army (Operations Research) approved and stated could support a system development and demonstration but was insufficient to support any form of production decision,
- an equivalent analysis for an initial capabilities document,
- a capability development document that the Army Requirements Oversight Council approved,
- an approved acquisition strategy, and
- an approved acquisition plan.

(U) The Assistant Secretary stated that the test and evaluation master plan, the acquisition program baseline, the affordability assessment, the cost analysis requirements description, the Army cost position, the manpower estimate, and the technology development strategy are not required until the system development and demonstration decision, which is scheduled for the third quarter of FY 2006.

(U) **Principal Deputy Director, Program Analysis and Evaluation Comments.** Although not required to comment, the Principal Deputy agreed with the recommendation.

(U) Audit Response. The Army's comments were not responsive. The management controls for the OICW Program did not provide reasonable assurance that management is achieving the desired results through effective stewardship of public resources. Further, the weakness was serious enough to have been brought to the attention of higher level management as a point of information. The Assistant Secretary should have conducted a system development and demonstration review before issuing the request for proposal to reduce the risk of Government liability to contractors should the analysis of alternatives determine that a new family of weapons is not the best alternative for the DoD or should the Joint Requirements Oversight Council not approve the OICW Increment I Capability Development Document.⁷ If the results of the analysis of alternatives determine that a new family of weapons is not the best alternative or the Joint Requirements Oversight Council does not approve the OICW Increment I Capability Development Document, the Army could be exposed to contractor liability issues; a potential waste of resources; the diminished credibility or reputation of management; and the impaired fulfillment of essential missions or operations, such as meeting warfighter needs in a timely manner. Issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department, is neither prudent management nor consistent with best business practices.

(U) DoD Instruction 5000.2 requires the statutory and regulatory documentation to be completed before the system development and demonstration decision to enable the milestone decision authority to make an informed decision on whether to approve the initiation of a new acquisition program. Without completing the test and evaluation master plan, the acquisition program baseline, the affordability assessment, the cost analysis requirements description, the manpower estimate, and the technology development strategy before issuing the request for proposal, the Army cannot be assured that the request for proposal adequately communicates approved Government requirements to prospective contractors so that the warfighter receives a quality product that satisfies their needs with measurable improvements to mission capability and operational support, in a timely manner. Those documents provide the test and evaluation plan needed to determine whether the system will be operationally effective, suitable, and lethal; the key cost, schedule, and cost constraints; life-cycle cost estimates; technical and program features; and the rationale for adopting an evolutionary strategy.

(U) Accordingly, we request that the Assistant Secretary reconsider his position on the recommendation and comment on the final report.

⁷(U) Section 153, title 10, United States Code states that the Chairman of the Joint Chiefs of Staff is responsible for assessing military requirements for DoD acquisition programs.

b. Suspend or terminate the “final solicitation,” W15QKN-05-R-0449 (request for proposal), not just until the Joint Requirements Oversight Council convenes, but until the acquisition of the Objective Individual Combat Weapon is in compliance with the acquisition procedures required by DoD Instruction 5000.2, “Operation of the Defense Acquisition System,” May 12, 2003, and Army Regulation 70-1, “Army Acquisition Policy,” December 31, 2003.

(U) Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments. The Assistant Secretary neither concurred nor nonconcurred with the recommendation; however, he stated that his office suspended the request for proposal and would not release it until the Joint Requirements Oversight Council completes its review.

(U) Principal Deputy Director, Program Analysis and Evaluation Comments. Although not required to comment, the Principal Deputy agreed with the recommendation.

(U) Audit Response. The Army’s comments were not responsive. The Assistant Secretary should not only suspend the request for proposal until the Joint Requirements Oversight Council convenes, he should also suspend or terminate the request for proposal until the program documentation, ACAT, and operational requirements issues are resolved. Issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department, is neither prudent management nor consistent with best business practices.

(U) Accordingly, we request that the Assistant Secretary reconsider his position on the recommendation and comment on the final report.

(U) 4. We recommend that Joint Staff Director for Force Structure, Resources, and Assessment Directorate:

a. Not forward the capability development document for the Objective Individual Combat Weapon to the Chairman, Joint Requirements Oversight Council for approval until the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics determines the correct acquisition category level and until the Office of the Director, Program Analysis and Evaluation has completed directing the development of the analysis of alternatives by preparing initial guidance, reviewing the analysis plan, and reviewing the final analysis products in accordance with DoD Instruction 5000.2, “Operation of the Defense Acquisition System,” May 12, 2003.

b. Complete a second Joint Staff review after receiving a revised capability development document with the results of the updated analysis of alternatives to ensure that any refinements to the concept or approach continue to meet the warfighter's capability needs for the Objective Individual Combat Weapon, in accordance with Chairman of the Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005.

(U) Director for Force Structure, Resources, and Assessment, Office of the Chairman, Joint Requirements Oversight Council Comments. The Director for Force Structure, Resources, and Assessment, responding for the Chairman, Joint Requirements Oversight Council, concurred with the recommendation and made suggestions on the recommendation. The Director suggested that the recommendation be revised into two recommendations as discussed above. The Director's rationale for the change was to identify the next action by the Joint Capabilities Board as a result of its August 24, 2005, meeting in which it delayed forwarding the capability development document for OICW Increment I to the Joint Requirements Oversight Council. Further, the Director clarified the role of the Office of the Director, Program Analysis and Evaluation as defined in DoD Instruction 5000.2. Specifically, he stated that designating the OICW Program as an ACAT I program precedes the Office of the Director, Program Analysis and Evaluation becoming involved in the acquisition of the OICW Program. In addition, he stated that, after the OICW is designated as an ACAT I program, the Office of the Director, Program Analysis and Evaluation approves guidance on the analysis of alternatives and study plan, after which the milestone decision authority approves the results. The Director also stated that Recommendation 4.b. makes clear that a second Joint Staff review of the capability development document for OICW Increment I will not occur unless the Army submits a revised capability development document. For the complete text of the Director's comments, see the Management Comments section of this report.

(U) In addition to the Director's comments on the recommendation, a representative from the Director's office provided the minutes of the August 24, 2005, Joint Capabilities Board meeting. In those minutes, the Joint Capabilities Board stated that the capability development document for OICW Increment I would not proceed without the results of the analysis of alternatives. Therefore, the Force Application Functional Capabilities Board needed to become involved with the analysis of alternatives process as soon as possible. Further, the minutes stated that one of the four key performance parameters was changed to a key system attribute or requirement that could affect the results of the analysis of alternatives. As a result, a representative from the Office of the Director, Program Analysis and Evaluation stated that instructions for an analysis of alternatives were needed to evaluate a broader range of alternatives. The minutes also stated that the Joint Capabilities Board indicated that the OICW would have joint applicability, and that the Military Departments needed to participate in the analysis of alternatives. In addition, the Joint Capabilities Board stated that the OICW timeline needed to be adjusted to allow for additional testing and analysis and that program funding needed to be adjusted to coincide with testing, low rate production, and full-production costs. Further, the minutes stated that a

representative from the Office of the Director, Program Analysis and Evaluation stated that the OICW should be an ACAT I program primarily because of the overall cost of the system, to which the Army concurred.

(U) Principal Deputy Director, Program Analysis and Evaluation Comments. Although not required to comment, the Principal Deputy agreed with the recommendation.

(U) Audit Response. The comments by the Director for Force Structure, Resources, and Assessment met the intent of our recommendation. Based on those comments, we revised Recommendation 4.a. and added Recommendation 4.b. The Director's comments were responsive to Recommendation 4.a. and his suggestion to add Recommendation 4.b. clarified his office's review of the capability development document for OICW Increment I. Accordingly, no additional comments are required.

Appendix A. Scope and Methodology (U)

(U) We reviewed the following documentation and information dated from December 1993 through October 2005 to accomplish the audit objectives:

- Program documents including the OICW mission need statement, December 9, 1993; the OICW operational requirements document, February 11, 2000; the OICW analysis of alternatives, January 2000; the OICW acquisition strategy, March 17, 2000; the OICW Increment I acquisition strategy, February 2005; the Army-approved OICW capability development document, October 19, 2004; the OICW acquisition plan, February 17, 2005; the draft OICW Increment I test and evaluation master plan; and the draft OICW Increment I analysis of alternatives;
- Contractual documents for the OICW, including contract DAAE30-00-C-1065 with Alliant Tech Systems Integrated, contract W15QKN-04-C-1074 with Heckler and Koch, and the “final solicitation,” W15QKN-05-R-0449 (request for proposal);
- Project Manager Soldier Weapons Memorandum, “Urgent U.S. Army Requirement for the XM8 Lightweight Carbine,” September 9, 2002; Program Executive Officer Soldier Memorandum, “Urgent United States Army Requirement for 200 XM8 Lightweight Carbines,” March 12, 2003; and Program Executive Officer Soldier Memorandum, “Acquisition Decision Memorandum for 5.6mm [millimeter], XM8, Light Weight Carbine,” June 11, 2003; and
- Management principles and mandatory policies for acquisition programs in DoD Directive 5000.1 and DoD Instruction 5000.2, and management control provisions and key internal controls in Army Regulation 70-1.

(U) We also contacted the staffs of the Offices of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of the Army (Acquisition, Logistics, and Technology); the Director, Operational Test and Evaluation; the Joint Staff; the Director, Program Analysis and Evaluation; the Army Deputy Chief of Staff (G-3); the Army Deputy Chief of Staff (G-8); the Army Deputy General Counsel (Acquisition); the Assistant Secretary of the Army (Financial Management and Comptroller); the Army Training and Doctrine Command; the Army Infantry Center; the Program Executive Officer Soldier; the Project Manager Soldier Weapons; the Product Manager Individual Weapons; the Defense Contract Management Agency; and the Defense Contract Audit Agency to identify program background, history, and reasons for the Army issuing a request for proposal to develop and produce OICW Increment I before the program entered system development and demonstration and before the Army

completed the required program documentation, determined the appropriate ACAT, and resolved weaknesses in the OICW operational requirements document.

(U) We performed this audit from November 29, 2004, through September 19, 2005, in accordance with generally accepted government auditing standards.

(U) **Limitation.** As of October 2005, we are continuing to examine urgency statements pursuant to Government Auditing Standards, paragraph 7.24. Those statements resulted in a sole-source contract modification that was not supported by a documented requirement from the warfighter.

(U) **Use of Computer-Processed Data.** We did not use computer-processed data to perform this audit.

(U) **Use of Technical Assistance.** The Technical Assessment Division, Office of the Assistant Inspector General for Audit Followup and Technical Support assisted the audit team by comparing the OICW capability development document and the test and evaluation master plan for the OICW Increment I with the test results for the XM8.

(U) **Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Weapon Systems Acquisition high-risk area.

Prior Coverage (U)

(U) No prior coverage has been conducted on the OICW Program during the last 5 years.

Appendix B. Glossary (U)

(U) Acquisition Category. An acquisition category facilitates decentralized decision making and execution and compliance with statutorily imposed requirements. The categories determine the level of review, decision authority, and applicable procedures. Acquisition categories include I, II, III, and IV. The following are definitions for Acquisition Categories I and II:

Acquisition Category I. An acquisition category I program is defined as a major Defense acquisition program estimated by the Under Secretary of Defense for Acquisition, Technology, and Logistics to require an eventual expenditure of research, development, test, and evaluation funds of more than \$365 million in FY 2000 constant dollars, or of procurement funds of more than \$2.19 billion in FY 2000 constant dollars, or is designated by the Under Secretary of Defense for Acquisition, Technology, and Logistics to be an Acquisition Category I program. Acquisition Category I programs have two subcategories: Acquisition Category ID and Acquisition Category IC. The Under Secretary of Defense for Acquisition, Technology, and Logistics designates programs as Acquisition Category ID or IC.

Acquisition Category ID. For this category, the Under Secretary of Defense for Acquisition, Technology, and Logistics is the milestone decision authority. The “D” refers to the Defense Acquisition Board that advises the Under Secretary of Defense for Acquisition, Technology, and Logistics at major decision points.

Acquisition Category IC. For this category, the DoD Component Head or, if delegated, the DoD Component Acquisition Executive is the milestone decision authority. The “C” refers to Component.

Acquisition Category II. An Acquisition Category II program is defined as an acquisition program that does not meet the criteria for an Acquisition Category I program, but does meet the criteria for a major system. A major system is defined as a program estimated by the DoD Component Head to require an eventual expenditure of research, development, test, and evaluation funds of more than \$140 million in FY 2000 constant dollars, or of procurement funds of more than \$660 million in FY 2000 constant dollars, or those designated by the DoD Component Head to be an Acquisition Category II program.

(U) Army Acquisition Objective. An Army acquisition objective is the quantity of an item of equipment or ammunition required to equip and sustain the Army, together with specified allies, in wartime from D-Day through the period prescribed and at the support level directed in the latest Office of the Secretary of the Defense Consolidated Guidance.

(U) Acquisition Program Baseline. An acquisition program baseline prescribes the key performance, cost, and schedule constraints approved by the milestone decision authority as criteria for allowing a program to proceed into the next phase of the acquisition process.

(U) Acquisition Strategy. An acquisition strategy is a business and technical management approach designed to achieve program objectives within the resource constraints imposed. 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. The acquisition strategy is the basis for formulating functional plans and strategies.

(U) Affordability Assessment. An affordability assessment demonstrates that a program's projected funding and manpower requirements are realistic and achievable in the context of the DoD Component's overall long-range modernization plan.

(U) Analysis of Alternatives. The analysis of alternatives is the evaluation of the operational effectiveness, operational suitability, and estimated costs of alternative systems to meet a mission capability. The analysis assesses the advantages and disadvantages of alternatives being considered to satisfy capabilities, including the sensitivity of each alternative to possible changes in key assumptions or variables.

(U) Capability Development Document. A capability development document contains the information necessary to develop a proposed program, normally using an evolutionary acquisition strategy. The capability development document outlines an affordable increment of militarily useful, logistically supportable, and technically mature capability. The capability development document should be approved before the system development and demonstration decision review.

(U) Cost Analysis Requirements Description. A cost analysis requirements description describes the most significant features of an acquisition program and its associated system. It describes the technical and programmatic features that are used to prepare the program office cost estimate, component cost analysis, and independent life-cycle cost estimates.

(U) Critical Operational Issue. A critical operational issue is an issue of operational effectiveness or operational suitability (not parameters, objectives, or thresholds), or both, that must be examined in operational test and evaluation to determine the system's capability to perform its mission. A critical operational issue is normally phrased as a question that must be answered to properly evaluate operational effectiveness or operational suitability.

(U) Defense Acquisition Board. The Defense Acquisition Board is the DoD senior-level forum for advising the Under Secretary of Defense for Acquisition, Technology, and Logistics on critical decisions concerning Acquisition Category ID programs.

(U) Developmental Test and Evaluation. Developmental test and evaluation is any type of engineering test used to verify the status of technical progress and that design risks are minimized, substantiate achievement of technical performance, and certify readiness for initial operational testing. Generally, those tests are

measured by engineers, technicians, or soldier operator-maintainer test personnel in a controlled environment to facilitate failure analysis.

(U) Evolutionary Acquisition. An evolutionary acquisition delivers capability in increments, recognizing up front the need for future capability improvements. There are two approaches to achieving an evolution acquisition: spiral development and incremental development.

- **Spiral Development.** A desired capability is identified, but the end-state requirements are not known at program initiation. Requirements are refined through demonstration, risk management, and continuous user feedback. Each increment provides the best possible capability, but the requirements for future increments depend on user feedback and technology maturation.
- **Incremental Development.** A desired capability is identified and an end-state requirement is known. The requirement is met over time by developing several increments, each dependent on available mature technology.

(U) Family of Systems. A family of systems is a set or arrangement of independent systems that can be interconnected in various ways to provide different capabilities. The mix of systems can be tailored to provide desired capabilities depending on the situation.

(U) Full-and-Open Competition. Full-and-open competition for a contract means that all responsible sources are permitted to compete.

(U) Functional Area Analysis. A functional area analysis identifies the operational tasks, conditions, and standards needed to achieve military objectives.

(U) Functional Capabilities Board. The Functional Capabilities Board is a permanently established group that is responsible for the organization, analysis, and prioritization of joint warfighting capabilities within an assigned functional area.

(U) Functional Needs Analysis. A functional needs analysis assesses the ability to accomplish the tasks identified under the full range of operating conditions and to the designated standards. The functional needs analysis produces capability gaps that require solutions, indicates the time frame in which those solutions are needed, and may also identify redundancies in capabilities that reflect inefficiencies.

(U) Independent Cost Estimate. An independent cost estimate is a life-cycle cost estimate for an Acquisition Category I program that is prepared by an office or other entity not under the supervision, direction, or control of the Military Department, Defense agency, or other DoD Component that is responsible for developing or acquiring the program. If the DoD Component is the decision authority, then the independent cost estimate is prepared by an office or other entity that is not responsible for developing or acquiring the program.

(U) **Initial Capabilities Document.** An initial capabilities document describes a need for a materiel approach to a specific capability gap resulting from an initial analysis of materiel approaches by the operational user and an independent analysis of materiel alternatives, as required. The initial capabilities document defines the gap in terms of the functional area, the relevant range of military operations, desired effects and time. It also summarizes the results of doctrine, organization, training, materiel, leadership, personnel, and facilities analyses; and describes why nonmateriel changes are inadequate to provide the desired capability.

(U) **Joint Capabilities Board.** The Joint Capabilities Board assists the Joint Requirements Oversight Council in performing its duties and responsibilities. The Joint Capabilities Board reviews and, if appropriate, endorses all proposals for the Joint Capabilities Integration and Development System and the Doctrine, Organization, Training, Materiel, Leadership, Personnel, and Facilities Analysis before they are submitted to the Joint Requirements Oversight Council. The Joint Capabilities Board is chaired by the Joint Staff Director for Force Structure, Resources, and Assessment.

(U) **Joint Capabilities Integration and Development System.** The Joint Capabilities Integration and Development System supports the Chairman, Joint Chiefs of Staff and the Joint Requirements Oversight Council in identifying, assessing, and prioritizing joint military capability needs as required by law.

(U) **Joint Requirements Oversight Council.** The Joint Requirements Oversight Council validates and approves the Joint Capabilities Integration and Development System documents for programs of interest to the Joint Requirements Oversight Council.

(U) **Key Performance Parameters.** Key performance parameters are those capabilities that are considered to be so significant that failure to meet them can be cause for a system to be reevaluated or the program to be reassessed or terminated.

(U) **Kinetic Energy.** Kinetic energy is the energy of motion. An object which has motion, whether it be vertical or horizontal motion, has kinetic energy. Kinetic energy has many forms: vibrational (the energy due to vibrational motion), rotational (the energy due to rotational motion), and translational (the energy caused by moving from one location to another).

(U) **Major Defense Acquisition Program.** A major Defense acquisition program is one that the Under Secretary of Defense for Acquisition, Technology, and Logistics designates as a major Defense acquisition program, or is estimated to require an eventual total expenditure for research, development, test and evaluation of more than \$365 million in FY 2000 constant dollars or, for procurement, of more than \$2.19 billion in FY 2000 constant dollars.

(U) **Manpower Estimate.** A manpower estimate is an estimate of the number of personnel required to operate, maintain, support, and train for the acquisition when it is deployed. A manpower estimate is required for all Acquisition Category I programs.

(U) **Materiel Solution.** A materiel solution is a Defense acquisition program (nondevelopmental, modification of existing systems, or new program) that satisfies or is a primary basis for satisfying identified warfighter capabilities. For family-of-system approaches, an individual materiel solution may not fully satisfy a capability gap on its own.

(U) **Milestone Decision Authority.** The milestone decision authority is the designated individual who has the overall responsibility for a program and is accountable for cost, schedule, and performance reporting to higher authority. The milestone decision authority has the authority to approve the program's entry into the next phase of the acquisition process.

(U) **Mission Need Statement.** A mission need statement is a statement of the operational capabilities needed to meet a specific threat.

(U) **Modular Weapon System.** A modular weapon system is the generic term for various devices and accessories on firearm systems. A modular weapon system adds flexibility and adaptability to many proven designs.

(U) **Nondevelopmental Item.** A nondevelopmental item is any previously developed supply item used exclusively for Government purposes and requires only minor modifications or modifications available commercially to meet the requirements.

(U) **Operational Requirements Document.** An operational requirements document lists the operational performance parameters for the proposed concept or system.

(U) **Operational Test Plan.** An operational test plan documents specific operational test scenarios, objectives, measures of effectiveness, threat simulations, detailed resources, known test limitations and the methods for gathering, reducing, and analyzing data.

(U) **Operational Test and Evaluation.** Operational test and evaluation is field testing, under realistic conditions, of any item or component of weapons, equipment, or munitions to determine its effectiveness and suitability for use in combat by typical military users and the evaluation of the results of such tests.

(U) **Request for Proposal.** A request for proposal is a solicitation used in negotiated acquisitions to communicate Government requirements to prospective contractors.

(U) **Research, Development, Test, and Evaluation Budget.** Research, development, test, and evaluation funds are those appropriated for basic research; applied research; advanced technology development; system development and

demonstration; research, development, test, and evaluation management support; and operational systems development.

(U) Statement of Assurance. The statement of assurance indicates whether the management control program meets the standards, goals, and objectives of sound and effectively implemented management controls.

(U) Study Advisory Group. An advisory group, formed by a study sponsor, which has a clear functional interest in the study topic or use of the study results. The Study Advisory Group provides assistance, coordination, and support to the organization performing the study.

(U) System Development and Demonstration. The system development and demonstration phase is the third phase of the DoD systems acquisition process, which begins after the milestone decision to enter this phase. This phase consists of system integration and system demonstration and contains a design readiness review at the conclusion of the system integration effort.

(U) Tailoring. Tailoring is the manner in which certain core issues of a program, such as program definition, structure, design, assessments, and periodic reporting, are addressed. The milestone decision authority attempts to minimize the time to satisfy an identified need in a manner that is consistent with common sense, sound business management practice, applicable laws and regulations, and the time-sensitive nature of the requirement itself.

(U) Technology Development. The technology development phase is the second phase of the DoD systems acquisition process. The purpose of this phase is to reduce technology risk and to determine the appropriate set of technologies to be integrated into the full system. This phase is usually for advanced development work and does not mean that a new acquisition program has been initiated.

(U) Technology Development Strategy. A technology development strategy documents the underlying reason for adopting an evolutionary strategy; a program strategy, including overall cost, schedule, and performance goals for the total research and development program; specific cost, schedule, and performance goals, including exit criteria, for the first technology spiral demonstration; and a test plan to demonstrate that the goals and exit criteria for the first technology spiral are met. For either a spiral or an incremental evolutionary acquisition, the technology development strategy includes a preliminary description of how the program will be divided into technology spirals and development increments, the appropriate number of prototype units that may be produced and deployed, how these units will be supported, and the specific performance goals and exit criteria that must be met.

(U) Test and Evaluation. Test and evaluation is a process that assesses technical performance, specifications, and system maturity to determine whether systems are operationally effective, suitable, and survivable for intended use. Test and evaluation may also determine whether a system is lethal.

(U) Test and Evaluation Master Plan. A test and evaluation master plan documents the overall structure and objectives of the test and evaluation program. It provides a framework within which to generate detailed test and evaluation plans, and it documents the schedule and resources for the test and evaluation program. The test and evaluation master plan identifies the necessary activities for developmental test and evaluation, operational test and evaluation, and live-fire test and evaluation. Further, the test and evaluation master plan links program schedule, test management strategy and structure, and required resources with critical operational issues, critical technical parameters, and objectives and thresholds in the operational requirements document.

(U) Undefined Contractual Action. An undefined contractual action is a new procurement action entered into by the Government for which contractual terms, specifications, or price are not agreed upon before the work begins. A letter contract is an example of an undefined contractual action.

Appendix C. DoD Office of Inspector General Memorandum Concerning Request for Proposal (U)



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

May 27, 2005

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS AND TECHNOLOGY

SUBJECT: Audit of the Acquisition of the Objective Individual Combat Weapon Program
(Project No. D2005AE-0021)

On May 11, 2005, during the above-referenced audit, the Picatinny Center for Contracting and Commerce issued a "final solicitation," W15QKN-05-R-0449 (request for proposal), to obtain proposals for the development and production of the Objective Individual Combat Weapon Increment I (Increment I) family of weapons * * *

However, this action was premature because the Army has not completed the required program documentation, determined the appropriate acquisition category (ACAT) classification, or resolved issues with the Objective Individual Combat Weapon Operational Requirements Document. Accordingly, the Army should suspend the request for proposal to ensure best business practices and prudent acquisition procedures are followed in developing and procuring the Objective Individual Combat Weapon.

Program Documentation. As of May 27, 2005, the test and evaluation master plan, the acquisition program baseline, the capabilities development document, and the analysis of alternatives for Increment I are not approved. * * *

* * * and the Joint Requirements Oversight Council (JROC) has not approved the Capabilities Development Document for Increment I. Further, the Army Training and Doctrine Command has not completed an Analysis of Alternatives to support the development of a materiel solution for Increment I. In this regard, the Study Advisory Group, in a February 9, 2005, review of the Increment I Analysis of Alternatives requested:

- the Army Training and Doctrine Command to further develop the qualitative analysis of the family of weapons key performance parameter;
- the Program Executive Officer Solider to review the feasibility of mounting the Multi-Purpose Sighting System on the existing M4s;
- the Army Training and Doctrine Command Analysis Center, the Deputy Assistant Secretary of the Army for Cost and Economics, and the Deputy Chief of Staff of the Army, G-8 (Force Development) to revise the cost analysis and the follow-on affordability assessment; and
- the Project Office Soldier Weapons to provide new operations and maintenance cost data for the existing weapons to update the cost and affordability analyses.

Acquisition Category. Increment I is listed as an ACAT II program and Increments II and III are listed as another ACAT II program. The Objective Individual Combat Weapon program may be incorrectly categorized as two ACAT II programs because the procurement estimate for Increment I alone exceeds the dollar threshold for ACAT II procurement. The JROC-unapproved capabilities development document states that * * *. The existing Army inventory of

*Predecisional and source selection sensitive data omitted.

small arms listed in the Army Materiel Command Weapon System Major Item Asset List identifies approximately 1.3 million

* * * * *

* * * Using these estimates, procurement for Increment I will be * * *

DoD Instruction 5000.2
 "Operation of the Defense Acquisition System," May 12, 2003, defines an ACAT I program as a program that costs more than \$2.1 billion (FY 2000 dollars) for procurement. In addition, the Instruction states that a DoD Component should notify the Under Secretary of Defense for Acquisition, Technology, and Logistics when a cost growth or a change in acquisition strategy would cause a formerly lower ACAT program to become an ACAT I or IA program. ACAT level changes must be reported as soon as a DoD Component anticipates that the program is within 10 percent of the next ACAT level. The Under Secretary of Defense for Acquisition, Technology, and Logistics shall designate ACAT-level reclassification.

Meeting Requirements in the Operational Requirements Document. The Objective Individual Combat Weapon Operational Requirements Document, approved in February 2000, required the development of a dual-weapon system that will combine high explosive air bursting munitions and kinetic energy munitions. A secondary kinetic energy subsystem was needed to reconfigure the weapon system into a separate, kinetic energy, stand-alone system. Funding was approved to develop the dual-weapon system with the separable kinetic energy subsystem. As of May 27, 2005, the Army has not been able to meet the key performance parameters of the Objective Individual Combat Weapon Operational Requirements Document for the dual-weapon system.

Further, the Objective Individual Combat Weapon Operational Requirements Document did not require * * * * * now described in the JROC-unapproved Increment I Capabilities Development Document. The Army Deputy General Counsel (Acquisition) issued the following opinion² on September 27, 2004:

... the capability required in the OICW [Objective Individual Combat Weapon] CDD [Capabilities Development Document] is sufficiently dissimilar to the original ORD [Operational Requirements Document] that the CDD constitutes a materially different [new] requirement.... More specifically, the OICW ORD does not appear to support the XM8 development to date (i.e., a multi-configurable weapon).

DoD Regulation 7000.14, "Financial Management Regulation," Volume 3, August 2000, states that a program, subprogram, modification, project, or subproject not previously justified by the DoD and funded by the Congress through the normal budget process is considered to be a new start. Further, congressional committees discourage reprogramming to initiate programs. Because the Increment I Capabilities Development Document does not require the kinetic energy system to be reconfigured into the dual-weapon defined in the approved Objective Individual Combat Weapon Operational Requirements Document, the Army is using Objective Individual Combat Weapon funds to develop and procure a new rifle system that is unrelated to the high explosive airbursting weapon described in the Objective Individual Combat Weapon Operational Requirements Document.

*Predecisional and source selection sensitive data omitted.

¹ Increment I should be able


* * * * * The JROC-unapproved Objective Individual Combat Weapon Increment I Capabilities Development Document identifies * * * * *

² This opinion contains information protected by the attorney client privilege.

Conclusion. Because the Army has an on-going analysis of alternatives, and the Army lacks an approved capabilities development document, test and evaluation master plan, and acquisition program baseline, the request for proposal for Increment I should be suspended until completion and approval of these essential documents. Further, because program production dollars exceed the threshold for an ACAT I program, the Under Secretary of Defense for Acquisition, Technology, and Logistics should be notified that this program meets the DoD Instruction 5000.2 dollar threshold requirement for an ACAT I program. Finally, because the new acquisition strategy for OICW Increment I will develop and produce a new family of weapons * * * we believe you should, in conjunction with the Under Secretary of Defense for Acquisition, Technology, and Logistics, determine whether the Army's new rifle program should be acquired as a separate program instead of a part of the Objective Individual Combat Weapon high explosive airbursting strategy. These actions are warranted to demonstrate that the Army is using best business practices and prudent acquisition procedures to procure the Objective Individual Combat Weapon.

We are providing you these interim results to inform you of issues identified to date so that you may take appropriate action. We are continuing the Audit of the Acquisition of the Objective Individual Combat Weapon and will issue a draft report upon completion of the audit to include incorporating these interim results and actions taken.

Please provide comments to Mr. Kevin Klein at (703-604-9032), kklein@dodig.osd.mil by the close of business on June 13, 2005.


John E. Meling
Program Director
Acquisition and Technology Management

cc:
Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller/Chief Financial Officer)
Commander, Army Training and Doctrine Command
Assistant Secretary of the Army (Financial Management and Comptroller)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Contract Management Agency
Director, Joint Staff
Army Inspector General
Army Deputy Chief of Staff, G-3
Army Deputy Chief of Staff, G-8
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Commander, Army Test and Evaluation Command
Army Deputy General Counsel (Acquisition)
Program Executive Officer Soldier

* Predecisional and source selection sensitive data omitted.

Appendix D. Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Response to DoD Office of Inspector General Memorandum (U)



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103
JUL 27 2005

SAAL-SMS

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND TECHNOLOGY
MANAGEMENT, OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE, 400 ARMY NAVY DRIVE,
ARLINGTON, VA 22202

SUBJECT: Audit of the Objective Individual Combat Weapon Program

Thank you for your memorandum regarding your concern about the U.S. Army's
Objective Individual Combat Weapon Increment I program.

We are working the issues you raised in your memorandum in parallel through the
integrated product team process. I am confident we will resolve all issues prior to the
next Milestone B decision anticipated in the 3rd quarter of Fiscal Year 2006. My
decision is to suspend the program until the Capabilities Development Document has
completed the Joint Capabilities Integration and Development System process.

I know that your team has been gathering data for the past several months and
that given the dynamic nature of the program some of the information contained in your
memorandum has been changed. The enclosed Point Paper addresses the major
differences. I hope this information will help alleviate your concerns.

Claude M. Bolton, Jr.

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

Enclosure

CF:
Under Secretary of Defense (Acquisition, Technology and Logistics)
Under Secretary of Defense (Comptroller/Chief Financial Officer)
Commander, U.S. Army Training and Doctrine Command
Assistant Secretary of the Army (Financial Management and Comptroller)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Contract Management Agency
Director, Joint Staff

-2-

CF: (CONT)
The Inspector General
Deputy Chief of Staff, G-3
Deputy Chief of Staff, G-8
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Commander, Army Test and Evaluation Command
Army Deputy General Counsel (Acquisition)
Program Executive Officer Soldier

POINT PAPER

Subject: Objective Individual Combat Weapon (OICW) Increment I

1. The DoDIG memorandum for the Assistant Secretary of the Army for Acquisition, Logistics and Technology stated that the release of the OICW Increment I Request for Proposal (RFP) was premature and should be withdrawn. To support their position they have identified several issues of concern. In general these concerns are as follows:

- Concern 1. Incomplete and/or unapproved documentation.
- Concern 2. Proper ACAT level has not been determined.
- Concern 3. Analysis of Alternatives (AoA) is incomplete.
- Concern 4. Qualitative analysis of the family of weapons requirement needs further development.
- Concern 5. Use of OICW (XM29) funds for the unrelated development of a new weapon without Congressional new start notification.

2. The information below addresses these concerns providing updated information.

- Concern 1. Incomplete and/or unapproved documentation. Documents listed as not complete/approved, include the Test and Evaluation Master Plan (TEMP), the Acquisition Program Baseline (APB), the Capabilities Development Document (CDD), and the Analysis of Alternatives (AoA).

Response. The TEMP and the APB are in draft form and will be updated for final approval based on the outcome of the competitive procurement. Updates will reflect the proper program milestone. The CDD was approved by the Army Requirements Oversight Council (AROC) on 19 October 2004, and entered JROC staffing on or about 28 February 2005 with anticipated completion in September 2005.

- Concern 2. Proper ACAT level has not been determined.

Response. In meetings held with OSD ATL, it was determined that the program was of sufficient size and that there is potential for use by other services. As such it warrants designation as an ACAT I program. It is anticipated that OSD will publish the guidance after the AoA is signed and available for review.

- Concern 3. Analysis of Alternatives (AoA) is incomplete.

Response. The SAG supported a Milestone B decision but is still insufficient to support a production decision. The formal AoA is anticipated in September 2005

- Concern 4. Qualitative analysis of the family of weapons requirement needs further development.

Response. In early May 2005, the US Army Infantry Center and School (USAICS) conducted and provided to TRADOC Analysis Command (TRAC) the Family of Weapons Analysis. In addition, PMSW has compiled new operations and maintenance cost data for the

existing weapons and developed a business case analysis (BCA) comparing the OICW Increment I family of weapons to the current weapons.

- Concern 5. Use of OICW (XM29) funds for the unrelated development of a new weapon without Congressional new start notification.

Response. The OICW (XM29) program is composed of a kinetic energy capability and an airburst capability. Under the original ORD, the OICW (XM29) kinetic energy capability was called the XM8 and funding to initiate the XM8 effort was based on the Army policy of spiraling out emerging technologies early. The XM8 offered technology that would provide benefits to the soldier early, including a more modular, reliable, and durable kinetic energy weapon. Congress has confirmed that they have been properly notified.

3. As a final note, DoD 5000 (4.7.3.2.2.1) states that a program's entrance into System Development and Demonstration (SDD) is dependent on technology maturity, validated requirements, and funding. At the MS B decision in the 3rd quarter FY06, all the necessary documents will have transitioned from draft to final.

Appendix E. Audit Response to Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments on the DoD Office of Inspector General Memorandum (U)

(U) Our detailed response to the comments from the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) on statements in the DoD Office of Inspector General memorandum, “Audit of the Acquisition of the Objective Individual Combat Weapon Program,” May 27, 2005, follows. The complete text of those comments is in Appendix D and the DoD Office of Inspector General memorandum is in Appendix C of this report. The Assistant Secretary categorized selected segments of the DoD Office of Inspector General memorandum as concerns and commented on those concerns. The concerns included incomplete or unapproved documentation, proper Acquisition Category level, incomplete analysis of alternatives, further development of the qualitative analysis of the family of weapons requirement, and the use of OICW funds for the unrelated development of a new system without congressional new start notification. Further, the Assistant Secretary discussed the program’s entrance into the system development and demonstration phase of the acquisition process and completion of the OICW documentation for that phase.

(U) Concern 1 - Incomplete and/or Unapproved Documentation. In response to this concern, the Assistant Secretary stated that the test and evaluation master plan and the acquisition program baseline were in draft form and would be updated for final approval based on the outcome of the competitive procurement. Further, he stated that the Army Requirements Oversight Council approved the capability development document on October 19, 2004, and entered Joint Requirements Oversight Council staffing on or about February 28, 2005, with anticipated completion in September 2005.⁸ The Assistant Secretary also stated that he had suspended the request for proposal until the capability development document completed the Joint Capabilities Integration and Development System process. In addition, he stated that all the necessary documents would be completed before the system development and demonstration decision in the third quarter of FY 2006.

(U) Audit Response. The Assistant Secretary suspended the request for proposal until the capability development document completed the Joint Capabilities

⁸(U) In the August 24, 2005, minutes of the Joint Capabilities Board meeting, the Board stated that the capability development document for the OICW Increment I would not proceed without the results of the analysis of alternatives. As of October 2005, the Army has not provided the results of the analysis of alternatives to the Joint Capabilities Board.

Integration and Development System process; however, he should suspend it until the system development and demonstration decision in the third quarter of FY 2006 to ensure that the acquisition of the OICW complies with acquisition procedures required by DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, and Army Regulation 70-1, "Army Acquisition Policy," December 31, 2003.

(U) Concern 2 - Proper Acquisition Category Level. In response to this concern, the Assistant Secretary stated that the OICW Program should be designated as an Acquisition Category I based on the result of meetings with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. Specifically, during those meetings, officials determined that the program was of sufficient size to be an Acquisition Category I program and had the potential for use by other Military Departments. Further, the Assistant Secretary anticipated that the Office of the Secretary of Defense would publish guidance concerning the Acquisition Category I designation after the analysis of alternatives is signed and available for review.

(U) Audit Response. DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, states that when a program has the potential for or has been designated as an Acquisition Category I program, the Director, Program Analysis and Evaluation will direct development of the analysis of alternatives and review the final analysis products. Therefore, the Assistant Secretary should involve and obtain guidance from the Office of the Director, Program Analysis and Evaluation on the alternatives to be considered in completing the analysis of alternatives.

(U) Concern 3 - Incomplete Analysis of Alternatives. In response to this concern, the Assistant Secretary stated that the Study Advisory Group supported a system development and demonstration decision, and that he anticipated a formal analysis of alternatives in September 2005.⁹

(U) Audit Response. We believe that the Study Advisory Group's decision to support a system development and demonstration decision was premature because the program manager had not submitted the mandatory statutory and regulatory documents for the milestone decision review as required by DoD Instruction 5000.2 and identified in the Finding. As we have already discussed, the Office of the Director, Program Analysis and Evaluation is responsible for determining the adequacy and completeness of the analysis of alternatives before the system development and demonstration milestone decision.

(U) Concern 4 - Qualitative Analysis of the Family of Weapons Requirement. In response to this concern, the Assistant Secretary stated that the U.S. Army Infantry Center and School conducted the Family of Weapons Analysis (Appendix A of the OICW Increment I Analysis of Alternatives) and provided it to the U.S. Army Training and Doctrine Command in May 2005. The

⁹(U) See Footnote 8, page 43.

Assistant Secretary also stated that the Project Manager Soldier Weapons compiled new operations and maintenance cost data for the existing weapons and developed a business case analysis that compares the OICW Increment I family of weapons to the existing weapons.

(U) Audit Response. The Family of Weapons Analysis for the OICW Increment I states that reconfigurability is value added, but that, by itself, it is not sufficient to justify weapon replacement. It further states that the Family of Weapons capability is secondary to weapon performance and that a replacement weapon must be inherently better than the existing weapons.

(U) Concern 5 - Use of OICW Funds. In response to this concern, the Assistant Secretary stated that, under the original operational requirements document, the Army referred to the OICW kinetic energy capability as the XM8 and based the funding to initiate the XM8 on the Army policy of spiraling out emerging technologies. Further, he stated that Congress had confirmed that they were properly notified.

(U) Audit Response. The OICW funding was for the weapon system envisioned in the operational requirements document for the OICW and not for

* * * * *

* * . Further, he stated in the opinion that:

* * * * *

(U) For the Assistant Secretary to state that the Congress had confirmed that it was properly notified brings into question whether Congress was properly notified. In the Deputy Chief of Staff, G-3/5/7 response on November 29, 2004, to congressional Defense committees, he stated that:

The XM-8 [XM8] is a prototype materiel solution development to meet the Army's future force requirements as outlined in the Objective Individual Combat Weapon Capabilities [Capability] Development

*(U) Attorney client privilege, predecisional, and source selection sensitive data omitted.

Document. The Army is conducting testing and evaluation to support the final weapon selection, in order to provide a significant improvement to our warfighting capabilities.

(U) The Army does not have a capability development document for the OICW approved by the Joint Requirements Oversight Council. As noted in the August 24, 2005, minutes of the Joint Capabilities Board meeting, the capability development document for the OICW Increment I would not proceed without the results of the analysis of alternatives. As of October 2005, the Army has not provided the results of the analysis of alternatives to the Joint Capabilities Board. Until the Army completes the analysis of alternatives, the Army will not know whether the incremental development of a combinable weapon, as detailed in the capability development document for the OICW, is the materiel solution that best satisfies warfighter needs. Additional expenditure of taxpayer funds for the development of the Incremental OICW would be premature until:

- the program manager submits the mandatory statutory and regulatory documents for the system development and demonstration milestone decision review as required by DoD Instruction 5000.2; and
- the Milestone Decision Authority approves entry of Increment I into the system development and demonstration phase of the acquisition process.

(U) System Development and Demonstration. The Assistant Secretary stated that DoD 5000, paragraph 4.7.3.2.2.1 states that a program's entrance into the system development and demonstration phase of the acquisition process depends on technology maturity, validated requirements, and funding. Further, he stated that all the necessary documents will be completed before the decision to enter the system development and demonstration phase.

(U) Audit Response. We reviewed the DoD 5000 series of guidance, including DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003; DoD Instruction 5000.2; and the Defense Acquisition Guidebook to identify paragraph 4.7.3.2.2.1, but did not find that reference. However, we did determine that DoD Instruction 5000.2, paragraph 3.7.2 states that entrance into the system development and demonstration phase depends on technology maturity (including software), approved requirements, and funding. Further, the paragraph states that programs entering the system development and demonstration phase of the acquisition process will have an initial capabilities document that provides the context in which the capability was determined and approved, and a capability development document that describes specific program requirements.

(U) As of October 2005, the OICW Program did not have an approved initial capabilities document or a capability development document and was not approved to enter the system development and demonstration phase of the acquisition process; however, the Program was progressing as though it was in that phase of the acquisition process. Further, even though Increment I was not approved to enter system development and demonstration, the OICW Project Office was developing a materiel solution for a new * * * and was

*(U) Predecisional and source selection sensitive data omitted.

also processing the request for proposal. By allowing Increment I to progress without completing mandatory statutory and regulatory documents and without obtaining approval to enter the system development and demonstration phase of the acquisition process, the Army may have wasted \$33 million in developing a materiel solution before determining requirements.

Appendix F. Project Manager Soldier Weapons Memorandum for XM8 Carbine (U)



DEPARTMENT OF THE ARMY
Office of the PM Soldier Weapons
Picatinny Arsenal, New Jersey 07806

REPLY TO
ATTENTION OF

SFAE-SDR (70-1ii)

SEP 09 2002

MEMORANDUM FOR Picatinny Center for Contracting and Commerce (PC3),
Picatinny Arsenal, NJ 07806-5000

SUBJECT: Urgent U.S. Army Requirement for the XM8 Lightweight Carbine

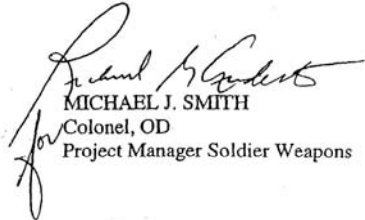
1. The Program Executive Office (PEO) Soldier has an ongoing requirement to reduce the weight of the equipment carried by its warfighters. This requirement includes reducing the weight of their weapons.
2. The XM8 Lightweight Carbine is currently under development as the weapon portion of the XM29 Integrated Airburst Weapon System. The modification of the contract will accelerate the development of the 5.56 portion of the XM29. This lightweight weapon will provide the Warfighter increased mobility during combat. This increased mobility equates directly to an increase in combat survivability and combat effectiveness. Events in Operation Enduring Freedom have served to demonstrate the critical need for lightening the Warfighter's load as quickly as possible.
3. The current Objective Force Warrior (OFW) Program fields lightweight, high tech weapons in the FY08-12 timeframe. The XM8 Carbine can satisfy the Army's Block I requirement to lighten the Warfighter's weapon by FY05 at substantially less cost and at significantly lower risk. The OFW tech base Program can be used to develop lighter weight ammunition for future Blocks. By providing the Warfighter a light weight XM8 in the shortest timeframe possible, we will increase the survivability and effectiveness of the Soldier.
4. To provide the Warfighter this critical capability PEO Soldier requires that the XM8 Carbine portion of the XM29 Program be accelerated. The new schedule will require a Milestone C (Low Rate Initial Production Decision) in twelve months and First Unit Equipped in FY05. In order to achieve these milestones, it is necessary to modify the existing XM29 contract to incorporate the System Development phase of the XM8 by 13 September 2002.

SFAE-SDR (70-1ii)

SUBJECT: Urgent U.S. Army Requirement for the XM8 Lightweight Carbine

5. To meet these critical goals it is necessary for the Picatinny Center for Contracting and Commerce (PC3) initiate a change order to the current XM29 contract with Alliant Techsystems by 13 September 2002. This office stands ready to provide any assistance needed to expedite the execution of this request.

6. The point of contact is Mrs. Barbara Muldowney, Acting Product Manager Individual Weapons, SFAE-SDR-SW-ICW, DSN 880-2386 or commercial (973) 724-2386.


MICHAEL J. SMITH
Colonel, OD
Project Manager Soldier Weapons

Appendix G. Program Executive Officer Soldier Acquisition Decision Memorandum for XM8 Carbine (U)



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
PROGRAM EXECUTIVE OFFICE SOLDIER
5901 PUTNAM ROAD, BLDG 328
FORT BELVOIR VA 22060-5422

JUN 11 2003

SFAE-SDR (70-1ii)

MEMORANDUM FOR Project Manager Soldier Weapons, (SFAE-SDR-SW/
Colonel Michael J. Smith), Building 151, Picatinny Arsenal, NJ 07806-5000

SUBJECT: Acquisition Decision Memorandum for 5.56mm, XM8, Light Weight Carbine

1. The 5.56mm, XM8, Light Weight Carbine is the Kinetic Energy (KE) Weapon for the Objective Force Warrior that provides the potential to increase the deployability and agility of all U.S. Forces. It supports the goals of the Objective Force through a reduction in weight over the current M4. The XM8 Light Weight Carbine is derived from the KE portion of the XM29 Integrated Airburst Weapon System, utilizes standard North Atlantic Treaty Organization 5.56mm ammunition, and will maximize commonality of parts and share the same logistics/supportability resources of the XM29. The XM8, through modularity of design, will be capable of being tailored to the mission.

2. Exit criteria for this phase to enable entry into Milestone-C have been outlined by the Infantry Center in their operational requirements document for the Future Combat Rifle, 24 March 2003, Rev. 1.0.

a. Key performance parameters include:

- (1) Interoperability with Land Warrior.
- (2) Reliability equal to a 0.99 probability of completing each mission.

b. Selected non-key performance parameters:

- (1) Accessory attachment points: To mount existing accessories.
- (2) Target Pointer/Illuminator/Aiming Light: Integrated to weapon with performance greater than existing accessories.
- (3) Weight: Less than a comparably equipped M4 Modular Weapon System with an objective of 20% less.

SFAE-SDR (70-1ii)
SUBJECT: Acquisition Decision on 5.56mm, XM8, Light Weight Carbine

JUN 11 2003

(4) Multiconfigurable: Multiple variants supported through *easily changeable barrels and sighting systems* at organizational level.

(a) General Purpose: Engage and hit an E-Silhouette at 300 meters within two minutes with 15 of 30 shots.

(b) Sharpshooter: Engage and hit an F-Silhouette at 300 meters within two minutes with 15 of 30 shots.

(c) Compact: Engage and hit an E-Silhouette at 150 meters within two minutes with 15 of 30 shots.

(d) Automatic: High rate of fire weapon, with a high capacity magazine, and a bipod.

3. Based on an urgent operational need for lightening the Warfighter's load in order to increase mobility, thus increasing combat survivability and effectiveness, I have authorized the initiation of a project to develop the XM8 as an early block development.

4. The point of contact for this action is Mr. M. David Ahmad, SFAE-SDR-SW-ICW, DSN 880-2229, commercial 973-724-2229.


JAMES R. MORAN
COL (P), USA
Program Executive Officer Soldier

Appendix H. Response to the Office of the Secretary of Defense and the Department of the Army Comments Concerning the Report (U)

(U) Our detailed response to the comments from the Director, Defense Systems, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of the Army (Acquisition, Logistics, and Technology); the Principal Deputy Director, Program Analysis and Evaluation; and the Army Deputy General Counsel (Acquisition), Department of the Army Office of the General Counsel on statements in the draft report follow. The complete text of those comments is in the Management Comments section of this report.

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments on the Finding and Audit Response (U)

(U) **Management Comments.** The Director, Defense Systems, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, stated that the issues related to program documentation, acquisition category, and operational requirements must be resolved to the satisfaction of the program's milestone decision authority. Further, he stated that although the program documentation cited in the draft audit report is needed to support a milestone decision, it was not necessarily required before release of a request for proposal. The Director also stated that, as a result of this audit, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics became involved in the OICW Program by reviewing the program strategy, the analysis of alternatives, and the draft capability development document. In addition, he stated that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics was working closely with the Army to determine the appropriate acquisition category for the OICW Program before the system development and demonstration decision.

(U) **Audit Response.** We agree that the issues related to program documentation, acquisition category, and operational requirements must be resolved to the satisfaction of the program's milestone decision authority. However, we do not agree that the program documentation cited in the draft audit report is not required before release of a request for proposal. It is prudent business judgment not to issue a request for proposal until after a program enters the system development and demonstration phase. This process ensures that the proposed program has complied with statutory and regulatory requirements and includes approved requirements and program goals. If the milestone decision authority does not authorize entry into the system development and demonstration phase of the acquisition process because the program does not comply with statutory and regulatory requirements and the required key program

documentation needed for decision making have not been prepared, the premature issuance of a request for proposal could result in suspending, revising, or terminating the proposal and exposing the Army to contractor liability charges. In turn, those conditions could result in a potential waste of resources; the diminished credibility or reputation of management; and the impaired fulfillment of essential missions or operations, such as meeting warfighter needs in a timely manner.

(U) Although the current version of DoD Instruction 5000.2, May 12, 2003, does not specifically address issuing a request for proposal, Figure 2, “Requirements and Acquisition Process Depiction,” illustrates that the system development and demonstration milestone decision is the entrance point for each increment of an evolutionary acquisition. In addition, the Instruction requires the statutory and regulatory requirements in Enclosure 3 of the Instruction to be met at the system development and demonstration milestone decision. Further, the previous version of DoD Instruction 5000.2, April 5, 2002, stated that:

At Milestone B [the system development and demonstration milestone decision] the MDA [milestone decision authority] shall confirm the acquisition strategy approved prior to release of the final Request for Proposal and approve the development acquisition program baseline, low-rate initial production quantities (where applicable), and System Development and Demonstration exit criteria (and exit criteria for interim progress review, if necessary).

(U) Considering the requirements in the April 5, 2002, version of DoD Instruction 5000.2, the illustration and requirements in the current version of DoD Instruction 5000.2, and the need to know whether the milestone decision authority has approved the entrance of the program into the system development and demonstration phase, we continue to believe that prudent business judgment dictates that a program should be in the system development and demonstration phase of the acquisition process before a request for proposal is issued. Therefore, we added Recommendation 1.b. that recommends that the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Assistant Secretary of Defense (Network and Information Integration) and the Director, Operational Test and Evaluation, revise DoD Instruction 5000.2 to require the milestone decision authority to authorize the initiation of a new acquisition program before the program office issues a request for proposal.

Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments on the Overall Report and Audit Response (U)

(U) The Assistant Secretary provided comments on the overall management of OICW Increment I; on implementing management controls and responding to our May 27, 2005, memorandum as addressed in the Executive Summary of the report; on listing the OICW Program on the Operational Test and Evaluation oversight list; on releasing the request for proposal prematurely; on suspending

the request for proposal as discussed in the Background section of the report; and on management controls also in the Background section of the report.

(U) General Comments. The Assistant Secretary stated that until August 24, 2005, the OICW Increment I Program was managed as an Acquisition Category (ACAT) II program.

(U) Audit Response. The OICW Increment I Program should have been managed as an ACAT I program when the February 2005 approved acquisition strategy and acquisition plan indicated that Increment I had the potential to be an ACAT I program. Further, the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Director, Program Analysis and Evaluation should have been notified of this potential ACAT I designation to determine whether the program should be designated as an ACAT I program and to evaluate and assess the analysis of alternatives, respectively. The May 27, 2005, memorandum was the catalyst for the Assistant Secretary to notify the Under Secretary of Defense for Acquisition, Technology, and Logistics of the potential for the OICW Increment I to become an ACAT I program, as the Assistant Secretary states later in his comments on this report.

(U) Implementation of Management Controls. The Assistant Secretary commented that the Executive Summary of the report contends that the Army neither implemented nor followed the management controls established in the DoD 5000 series to correct the perceived weaknesses associated with the OICW Program documentation, acquisition category classification, and capability requirements. Further, he stated that DoD Instruction 5000.2 establishes a simplified and flexible management framework and authorizes the milestone decision authority to tailor procedures to achieve cost, schedule, and performance requirements as long as they are consistent with statutory requirements and DoD Directive 5000.1, "Defense Acquisition System," May 12, 2003. The Assistant Secretary believed that the OICW Program complied with every statute to date.

(U) Audit Response. DoD Instruction 5000.2 states that the purpose of the Instruction is to establish ". . . a simplified and flexible management framework for translating mission needs and technology opportunities, based on approved mission needs and requirements, into stable, affordable, and well-managed acquisition programs that include weapon systems" As noted, a simplified and flexible management framework should be based on approved mission needs and requirements; however, in the case of the OICW Increment I, the Joint Requirements Oversight Council had not approved the capability development document (requirements document) as of October 2005.

(U) DoD Instruction 5000.2 also states that, consistent with DoD Directive 5000.1, the program manager and the milestone decision authority will "exercise discretion and prudent business judgment to structure a tailored, responsive, and innovative program." Issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department is neither prudent management nor consistent with best business practices.

(U) **DoD Office of the Inspector General May 27, 2005, Memorandum.** The Assistant Secretary stated that his detailed comments on our May 27, 2005, memorandum appeared to have been summarily dismissed and that the perceived program weaknesses have been elevated.

(U) **Audit Response.** The Executive Summary, the Background, the Finding, and Appendix E of the draft and final reports discuss the Assistant Secretary’s July 27, 2005, comments on our May 27, 2005, memorandum. Further, Appendix D contains the complete text of his comments. In addition, the program weaknesses have not been resolved as addressed in our May 27, 2005, memorandum in which we state that issuing the request for proposal on May 11, 2005, was premature because the Army had not completed the required program documentation, determined the appropriate acquisition category classification, and resolved issues with the OICW operational requirements document.

(U) **Director, Operational Test and Evaluation Oversight List.** The Assistant Secretary stated that the OICW Program has been on the Director, Operational Test and Evaluation oversight list since 1996 for live-fire only; therefore, only the live-fire strategy, corresponding test plan, testing, and test reports were subject to Director, Operational Test and Evaluation approval. Further, he stated that the Director, Operational Test and Evaluation approved the OICW live-fire strategy. In addition, the Assistant Secretary stated that the operational test plan was due “prior to start of operational test and evaluation.”

(U) **Audit Response.** The XM8, as the materiel solution for Increment I, appears on the 2005 Director, Operational Test and Evaluation Oversight List for operational testing. In addition, the XM25 and the XM29, as the materiel solutions for Increment II and Increment III, respectively, appear on the 2005 Director, Operational Test and Evaluation Oversight List for both operational testing and live-fire testing. Further, in September 2004, during the operational test readiness review for the XM8, the Director, Operational Test and Evaluation stated that he would not approve the test and evaluation master plan or the event design plan and would not sanction the limited user test until the XM8 had an approved capability development document, an acquisition decision memorandum, critical operational issues, and an acquisition strategy.

(U) Regarding the operational test plan,

* * * * *

If the program enters directly into full-rate production and deployment when it is on the Director, Operational Test and Evaluation, Oversight List, the Instruction requires an operational test plan before the start of operational test and evaluation. However, * * * * *, we revised the report, where applicable, to remove the reference to the operational test plan.

*(U) Predecisional and source selection sensitive data omitted.

(U) Premature Release of the Request for Proposal. The Assistant Secretary stated that the report states that the Army was premature in its release of the request for proposal because an applicable request for proposal should be issued after a program enters the system development and demonstration phase of the acquisition process. Further, he stated that the Army continues to believe that DoD Instruction 5000.2 allows the Army Acquisition Executive to tailor procedures to achieve cost, schedule, and performance goals. The Assistant Secretary also stated that no statute or regulation requires a program to be in the system development and demonstration phase of the acquisition process before a request for proposal can be issued.

(U) Audit Response. As discussed in response to Under Secretary of Defense for Acquisition, Technology, and Logistics comments and based on prudent business judgment, a request for proposal should not be issued until after a program enters the system development and demonstration phase to ensure that the proposed program has complied with statutory and regulatory requirements, including approved requirements and program goals. If the milestone decision authority does not authorize entry into the system development and demonstration phase of the acquisition process because the system does not comply with statutory and regulatory requirements, including required key program documentation needed for decision making, the premature issuance of a request for proposal could result in suspending, revising, or terminating the proposal, thereby wasting scarce DoD and contractor resources and extending the time to satisfy warfighter needs.

(U) DoD Instruction 5000.2 states that, consistent with statutory requirements and DoD Directive 5000.1, milestone decision authorities are authorized to tailor procedures to achieve cost, schedule, and performance goals. Issuing a request for proposal before completing key required program documentation needed for decision making, determining the appropriate acquisition category, and resolving issues with the OICW operational requirements document is not a prudent approach for achieving cost, schedule, and performance goals.

(U) No statute or regulation requires a program to be in the system development and demonstration phase of the acquisition process before a request for proposal can be issued; however, the previous version of DoD Instruction 5000.2, April 5, 2002, stated that:

At Milestone B [the system development and demonstration milestone decision] the MDA [milestone decision authority] shall confirm the acquisition strategy approved prior to release of the final Request for Proposal and approve the development acquisition program baseline, low-rate initial production quantities (where applicable), and System Development and Demonstration exit criteria (and exit criteria for interim progress review, if necessary).

(U) Although the current version of DoD Instruction 5000.2, May 12, 2003, does not specifically address the issuance of a request for proposal, it illustrates in Figure 2, "Requirements and Acquisition Process Depiction," that the system development and demonstration milestone decision is the entrance point for each increment of an evolutionary acquisition. In addition, the Instruction requires the

statutory and regulatory requirements in Enclosure 3 of the Instruction to be met at the system development and demonstration milestone decision. Considering the requirements in the April 5, 2002, version of DoD Instruction 5000.2; the illustration and requirements in the current version of DoD Instruction 5000.2; and the need to know whether the milestone decision authority has approved the program to enter into the system development and demonstration phase, we continue to believe that prudent business judgment dictates that a program should be in the system development and demonstration phase of the acquisition process before a request for proposal is issued. Therefore, we revised footnote 1 to state that:

Based on prudent business judgment, a request for proposal should not be issued until after a program enters the system development and demonstration phase of the acquisition process and complies with applicable statutory and regulatory requirements, including approved requirements and program goals. However, the OICW was not ready to enter the system development and demonstration phase because the required capability had not been approved; the required statutory and regulatory documents had not been prepared; and the program goals for the minimum number of cost, schedule, and performance parameters that describe the program over its life cycle had not been established.

(U) Suspension of the Request for Proposal. The Assistant Secretary stated that he in effect suspended the program by suspending the request for proposal for OICW Increment I. Further, he stated that no work other than supporting the Joint Requirements Oversight Council process, replying to this audit report, and closing out prior test actions is ongoing for the OICW Increment I Program.

(U) Audit Response. The Army should be preparing the program documentation required by DoD Instruction 5000.2 to support a system development and demonstration milestone review to provide the milestone decision authority with the required key program documentation needed for objective acquisition decision making. However, based on the Assistant Secretary's comments, we deleted footnotes 3 and 5 previously on pages 4 and 36, respectively. The footnotes stated that:

(U) In the July 27, 2005, memorandum, the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) stated that he suspended the program; however, according to a representative from his office, the Assistant Secretary suspended the request for proposal and not the program.

(U) Management Control Weaknesses. The Assistant Secretary stated that the report contends that the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) has a material weakness as identified in DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996. Further, he quoted the definitions of a material weakness and flexibility from DoD Instruction 5010.40 and DoD Directive 5000.1, respectively. In addition, the Assistant Secretary quoted the definition of "flexibility" in DoD Directive 5000.1. Specifically:

There is no *one* best way to structure an acquisition program to accomplish the objective of the Defense Acquisition System. MDAs [milestone decision authorities] and PMs [program managers] shall tailor

program strategies and oversight, including documentation of program information, acquisition phases, the timing and scope of decision reviews, and decision levels, to fit the particular conditions of that program, consistent with applicable laws and regulations and the time-sensitivity of the capability need.

(U) The Assistant Secretary stated that he previously determined that the OICW was an ACAT II program and had the necessary program documentation, including:

- an analysis of alternatives that the Deputy Under Secretary of the Army (Operations Research) approved and stated could support a system development and demonstration but was insufficient to support any form of production decision,
- an equivalent analysis for an initial capabilities document,
- a capability development document that the Army Requirements Oversight Council approved,
- an approved acquisition strategy, and
- an approved acquisition plan.

(U) In addition, the Assistant Secretary stated that the test and evaluation master plan, the acquisition program baseline, the affordability assessment, the cost analysis requirements description, the Army cost position, the manpower estimate, and the technology development strategy would be completed before the system development and demonstration decision in the third quarter of FY 2006. He also stated that those documents were not required until the milestone decision. Further, the Assistant Secretary stated that DoD Instruction 5000.2 does not require an operational test plan until before the start of operational test and evaluation.

(U) Audit Response. The management controls for the OICW Program do not provide reasonable assurance that this intended investment of public resources has sufficient underlying program cost and requirement information for decision making, thereby raising concerns about effective stewardship of public resources. We believe that the weakness is serious enough to bring to the attention of higher level management. The Assistant Secretary should have conducted a system development and demonstration review before allowing the issuance of the request for proposal to reduce the risk of Government liability to contractors should the analysis of alternatives determine that a new family of weapons is not the best alternative for the Department or the Joint Requirements Oversight Council does not approve the OICW Increment I Capability Development Document.¹⁰ If the results of the analysis of alternatives determine that a new

¹⁰(U) Section 153, title 10, United States Code states that the Chairman of the Joint Chiefs of Staff is responsible for assessing military requirements for Defense acquisition programs.

family of weapons is not the best alternative or the Joint Requirements Oversight Council does not approve the OICW Increment I Capability Development Document, the Army could be exposed to contractor liability issues; a potential waste of resources; diminished credibility or reputation of management; and impaired fulfillment of essential mission or operations, such as meeting warfighter needs in a timely manner.

(U) The Assistant Secretary should use flexibility in structuring an acquisition program. However, in doing so, he should “exercise discretion and prudent business judgment to structure a tailored, responsive, and innovative program.” Issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department, is not prudent management or consistent with best business practices.

(U) DoD Instruction 5000.2 requires the completion of required statutory and regulatory documentation before the system development and demonstration decision to enable the milestone decision authority to make an informed decision as to whether to approve the initiation of a new acquisition program. Without completing the test and evaluation master plan, the acquisition program baseline, the affordability assessment, the cost analysis requirements description, the manpower estimate, and the technology development strategy before issuing the request for proposal, the Army cannot ensure that the request for proposal adequately communicates approved Government requirements to prospective contractors so that the warfighter receives a quality product that satisfy their needs with measurable improvements to mission capability and operational support, in a timely manner. Those documents provide the test and evaluation plan needed to determine whether the system is operationally effective, suitable, and lethal; the key cost, schedule, and cost constraints; life-cycle cost estimates, a description of the technical and programmatic features of the program; and the rationale for adopting an evolutionary strategy.

(U) Regarding the operational test plan, see our response to the Assistant Secretary’s previous comments about the “Director, Operational Test and Evaluation Oversight List.” As discussed before, we revised the report, where applicable, to remove the reference to the operation test plan.

Assistant Secretary of the Army (Acquisition, Logistics, and Technology) Comments on Finding and Audit Response (U)

(U) The Assistant Secretary commented on implementing management controls, releasing the request for proposal prematurely, having the necessary program documentation, approving the analysis of alternatives, determining that the program was of sufficient size to be an ACAT I program, developing a new rifle, supporting the urgent need statement for a lighter weapon, delivering 200 XM8 carbines, identifying the milestone decision authority, following DoD Instruction 5000.2 guidelines, notifying Congress, complicating the OICW Increment I Acquisition Strategy, briefing Congress, and commenting on the report’s conclusion.

(U) Implementation of Management Controls. The Assistant Secretary provided comments similar to those he made concerning the discussion, “Implementation of Management Controls,” associated with the Executive Summary. In addition to those comments, he stated that, as the milestone decision authority for the ACAT II Program, he assessed the risk of releasing the request for proposal after the Army Requirements Oversight Council approved the capability development document but before the Joint Requirements Oversight Council approved the acceptability of the capability development document. Further, the Assistant Secretary stated that, in considering the interim recommendation of the May 27, 2005, DoD Office of Inspector General memorandum, the Army suspended that request for proposal until the Joint Requirements Oversight Council approved the OICW Increment I capability development document. He also stated that the Army was reviewing its options on canceling the request for proposal. In summary, the Assistant Secretary stated that the Army had not breached any statutory requirements and believed that it followed the DoD 5000 series as appropriate in the execution and management of the OICW Increment I Program.

(U) Audit Response. In addition to our response to the Assistant Secretary’s previous comments about the “Implementation of Management Controls” associated with the Executive Summary, we believe that the release of the request for proposal after the Army Requirements Oversight Council approved the capability development document but before the Joint Requirements Oversight Council approved the capability development document is not an acceptable risk. If the Joint Requirements Oversight Council does not approve the OICW Increment I Capability Development Document, the Army could be exposed to contractor liability issues; a potential waste of resources; diminished credibility or reputation of management; and impaired fulfillment of essential mission or operations, such as meeting warfighter needs in a timely manner. In addition, issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department, even though not a statutory breach, is neither prudent management nor consistent with best business practices.

(U) Premature Release of the Request for Proposal. The Assistant Secretary provided comments similar to those he made concerning the discussion, “Premature Release of the Request for Proposal,” associated with the Executive Summary.

(U) Audit Response. See our response to the Assistant Secretary’s previous comments about the “Premature Release of the Request for Proposal” discussion associated with the Executive Summary.

(U) Necessary Program Documentation. The Assistant Secretary provided comments similar to those he made concerning necessary documentation in the discussion of “Management Control Weaknesses” associated with management controls in the Background section of the report.

(U) Audit Response. See our response to the Assistant Secretary's previous comments about the "Management Control Weaknesses" discussion associated with management controls in the Background section of the report.

(U) Approval of the Analysis of Alternatives. The Assistant Secretary provided comments similar to those he made concerning the discussion of "Management Control Weaknesses" associated with management controls in the Background section of the report. In addition to those comments, he stated that the Study Advisory Group approved the analysis of alternatives, as presented, only to support the capability development document through the Joint Requirements Oversight Council process. Further, the Assistant Secretary again referred to the Deputy Under Secretary of the Army (Operations Research) statement that the [incomplete] analysis of alternatives could support a system development and demonstration decision but was insufficient to support any form of production decision. However, the Assistant Secretary also stated that, at the February 9, 2005, Study Advisory Group final review of the analysis of alternatives, the Deputy Under Secretary of the Army requested that the:

- U.S. Army Training and Doctrine Command, supported by the Army Materiel Systems Analysis Activity, the Army Deputy Chief of Staff (G-4), and the Program Executive Officer Soldier, provide the results of the effort led by the Army Training and Doctrine Command to expand the qualitative analysis of the family of weapons;
- Program Executive Officer Soldier provide existing XM8 performance data to the Office of the Director, Program and Analysis after consulting with the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) on the transfer of potentially competition sensitive data;
- Program Executive Officer Soldier clarify what needed to be done to mount a multi-purpose sighting system on an existing M4, and expand on the value to the force of a multi-purpose sighting system rather than the separable systems;
- Army Materiel Systems Analysis Activity, supported by the Army Test and Evaluation Command and the Program Executive Officer Soldier, revisit the analysis supporting key performance parameter 4, "Reliability," and report back to the Study Director on impacts to the stated conclusions;
- Army Training and Doctrine Command Requirements Analysis Center, the Deputy Assistant Secretary of the Army for Cost and Economics, and the Army Deputy Chief of Staff (G-8) Force Development revisit cost assumptions; revise the cost analysis and follow-on affordability assessment, as appropriate; and report back to the Study Advisory Group;
- Project Manager Soldier Weapons provide current operations and maintenance cost data for the current weapons to the Study Team for the updated cost and affordability analyses; and

-
- Department of the Army reassess the need for further analysis (beyond that detailed above) associated with OICW and, if appropriate, issue updated guidance to the Army Training and Doctrine Command in a new tasking directive.

(U) In addition, the Assistant Secretary stated that the Army Training and Doctrine Command and the Project Manager Soldier Weapons would coordinate with the Office of the Director, Program Analysis and Evaluation, and the Department of the Army to resolve issues identified with the cost estimate results, cost comparisons, and any other issues identified in the analysis of alternatives and business case analysis.

(U) Audit Response. In addition to our response to the Assistant Secretary's previous comments about "Management Control Weaknesses" associated with management controls in the Background section of the report, we question the prudence of the decision to approve the analysis of alternatives because of the unresolved issues. Specifically, the analysis of alternatives had unresolved issues associated with:

- the qualitative analysis of the family of weapons;
- the transfer of potentially competition sensitive data;
- the multi-purpose sighting system;
- the reliability key performance parameter;
- cost assumptions, cost analysis, and the affordability assessment;
- operations and maintenance cost data;
- the potential need for further analysis and updated guidance; and
- the cost estimate results, cost comparisons, and other issues identified in the analysis of alternatives and business case analysis.

Those issues raise questions as to the sufficiency of the analysis of alternatives to support approval of the capability development document through the Joint Requirements Oversight Council and a decision to enter the system development and demonstration milestone phase of the acquisition process.

(U) Acquisition Category I Program. The Assistant Secretary stated that the draft report references the response he made to representatives of the DoD Office of Inspector General concerning the ACAT level of the OICW Program. In that memorandum, the Assistant Secretary stated that, in the meetings held with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, it was determined that the program was of sufficient size to be an ACAT I program and had the potential for use by other Military Departments. Further, the Assistant Secretary anticipated that the Office of the Secretary of Defense would publish guidance concerning the ACAT I designation after the analysis of alternatives is signed and available for review. He also stated that his office was notifying the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics of the potential for a breach of the threshold for an ACAT I program.

(U) **Audit Response.** The notification of the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics by the Office of the Assistant Secretary concerning the potential breaching of the threshold for an ACAT I was a direct result of the DoD Office of Inspector General May 27, 2005, memorandum. Through use of the management controls established by the DoD 5000 series, the Assistant Secretary would previously have had the necessary information to inform the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics of the potential for a breach of the threshold for an ACAT I program, as required.

(U) **Development of a New Rifle.** The Assistant Secretary stated that the February 2000 operational requirements document for the OICW, which the Army Training and Doctrine Command approved, required a dual weapon system that could fire high explosive airburst munitions as well as the standard 5.56 millimeter munitions. Further, he stated that the operational requirements document also required the two capabilities to separate and the 5.56 millimeter weapon to operate in stand-alone mode. The Assistant Secretary also stated that the OICW 5.56 millimeter weapon was the genesis for the XM8 carbine and then the family of weapons. In addition, he stated that the capability development document, which the Army Requirements Oversight Council approved, specifies that the Increment I and Increment II capabilities will be capable of combining into a dual weapon system in Increment III.

(U) **Audit Response.** The February 2000 operational requirements document for the OICW states that the OICW is a dual weapon system that combines high-explosive airbursting munitions, secondary kinetic energy munitions, and a rugged day and night, full-solution, target-acquisition and fire-control system to affect decisively violent and suppressive targets. Further, the operational requirements document requires the OICW to be designed to permit reconfiguration into a separate, kinetic energy, stand-alone subsystem. The operational requirements document also requires the OICW target-acquisition and fire-control system to function with the OICW kinetic energy subcomponent.

* * * * *

* * . Consequently,
* * * * *

* * . Specifically, the OICW Increment I is a

* * * * *

*(U) Predecisional and source selection sensitive data omitted.

(U)

* * * * *

(U) Support for Urgent Need Statement for a Lighter Weapon. The Assistant Secretary commented that the draft report states that, “As of August 2005, the Project Manager Soldier Weapons Office had not provided documentation that supported the urgent need for a lighter weapon.” The Assistant Secretary stated that the Project Manager Soldier Weapons office prepared and provided an extensive file that addressed the reasons for the urgent need for lighter weapons and that the file was delivered to the DoD Office of Inspector General on July 13, 2005.

(U) Audit Response. The file delivered on July 13, 2005, did not support an urgent need for lighter weapons. The file, which supported the September 9, 2002, memorandum, “Urgent U.S. Army Requirement for the XM8 Lightweight Carbine,” contained two briefing packages and neither supported the need for lighter weapons. The July 13, 2005, file also contained an undated and unsigned Soldier Load Study Report. The Soldier Load Study Report stated that “This document is a compilation of several studies and doctrinal resources that focus on Soldier’s load.” The two most recent studies, dated July 1996 and February 1988, and the oldest study, dated September 1963, follow:

- Soldier Performance and Strenuous Road Marching: Influence of Load Mass and Load Distribution, Joseph J. Knapik, Military Medicine, July 1996;
- Technology Demonstration for Lightening the Soldier’s Load, James B. Sampson, Natick Research Development and Engineering Center, February 1988; and
- A Study to Conserve the Energy of the Combat Infantryman, U.S. Army Combat Developments Command Infantry Agency, September 1963.

Those outdated studies do not directly support the September 9, 2002, urgency statement.

(U) We contacted the Project Manager Soldier Weapons on July 18, 2005, with specific questions about the memorandum and the July 13, 2005, supporting documentation with a suspense date of July 21, 2005. On July 27, 2005, the Project Manager Soldier Weapons stated that he was working on responses to our questions. As of October 2005, we are still waiting for a response from the Project Manager Soldier Weapons.

(U) Delivery of 200 XM8s. The Assistant Secretary commented that the delivery of the 200 XM8s under the modification to contract DAAE30-00-C1 065 was required for developmental testing of the family of weapons to verify the OICW Increment I concept. Further, he stated that the basis for the 5.56 millimeter

*(U) Predecisional and source selection sensitive data omitted.

weapon in Increment I was the kinetic energy portion of the original XM29 OICW. The Assistant Secretary's comments also stated that it was necessary to modify the OICW contract, rather than compete, to maintain maximum commonality (operating system, attachment points, and weight) with the high-explosive, airburst portion of the XM29. Further, he stated that a competition would have brought the unacceptable risk that Increment I and Increment II could not be combined into the dual XM29 weapon system of Increment III. In addition, the Assistant Secretary stated that, until the developmental testing was completed, the concept was just that, a concept. He concluded that no operational requirement was necessary to explore different concepts for a materiel solution.

(U) Audit Response.

* * * * *

. However, the Army did not, and does not, have an approved requirement for a family of weapons. Although the Army Requirements Oversight Council approved the OICW Increment I Capability Development Document in October 2004, the Joint Requirements Oversight Council has not approved the capability development document. Further, the Project Manager Soldier Weapons did not provide support for his urgent needs statement for a lighter weapon. The urgent needs statement states that the XM8 carbines would be used to support development that requires the warfighter's weapons to be lighter, low cost, and low risk. The urgent needs statement did not identify the combination of the XM8 with the high explosive airburst as a reason for modifying the existing XM29 contract. Therefore, the contract modification for the development of the XM8 family of weapons was outside the scope of the OICW operational requirements document and was not supported by an approved capability development document required to initiate a new acquisition program.

(U) Identification of the Milestone Decision Authority. The Assistant Secretary stated that the Department of the Army Acquisition Information Management Database identified the Program Executive Officer Soldier as the milestone decision authority for the XM8 Program as of June 11, 2003. Further, he stated that the Future Combat Rifle requirements document was being drafted at the Army Infantry Center. The Assistant Secretary also stated that the requirement was not competed because the risk to the program would be too great in that combining a potentially dissimilar operating mechanism with the airbursting weapon would, at worst, be technically impossible and, at best, weight prohibitive. In addition, he stated that, until the developmental testing was completed, the concept was just that, a concept. The Assistant Secretary concluded that no operational requirement was necessary to explore different concepts for a materiel solution.

(U) Audit Response. On April 4, 2001, the Army Acquisition Executive designated himself as the milestone decision authority for the OICW Program. However, the Army Acquisition Information Management Database identified the Program Executive Officer Soldier as the milestone decision authority for the XM8 program, which the Program Executive Officer Soldier initiated with his

*(U) Predecisional and source selection sensitive data omitted.

June 11, 2003, acquisition decision memorandum. We contacted the Assistant Secretary's office to determine when and by whom was the Program Executive Officer Soldier designated as the milestone decision authority for the XM8 program and whether such designation superseded the Army Acquisition Executive's authority as the milestone decision authority for the OICW Program. In addition, we requested that the Assistant Secretary's office provide management control procedures for modifying the milestone decision authority authorizations in the Army Acquisition Information Management Database. As of October 2005, we are still waiting for a response from the Assistant Secretary's office.

(U) The Future Combat Rifle requirement was the basis for the XM8 family of weapons; however, the operational requirements document for the Future Combat Rifle did not exist when the Program Executive Officer Soldier authorized the entry of the XM8 into the system development and demonstration phase of the acquisition process. The Future Combat Rifle was only a concept, as the Assistant Secretary stated. A contract modification should not have been made, let alone competed, because an operational requirement did not exist for the XM8 family of weapons. In addition, the Program Executive Officer Soldier should not have initiated the system development and demonstration phase for the XM8 program without requiring the preparation and completion of the minimum documentation: an initial capabilities document, an analysis of alternatives, cost and affordability analyses, a capability development document, or a competition for a stand-alone family of weapons. See Appendix G for the June 11, 2003, acquisition decision memorandum.

(U) Followed DoD Instruction 5000.2 Guidelines. The Assistant Secretary provided comments similar to those he made concerning the discussion of "Management Control Weaknesses" associated with management controls in the Background section of the report. He concluded by stating that he had sufficient information to direct the competition as well as the request for proposal.

(U) Audit Response. See our response to the Assistant Secretary's previous comments about the "Management Control Weaknesses" discussion associated with management controls in the Background section of the report. As discussed before, we concluded that directing the competition of OICW Increment I and issuing the Increment I request for proposal before the Joint Staff approved the requirement for the Increment I family of weapons to support those actions was neither prudent nor consistent with best business practices and prudent acquisition procedures.

(U) Competition and the Request for Proposal. The Assistant Secretary provided comments similar to those he made concerning the discussion, "Management Control Weaknesses," associated with management controls in the Background section of the report. He concluded by stating that he had sufficient information to direct the competition as well as the request for proposal.

(U) Audit Response. See our response to the Assistant Secretary's previous comments about the "Management Control Weaknesses" discussion associated with management controls in the Background section of the report. As discussed

before, we concluded that directing the competition of OICW Increment I and issuing the Increment I request for proposal before the Joint Staff approved the requirement for the Increment I family of weapons to support those actions was neither prudent nor consistent with best business practices and prudent acquisition procedures.

(U) Notification of Congress. The Assistant Secretary stated that, as part of the regular reporting process of Exhibit P-40, “Budget Item Justification Sheet,” (P forms) and Exhibit R-2, “Army RDT&E [research, development, test, and evaluation] Budget Item Justification,” (R forms) and frequent briefings, the Army had been keeping Congress informed of the progress and changes in the acquisition strategy for the entire OICW Program. Further, he stated that the information started with the original dual weapon system OICW and then proceeded to the Increment I family of weapons, the Increment II airburst weapon system, and the Increment III dual weapon system. The Assistant Secretary also stated that Congress had confirmed that they were properly notified.

(U) Audit Response. We reviewed Exhibits P-40 and R-2 for the OICW Program from FY 2004 through FY 2006 and determined that:

- Exhibit P-40 for the Integrated Air Burst Weapon System Family (G16101), February 2004, states that the XM8 assault weapon is a new start under G16102 as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29.
- Exhibit P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2004, states that the XM8 assault weapon is a new start as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29.
- Exhibit P-40 for the Integrated Air Burst Weapon System Family (G16101), March 2004, states that the XM8 assault weapon is a new start under G16102 as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29.
- Exhibit P-40 for XM8 Carbine (5.56 millimeter) (G16102), March 2004, states that the XM8 assault weapon is a new start as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29. Further, the Exhibit states that the XM8 represents the state-of-the-art 5.56 millimeter assault weapon having four variants: a baseline assault weapon, a sharpshooter variant, an automatic rifle variant, and a compact variant. The Exhibit also states that a report, “Army Assault Rifle Early Transformation,” on the XM8 carbine was submitted to the congressional Defense committees in August 2003.
- Exhibit P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2005, states that the XM8 modular assault weapon is the first increment of the OICW Program. Further, the Exhibit states that the XM8 is a multi-configurable weapon that has four variants: a baseline assault weapon, a designated marksman, a special compact, and a light machine gun.

-
- Exhibit R-2A for 0603802A-Weapons and Munitions-Advanced Development, February 2003, states that the lightweight XM8 carbine derivative of the XM29 was being evaluated to replace M4 carbines.
 - Exhibit R-2 for 0603802A-Weapons and Munitions-Advanced Development, February 2004, states that the first spiral of the XM29 will be the XM8 assault weapon.
 - Exhibit R-2A for 0604802A-Weapons and Munitions-Advanced Development, February 2004, states that the XM8 assault weapon is a spiral development program from the 5.56millimeter kinetic energy carbine portion of the XM29. Further, the Exhibit states that the XM8 will have four variants, a baseline assault weapon, a sharpshooter variant, an automatic rifle variant, and a compact variant.
 - Exhibit R-2 for 0603802A-Weapons and Munitions-Advanced Development, February 2005, states that the XM8 modular assault weapon is the first increment of the OICW Program and that the XM25 airburst assault weapon is the second increment.

(U) Although the Assistant Secretary stated that Congress confirmed that they were properly notified, the exhibits did not show that the Army did not, and still does not, have an approved requirement for a family of weapons to replace
 * * and that the OICW Increment I capability development document had not been approved by the Joint Requirements Oversight Council. Based on the Assistant Secretary's comments, we revised the report to state that:

(U) In response to the draft report, the Assistant Secretary of the Army (Acquisition, Technology, and Logistics) stated that, as part of the regular reporting process of Exhibit P-40, "Budget Item Justification Sheet," (P forms) and Exhibit R-2, "Army RDT&E [research, development, test, and evaluation] Budget Item Justification," (R forms) and frequent briefings, the Army had been keeping Congress informed of the progress and changes in the acquisition strategy for the entire OICW program. Exhibit P-40 for the Integrated Air Burst Weapon System Family (G16101), February 2004, shows that the XM8 assault weapon is a new start under G16102 as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29. In addition, Exhibit P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2005, shows that the XM8 modular assault weapon is the first increment of the OICW Program. Further, the Exhibit shows that the XM8 is a multi-configurable weapon that has four variants: a baseline assault weapon, a designated marksman, a special compact, and a light machinegun. However, the exhibits did not show that the Army did not, and still does not, have an approved requirement for a family of weapons

* * * * *

* (U) Predecisional and source selection sensitive data omitted.

(U) Complication of the OICW Increment I Acquisition Strategy. The Assistant Secretary restated the comments that he made in his discussion of the “Management Control Weaknesses” associated with management controls in the Background section of the report about the Deputy Under Secretary of the Army (Operations Research) approval of the analysis of alternatives, the initial capabilities document, an Army Requirements Oversight Council-approved capability development document, and his approval of the acquisition strategy and the acquisition plan. The Assistant Secretary also stated that the OICW Increment I Capabilities Development Document, which the Army Requirements Oversight Council approved, states that:

The USAIC [U.S. Army Infantry Center], Joint Service Small Arms Program (JSSAP), and the Office of the Product Manager, Individual Weapons (OPM-IW) are aware of and are monitoring the development of OICW (Increment I)-like capabilities of other services, allies, and nations. The U.S. Marine Corps, U.S. Navy, U.S. Air Force, U.S. Special Operations Command, and U.S. Coast Guard have been involved in an interchange of information with the U.S. Army concerning the OICW (Increment I) system to identify potential joint service requirements that could be met by the OICW (Increment I) system. Great potential exists for sharing, leveraging, or interfacing with these programs to support the OICW (Increment I) program goals. Subsequent increments will be based upon feedback from System Development and Demonstration activities of Increment I and will be shown as a requirement in the capability development document update for Increment II (Spiral Development).

Increment I: Family of KE [kinetic energy] weapons
Increment II: HEAB [high explosive, air bursting] (Lethal and Non-lethal) munitions; integrated day/night fire control system
Increment III: Dual KE and HEAB system

Since both KE and HEAB technology must come together for an Increment III weapon system, a parallel development path will be pursued for both KE and HEAB weapon sub-systems. Increment I Production and Deployment will provide Initial and Full Operational Capability to the current force during FY08. First Unit Equipped (FUE) with Increment II HEAB is tentatively scheduled for FY10, and an improved lethality design will be available (Increment III) to support IOC in FY14. Increment III will realize the full lethality potential first envisioned in the original OICW ORD [operational requirements document].

(U) In addition, the Assistant Secretary restated his comments about “flexibility” that he made in his discussion of the “Management Control Weaknesses” associated with management controls in the Background section of the report. The Assistant Secretary concluded that, because the OICW Increment I Acquisition Strategy did not require or plan for integration with the other increments, the Project Manager Soldier Weapons did not want to complicate the document. He stated that the integration would be addressed as part of the acquisition strategy for Increment III and referenced the original Increment I capabilities development document. The Assistant Secretary also stated that Increment I provides a modular weapon system at a lighter weight with a reduced

logistics footprint, thereby advancing the Army towards a leap-ahead capability provided by the dual weapon system envisioned in the original February 2000 OICW Operational Requirements Document. In addition, he stated that Congress confirmed that they have been properly notified; therefore, OICW Increment I did not constitute a new start program for the Army.

(U) Audit Response. In addition to our response to the Assistant Secretary's previous comments about "Management Control Weaknesses" associated with management controls in the Background section of the report, we believe that not requiring or planning in the OICW Increment I Acquisition Strategy to integrate Increment I with the other Increments II and III is not a prudent business decision. Specifically, by not planning to integrate Increment I with the other increments, which would include requiring the OICW target-acquisition and fire-control system to function with the OICW kinetic energy subcomponent, the Army will have to modify the OICW Increment I stand-alone subsystem at a later date to be capable of combining into a dual weapon system in Increment III. Further, because the OICW Increment I is a * * *, the necessary software and controls to operate the target-acquisition and fire-control system will not be incorporated into the design of the Increment I materiel solution. Therefore, the Army will have to design a new kinetic energy weapon that includes the software and controls needed to operate the target-acquisition and fire-control system and to complete the integration with the high-explosive airbursting component of the OICW, as envisioned in OICW Increment III.

(U) Regarding whether OICW Increment I constituted a new start program for the Army, the Army stated that the XM8 modular assault weapon was a new start as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29 and was the first increment of the OICW Program as noted above in Exhibits P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2004 and February 2005.

(U) Briefings to Congress. The Assistant Secretary restated his previous comments about notifying Congress about the OICW Program. He also stated that the draft audit report mentioned briefings to various congressional members. However, the Assistant Secretary stated that those briefings were just additional information that the Exhibits P-40, "Budget Item Justification Sheet," and R-2, "Army RDT&E Budget Item Justification," could not accommodate.

(U) Audit Response. In addition to our response to the Assistant Secretary's previous comments concerning the discussion, "Notification of Congress," we continue to believe that the briefings to Congress did not adequately address the requirement for a family of weapons or the approval of such a requirement.

(U) Comments on the Report's Conclusion. The Assistant Secretary provided comments similar to those he made concerning the discussion, "Implementation of Management Controls," associated with the Executive Summary. In addition to those comments, he provided comments similar to those he made concerning necessary documentation in the discussion, "Management Control Weaknesses," associated with management controls in the Background section of the report.

* (U) Predecisional and source selection sensitive data omitted.

The Assistant Secretary also stated that, in consideration of the urging by the DoD Office of Inspector General, the Army suspended the request for proposal until the Joint Requirements Oversight Council approved the OICW capability development document, which was in final staffing by the Joint Requirements Oversight Council. In summary, he stated that the Army believes that the OICW Program did not breach any statutory requirements and followed the DoD 5000 series of guidelines, as appropriate, in the execution and management of the OICW Increment I program. Further, he stated that the Army followed best business practices and prudent acquisition procedures to ensure that the OICW Program is cost-effectively developed in a timely manner to satisfy warfighter needs.

(U) Audit Response. In addition to our response to the Assistant Secretary's previous comments about the "Implementation of Management Controls" associated with the Executive Summary and about "Management Control Weaknesses" associated with management controls in the Background section of the report, we believe that the Army should not only suspend the request for proposal until the Joint Requirements Oversight Council convenes, but should also suspend or terminate the request for proposal until the program documentation, ACAT, and operational requirements issues are also resolved. In addition, although the Army may not have breached any statutory requirements, issuing a request for proposal before determining the best alternative to meet the capability gap, approving requirements, and determining the level of investment required by the Department, is neither prudent management nor consistent with best business practices.

Director, Program Analysis and Evaluation Comments on Finding (U)

(U) The Principal Deputy Director, Program Analysis and Evaluation stated that he concurred with the draft report and all of the recommendations.

Department of the Army Office of the General Counsel Comments on Finding and Audit Response (U)

(U) The Army Deputy General Counsel (Acquisition), Department of the Army Office of the General Counsel provided comments on the draft report in which he stated that the two Army Deputy General Counsel (Acquisition) opinions, one on September 27, 2004, and one on July 11, 2005, were not contradictory. The Deputy General Counsel stated that those two opinions addressed two separate legal questions and were consistent with one another.

(U) Army Deputy General Counsel (Acquisition) Memorandum, September 27, 2004. The Deputy General Counsel stated that his September 27, 2004, opinion addressed whether the Army's requirements for the kinetic energy portion of the OICW (XM29) had changed so significantly that a new competition

was required. He stated that this question was asked in the context of whether awarding a production contract would generate protests, and the probable legal basis for protests. The Deputy General Counsel also stated that the OICW Program Office contended that the XM8 was a spiral development of the kinetic-energy weapon described in the OICW operational requirements document and believed that the OICW always had a requirement to be reconfigured into a stand-alone kinetic-energy subsystem that used the XM29 target-acquisition and fire-control system. In addition, he stated that the Program Office asserted that the OICW, including the XM8, had been competed and that the program could proceed directly to production without another competition for the XM8 changed configuration.

(U) The Deputy General Counsel stated that a flaw in the OICW Program Office's reasoning was that the OICW operational requirements document focused on the XM29 with little mention of the stand-alone kinetic-energy subsystem. In addition, he stated that, in contrast, the OICW Increment I capability development document focused almost exclusively on a stand-alone kinetic-energy weapon, with limited discussion of the XM29, which is why his September 27, 2004, opinion stated that "the OICW capability development document is practically the inverse image of the OICW ORD [operational requirements document]." The Deputy General Counsel stated that the XM8 stand-alone kinetic-energy weapon described in the capability development document was fundamentally different from the stand-alone kinetic-energy subsystem described in the operational requirements document. Although the operational requirements document describes a kinetic-energy weapon that could be separated from the XM25 high explosive airbursting munition component and used as a stand-alone weapon, the capability development document describes the XM8 kinetic-energy weapon that not only could be separated from the high explosive airbursting munition component, but it could also be reconfigured into four different variants: a carbine, a sidearm, a designated marksman (sniper) rifle, and a light machine gun.

(U) The Deputy General Counsel stated that, for those and other reasons, he and his office disagreed with the OICW Program Office's conclusion that the XM8 program could proceed to production and believed that the changes to the XM8 required a new competition. The Deputy General Counsel stated that:

If the Army determines to produce the XM8 under the guise of the OICW CDD [capability development document], there is a very high probability that the decision would be protested. As discussed above, the Federal Courts and the GAO [Government Accountability Office] will look at whether this XM8 'spiral' was within the scope of the original competition, and whether this course of action so materially alters the OICW contract that the field of competition for the contract as modified would be significantly different from that for the original OICW contract.

As described above and in the Enclosures, it is clear that the requirements established in the OICW CDD are materially different from those established by the OICW ORD [operational requirements document], and the KE [kinetic energy] weapon described in the CDD would draw a different group of competitors (as evidenced by recent Congressional

Inquiries on behalf of their constituents). The CDD's requirement for a stand-alone, configurable KE 'family of weapons' should therefore be competed.

(U) The Deputy General Counsel stated that the September 27, 2004, opinion responded to the Army Acquisition Executive's request for his office's view on the issue of scope in the context of fulfilling the requirements of competition and did not address the question of whether the OICW Program Office was required to provide notification to Congress of a new start. The Deputy General Counsel also stated that the question of whether a new start notification was required was raised by representatives of the DoD Office of Inspector General during a meeting held on May 27, 2005.

(U) Army Deputy General Counsel (Acquisition) Memorandum, July 11, 2005. The Deputy General Counsel stated that the July 11, 2005, memorandum discussed in the draft report was an internal product that responded to the question by representatives of the DoD Office of Inspector General on whether notification of a new start was required. The Deputy General Counsel also stated that, based on the facts available at the time, he concluded that notification was not required. Further, he stated that the September 27, 2004, and the July 11, 2005, memoranda are completely consistent. The Deputy General Counsel also stated that both opinions recognize that:

- the kinetic-energy weapon described in the OICW operational requirements document and the capability development document was to be designed to permit reconfiguration into a separate, stand-alone, kinetic-energy subsystem that used the XM29's target-acquisition and fire-control system;
- the kinetic-energy weapon's configuration changed from a single rifle to a combinatorial "family of weapons," a requirement that was neither contemplated in the operational requirements document nor by the original competitors for the OICW; and
- the changed requirement for a combinatorial "family of weapons" required a new competition.

(U) However, the Deputy General Counsel stated that those opinions did not mean that a new start notification was required for the reasons expressed in the July 11, 2005, memorandum. He stated that a new start notification is required for a "new subprogram, modification, project, or subject" not previously justified or funded by Congress. The Deputy General Counsel also stated that because the OICW Program, as previously presented to the Congress, did contain a kinetic-energy component, he and his office expressed the opinion that additional notification was unnecessary.

(U) Audit Response. We do not agree that the kinetic energy weapon described in the OICW operational requirements document and the capability development document was to be designed to permit reconfiguration into a separate, stand-alone, kinetic energy subsystem that used the XM29 target-acquisition and

fire-control system. The February 2000 operational requirements document for the OICW states that the OICW is a dual weapon system that combines high-explosive airbursting munitions, secondary kinetic energy munitions, and a rugged day and night, full-solution target-acquisition and fire-control system to affect decisively violent and suppressive targets. Further, the operational requirements document requires the OICW to be capable of being reconfigured into a separate, kinetic-energy, stand-alone subsystem. The operational requirements document also requires the OICW target-acquisition and fire-control system to function with the OICW kinetic energy subcomponent. The capability development document for the OICW Increment I

* * * * *

* * . Consequently, the OICW Increment I stand-alone subsystem would have to be modified at a later date to be capable of combining into a dual weapon system in Increment III. Specifically, the OICW Increment I is a nondevelopmental item that the Army does not plan to integrate with the day and night, full-solution, target-acquisition and fire-control system. As a result, the necessary software and controls to operate the target-acquisition and fire-control system will not be incorporated into the design of the Increment I materiel solution. Therefore, the Army will have to design a new kinetic energy weapon that includes the software and controls needed to operate the target-acquisition and fire-control system and to complete the integration with the high-explosive airbursting component of the OICW, as envisioned in OICW Increment III.

(U) Based on the Assistant Secretary's comments, we revised the report to state that:

(U) In response to the draft report, the Army Deputy General Counsel (Acquisition) stated that the September 27, 2004, and the July 11, 2005, opinions addressed two separate legal questions and are consistent with each other when viewed in their proper context. Further, the Deputy General Counsel stated that the September 27, 2004, opinion was in response to the Army Acquisition Executive's request to determine whether the Army's requirements for the kinetic-energy portion of the OICW had changed so significantly to require a new competition; it did not address whether the OICW Program Office was required to notify Congress of a new start. He also stated that the July 11, 2005, memorandum discussed in the draft report was an internal product that responded to a question from the DoD Office of Inspector General on whether notification of a new start was required. The Deputy General Counsel stated that, based on the facts available at the time, he concluded that notification was not required.

(U) Regarding whether OICW Increment I constituted a new start program for the Army, the Army stated that the XM8 modular assault weapon was a new start as a spiral development program from the 5.56 millimeter kinetic energy carbine portion of the XM29 and was the first increment of the OICW Program as noted above in Exhibits P-40 for XM8 Carbine (5.56 millimeter) (G16102), February 2004 and February 2005.

*(U) Predecisional and source selection sensitive data omitted.

Appendix I. Report Distribution (U)

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Director, Acquisition Resources and Analysis
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Network and Information Integration)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Procurement and Acquisition Policy

Joint Staff

Director, Joint Staff
Director for Force Structure, Resources, and Assessment (J-8)

Department of the Army

Commander, Army Training and Doctrine Command
Commander, Army Infantry Center
Assistant Secretary of the Army (Acquisition, Logistics, and Technology)
Program Executive Officer Soldier
Project Manager Soldier Weapons
Product Manager Individual Weapons
Assistant Secretary of the Army (Financial Management and Comptroller)
Commander, Army Tank-automotive and Armaments Command
Commander, Army Test and Evaluation Command
Deputy Chief of Staff (G-3/5/7)
Deputy Chief of Staff (G-8)
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Deputy General Counsel (Acquisition)

Department of the Navy

Assistant Secretary of the Navy (Research, Development, and Acquisition)
Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Acquisition)
Auditor General, Department of the Air Force

Combatant Command

Commander, U.S. Special Operations Command
Acquisition Executive, U.S. Special Operations Command

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments (U)



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

AUG 29 2005

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND
TECHNOLOGY MANAGEMENT, DODIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *ms 9/1/05*

SUBJECT: Response to DoDIG Draft Report D2005-D000AE-0021, Acquisition
of the Objective Individual Combat Weapon (OICW)

As requested, I am providing a response to the finding and applicable
recommendations contained in the subject report.

Finding:

DoDIG Finding: The Picatinny Center for Contracting and Commerce issued a request for proposal for the development and production of the OICW Increment I before the program entered the system development and demonstration phase of the acquisition process and before the Army completed the required key program documentation needed for objective acquisition decision making; determined the appropriate acquisition category that, as a matter of classification, would highlight the level of proposed investment and importance to the DoD; and resolved weaknesses with the OICW operational requirements document, which had not identified a requirement for a family of weapons. During the audit, on July 19, 2005, the Army suspended the request for proposal until the Joint Requirements Oversight Council convenes in early September 2005 to complete the Joint Capabilities Integration and Development System process for the OICW capability development document. The request for proposal was issued prematurely because the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) did not enforce the management controls outlined in the DoD 5000 series of guidance and Army Regulation 70-1 for the acquisition of the OICW to:

- require that program documentation, including an approved analysis of alternatives, an initial capabilities document, a capability development document, an operational test plan, a test and evaluation master plan, an acquisition program baseline, an affordability assessment, a cost analysis requirements description, an independent cost estimate, a manpower estimate, and a technology development strategy were completed before pursuing the development of a materiel solution;



- notify the Under Secretary of Defense for Acquisition, Technology, and Logistics of a potential ACAT I program; and
- develop materiel solutions for the acquisition strategy that met the requirements of the approved OICW operational requirements document.

Without completing the required documentation, determining the appropriate acquisition category, and resolving issues with the operational requirements document, the Army cannot be assured that the OICW satisfies warfighter needs with measurable improvements to mission capability and operational support, in a timely manner.

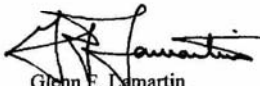
AT&L Response: Partially Concur. We believe that the issues related to program documentation, ACAT, and operational requirements must be resolved to the satisfaction of the program's Milestone Decision Authority. The program documentation cited in the draft audit report is needed to support a milestone decision, but not necessarily required prior to release of a Request for Proposal. As a result of this audit, OUSD(AT&L) became involved in the OICW program by reviewing the program strategy, the Analysis of Alternatives, and draft Capability Development Document. OUSD(AT&L) is also working closely with the Army to determine the appropriate Acquisition Category (ACAT) for the OICW program prior to a Milestone B decision.

Recommendations:

DoDIG Recommendation #1: We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics designate the Objective Individual Combat Weapon as an Acquisition Category ID major Defense acquisition program.

AT&L Response: Partially Concur. OUSD(AT&L) is working with OASA(AL&T) to understand the Army's rationale for designating OICW an ACAT II Major Program. If the OICW program meets the ACAT I criteria, OUSD(AT&L) will re-designate OICW an ACAT I program.

If you have questions regarding this memorandum, please contact Mr. Stefan Tretiak, at (703)-695-1453, or stefan.tretiak@osd.mil.



Glenn F. Lemartin
Director
Defense Systems

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



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

26 AUG 2005

SAAL-SMS

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND TECHNOLOGY
MANAGEMENT, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202

SUBJECT: Response to the Draft Proposed Report on the Acquisition of the Objective
Individual Combat Weapon (OICW) Program

1. Thank you for your memorandum regarding the U.S. Army's Objective Individual Combat Weapon Increment I (OICW I) program.
2. This office is in the process of notifying the Under Secretary Of Defense (Acquisition, Technology, and Logistics) that the program has the potential of breaching the threshold requirements for an Acquisition Category (ACAT) I program.
3. The draft report makes the following recommendations to this office:
 - a. Recommendation: Enforce the management controls outlined in Department of Defense (DoD) Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, and Army Regulation 70-1, "Army Acquisition Policy," December 31, 2003, for the acquisition of the OICW.

Response: It is the view of this office that the management controls have been followed. It was previously our view that the OICW I was an ACAT II program and it was managed as an ACAT II program. As such, the OICW I had a Deputy Under Secretary of the Army-Operations Research approved Analysis of Alternatives sufficient enough to support the Capabilities Development Document (CDD) through Joint Requirements Oversight Council (JROC) staffing and a Milestone B Decision, equivalent analysis for an Initial Capabilities Document, Army Requirements Oversight Council approved CDD, and a Milestone Decision Authority approved Acquisition Strategy and Plan. The Test and Evaluation Master Plan, Acquisition Program Baseline, Affordability Assessment, CARD, Army Cost Position, Manpower Estimate and the Technology Development Strategy were not required until they were due for the Milestone B decision scheduled for the 3rd quarter Fiscal Year 2006.

- b. Recommendation: Suspend or terminate the "final solicitation," W15QKN-05-R-0449 (request for proposal), not just until the JROC convenes, but until the acquisition of the OICW is in compliance with the acquisition procedures required by DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, and Army Regulation 70-1, "Army Acquisition Policy," December 31, 2003.

-2-

Response: This office has suspended the Request for Proposal and will not release it until the JROC is satisfied.

4. The enclosed paper provides comments on the findings in the draft report. We request that these comments be incorporated in the final report.

Claude M. Bolton, Jr.
Claude M. Bolton, Jr.
Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

Enclosure

CF:
Under Secretary of Defense (Acquisition, Technology and Logistics)
Under Secretary of Defense (Comptroller/Chief Financial Officer)
Commander, U.S. Army Training and Doctrine Command
Assistant Secretary of the Army (Financial Management and Comptroller)
Director, Operational Test and Evaluation
Director, Program Analysis and Evaluation
Director, Defense Contract Management Agency
Director, Joint Staff
The Inspector General
Deputy Chief of Staff, G-3
Deputy Chief of Staff, G-8
Deputy Under Secretary of the Army (Operations Research)
Auditor General, Department of the Army
Commander, Army Test and Evaluation Command
Army Deputy General Counsel (Acquisition)
Program Executive Officer Soldier

DoD Inspector General Draft Report
August 16, 2005
Acquisition of the Objective Individual Combat Weapon
(Project No.: D2005-D000AE-0021)

General Comments: Please note that up until 24 August 2005, the OICW Increment I program was viewed and managed as an ACAT II program.

Report Page No.: i-ii

Paragraphs commenting on: Executive Summary (U)

Comments/Additional Facts: The DoD Inspector General Draft Report Executive Summary contends that the Army has not implemented nor followed the management controls in the DoD 5000 series documents to correct the perceived weaknesses associated with OICW program documentation, acquisition category classification, and capability requirements.

DoDI 5000.2, paragraph 1.3 and 1.4, establishes a simplified and flexible management framework and authorizes the MDA to tailor procedures to achieve cost, schedule, and performance goals as long as they are consistent with statutory requirements and reference (c). The program to date has complied with every statute.

Even though the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) provided detailed comments in response to the DoDIG's May 27, 2005, memorandum, the comments appear to have been summarily dismissed and the perceived program weaknesses elevated.

Report Page No.: 1

Paragraphs commenting on: Background (FOUO), Paragraph 1 and note 1

Comments/Additional Facts: The OICW Program has been on the Director, Operational Test and Evaluation (DOT&E) Oversight List since 1996 for Live Fire Only. *As such, only the Live Fire Strategy, corresponding test plan, test conduct, and test reports are subject to DOT&E approval.* The OICW program's Live Fire Strategy has been approved by the DOT&E. Additionally, the Operational Test Plan is due "prior to start of operational test and evaluation."

DoDIG report states that the Army was premature in its Request for Proposal (RFP) since an applicable RFP is issued after a program enters the System Development and Demonstration (SDD) phase of the acquisition process. The Army maintains the DoDI 5000.2, as referenced above, allows the AAE the flexibility to tailor procedures to achieve cost, schedule, and performance goals. No statute or regulation dictates that a program must be in the SDD phase before an RFP can be issued.

Report Page No.: 4

Paragraphs commenting on: Background (FOUO), Note 3

Comments/Additional Facts: By suspending the request for proposal for Increment I the ASA(ALT) in effect suspended the program. No work, other than supporting the JROC process, replying to this report, and closing out prior test actions, is ongoing for the Increment I program.

Report Page No.: 5/6

Paragraphs commenting on: Management Control Program Review (U), (U)
Adequacy of Management Controls Paragraph

Comments/Additional Facts: DoDIG report contends that based on DoD Instruction (DoDI) 5010.40 they have identified a material weakness in the Office of the ASA(ALT). The DoDI 5010.40 Management Control (MC) Program Procedures, Enclosure 2 states,

*E2.1.18 **Material Weakness.** Specific instances of noncompliance with 31 U.S.C. 3512 (reference (b)) of such sufficient importance to warrant reporting of the control deficiency to the next higher level of management. Such weaknesses significantly impair or may impair the fulfillment of a DoD Component's mission or operational objective; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against fraud, waste, or mismanagement of funds, property, or other assets; or result in a conflict of interest. (See enclosure 3 for further information. E3.1.2 ...As with many other aspects of this program, whether a weakness is material enough to warrant reporting to a level higher than that at which it was discovered shall always be a management judgment.) MC weakness should be identified using one of the 15 functional reporting categories. (See enclosure 4, i.e., RDTE, Major System Acquisition, Procurement, Contract Administration, Force Readiness, etc.)*

Also, the DoD Directive 5000.1, The Defense Acquisition System, dated May 12, 2003, states in paragraph 4.3.1, Flexibility:

There is no one best way to structure an acquisition program to accomplish the objective of the Defense Acquisition System. MDAs and PMs shall tailor program strategies and oversight, including documentation of program information, acquisition phases, the timing and scope of decision reviews, and decision levels, to fit the particular conditions of that program, consistent with applicable laws and regulations and the time-sensitivity of the capability need.

Previously the ASA(ALT) determined the OICW was an ACAT II program, and as such it had the necessary documentation (DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, approved Acquisition Strategy, and approved Acquisition Plan) and would finalize the required documentation when it was due for Milestone B decision in 3rd quarter FY06 (TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy). These documents were not required until the milestone decision. Per DoDI 5000.2, the Operational Test Plan is not required until prior to start of the operational test and evaluation.

Report Page No.: 7

Paragraphs commenting on: Program Management of the Objective Individual Combat Weapon (U)

Comments/Additional Facts: The DoDIG Draft Report contends that the Army has not implemented nor followed the management controls in the DoD 5000 series documents to correct the perceived weaknesses associated with OICW program documentation, acquisition category classification, and capability requirements.

The 5000 series documents establish a simplified and flexible management framework and authorizes the MDA to tailor procedures to achieve cost, schedule, and performance goals as long as they are consistent with statutory requirements and reference (c). (See comments to the Executive Summary) The program to date has complied with every statute.

The Army Acquisition Executive, the MDA for the ACAT II program, assessed the risk of releasing the RFP after AROC approval of the requirement but before final JROC approval as acceptable. In consideration of the interim recommendation of the Office of the DoDIG, the Army suspended the request for proposal until the JROC has approved the OICW CDD. The Army is currently reviewing its options on canceling the RFP.

In summary, the Army has not breached any statutory requirements and believes that it has followed the 5000 series guidelines as appropriate in the execution and management of the OICW Increment I program.

Report Page No.: 8

Paragraphs commenting on: Enforcing Management Controls (U), Paragraph 1

Comments/Additional Facts: DoDIG report states that the Army was premature in its release of the RFP since an applicable RFP is issued after a program enters the SDD phase of the acquisition process. The Army submits that it has the flexibility to tailor

procedures to achieve cost, schedule, and performance goals per DoDI 5000.2. No statute or regulation dictates that the program must be in the SDD phase before an RFP can be issued.

Report Page No.: 8/9

Paragraphs commenting on: Program Documentation (U), (U) Required Program Documentation Paragraphs

Comments/Additional Facts: When it was an ACAT II program, the program had the necessary documentation (DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, approved Acquisition Strategy, and approved Acquisition Plan) and would finalize the required documentation when it was due for the Milestone B decision in 3rd quarter FY06 (TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy). These documents are not required until the milestone decision. Per DoDI 5000.2, the Operational Test Plan is not required until prior to the start of the operational test and evaluation.

Report Page No.: 9/10

Paragraphs commenting on: Program Documentation (U), (U) Approved Program Documentation Paragraph

Comments/Additional Facts: The OICW Increment I, when previously viewed as an ACAT II program, had a DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, and an MDA approved Acquisition Strategy and Plan. The following documents were not required until they were due for Milestone B decision which was previously scheduled for the 3rd quarter FY2006: TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy.

With regard to the AoA, the SAG approved the AoA as presented only for the purpose of supporting the CDD through the JROC process. Also, DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision.

At the February 9, 2005 Study Advisory Group final review of the AoA DUSA-OR requested additional be provided:

- Include the results of the TRADOC-led effort to expand the qualitative analysis of the Family of weapons in the final report (TRADOC, supported by AMSAA, G4, and PEO).
- Provide all existing XM8 performance data to Mr. Cancian after consulting with Mr. Bolton on transfer of potentially competition sensitive data. (PEO Soldier)

- Clarify what needed to be done to mount an MPSS on an existing M4, and expand on the value to the force of an MPSS rather than the separable systems. (PEO)
- Revisit the analysis supporting KPP4/Reliability as report back to the study Director on impacts to the stated conclusions. (AMSAA supported by ATEC, and PEO)
- Revisit cost assumptions, revise the cost analysis and follow-on affordability assessment, and report back to the SAG. (RAC, DASA-CE, G8 FD)
- Provide current operations and maintenance cost data for the current weapons to the study team for the updated cost and affordability analysis. (PM Soldier Weapons)
- Reassess the need for further analysis (beyond that detailed above) associated with OICW and, if deemed appropriate, issue updated guidance to TRADOC via a new tasking directive. (HQDA)

TRADOC and PM Soldier Weapons will be coordinating with OSD PA&E and with Headquarters Department of the Army staff to resolve issues identified with the cost estimate results, cost comparisons and any other issues identified in the Analysis of Alternatives and Business Case Analysis.

Report Page No.: 11

Paragraphs commenting on: (FOUO) Estimated Cost of Increment 1, Paragraph 2

Comments/Additional Facts: DoDIG Draft Report references the response the ASA(ALT) made to the DoDIG concerning the ACAT level of the program. In that memorandum the AAE states *"In the meetings held with OSD ATL, it was determined that the program was of sufficient size and that there is a potential for use by other services. As such it warrants designation as an ACAT 1 program. It is anticipated that OSD will publish the guidance after the AoA is signed and available for review."*

This office is in the process of notifying USD (ATL) of the potential of breaching the threshold for an ACAT 1 program.

Report Page No.: 12

Paragraphs commenting on: Operational Requirements (U), (U) Developing a New Rifle Paragraph 1

Comments/Additional Facts: The February 2000, TRADOC approved, Objective Individual Combat Weapon Operational Requirements Document called for a dual weapon system that could fire high explosive air burst munitions as well as the standard 5.56mm munitions. In addition, the Operational Requirements Document required the two capabilities to separate and the 5.56mm weapon to operate in a stand alone mode.

The OICW 5.56mm weapon was the genesis of the XM8 Carbine and then the family of weapons. In addition, the AROC approved CDD specifies that the Increment I and II capabilities will be capable of combining into a dual weapon system in Increment III.

Report Page No.: 12

Paragraphs commenting on: Operational Requirements (U), (U) Developing a New Rifle Paragraph 2

Comments/Additional Facts: The report states that "As of August 2005, the Project Manager Soldier Weapons Office had not provided documentation that supported the urgent need for a lighter weapon." The PM Soldier Weapons office prepared and provided an extensive file that addressed the drivers for the urgent need for lighter weapons. The file was delivered to DoDIG on 13 July 2005.

Report Page No.: 12

Paragraphs commenting on: Operational Requirements (U), (U) Developing a New Rifle Paragraph 3

Comments/Additional Facts: The delivery of the 200 XM8 under the modification to the contract DAAE30-00-C1065 was required for developmental test of the family of weapons to prove out the OICW Increment I concept. The basis for the 5.56mm weapon in Increment I was in the kinetic energy portion of the original XM29 OICW. It was necessary to modify the OICW contract rather than compete in order to maintain maximum commonality (operating system, attachment points, weight, etc) with the High Explosive Airburst portion of the XM29 during this early part of the program. At that time a competition would have brought the unacceptable risk that Increment I and Increment II could not be combined into the dual XM29 weapon system of Increment III. In addition, until the developmental testing was completed, the concept was just that; a concept. No operational requirement is necessary to explore different concepts for a materiel solution.

Report Page No.: 12/13

Paragraphs commenting on: Operational Requirements (U), (U) Developing a New Rifle Paragraph 4 and continuation on page 13

Comments/Additional Facts: Department of the Army Acquisition Information Management (AIM) Database identified PEO Soldier as the MDA for the program at that time. The Future Combat Rifle requirement document was in draft at USAIC. At that time that requirement was not competed because the risk to the program would be too great in that combining a potentially disparate operating mechanism with the Airbursting

weapon would at worst be technically not feasible and at least weight prohibitive. Until the developmental testing was completed, the concept was just that: a concept. No operational requirement is necessary to explore different concepts for materiel solution.

Report Page No.: 13

Paragraphs commenting on: (U) Competition for Increment I Paragraph 2

Comments/Additional Facts: ASA(ALT)s followed the 5000.2 guidelines and concluded previously that the OICW program was an ACAT II program. The Army Acquisition Executive, the MDA for the ACAT II program, assessed the risk of releasing the RFP after AROC approval of the requirements but before final JROC approval as acceptable. The DoDIG report states that the Assistant Secretary of the Army should not have directed the competition for a family of weapons until the Army had provided the program documentation required by statute and DoD guidance. As an ACAT II program, the OICW Increment I had a DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, and an MDA approved Acquisition Strategy and Plan. The following documents would not have been required until the Milestone B decision in 3rd quarter FY2006: TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy. The MDA had sufficient information to direct the competition as well as the request for proposal.

Report Page No.: 15

Paragraphs commenting on: Recent Program Actions (U), (FOUO) Request for Proposal Paragraph

Comments/Additional Facts: As an ACAT II program, the OICW Increment I had a DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, and an MDA approved Acquisition Strategy and Plan. The following documents would not have been required until the Milestone B decision in 3rd quarter FY2006: TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy. The MDA had sufficient information to direct the competition as well as the request for proposal.

Report Page No.: 17/18

Paragraphs commenting on: Recent Program Actions (U), (FOUO) Assistant to the Army General Counsel Opinion Paragraph 4 with continuation on page 18

Comments/Additional Facts: As part of the regular reporting process of P&R forms and frequent briefings, the Army has been keeping Congress informed of the progress and changes in Acquisition Strategy for the entire OICW program. The information started with the original dual weapon system OICW, then proceeded to Increment I family of weapons, Increment II air burst weapon system, and Increment III dual weapon system. Congress has confirmed that they have been properly notified. As an ACAT II program, the OICW Increment I had a DUSA-OR approved AoA (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision), equivalent analysis for an ICD, AROC approved CDD, and an MDA approved Acquisition Strategy and Plan. The AROC approved OICW Increment I Capabilities Development Document states:

5. Program Summary.

The USAIC, Joint Service Small Arms Program (JSSAP), and the Office of the Product Manager, Individual Weapons (OPM-IW) are aware of and are monitoring the development of OICW (Increment I)-like capabilities of other services, allies, and nations. The U.S. Marine Corps, U.S. Navy, U.S. Air Force, U.S. Special Operations Command, and U.S. Coast Guard have been involved in an interchange of information with the U.S. Army concerning the OICW (Increment I) system to identify potential joint service requirements that could be met by the OICW (Increment I) system. Great potential exists for sharing, leveraging, or interfacing with these programs to support the OICW (Increment I) program goals. Subsequent increments will be based upon feedback from System Development and Demonstration (SDD) activities of Increment I and will be shown as a requirement in the CDD update for Increment II (Spiral Development).

Increment I: Family of KE weapons

Increment II: HEAB (Lethal and Non-lethal) munitions; integrated day/night fire control system

Increment III: Dual KE and HEAB system

Since both KE and HEAB technology must come together for an Increment III weapon system, a parallel development path will be pursued for both KE and HEAB weapon sub-systems. Increment I Production and Deployment will provide Initial and Full Operational Capability to the current force during FY08. First Unit Equipped (FUE) with Increment II HEAB is tentatively scheduled for FY10, and an improved lethality design will be available (Increment III) to support IOC in FY14. Increment III will realize the full lethality potential first envisioned in the original OICW ORD.

Also, the DoD Directive 5000.1, The Defense Acquisition System, dated May 12, 2003, states in paragraph 4.3.1, Flexibility:

There is no one best way to structure an acquisition program to accomplish the objective of the Defense Acquisition System. MDAs and PMs shall tailor program strategies and oversight, including documentation of program information, acquisition phases, the timing and scope of decision reviews, and decision levels, to fit the particular conditions of that program, consistent with applicable laws and regulations and the time-sensitivity of the capability need.

Therefore, the fact that the OICW Increment I Acquisition Strategy does not require or plan for integration with the other increments means that the PM did not want to complicate the document. The integration will be addressed as part of Increment III Acquisition Strategy and tied back to the original Increment I CDD. Increment I does advance the Army towards a leap-ahead capability provided by the dual weapon system envisioned in the original February 2000 OICW ORD by providing a truly modular weapon system at a lighter weight and reduced logistics footprint. In addition, Congress has confirmed that they have been properly notified and therefore OICW Increment I did not constitute a new start program for the Army.

Report Page No.: 18

Paragraphs commenting on: Recent Program Actions (U), (FOUO) Assistant to the Army General Counsel Opinion Paragraph 6

Comments/Additional Facts: As part of the regular reporting process of P&R forms the Army has been keeping Congress informed of the progress and changes in Acquisition Strategy for the entire OICW program. The DoDIG Draft Report mentioned briefings were just additional information that the P&R forms could not accommodate.

Report Page No.: 19

Paragraphs commenting on: Conclusion (U)

Comments/Additional Facts: The DoDIG Draft Report concludes that the Army has not followed the management controls in the DoD 5000 series documents to correct the perceived weaknesses associated with OICW program documentation, acquisition category classification, and capability requirements.

The referenced document establishes a simplified and flexible management framework and authorizes the MDA to tailor procedures to achieve cost, schedule, and performance goals as long as they are consistent with statutory requirements and reference (c) of DoD 5000.2. The program to date has complied with every statute.

The Army previously determined that the OICW program was an ACAT II program. The Army Acquisition Executive, the MDA for the ACAT II program, assessed the risk of

releasing the RFP after AROC approval of the requirements but before final JROC approval as acceptable. In addition, as an ACAT II, it was the judgment of the ASA(ALT) that the program had the necessary documentation (DUSA-OR approved AoA, (DUSA(OR) stated that it could support a MS B decision but was insufficient to support any form of production decision) equivalent analysis for an ICD, AROC approved CDD, approved Acquisition Strategy, and approved Acquisition Plan) and would finalize the required documentation when they were due for Milestone B (TEMP, APB, AA, CARD, Army Cost Position, Manpower Estimate and Technology Development Strategy). Per DoDI 5000.2, the Operational Test Plan is not required until prior to the start of the operational test and evaluation.

In consideration of the urging of the Office of the DoDIG, the Army suspended the request for proposal until the JROC has approved the OICW CDD. The CDD is currently in final JROC staffing.

In summary, in the Army's judgment the program has not breached any statutory requirements and believes that it has followed the 5000 series guidelines as appropriate in the execution and management of the OICW I program. The Army has followed best business practices and prudent acquisition procedures to ensure that the OICW program is cost-effectively developed in a timely manner to satisfy Warfighter needs.

Director, Program Analysis and Evaluation Comments (U)



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010




AUG 31 2005

MEMORANDUM FOR DIRECTOR, ACQUISITION AND TECHNOLOGY
MANAGEMENT, DEPARTMENT OF DEFENSE – INSPECTOR
GENERAL

SUBJECT: Response to DoD-IG Draft Report “Acquisition of the Objective
Individual Combat Weapon (OICW)” – Project No. D2005-D000AE-0021

*Thank you for the opportunity to comment on the DoD-IG draft report on the acquisition
of the OICW. I concur with the draft report and with all of the recommendations.*

If we can provide any assistance, my action officer for this item is LTC Charles Lunati,
695-0881.


Stanley R. Szemborski
VADM, USN
Principal Deputy Director

Joint Staff Comments (U)



THE JOINT STAFF
WASHINGTON, DC

Reply ZIP Code:
20318-8000

SEP 14 2005

MEMORANDUM FOR: Program Director, Acquisition and Technology
Management
Office of the Inspector General

Attention: Mr. John E. Meling

Subject: Response to DRAFT Report on the Acquisition of the Objective
Individual Combat Weapon (Project No. D2005-D000AE-021)(U)

1. Thank you for the opportunity to comment on the subject draft report. As the Chairman of the Joint Capability Board, in support of the Chairman, Joint Requirements Oversight Council, I have no comment on the findings and concur with comment for recommendation #4.

DoDIG Recommendation #4. "4. *"We recommend that the Chairman, Joint Requirements Oversight Council not approve the capability development document for the Objective Individual Combat Weapon until the Office of the Director, Program Analysis and Evaluation approves the analysis of alternatives and submits it to the Joint Requirements Oversight Council to ensure that the refined concept or approach continues to meet the warfighter's capability needs in accordance with Chairman of the Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005."*

Joint Staff Revised Recommendation #4. "We recommend that the Joint Staff Director, Force Structure, Resources and Assessment Directorate:

a. Not forward the Capability Development Document (CDD) for the Objective Individual Combat Weapon (OICW) for approval by the Chairman, Joint Requirements Oversight Council (JROC) until the decision of the Acquisition Category has been determined by the Office of the Under Secretary of Defense Acquisition Technology and Logistics, and subsequently the Office of the Director, Program Analysis and Evaluation is satisfied with the progress of their responsibility to direct the development of the Analysis of Alternatives by preparing initial guidance, reviewing the analysis plan and reviewing the final analysis products, in accordance with DODI 5000.2, dated May 12, 2003.

b. As required by the receipt of a revised capability document, complete a second Joint Staff review of the OICW CDD with updated AoA results to ensure that any refinements to the concept or approach continue to meet the warfighter's capability needs in accordance with Joint Chiefs of Staff Instruction 3170.01E, "Joint Capabilities Integration and Development System," May 11, 2005."

Rationale. Paragraph 4.a. was changed to identify the next action required by the Joint Capability Board (JCB), given the 24 August review that resulted in delaying forwarding the OICW CDD to the JROC. Also a clarification was made for the role of PA&E as defined in DODI 5000.2, Para E2.3 and E6.6, dated May 12, 2003. Specifically, the designation of OICW as an ACAT I program is a precursor for the involvement of PA&E. Once an ACAT I is designated, PA&E approves the AoA guidance and study plan, while the Milestone Decision Authority approves the results. Paragraph 4.b. provides clarification that a second review of the CDD is dependent on the Army submitting a revised document.

2. If you have questions regarding this action, please contact LTC(P) Kyle Burke, at 703.614.3638 or kyle.burke@js.pentagon.mil.



E.M. CHANIK
Vice Admiral, USN
Director for Force Structure,
Resources, and Assessment

Copy to:
USD(AT&L)
Director, Joint Staff

Department of the Army General Counsel Comments (U)



DEPARTMENT OF THE ARMY
OFFICE OF THE GENERAL COUNSEL
104 ARMY PENTAGON
WASHINGTON DC 20310-0104

August 26, 2005



MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND TECHNOLOGY
MANAGEMENT, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202

SUBJECT Office of the General Counsel Response to DoDIG Draft Report on the
Objective Individual Combat Weapon (OICW) Acquisition, Project No D2005-D000AE-
0021

Thank you for the opportunity to provide a response to the subject Draft Report. On pages 17 and 18, the Draft Report discusses two opinions written by the Deputy General Counsel (Acquisition) one on September 27, 2004, and one on July 11, 2005. Although the Draft Report states that the opinions were contradictory, they addressed different legal questions. The information below demonstrates that when the opinions are viewed in their proper context and purpose, they are in fact consistent with one another.

The September 27, 2004, opinion was written to address a single question: whether the Army's requirements for the kinetic energy (KE) portion of the OICW¹ had changed so significantly that a new competition was required. This question was asked in the context of whether awarding a production contract would generate protests, and the probable legal basis for protests. Throughout 2004, the Program Office contended that the XM8 was a spiral development of the KE weapon described in the OICW Operational Requirements Document (ORD), reasoning that it was always a requirement for the OICW to be designed to permit reconfiguration into a separate stand-alone KE subsystem that used the XM29's Target Acquisition/Fire Control System (TA/FCS). The Program Office asserted that the OICW – including the XM8 – had already been competed, and that the program could proceed directly to production without another competition for the XM8's changed configuration.

The flaw in the Program Office's reasoning was the OICW ORD focused on the XM29, with scant attention paid to the XM8. In contrast, the OICW Increment I Capability Development Document (CDD) focused almost exclusively on the XM8, with scant discussion of the XM29. That is why the September 27, 2004, opinion stated "the OICW CDD is practically the inverse image of the OICW ORD." Moreover, the XM8 described in the CDD was fundamentally different from the XM8 described in the ORD. Whereas the XM8 described in the ORD was a single KE weapon that could be separated from the XM25 and used as a stand-alone weapon, the XM8 described in the

¹ The OICW uses the nomenclature XM29. The XM29 consists of two components. The high-energy air burst component of the OICW is known as the XM25, and the KE component is known as the XM8.

CDD was a KE weapon that not only could be separated from the XM25, but it could also be reconfigured into different variants: a carbine, a sidearm, a designated marksman (sniper) rifle, and a light machine gun.

For these and other reasons, we disagreed with the Program Office's conclusion that the program could proceed to production, and opined that the changes to the XM8 required a new competition. We stated that:

If the Army determines to produce the XM8 under the guise of the OICW CDD, there is a very high probability that the decision would be protested. As discussed above, the Federal Courts and the GAO will look at whether this XM8 "spiral" was within the scope of the original competition, and whether this course of action so materially alters the OICW contract that the field of competition for the contract as modified would be significantly different from that for the original OICW contract.²

As described above and in the Enclosures, it is clear that the requirements established in the OICW CDD are materially different from those established by the OICW ORD, and the KE weapon described in the CDD would draw a different group of competitors (as evidenced by recent Congressional inquiries on behalf of their constituents). The CDD's requirement for a stand-alone, configurable KE "family of weapons" should therefore be competed.

The September 27, 2004, opinion responded to the Army Acquisition Executive's request for our view on the issue of scope in the context of fulfilling the requirements of competition; it did not address the question of whether the Program Office was obliged to provide notification to Congress of a new start. The question of whether a new start notification was required was raised by your office during the course of a meeting held on May 27, 2005. The July 11, 2005 memorandum, discussed in the draft report, was an internal product that responded to the question propounded by your office regarding whether notification of a new start was required, and based upon the facts available to this office at the time we concluded that notification was not required.

The memoranda are in fact completely consistent. Both opinions recognize that:

- The KE weapon described in both the OICW ORD and the CDD was to be designed to permit reconfiguration into a separate stand-alone KE subsystem that used the XM29's TE/FCS,
- The KE weapon's configuration changed from a single rifle to a combinatorial "family of weapons," a requirement which was not contemplated in the ORD nor by the original competitors for the OICW, and,


² AT&T Communications, Inc. v. Wiltel, Inc., 1 F.3d 1201, 1205 (Fed. Cir. 1993); Engineering & Professional Services, Inc., B-289331, 02-1 CPD ¶ 24, U.S. Comp. Gen. LEXIS 11 (Jan. 28, 2002); L-3 Communications Aviation Recorders, B-281114, 99-1 CPD ¶ 18 (Dec. 28, 1998); Neil R. Gross & Co., Inc., B-237434, Feb. 23, 1990, 90-1 CPD ¶ 212, *aff'd*, Department of Labor – Recon., B-237434 2, May 22, 1990, 90-1 CPD ¶ 491.

-3-

- The changed requirement for a combinatorial "family of weapons" required a new competition

This did not mean, however, that a new start notification was also required, for the reasons expressed in the July 11, 2005 memorandum. A new start notification is required for a "new subprogram, modification, project, or subject" not previously justified or funded by Congress. Since the OICW program, as previously presented to the Congress, did contain a KE component, we expressed the opinion that additional notification was unnecessary.

Based on the foregoing, I respectfully request that you revise the Draft Report in a manner consistent with the information provided. Please contact me at (703) 697-5120 if you have any questions about this memorandum.


Levator Norsworthy, Jr.
Deputy General Counsel (Acquisition)

Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Acquisition and Technology Management prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

Mary L. Ugone
John E. Meling
Jack D. Snider
Tracey E. Dismukes
Neal J. Gause
Kelly B. Klakamp
Kevin W. Klein
Jennifer A. Kura
Lidet K. Negash
Deborah J. Thomas
Joyce Tseng
Julie B. Vaillancourt
Jacqueline N. Pugh

