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Report No. DODIG-2012-036

January 5, 2012

Inspector General

United States
Department of Defense



DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft

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Acronyms and Abbreviations

ASA(ALT)	Assistant Secretary of the Army for Acquisition, Logistics, and Technology
CNTPO	Counter Narcoterrorism Technology Program Office
DSCA	Defense Security Cooperation Agency
DASD(S&TS)	Deputy Assistant Secretary of Defense, Strategic and Tactical Systems
FMS	Foreign Military Sales
NSRWA	Non-Standard Rotary Wing Aircraft
NTM-A/CSTC-A	North Atlantic Treaty Organization Mission-Afghanistan/ Combined Security Transition Command-Afghanistan
TSMO	Threat Systems Management Office
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

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INSPECTOR GENERAL
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JAN 5 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY AND LOGISTICS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD Needs to Improve Accountability and Identify Costs and Requirements for
Non-Standard Rotary Wing Aircraft (Report No. DODIG-2012-036)

We are providing this report for review and comment. DoD officials did not adequately manage the non-standard rotary wing aircraft acquisition and support for DoD and U.S. partner nations. We estimated that DoD obligated more than \$1.6 billion over the last 5 years and planned for more than \$1 billion in estimated future non-standard rotary wing aircraft efforts. The Assistant Secretary of the Army for Acquisition, Logistics, and Technology did not respond to the draft report. However, we considered comments on a draft of this report from the Deputy Assistant Secretary of Defense for Strategic and Tactical Systems and the Deputy Commanding General, North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The comments from the Deputy Assistant Secretary of Defense for Strategic and Tactical Systems were either partially responsive or nonresponsive. In addition, as a result of management comments, we revised Recommendation 1.d to clarify our intent. Therefore, we request that the Under Secretary of Defense for Acquisition, Technology, and Logistics provide additional comments on Recommendations 1.a-e and that the Assistant Secretary of the Army for Acquisition, Logistics, and Technology provide comments on Recommendation 2 by February 6, 2012.

If possible, send a portable document format (.pdf) file containing your comments to audacm@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver
Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management

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Results in Brief: DoD Needs to Improve y Accountability and Identify Costs and y Requirements for Non-Standard Rotary Wingy Aircraft Sy

What We Did

We reviewed the management of the DoD D acquisition and support of non-standard rotary D wing aircraft (NSRWA). D We estimated that D DoD obligated more than \$1.6 billion over the D last 5 years and planned for more than \$1 billion D in estimated future NSRWA efforts. D

What We Found

DoD officials did not adequately manage the D acquisition and support of NSRWA. D Specifically, DoD officials were unable to D identify a comprehensive list of all DoD-owned D and supported Mi-17s, their total ownership D costs and all planned requirements in support of D these aircraft. D This occurred because the Under D Secretary of Defense for Acquisition, D Technology, and Logistics (USD[AT&L]) D established the NSRWA Project Management D Office as a temporary solution without fully D authorizing the project manager and his staff to D make DoD-wide decisions and did not follow D the Defense acquisition process, even though it D met the requirements of a major defense D acquisition program. D As a result, DoD may not D have achieved the best value for the more than D \$1.6 billion NSRWA effort and is at risk for D inadequate management of the more than D \$1 billion in estimated future costs. D

What We Recommend

We recommend that the USD(AT&L) establish D the NSRWA program as a long term effort and D designate it with a Defense acquisition program D category; identify and develop the acquisition D documents required for the program; require D

that all DoD procurement and support of D NSRWA efforts are sent to a single contracting D command, and implement the initiatives D established in the November 3, 2010, better D buying power memorandum; and request the D Deputy Secretary of Defense to designate the D Army as the Executive Agent for NSRWA. In addition, the Assistant Secretary of the Army for D Acquisition Logistics and Technology should D issue a formal charter for the NSRWA Project D Manager. D

Management Comments and Our Response

The Deputy Assistant Secretary of Defense for D Strategic and Tactical Systems and the Deputy D Commanding General, North Atlantic Treaty D Organization Training Mission-D Afghanistan/Combined Security Transition D Command-Afghanistan, provided comments D that were partially responsive. We request that D the USD(AT&L) and the Assistant Secretary of D the Army for Acquisition, Logistics and D Technology provide comments in response to D this report by February 6, 2012. Please see the D recommendations table on the back of this page. D

Figure 1. Mi-17 Flying Over Afghanistan



Source: www.defenseimagery.mil

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense for Acquisition, Technology, and Logistics	1.a-e	
Assistant Secretary of the Army for Acquisition, Logistics, and Technology	2	

Please provide comments by February 6, 2012.

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Introduction

Objective

The audit objective was to determine whether DoD officials effectively managed the acquisition and support of non-standard rotary wing aircraft (NSRWA), including aircraft acquired with the Afghanistan Security Forces Fund. See Appendix A for a discussion of our scope and methodology as well as the prior audit coverage.

Background of NSRWA

~~(FOUO)~~ According to a DoD official, NSRWA are any aircraft that are not part of DoD's standard U.S. inventory, including Mi-17, Mi-35, UH-1, MD-530F, and AW-139 helicopters. In 1985, the U.S. Army began operating a small fleet of Russian fixed and rotary wing aircraft, such as the Mi-17, for training purposes. In 2005, the Army expanded its Mi-17 mission and partnered with the Office of the Secretary of Defense-Counternarcotics to train foreign pilots in Mi-17 aircraft operations. Mi-17s along with other NSRWA are used by U.S. partner nations such as Iraq, Afghanistan, Pakistan, and Yemen.

~~(FOUO)~~ The Mi-17 has been used to support the United States and partner nations' counterterrorism efforts. The Mi-17 is a Russian-made, medium-lift utility helicopter that can perform both attack and movement missions and is one of the most common helicopters in the world. The Mi-17 is manufactured in Russia at the Kazan helicopter and the Ulan-Ude aviation plants. The U.S. Government procured Mi-17s to provide partner nations assistance and address their immediate operational requirements associated with counterterrorism efforts. For example, the governments of Iraq, Pakistan, and Afghanistan requested that the United States provide Mi-17 support for their counterterrorism efforts. The Afghans have been using Mi-17 helicopters since the early 1980s due to the aircraft's ability to operate in the country's severe environment and fly at high altitudes and in high temperatures with heavy loads (see Figure 2).

Figure 2. Afghan National Army Commandos Board an Mi-17 in Afghanistan



Source: www.defenseimagery.mil

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Congressional Concerns Over the Mi-17 Aircraft

In 2009, two members of Congress raised concerns about DoD Mi-17 purchases for Iraq and Afghanistan. On October 21, 2009, Senator Richard Shelby from Alabama sent a letter to the Secretary of Defense citing concerns regarding the oversight of the program to purchase Mi-17 aircraft. Senator Shelby stated that the decision to purchase Mi-17s was made without consideration of requirements or contract competition. The senator also stated that the United States had spent approximately \$807 million to purchase Mi-17s without considering other airframes and that there was no predictability of funds to support Mi-17 procurements.

On December 17, 2009, former Senator Chris Dodd from Connecticut sent a letter to the Secretary of Defense that addressed concerns about the use of no-bid contracts to acquire Mi-17 aircraft to support Iraqi and Afghan security forces. Senator Dodd stated he was informed that DoD selected Mi-17 aircraft because the Afghans are more familiar with the Russian-made airframe than with aircraft manufactured by American companies. Senator Dodd further stated that because Mi-17 aircraft are financed through Iraq and Afghanistan Security Funds, it is difficult to predict future training and maintenance costs.

NSRWA Policy Memoranda

On November 2, 2009, the Acting Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA[ALT]) issued a memorandum citing concerns regarding the procurement, training, and sustainment for Mi-17s. He stated that Mi-17 activities had no institutional framework and were approaching “program-like” characteristics. He stated further that this occurred because Mi-17 efforts did not have the resources required for an effective program because Mi-17 activities lacked a formal DoD acquisition program designation. Finally, he said that a program manager was necessary to ensure a successful program with safe operations and airworthiness for DoD-owned Mi-17s.

On January 6, 2010, the Acting ASA(ALT) issued a memorandum that directed the U.S. Army Contracting Command-Redstone¹ in Huntsville, Alabama, to execute the procurement of all NSRWA requirements. The Acting ASA(ALT) required that all Army Heads of Contracting Activities cease NSRWA procurements and directed future requirements to the U.S. Army Contracting Command-Redstone.

On January 19, 2010, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD[AT&L]) issued an Acquisition Decision Memorandum in response to the November 2, 2009, Acting ASA(ALT) memorandum. As an interim solution, he designated the U.S. Army as the lead Service for DoD in performing procurement and support activities for Mi-17s and potentially other NSRWA as directed by the Under Secretary of Defense for Policy. He then directed the Army to establish a Project Management Office responsible for executing all procurement, sustainment, and

¹ The U.S. Army Contracting Command-Redstone was previously known as the U.S. Army Aviation and Missile Command Acquisition Center.

technical support to meet requirements of these aircraft for DoD and partner nations such as Afghanistan, Iraq, and Pakistan. In addition, the USD(AT&L) stated that he would provide additional direction as the U.S. Army developed its lead Service approach.

On November 5, 2010, the ASA(ALT) issued a memorandum to the Heads of U.S. Army Contract Activities establishing the NSRWA procurement process and designating the U.S. Army Contracting Command-Redstone as the single DoD contracting organization responsible for pre-award and post-award functions dealing with NSRWA acquired by the U.S. Government. The procurement process memorandum provided the U.S. Army Contracting Command-Redstone the opportunity to review NSRWA requirements to determine whether the contracting command had the capability to procure the items within the specified timelines.

The NSRWA Project Management Office

As a result of the ASA(ALT) and USD(AT&L) memoranda, U.S. Army officials established the NSRWA Project Management Office at Redstone Arsenal in Huntsville, Alabama, under the U.S. Army Program Executive Office for Aviation. The U.S. Army Program Executive Office for Aviation subsequently issued the NSRWA Project Manager's charter on July 1, 2010. The charter states that the NSRWA Project Management Office's mission is to procure, field, and sustain NSRWA for DoD, allied countries, or as directed by the Under Secretary of Defense for Policy in support of other contingency operations. Specifically, the NSRWA Project Management Office efforts consisted of the procurement of aircraft, parts, modification and overhauls, and logistical support for maintaining and sustaining the aircraft.

Pseudo-Foreign Military Sales Process

DoD generally procured NSRWA such as the Mi-17 for partner nations using the pseudo-Foreign Military Sales (FMS) process. The Counter Narcoterrorism Technology Program Office (CNTPO), U.S. Central Command, and the U.S. Special Operations Command provided a limited amount of NSRWA and NSRWA support without using the pseudo-FMS process.

The Defense Security Cooperation Agency (DSCA) administered the pseudo-FMS process using U.S. appropriated funds to support U.S. procurement of goods and services for the Iraqi and Afghan governments. Subsequently, other countries, such as Pakistan and Yemen, received U.S. appropriated funds for NSRWA support and followed the pseudo-FMS process. There were at least 32 pseudo-FMS cases supporting NSRWA efforts.

The pseudo-FMS process consists of a U.S. Government organization sending a memorandum of request to DSCA to fund specific assistance. DSCA then assigns the request to a DoD implementing agency. The implementing agency prepares a letter of acceptance, which is a signed government-to-government agreement, commonly referred to as a pseudo-FMS case.

U.S. Army Audit Agency Report on Mi-17 Helicopters

~~(FOUO)~~ On February 11, 2011, the U.S. Army Audit Agency issued Report No. A-2011-0060-ALM, “Mi-17 Helicopter Airworthiness and Flight Safety.” The report concluded that the Army does not have the complete technical knowledge needed to establish and sustain an airworthiness certification for Mi-17s at the same level as standard Army military aircraft. The report also stated that the Office of the Secretary of Defense’s strategy to fund the NSRWA Project Management Office using customers’ reimbursable funds was risky due to the uncertain availability of future overseas contingency operations funding.

Lack of Internal Controls for Management of NSRWA

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the management and oversight of NSRWA. Specifically, the USD(AT&L) did not provide adequate authorization to the NSRWA Project Manager or require that NSRWA efforts follow the Defense acquisition process. For specific results of these weaknesses, see the Finding of this report. We will provide a copy of the report to the senior officials responsible for internal controls at the Office of the USD(AT&L).

Finding. DoD-Wide Management Needed for Billions Obligated on the Acquisition and Support of Foreign Aircraft

DoD officials did not adequately manage the acquisition and support of NSRWA. Specifically, DoD officials were unable to identify a comprehensive list of all DoD-owned and supported Mi-17s,² their total ownership costs, and all planned requirements in support of these aircraft. This occurred because the USD(AT&L) established the NSRWA Project Management Office as a temporary solution without fully authorizing the project manager and his staff to make DoD-wide decisions and did not follow the Defense acquisition process, even though it met the requirements of a major defense acquisition program. As a result, DoD may not have achieved the best value for the more than \$1.6 billion NSRWA effort and is at risk for inadequate management of the more than \$1 billion in estimated future costs.

NSRWA Management Needs Improvement

The USD(AT&L) did not implement an adequate management process for the acquisition and support of NSRWA across DoD. DoD Directive 5000.01, “Defense Acquisition System,” November 20, 2007, states that the program manager is designated with the responsibility for and authority to accomplish program objectives for development, production, and sustainment to meet the user’s operational needs. The program manager is also accountable for credible cost, schedule, and performance. However, NSRWA Project Management Office personnel did not effectively implement fiscal management controls. Specifically, they could not verify the total number of DoD owned or supported aircraft, calculate total ownership costs, or implement an affordability-based decisionmaking process for planned or future NSRWA requirements.

In addition, USD(AT&L) officials did not require that the NSRWA Project Management Office officials apply the requirements of a Defense acquisition program to the acquisition and support of NSRWA efforts. For example, the NSRWA Project Management Office officials did not perform long term acquisition planning or create an overall DoD-wide acquisition strategy for NSRWA. An acquisition strategy identifies the program manager’s goals to minimize the costs and time while ensuring affordability throughout the life cycle of the program. Without an overall acquisition strategy, DoD has no assurance that the NSRWA Project Management Office chose the best approach for fulfilling DoD or U.S. partner nations needs.

According to DoD Directive 5101.1, “DoD Executive Agent,” November 21, 2003, an Executive Agent is the head of a DoD Component, to which the Secretary of Defense or Deputy Secretary of Defense assigns specific responsibilities, functions, and authorities

² We focused on Mi-17s in this report because 80 percent of NSRWA Project Management Office activities were related to the Russian Mi-17 helicopters.

to provide mission support or other activities involving more than one DoD Component. DoD Directive 5101.1 also states that the Executive Agent's authority will take precedence over the authority of other DoD Components that perform related responsibilities and functions. The Office of the Secretary of Defense should oversee DoD Executive Agent activities in their functional areas of responsibility.

Although the USD(AT&L) established the NSRWA Project Management Office in January 2010, as the DoD lead for the procurement, sustainment, and technical support activities of NSRWA, the USD(AT&L) should have requested that the Deputy Secretary of Defense designate the U.S. Army as the DoD Executive Agent for NSRWA. This designation would have provided the Army with the necessary responsibility and authority to manage all NSRWA such as Mi-17s and accomplish their mission. Army officials would have also been able to make DoD-wide decisions and establish DoD-wide standards.

DoD Mi-17 Aircraft Reported

As shown in Table 1, the NSRWA Project Management Office and U.S. Central Command provided conflicting numbers of DoD-owned and supported Mi-17 aircraft. In January 2011 and March 2011, we requested that the NSRWA Project Management Office provide a list of all Mi-17s that they managed, to include those owned by the U.S. Government and those owned by foreign governments but supported by DoD. On March 17, 2011, NSRWA Project Management Office personnel stated that they managed a Mi-17 fleet of 142 aircraft; however, 21 Mi-17s were under contract negotiations and not yet acquired. NSRWA Project Management Office personnel stated that they did not have a system that could verify their numbers of Mi-17 aircraft and their related requirements. Additionally, NSRWA Project Management Office personnel were unable to verify whether all Mi-17 requirements were received by the NSRWA Project Management Office. In March 2011, we asked U.S. Central Command to provide a list of Mi-17s within their area of responsibility, to include those owned by the U.S. Government and those owned by foreign governments but supported by DoD. As of March 14, 2011, the U.S. Central Command reported a total of 177 Mi-17s. The inconsistent numbers of aircraft reported indicate the lack of an entity within DoD for managing NSRWA across DoD.

Table 1. DoD-Owned or-Supported Mi-17s Reported by the NSRWA Project Management Office and U.S. Central Command

Location	NSRWA Project Management Office	U.S. Central Command
Iraq	39	38
Afghanistan	56*	55
Pakistan	20	59
Yemen	0	22
Fort Rucker	6	N/A
Tajikistan	0	3
Total	121	177

* We did not include the additional 21 Mi-17s that the NSRWA PMO reported because the aircraft were under contract negotiations and not yet acquired.

Lack of NSRWA Fiscal Management

DoD had no entity or system in place that tracks total ownership costs, such as

DoD had no entity or system in place that tracks total ownership costs, such as sustainment, for all DoD owned and supported NSRWA.

sustainment, for all DoD owned and supported NSRWA. We estimated that over the last 5 years, DoD officials obligated more than \$1.6 billion in pseudo-FMS cases and contracts and planned for \$1 billion in estimated future costs for Mi-17s. When we requested total ownership costs, five DoD activities provided different numbers for

related costs and the number of DoD-managed Mi-17s.³

NSRWA Total Ownership Costs

~~(FOUO)~~ DoD officials were not able to identify or manage total ownership costs⁴ for NSRWA. Specifically, the NSRWA Project Management Office was unable to provide total sustainment costs for Mi-17s. The Deputy Secretary of Defense directed an NSRWA study,⁵ which was issued on November 2, 2010. The NSRWA study determined that the sustainment cost of a single Mi-17⁶ was \$61 million and the average service life was 20 years. The U.S. Central Command and NSRWA Project Management

³ The five activities were the Threat System Management Office, NSRWA Project Management Office, CNTPO, U.S. Central Command, and U.S. Special Operations Command.

⁴ According to the Defense Acquisition Guidebook, total ownership costs consist of all costs throughout the entire life of the program. Sustainment costs are an element of total ownership costs.

⁵ The Office of the Under Secretary of Defense for Policy, the Office of the Secretary of Defense for Cost Assessment and Program Evaluation, and the Joint Staff sponsored the NSRWA study. The NSRWA study reviewed industry rotary wing platforms available or in development, and assessed and prioritized geographic combatant command needs for using our partner nation rotary wing capabilities to meet U.S. objectives.

⁶ ~~(FOUO)~~ The NSRWA study estimated the total sustainment costs of the Mi-17v5; the costs may vary for different versions of the aircraft.

Office personnel reported a total of up to 183 Mi-17s⁷ currently supported by DoD that would require long-term sustainment. Therefore, if DoD continues to support these aircraft, at a sustainment cost of \$61 million per aircraft, the 183 aircraft will cost more than \$11 billion to maintain over 20 years. DoD officials should develop a long-term plan to determine the extent of overall sustainment provided to DoD owned and supported Mi-17s and to assist in tracking total life-cycle costs of these aircraft.

In the January 2010 Acquisition Decision Memorandum, the USD(AT&L) stated that DoD would develop a long-term plan for identifying partner-nation rotary-wing requirements that is less dependent on foreign sources of supply. However, a USD(AT&L) official stated on March 14, 2011, that there was no viable alternative to the Mi-17 in the near future. According to DoD Instruction 5000.02, "Operation of the Defense Acquisition System," December 8, 2008, a life-cycle sustainment plan is part of the acquisition strategy and includes planning to execute a program that meets performance requirements to sustain a program over its life-cycle. Without a long-term plan and a life-cycle sustainment plan, DoD officials cannot effectively plan for future requirements, sustain a viable program, or reduce life-cycle costs for the NSRWA program.

NSRWA Historical Data

DoD officials could not provide data to support historical costs of Mi-17s. According to NSRWA Project Management Office personnel, the

When asked to provide Mi-17-related costs and their corresponding contracts, five DoD activities provided conflicting numbers of contracts and dollar amounts.

Threat Systems Management Office (TSMO)⁸ managed the Mi-17 efforts before the NSRWA Project Management Office. On February 17, 2010, a TSMO official provided the audit team with two contracts relating to Mi-17 efforts, totaling approximately \$356.4 million. A TSMO official stated that they did not have complete or current

files and that they transferred all financial and programmatic data pertaining to the Mi-17 efforts to the NSRWA Project Management Office. The previous TSMO Division Chief and Chief Engineer currently work for the NSRWA Project Management Office as the Mi-17 Product Manager and Technical Chief, respectively. However, neither the TSMO nor the NSRWA Project Management Office could provide reliable data to support the historical costs for Mi-17s.

When asked to provide Mi-17-related costs and their corresponding contracts, five DoD activities provided conflicting numbers of contracts and dollar amounts. In addition, NSRWA Project Management Office personnel provided a listing of Mi-17-related contracts that they managed and their costs, but there were additional costs and requirements for Mi-17s that they were not tracking. Table 2 illustrates that the NSRWA Project Management Office, U.S. Central Command, CNTPO, U.S. Special Operations

⁷ The 183 Mi-17s include 177 reported by U.S. Central Command plus 6 Fort Rucker Mi-17s reported by the NSRWA Project Management Office (see Table 1).

⁸ TSMO is under the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation.

Command, and TSMO personnel all provided different numbers of contracts relating to Mi-17s, which overlapped in some instances. For example, NSRWA Project Management Office and U.S. Central Command personnel both reported five of the same contract numbers, but U.S. Central Command personnel provided additional contracts that were not reported by the NSRWA Project Management Office.

Table 2. Mi-17 Costs Reported by DoD Activities

Reporting Activity	Number of Contracts	Amount Reported ¹
NSRWA Project Management Office	13	\$632,278,753
U.S. Central Command	10	419,373,121
CNTPO	13	1,090,092,263
U.S. Special Operations Command	8	46,330,000 ²
TSMO	2	356,447,130

¹ We did not total these numbers because some contracts were reported more than once. See Table 3 for an estimated total of Mi-17-related costs.

² The total Mi-17 costs reported by U.S. Special Operations Command officials did not equal the total costs of the eight contracts.

Estimated NSRWA Costs

We were unable to determine accurate historical costs from Mi-17 pseudo-FMS cases (cases) and contracts provided by the five DoD Components shown in Table 2. However, as shown in Table 3, we estimated that DoD officials obligated more than \$1.6 billion since 2006 on Mi-17-related costs based on the data provided. NSRWA Project Management Office personnel stated that they did not know whether they were capturing all requirements and that they relied on DSCA to capture total DoD-related NSRWA costs. The DSCA records contained 32 Mi-17-related pseudo-FMS cases, valued at over \$1.25 billion for Afghanistan, Iraq, Pakistan, and Yemen. Out of the 32 cases, we were able to match 11 cases to a contract number, but we were unable to associate the remaining 21 cases, worth approximately \$381.4 million, to one or more contracts. We included all 32 cases in our calculation of DoD costs for Mi-17 efforts. See Appendix B for a list of Mi-17-related pseudo-FMS cases.

Table 3. DoD IG Estimated Mi-17 Costs

	No. of Cases or Contracts	Costs
Pseudo-FMS cases	32	\$1,258,641,721
Contracts	17	321,205,642
U.S. Special Operations Command Contracts	8	46,330,000*
Total		\$1,626,177,363

* U.S. Special Operations Command officials provided this amount as their total Mi-17-related costs; however, it does not equal the total costs of the eight contracts.

NSRWA Contracts in Transition

DoD officials used a decentralized contracting process to procure and support NSRWA efforts by using seven contracting activities since 2007, which awarded a total of 34 Mi-17-related contracts. See Appendix C for the contracting activities and the corresponding contracts. According to the Acting ASA(ALT)'s November 2, 2009 memorandum, efforts to manage Mi-17 procurement, sustainment, and training activities were unsustainable and ad hoc. He also stated that there was no insight into the future level of Mi-17 acquisition support sought by the Secretary of Defense. Consequently, he stated that DoD officials could not plan or resource an effective program management structure for NSRWA. In January 2010, the USD(AT&L) attempted to address this issue by establishing the NSRWA Project Management Office as the DoD lead for the procurement, sustainment, and technical support activities of NSRWA.

However, the NSRWA Project Management Office did not have responsibility for all NSRWA contracts. Of the 34 Mi-17-related contracts awarded, 16 contracts were awarded after the NSRWA Project Management Office was established by the January 19, 2010, Acquisition Decision Memorandum, to manage Mi-17 procurement and support activities. Of the 16 contracts, 14 were awarded by the U.S. Special Operations Command, U.S. Army Space and Missile Defense Command/Army Forces Strategic Command, Program Executive Office Simulation, Training and Instrumentation Acquisition Center, and Kabul Regional Contracting Center officials.

The NSRWA Project Management Office expects to manage all Mi-17-related contracts by FY 2012. CNTPO officials stated that the NSRWA Project Management Office is planning to capture all counter-narcoterrorism Mi-17 requirements under a new indefinite-delivery, indefinite-quantity contract, which is planned for award in FY 2012. CNTPO, U.S. Central Command, and U.S. Special Operations Command officials expect to transfer all remaining Mi-17 contractor support to the NSRWA Project Management Office no later than FY 2012.

The NSRWA Project Management Office expects to manage all Mi-17-related contracts by FY 2012.

On November 5, 2010, the ASA(ALT) issued a memorandum, "Procurement Process for Non-Standard Rotary Wing Aircraft," which designated the U.S. Army Contracting Command-Redstone as the single DoD contracting organization responsible for pre-award and post-award functions dealing with NSRWA acquired by the U.S. Government. This procurement process memorandum also gave the U.S. Army Contracting Command-Redstone the opportunity to review the requirements to determine whether they had the capability to procure the items within the specified timelines. The ASA(ALT) provided the U.S. Central Command-Joint Theater Support Contracting Command the authority to acquire parts and services for Russian-made NSRWA when the NSRWA Project Manager and U.S. Army Contracting Command determined that they could not meet the required timelines. The memorandum also states that the U.S. Central Command-Joint Theater Support Contracting Command may continue to procure spares and repair parts using locally established contracts without coordination from the NSRWA Project Manager until August 31, 2011. However, the ASA(ALT)

memorandum did not allow other contracting activities to process NSRWA requirements. The USD(AT&L) should require that all DoD NSRWA procurement and support be sent to a single contracting command to ensure that DoD receives the benefits of using a centralized contracting office to achieve a better buying power.

Temporary Solution to Support Partner Nations

The USD(AT&L) established the NSRWA Project Management Office in January 2010 as a temporary solution to the issues identified in

The USD(AT&L) established the NSRWA Project Management Office in January 2010 as a temporary solution to the issues identified in the Acting ASA(ALT)'s November 2, 2009 memorandum.

the Acting ASA(ALT)'s November 2, 2009 memorandum. The U.S. Army Program Executive Officer for Aviation then issued an informal charter in July 2010 for the NSRWA Project Manager because Army officials were unsure if the NSRWA Project Management Office was going to be a long-term effort.

However, the USD(AT&L) has not issued further guidance for the NSRWA efforts or re-assessed the temporary solution decision made in the January 2010 Acquisition Decision Memorandum. On March 14, 2011, USD(AT&L) officials stated that the NSRWA Acquisition Decision Memorandum clearly outlined the Project Management Office's required responsibilities. Although USD(AT&L) officials were aware that a potential long term need existed for Mi-17s, they did not revise or clarify the interim guidance that established the NSRWA Project Management Office and its designated responsibilities.

~~(FOUO)~~ A long term demand exists for the acquisition and support of NSRWA, such as Mi-17s for DoD and U.S. partner nations. The "Report to Congress From DoD, Mi-17 Helicopters," March 23, 2010, identified the current and expected demands of Mi-17s for DoD and U.S. partner nations. The report to Congress stated that in the near term, Afghanistan, and to a lesser extent Iraq and Pakistan, would likely continue to need the U.S. Government and other partner nations to provide assistance with Mi-17 procurement, aircrew training, and associated maintenance activities. The report to Congress also indicated that major Mi-17 purchases by partner nations suggest that foreign reliance on the Mi-17 is likely to continue.

~~(FOUO)~~ Additionally, the NSRWA Study stated that by 2014, it will be necessary to overhaul or provide an alternate procurement strategy for many of the older Afghanistan Mi-17s because they will be approaching the end of their expected service life. In total, the NSRWA study identified 39 partner nations that would benefit from rotary wing security force assistance. Security force assistance missions are efforts conducted primarily in host countries to train, equip, advise, and assist those countries in becoming more proficient in security. One of the key initiatives to support security force assistance includes strengthening and expanding capabilities for training partner aviation forces, which will continue to grow.

Army Officials Lack Authority to Manage NSRWA

As a lead Service, the U.S. Army lacked the authority to effectively procure, field, and sustain NSRWA for DoD and partner nations. The January 19, 2010, USD(AT&L) Acquisition Decision Memorandum stated that additional direction would be provided as the Army developed the lead Service approach. However, as of August 2011, the USD(AT&L) had not provided any further formal guidance or revised the Acquisition Decision Memorandum. The USD(AT&L) also did not establish formal oversight for cost, schedule, and performance of NSRWA efforts in the Acquisition Decision Memorandum.

Limited Authority of the NSRWA Project Manager

The NSRWA Project Manager and his staff did not have authority to make DoD-wide policy such as procurement decisions or decisions on airworthiness standards. The U.S. Army Program Executive Officer for Aviation issued an informal charter for the NSRWA Project Manager on July 1, 2010. In the charter, the Program Executive Officer for Aviation delegated the NSRWA Project Manager with the responsibility to manage the NSRWA program resources, cost, schedule, and performance. He also required that the NSRWA Project Manager provide assessments of program status, risk, and contractor performance. However, the charter only provided the project manager with authority to manage NSRWA within the Department of the Army and did not specify to whom he was required to provide these assessments.

The NSRWA Project Manager and his staff did not have authority to make DoD-wide policy such as procurement decisions or decisions on airworthiness standards.

Due to its limitations of direction and authority, the NSRWA Project Management Office relied on USD(AT&L) representatives for instructions on making decisions that related to the NSRWA efforts. NSRWA Project Management Office personnel stated that the Office of the USD(AT&L) determined how many aircraft the NSRWA Project Management Office would procure. NSRWA Project Management Office personnel also stated that in some cases, requesting countries had to obtain permission from the USD(AT&L) representatives before they engaged the NSRWA Project Management Office to execute requirements.

~~(FOUO)~~ NSRWA Project Management Office Officials also did not have authority to make DoD-wide policy decisions on airworthiness standards. The U.S. Army Audit Agency identified a difference in airworthiness requirements between the Army and the Air Force. According to U.S. Army Audit Agency Report No. A-2011-0060-ALM, "Mi-17 Helicopter Airworthiness and Flight Safety," February 11, 2011, the Air Force's airworthiness process did not fully satisfy the Army's airworthiness requirements. The Army stated that their airworthiness requirements are in compliance with aviation industry standards. The report further stated that the U.S. Army airworthiness certification covered only approximately 20 percent of the Afghanistan fleet, which significantly reduced the number of aircraft that could transport U.S. Army military, civilian, and contractor personnel.

~~(FOUO)~~ The U.S. Army Audit Agency recommended that the Secretary of Defense and Army leadership coordinate a memorandum of agreement to develop a common airworthiness standard across the Services to bring consistency to the Mi-17 fleet in Afghanistan. The ASA(ALT) stated in his response to the report that the Secretary of Defense initiated an airworthiness study to resolve this issue in October 2010 and planned to require the Services to process similar airworthiness standards. The airworthiness study had not been completed as of July 6, 2011, according to a representative from the Joint Chiefs of Staff for Force Structure, Resources, and Assessment Directorate.

The USD(AT&L) should request that the Deputy Secretary of Defense designate the U.S. Army as the DoD Executive Agent for NSRWA. The ASA(ALT) should then issue a formal charter for the NSRWA Project Manager to incorporate the updated requirements and authorities provided to the Army.

NSRWA Program Needs to Follow the DoD Acquisition Process

The DoD NSRWA program should be designated as a major Defense acquisition program because it meets the criteria established in DoD Instruction 5000.02. DoD Directive 5000.01 states that the Defense Acquisition System is the management process used by DoD to provide effective, affordable, and timely systems to the users. DoD Instruction 5000.02 implements the requirements of the DoD acquisition system outlined in DoD Directive 5000.01. According to DoD Instruction 5000.02, a program is a major Defense acquisition program when

The DoD NSRWA program should be a major Defense acquisition program because it meets the criteria established in DoD Instruction 5000.02.

- costs exceed \$365 million in Research, Development, Test and Evaluation funds in FY 2000 constant dollars;
- costs exceed \$2.19 billion in procurement funds in FY 2000 constant dollars; or
- the Milestone Decision Authority designates the program as a special interest program.⁹

The NSRWA program meets the criteria for a Defense acquisition program for several reasons. The USD(AT&L) designated the NSRWA program as a special interest, and members of Congress expressed interest as well as their concerns regarding Mi-17s. In the January 2010 Acquisition Decision Memorandum, the USD(AT&L) designated the NSRWA program as a special interest acquisition without an acquisition category or a

⁹ DoD Instruction 5000.02 states that designation of a special interest program is based on one or more of the following factors: the program is technologically complex, Congress has an interest in the program, a large amount of resources has been committed, the program is critical to the achievement of a capability or set of capabilities, and the program is a joint program.

framework to effectively manage the program. The NSRWA program was viewed as a temporary solution to fulfill the NSRWA needs of the DoD and U.S. partner nations.

We were unable to determine whether the cost of the NSRWA program met the procurement dollar threshold of a major Defense acquisition program because of the method DoD officials used to acquire Mi-17s. Regardless of the type of funding used, the total NSRWA program costs are approaching those of a major Defense acquisition program. We used the costs identified in the Mi-17 cases, contracts, and acquisition planning documents to estimate the total NSRWA program costs are approximately \$2.7 billion, which is more than \$2.19 billion in FY 2000 constant dollars.

USD(AT&L) officials did not believe it was necessary to designate the program with an acquisition category because it did not meet the procurement dollar threshold of a formal acquisition category designation. USD(AT&L) officials stated that a special interest acquisition has the same requirements as a Defense acquisition program. However, DoD Instruction 5000.02 provides limited guidance on special interest acquisitions and does not provide the same requirements for a special interest acquisition without a specific Defense acquisition program category designation. For example, DoD Instruction 5000.02 requires only independent assessments and notification of the USD(AT&L) of any proposed acquisition of non-information technology services over \$1 billion. Therefore, the USD(AT&L) should establish the NSRWA program as a long term-effort and designate it with the appropriate Defense acquisition program category.

No Entity Responsible for DoD-Wide Acquisition Planning

The USD(AT&L) did not establish an entity to perform acquisition planning for NSRWA. Specifically, the NSRWA Project Management Office did not create an overall acquisition strategy to procure and sustain Mi-17 aircraft. Army Regulation 70-1, Chapter 4, “Acquisition Strategy,” states that each project manager must develop and document an acquisition strategy to guide program execution. The acquisition strategy must address the project manager’s total life-cycle management responsibility, with the primary goal of minimizing the time and cost it takes to satisfy validated needs and maximizing affordability throughout a program’s useful life cycle.

The USD(AT&L) did not establish an entity to perform acquisition planning for NSRWA.

NSRWA Project Management Office personnel created individual acquisition plans for each procurement request they received but did not have an overall acquisition strategy. In addition, a USD(AT&L) official stated that DoD requests NSRWA aircraft and continued support of U.S. partner nations in 1-year funding¹⁰ requests and does not plan for future years. With the size and complexity of the NSRWA program, the NSRWA Project Management Office should have an overall acquisition strategy to verify and provide accountability for costs, schedules, and performance levels. Without an overall

¹⁰ According to an Under Secretary of Defense for Cost Assessment and Program Evaluation representative, any Mi-17-related assistance provided to partner nations are funded year-to-year by security force assistance funding such as the Afghanistan and Iraq security force funds.

acquisition strategy, DoD officials also had no assurance that they chose the best approach for fulfilling the needs of the DoD or U.S. partner nations.

Acquisition Documentation

The NSRWA Project Management Office personnel did not create and maintain documentation that would assist the project manager in effectively managing the program. According to DoD Instruction 5000.02, the Defense acquisition system provides a simplified and flexible management framework for translating capability needs and technology opportunities into stable, affordable, and well-managed acquisition programs. DoD Instruction 5000.02 also describes the required documentation for any Defense acquisition program. Therefore, the USD(AT&L) should require that NSRWA Project Management Office personnel develop the required acquisition documentation to assist the project manager in achieving and realizing the better buying power and efficiencies identified in DoD Instruction 5000.02, such as an overall acquisition strategy, acquisition program baseline, and affordability assessment.

NSRWA Project Management Office personnel need to create an overall or DoD-wide acquisition strategy, to develop the best approach for fulfilling the needs of the DoD and U.S. partner nations and to improve the buying power for NSRWA. DoD Instruction 5000.02 states that an acquisition strategy sets cost, schedule, and performance goals.

NSRWA Project Management Office personnel also need to create an acquisition

The NSRWA Project Management Office personnel need to create an overall or DoD-wide acquisition strategy, to develop the best approach for fulfilling the needs of the DoD and U.S. partner nations and to improve the buying power for NSRWA.

program baseline to assist the project manager in determining DoD's total ownership costs for NSRWA. According to DoD Instruction 5000.02, an acquisition program baseline describes the cost estimate for schedule, performance, and supportability of a program. Developing an acquisition program baseline also enables NSRWA Project Management Office personnel to

identify and track the costs associated with Mi-17s and to perform long-term planning for future Mi-17 needs.

Additionally, NSRWA Project Management Office personnel should develop an affordability assessment to enable the project manager to make reliable business decisions for the NSRWA program and to perform strategic planning for long-term costs. An affordability assessment is a determination that the life-cycle cost of a program meets the DoD's long term investment and force structure plans for a program. DoD Instruction 5000.02 states that an affordability assessment is required for a Defense acquisition program.

By following DoD Instruction 5000.02, NSRWA Project Management Office personnel could achieve better buying efficiencies, reduce life-cycle costs, and support reliable business decisions for NSRWA requirements and costs. See Appendix D for list of

acquisition documents for all Defense acquisition programs required by DoD Instruction 5000.02 to provide historical decisions and information as the program progresses.

Future Accountability Is Needed

~~(FOUO)~~ DoD officials identified more than \$1 billion in estimated future Mi-17-related costs through FY 2017 without an overall DoD-wide strategy. U.S. Special Operations Command officials identified \$638.6 million¹¹ for the procurement and sustainment of Mi-17s from FY 2012 through FY 2017. NSRWA Project Management Office personnel stated that the Project Management Office planned for \$114 million to demilitarize 38 Mi-17s between FY 2012 and FY 2017. NSRWA Project Management Office personnel also estimated \$282 million for the purchase of up to 12 Mi-17s for Afghanistan during FY 2012 through FY 2015.¹²

DoD officials planned for more than \$1 billion in estimated future Mi-17-related costs through FY 2017 without an overall DoD-wide strategy.

The NSRWA Project Management Office should implement an affordability-based decisionmaking process for the NSRWA program. On November 3, 2010, the USD(AT&L) issued a memorandum, “Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending.” The memorandum established five initiatives for the Military Departments and Defense agencies to use to obtain greater efficiency and productivity in Defense spending:

- target affordability and control cost growth,
- incentivize productivity and innovation in industry,
- promote real competition,
- improve tradecraft in services acquisition, and
- reduce nonproductive processes and bureaucracy.

One of the initiatives established a requirement to implement affordability-based decisionmaking for Defense acquisition programs by establishing cost targets. The memorandum states that affordability should be considered throughout the acquisition process to ensure cost-effectiveness. By implementing this initiative, NSRWA Project Management Office personnel would establish cost targets and perform assessments that analyze alternative solutions, to determine the affordability of the NSRWA program or identify future costs of the program. The USD(AT&L) should require that the NSRWA Project Management Office implement the initiatives established in the November 3, 2010, memorandum to the greatest extent practical.

¹¹ ~~(FOUO)~~ Of this amount, \$585.3 million is for a U.S. Special Operations Command non-standard rotary wing battalion, which is an unfunded Defense acquisition Category III program.

¹² This requirement is unfunded according to the Secretary of the Army memorandum, “Public Interest Determination and Finding for the Mi-17,” January 18, 2011.

Conclusion

Although the USD(AT&L) designated the U.S. Army the lead Service for NSRWA activities, it did not provide them with a framework to effectively manage the NSRWA. Specifically, the USD(AT&L) did not require that the Army make DoD-wide decisions or perform acquisition planning for NSRWA activities. Because of this, DoD officials obligated more than \$1.6 billion to procure, maintain, and support the Mi 17 and planned for more than \$1 billion in estimated future costs by using a fragmented contracting approach outside the Defense acquisition system process. DoD officials also did not determine total costs for NSRWA and are at risk for increased costs, schedule delays, and failure to meet the needs of partner nations such as Iraq, Afghanistan, Pakistan, and Yemen. The USD(AT&L) should request that the Deputy Secretary of Defense designate the Army as the Executive Agent for NSRWA and designate the NSRWA efforts as a Defense acquisition program with an appropriate acquisition category designation. This would enable the NSRWA Project Management Office personnel to have the authority to make DoD-wide business decisions and establish DoD wide standards, and create and maintain documentation that would provide the transparency needed to effectively run the program.

Management Comments on the Finding and Our Response

The Deputy Assistant Secretary of Defense for Strategic and Tactical Systems (DASD[S&TS]) commented on behalf of the USD(AT&L).

Office of USD(AT&L) Comments on the Finding

The DASD(S&TS) provided comments on the finding. He stated that the estimated \$1 billion in future NSRWA costs for potential actions did not account for the differences in the initial estimates from the Project Management Office and actual budgetary requests from DoD, which are significantly lower.

The DASD(S&TS) stated that the difference between the number of aircraft reported by the NSRWA Project Management Office and U.S. Central Command did not suggest a lack of management. Rather, the differences in the number of aircraft can be traced to aircraft owned by countries that did not request United States support.

Additionally, the DASD(S&TS) stated that the NSRWA Project Management Office was not a temporary solution for addressing partner-nation rotary-wing requirements. He stated the project management office was the first step in the DoD's long-term plan for partner-nation rotary-wing requirements that is less dependent on foreign sources of supply. He stated, however, that DoD is still developing this long-term plan. He further stated that the audit was conducted during the time the NSRWA Project Management Office was being staffed, was involved with ongoing procurement bid protest litigation, and contracts were being transitioned.

Our Response

The \$1 billion in estimated future costs included estimates we received for the NSRWA Project Management Office and the U.S. Special Operations Command. The NSRWA Project Management Office was not required to prepare a budget because it is funded through customer reimbursements; therefore, these estimates were the only documentation of future requirements available. The lack of formal budget planning demonstrates the overall lack of strategic planning for NSRWA efforts.

The NSRWA Project Management Office and U.S. Central Command provided listings of DoD-managed and -supported Mi-17s as identified in Table 1 of the report. As stated in the report, in January and March 2011, we requested that the NSRWA Project Management Office provide a listing of all Mi-17s that it managed, to include those owned by the U.S. Government and those owned by foreign governments but supported by DoD. In March 2011, we asked the U.S. Central Command to provide a list of Mi-17s within its area of responsibility, to include those owned by the U.S. Government and those owned by foreign governments but supported by DoD. As shown in Table 1 of the report, the aircraft reported by location differed. The aircraft reported also did not account for U.S. Special Operations Command aircraft. The difference in the numbers of aircraft reported clearly illustrated that there was no central activity within DoD that had the authority to gain the necessary information to manage all NSRWA.

The NSRWA Project Management Office was established as a temporary solution in the January 2010 USD(AT&L) Acquisition Decision Memorandum. The Acquisition Decision Memorandum states that the Army should establish a Project Management Office in the interim while DoD develops a long-term plan for U.S. partner-nation rotary-wing requirements. However, the plan has still not been developed according to the DASD(S&TS).

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments and to clarify our intent, we revised Recommendation 1.d to request that the DASD(S&TS) coordinate with U.S. Special Operations Command and the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) to develop an overall, long-term acquisition strategy for DoD.

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

a. Request that the Deputy Secretary of Defense designate the Army as the Executive Agent for non-standard rotary wing aircraft.

Office of USD(AT&L) Comments

The DASD(S&TS) disagreed. He stated that although NSRWA procurement and sustainment efforts need a single manager, they should not be consolidated by designating the Army as an Executive Agent. He explained that Executive Agent designations are reserved for occasions when no existing means to accomplish an objective exists and when DoD resources need to be focused on specific areas to minimize duplication and redundancy, or when designated by law, Executive order, or Government-wide regulation. The DASD(S&TS) stated that none of these conditions currently exist. He also stated that the DoD exercised existing means to focus NSRWA purchasing challenges through the USD(AT&L) Acquisition Decision Memorandum by directing the Army to establish a NSRWA Project Management Office that would have sole responsibility for NSRWA acquisition activities. According to the DASD(S&TS), the NSRWA Project Management Office is under the oversight of the U.S. Army Aviation Program Executive Officer and has expert support available from the Army Aviation Engineering Directorate. The DASD(S&TS) further stated that our recommendation is based on the conclusion that effective management of NSRWA requires the Army to make DoD-wide decisions for NSRWA activities. He explained that the Army provides advice in NSRWA policy, but the overarching United States policy initiative to build partner-nation capability is directed by the Secretary of State, the Under Secretary of Defense (Policy), and Combatant Commanders.

The DASD(S&TS) stated that DoD is currently satisfied that the NSRWA Project Management Office is the most effective means to manage NSRWA procurement and support activities. He explained that program office staffing and contract transition activities are now complete and thus, the project management office has full acquisition capacity. The DASD(S&TS) further stated that an Executive Agent designation will incur unnecessary additional responsibilities and costs, such as the need to report requirements and resources in the DoD Component's budget documentation. He stated that these additional responsibilities will be problematic for NSRWA because the Army does not have any funding responsibilities for NSRWA. He explained that most NSRWA Project Management Office operations are funded on a customer-reimbursable basis by FMS, overseas contingency operations, or section 1206/1208 funds.

Therefore, the DASD(S&TS) stated that DoD does not intend to designate the Army as an Executive Agent for NSRWA because it would not improve oversight or management of NSRWA, and it would also incur unnecessary additional expenses. He also stated that DoD does not plan to pursue further actions and does not consider any alternative actions to be appropriate.

Our Response

The DASD(S&TS)'s comments were not responsive. He stated that the Army's need to make DoD-wide decisions is limited to specific procurement and support of aircraft as delegated in the January 2010 USD(AT&L) Acquisition Decision Memorandum. However, the Army should decide the NSRWA policy for DoD, and the Under Secretary of Defense (Policy) should determine the policy for building U.S. partner-nation capabilities. An Executive Agent designation will reduce bureaucracy and streamline

decisionmaking across the Services by giving the Army authority over the NSRWA policy matters. According to DoD Directive 5101.1, an Executive Agent's authority takes precedence over the authority of other DoD Component officials that perform related functions and responsibilities. DoD Directive 5101.1 further states that DoD Executive Agents must be structured to permit the effective and efficient accomplishment of assigned responsibilities, functions, and authorities. An Executive Agent designation would also give the Army authority to make DoD-wide decisions, such as centralized NSRWA acquisition management to include U.S. Special Operations Command NSRWA acquisitions, and the authority to set airworthiness standards across the Services.

~~(FOUO)~~ The DASD(S&TS) did not address that the Army has been unable to standardize and coordinate airworthiness standards across DoD, an issue that could be resolved by a DoD Executive Agent. In February 2011, the U.S. Army Audit Agency Report No. A-2011-0060-ALM stated that variances existed between the airworthiness requirements of the Army and those of the Air Force, and recommended that the Secretary of Defense and Army leadership coordinate a memorandum of agreement to develop a common airworthiness standard across the Services. Although the report stated that the Secretary of Defense initiated an airworthiness study to resolve this issue, a representative from the Joint Chiefs of Staff for Forces Structure, Resources, and Assessment Directorate stated that the airworthiness study had not been completed as of November 22, 2011. Airworthiness standards directly affect the life and safety of U.S. and coalition forces as well as the United States' mission to train U.S., Afghanistan, and coalition forces.

Therefore, the Army and NSRWA Project Management Office need the authority to make DoD-wide decisions on life and safety issues that affect the efficiency and accountability of the NSRWA support as long as these efforts are required to support partner nations. We request that the Deputy Assistant Secretary of Defense reconsider his position and provide comments in response to the final report or provide an alternate plan to address the unresolved airworthiness issues within DoD.

b. Establish the non-standard rotary wing aircraft program as a long-term effort and designate it with the necessary Defense acquisition program category.

Office of USD(AT&L) Comments

The DASD(S&TS) partially agreed. He agreed that the NSRWA program needs to continue to support building partner-nation capability as long as required. He stated that the January 2010 USD(AT&L) Acquisition Decision Memorandum did not limit the duration of the NSRWA Project Management Office and that no consideration has been given to abbreviate the effort.

However, he disagreed with designating the NSRWA program with an acquisition category. He stated that the NSRWA program does not meet major Defense acquisition program criteria nor does a special interest program designation equate to a designation as a major Defense acquisition program under section 2430, title 10, United States Code. He further stated that the type of funds used for the NSRWA program are not Research,

Development, Test, and Evaluation or Procurement appropriated funds. According to the DASD(S&TS), many aspects of the Defense management processes and documentation required of an acquisition program do not apply to the NSRWA program. This is because U.S. partner nations determine their needs outside the formal requirements process, and Afghan Security Forces Fund appropriations are managed with FMS procedures instead of program-specific documents, such as an acquisition program baseline.

Additionally, the Deputy Assistant Secretary of Defense stated that the DoD acquisition guidebook states that the Defense Acquisition Executive has the authority to designate programs that do not meet major Defense acquisition program requirements as a special interest program. The Deputy Assistant Secretary of Defense also stated that the USD(AT&L) designated the NSRWA program as a special interest program without an acquisition category. He further stated that the DoD acquisition guidebook allows the Defense Acquisition Executive to tailor the requirements for a special interest program, and the current special interest program designation provides effective oversight; therefore, no further actions are planned for the NSRWA program.

NTM-A/CSTC-A Comments

Although not required to comment, the Deputy Commanding General, NTM-A/CSTC-A agreed with establishing the NSRWA program as a long-term program. He did not fully agree with the use of Defense acquisition categories for Afghan Security Forces Fund-funded efforts because they are funded by overseas contingency operations and not with Research, Development, Test, and Evaluation or Procurement appropriations. However, he stated that if acquisition categories were directed for NSRWA, it should be by platform and even by country.

Our Response

The DASD(S&TS)'s comments were partially responsive. The Deputy Assistant Secretary of Defense and the Deputy Commanding General, NTM-A/CSTC-A agreed that the NSRWA program should be a long-term effort and is needed to support DoD's effort to build U.S. partner-nation capabilities.

The DASD(S&TS) disagreed with designating the NSRWA program with an acquisition category because it does not meet the criteria of a major Defense acquisition program as stated in section 2430, title 10, United States Code. Although we realize that NSRWA support will not meet the procurement fund threshold, a special interest program can be required to comply with specific reporting requirements. According to section 10.10.1 of the, "Defense Acquisition Guidebook," the Defense Acquisition Executive has the authority to require reporting requirements to meet specific oversight needs for special interest programs. Although the NSRWA program was designated as a special interest program without an acquisition category, the USD(AT&L) did not provide guidance on reporting requirements.

The DASD(S&TS)'s alternative plan of action meets the intent of the recommendation. However, we request that in response to the final report, the DASD(S&TS) provide comments that identify the specific documentation and reporting requirements that will

be required for the NSRWA program. We also request that he provide the plan of action and milestones for the documents and reporting requirements.

c. Identify and develop the acquisition documents required for the Non-Standard Rotary Wing Aircraft program.

Office of USD(AT&L) Comments

The DASD(S&TS) agreed. He stated that DoD will develop and provide guidance to the Army that will establish documentation and reporting requirements specifically for the NSRWA program. He anticipated that the guidance will be issued within 6 months.

NTM-A/CSTC-A Comments

Although not required to comment, the Deputy Commanding General, NTM-A/CSTC-A, agreed that implementing acquisition documents for NSRWA program efforts not already into or beyond production would be valuable. However, he stated that retroactively creating acquisition documents for NSRWA programs beyond production and deployment would not add value.

Our Response

Although the DASD(S&TS)'s comments were responsive, he did not state the specific documentation and reporting requirements that will be required for the NSRWA program. Therefore, we request that the DASD(S&TS) provide comments in response to the final report that identify the critical acquisition documentation and reporting requirements required for the NSRWA program. We also request that he provide the plan of action and milestones for the documents and reporting requirements.

d. Coordinate with the United States Special Operations Command and the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan to develop an overall long-term acquisition strategy that will require that all non-standard rotary wing aircraft contractual requirements be sent to a single contracting command and identify a timeline for transitioning all remaining contracts.

Office of USD(AT&L) Comments

The DASD(S&TS) partially agreed. He stated that management of all NSRWA procurement and support activities should be consolidated; however, he disagreed with issuing "unqualified, general guidance" to send all contracts to a single contracting command. He explained that while the January 2010 USD(AT&L) Acquisition Decision Memorandum required that the Army establish a single Service-level program management office, it also stipulated that the other Services must coordinate with the Program Management Office to transition all relevant procurement and support activities in an orderly fashion. He stated that all Mi-17 contracts have either been completed or transitioned to the Army Contracting Command-Redstone, under program management office oversight, with management of other types of non-standard aircraft still in transition. He then noted that contract novation could add cost or cause delays to the

current contracts, and that transitioning contracts where performance is nearly complete would provide no value.

Additionally, the DASD(S&TS) stated that he will require the NSRWA Program Management Office to report the status of all procurement and support contracts on a recurring basis as part of the reporting guidance in Recommendation 1.c. He further stated that these reports will include planned contract transitions or closeout status within 6 months.

NTM-A/CSTC-A Comments

Although not required to comment, the Deputy Commanding General, NTM-A/CSTC-A, agreed. However, he stated that NTM-A/CSTC-A may transition contracting activity for future sustainment of NSRWA to the Afghans. He also stated that our recommendation should be modified to allow the possibility to transition future sustainment efforts to the Afghans.

Our Response

The DASD(S&TS)'s comments were partially responsive. The intent of this recommendation was not to cause contract novation, but to facilitate an orderly transition, with the corresponding oversight, of NSRWA requirements to the NSRWA Program Management Office. However, during our audit, we did not find any formal plans to ensure that the program management office took effective control over applicable NSRWA contracts in an orderly fashion. Also several contracts were issued by other activities after the NSRWA Program Management Office was established.

~~(FOUO)~~ The DASD(S&TS)'s comments also did not provide an explanation on how the NSRWA Program Management Office plans to transition to Army Contracting Command-Redstone or how they will handle future NSRWA contracts from other DoD Activities, such as the U.S. Special Operations Command and NTM-A/CSTC-A. During the audit, we identified more than \$630 million in future U.S. Special Operations Command NSRWA requirements and \$282 million for future Afghanistan NSRWA requirements. Additionally, we also received comments from the Deputy Commander General, NTM-A/CSTC-A, indicating that he agreed that a single contracting command for NSRWA requirements would be beneficial. The Deputy Commander General, NTM-A/CSTC-A, suggested we modify our recommendation to allow the possibility to transition future sustainment efforts to the Afghanistan Government.

We request that the DASD(S&TS) provide comments in response to the final report that indicate how orderly transition of all NSRWA contracts to the NSRWA Project Management Office will occur including NTM-A/CSTC-A and U.S. Special Operations Command contracts.

e. Require the Non-Standard Rotary Wing Aircraft Project Management Office to implement target affordability and control cost growth, incentivize productivity and innovation in industry, and promote real competition as required by the November 3, 2010, “Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending,” memorandum.

Office of USD(AT&L) Comments

The DASD(S&TS) partially agreed. He stated that the goals in the November 3, 2010, USD(AT&L) memorandum, “Implementation Directive for Better Buying Power Obtaining Greater Efficiency and Productivity in Defense Spending,” (Better Buying Power Memorandum) were relevant, but disagreed with making these goals mandatory for the NSRWA program. He stated that the Better Buying Power Memorandum pertains to Defense acquisition category programs or contracts for which DoD controls the variables that enable the goals. He noted that the NSRWA program is not automatically required to comply with the memorandum because it is a special interest acquisition, and not an acquisition category program.

The DASD(S&TS) further stated that DoD’s long-term goal is for U.S. partner nations to use equipment that is built and supported by U.S. companies. However, he said that partner nations and FMS customers generally stipulate a required product, which can limit competition and impede DoD’s ability to implement the Better Buying Power Memorandum goals. According to the DASD(S&TS), transitioning to U.S. manufactured products would enable the goals stated in the Better Buying Power Memorandum, and that DoD would apply the premises of the memorandum when applicable and appropriate to the NSRWA program.

NTM-A/CSTC-A Comments

Although not required to comment, the Deputy Commanding General, NTM-A/CSTC-A agreed. He stated that NTM-A/CSTC-A was working with the NSRWA Program Management Office to develop a long-term sustainment strategy and contract for the Mi-17. He stated that all NSRWA for the Afghan Air Force will be competed, which is in compliance with the Better Buying Power Memorandum.

Our Response

The DASD(S&TS)’s comments were partially responsive. The DASD(S&TS)’s comments indicate a lack of action to strategically plan for the procurement and support activities of future NSRWA purchases that we estimated to be as much as \$1 billion. The purpose of the Better Buying Power Memorandum is to obtain greater efficiency and productivity in Defense spending by pursuing initiatives in five areas, including targeting affordability and control cost growth, and reducing nonproductive processes and bureaucracy. This memorandum specifically tasked the Secretaries of the Military Departments, as well as the Directors of Defense agencies, to implement actions to support the guidance from the Better Buying Power Memorandum that USD(AT&L) had previously provided to Defense acquisition professionals. Additionally, we received comments from the Deputy Commander General, NTM-A/CSTC-A, indicating that he

agreed with Recommendation 1.e, and that NTM-A/CSTC-A will implement some of the principles, such as competition, in their acquisitions.

The intent of this recommendation was to have the NSRWA Program Management Office apply the goals of the Better Buying Power Memorandum to the maximum extent possible to the program. Therefore, we request that the DASD(S&TS) reconsider his position and provide comments in response to the final report. His comments should indicate how the NSRWA Program Management Office can apply the relevant principles contained in the Better Buying Power Memorandum as implemented by the guidance that his office will provide to the NSRWA Program Management Office.

2. We recommend that the Assistant Secretary of the Army for Acquisition, Logistics, and Technology issue a formal charter for the Non-Standard Rotary Wing Project Manager to include the updated requirements and authorities provided to the U.S. Army.

ASA(ALT) Comments Required

The ASA(ALT) did not comment on a draft of the report. We request that the ASA(ALT) provide comments on the final report.

Management Comments on the Internal Controls and Our Response

The DASD(S&TS) disagreed with the internal controls section of the report. He stated that the USD(AT&L) designated the NSRWA Project Management Office as a special interest program, which is subject to the same internal controls as other aviation program offices. He also stated that the Project Management Office was funded by various appropriations and sources that are subject to internal controls as well. However, the DASD(S&TS) agreed to develop and provide guidance to the Army that will establish documentation and reporting requirements to fit the special interest program within 6 months.

Our Response

We found internal control weaknesses in the management and oversight of the NSRWA program. The NSRWA Project Management Office did not have an internal control plan and no required documentation or guidance was provided to the NSRWA Program Management Office to ensure overall internal controls. Therefore, DoD needs to implement a comprehensive internal control system to ensure that long-term plans are developed and formal guidance is provided for the NSRWA program. In addition, verifying the funding status of an FMS case does not ensure that overall internal controls exist for the NSRWA program. Improved internal controls are needed to track DoD-owned and -supported Mi-17s, their total ownership costs, and all planned future requirements.

Management Comments on the Appendices and Our Response

The DASD(S&TS) recommended corrections to Appendix B and C of the report. He provided the names of the offices that managed the Mi-17 pseudo-FMS cases listed in Appendix B and the status of M-17 related contracts listed in Appendix C.

Our Response

We did not revise the appendices because our intent was to show how we calculated the total dollar figures for the 32 cases and 34 contracts identified in the report. We did not audit these cases and contracts or determine which specific commands managed them.

Appendix A. Scope and Methodology

We conducted this performance audit from October 2010 through October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted interviews and gathered documentation covering the period from 2005 to 2011 to gain an understanding of DoD officials' management and acquisition of NSRWA, specifically the Mi-17. We interviewed officials responsible for establishing the NSRWA Project Management Office, providing direction and oversight, acquisition planning, and fulfilling Mi-17 NSRWA requirements. We conducted interviews or coordinated with the following organizations:

- NSRWA Project Management Office;
- Office of the USD(AT&L);
- Office of the Under Secretary of Defense for Policy;
- Office of the Under Secretary of Defense for Cost Assessment and Program Evaluation;
- DoD Office of the General Counsel;
- U.S. Central Command;
- U.S. Special Operations Command;
- Joint Chiefs of Staff, Force Structure, Resources, and Assessment Directorate (J-8);
- Army Operations, Plans, and Training (G-3/5/7);
- Office of the ASA(ALT);
- Program Executive Office for Aviation;
- U.S. Army Acquisition Support Center;
- CNTPO; and
- Defense Security Cooperation Agency

We obtained information regarding Mi-17-related contracts and funds, Mi-17 quantities and locations, and NSRWA Project Management Office funding and structure through documents and testimonial evidence provided by the NSRWA Project Management Office, U.S. Central Command, U.S. Special Operations Command, and CNTPO officials. We obtained Mi-17-related pseudo-FMS cases for Afghanistan, Iraq, Pakistan, and Yemen from DSCA.

For NSRWA Project Management Office acquisition, planning, and oversight, we reviewed the USD(AT&L) Acquisition Decision Memorandum; ASA(ALT) memoranda; and documentation from the NSRWA Project Management Office. In addition, we reviewed the Secretary of the Army Public Interest Determination and Finding for the Mi-17 to identify the future Mi-17 procurements that the NSRWA Project Management

Office has planned. We reviewed lists of contracts or cases from the NSRWA Project Management Office, TSMO, Defense Security Cooperation Agency, CNTPO, U.S. Central Command, and U.S. Special Operations Command to determine estimated value of the Mi-17 program and the number of Mi-17s that have been procured for Afghanistan, Iraq, Pakistan and Yemen. We reviewed the documents for compliance with the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, DoD directives and instructions, Defense Acquisition Guide, Army regulations, Army Acquisition Career Field Certification policies and procedures, and USD(AT&L) and ASA(ALT) memoranda.

Use of Computer-Processed Data

We relied on computer-processed data from the Electronic Document Access Web site and the DSCA Security Cooperation Information Portal. However, we did not perform a formal reliability assessment of these systems because the computer-processed data used was not material to our findings, conclusions, or recommendations.

Electronic Document Access is a Web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout DoD. We obtained documents from the Electronic Document Access system to verify contracts and contract values provided by DoD officials.

Additionally, DSCA provided Mi-17 cases reports from the Security Cooperation Information Portal, containing case numbers, values, and descriptions. This portal enables international customers and U.S. Government personnel to view Foreign Military Sales case, requisition, and supply discrepancy report-level information. We then compared these Mi-17 case numbers and their values with lists provided by DoD officials. As a result of our analysis, we concluded that data collected from the Electronic Document Access Web site and the DSCA Security Cooperation Information Portal were sufficiently reliable for the purpose of verifying the contracts and their values provided by DoD officials.

Prior Coverage

During the last 5 years, the DoD Inspector General (DoD IG) and the U.S. Army Audit Agency issued two reports related to our audit objective. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>.

DoD IG

DoD IG Report No. D-2009-050, “Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund Phase II,” February 5, 2009

U.S. Army Audit Agency

~~(FOUO)~~ U.S. Army Audit Agency Report No. A-2011-0060-ALM, “Airworthiness and Flight Safety,” February 11, 2011

Appendix B. Mi-17 Pseudo-FMS Cases

Case No.	Country
G5-B-UEV	Afghanistan
G5-B-UDJ	Afghanistan
G5-B-UDH	Afghanistan
G5-B-UDG	Afghanistan
G5-B-UDD	Afghanistan
G5-B-UAQ	Afghanistan
E6-P-SBU	Afghanistan
E6-B-UDL	Afghanistan
E6-B-UCJ	Afghanistan
E5-B-UBV	Afghanistan
E3-P-GBI	Afghanistan
E3-B-UBW	Afghanistan
E3-B-UBP	Afghanistan
B6-P-GCM	Afghanistan
B6-B-FCP	Afghanistan
G5-P-SAH	Afghanistan
E6-P-LGB	Afghanistan
E6-P-LCR	Afghanistan
E6-B-UBP	Afghanistan
E3-B-UBE	Afghanistan
B2-B-AAV	Afghanistan
B6-B-FCO	Afghanistan
B6-B-FCV	Afghanistan
B6-B-ABV	Afghanistan
G5-B-UBD	Afghanistan
B7-B-AAY	Iraq
E4-B-UBF	Iraq
G8-B-UBF	Iraq
B4-P-ABB	Pakistan
B9-B-UDM	Pakistan
G4-B-BOD	Pakistan
G7-B-UAW	Yemen

Appendix C. Mi-17 Contracts

Contracting Activity	Contract No.	Award Date
SMDC/ARSTRAT	W9113M-07-D-0006-0032	September 30, 2009
SMDC/ARSTRAT	W9113M-07-D-0006-0044	September 30, 2009
SMDC/ARSTRAT	W9113M-07-D-0006-0055	September 30, 2010
SMDC/ARSTRAT	W9113M-07-D-0007-0015	September 23, 2008
SMDC/ARSTRAT	W9113M-07-D-0007-0020	September 26, 2008
SMDC/ARSTRAT	W9113M-07-D-0007-0021	September 30, 2008
SMDC/ARSTRAT	W9113M-07-D-0007-0022	September 30, 2008
SMDC/ARSTRAT	W9113M-07-D-0007-0035	September 30, 2009
SMDC/ARSTRAT	W9113M-07-D-0007-0040	July 21, 2010
SMDC/ARSTRAT	W9113M-07-D-0007-0061	September 30, 2010
SMDC/ARSTRAT	W9113M-07-D-0008-0024	September 30, 2010
SMDC/ARSTRAT	W9113M-07-D-0009-0002	September 30, 2008
SMDC/ARSTRAT	W9113M-07-D-0009-0005	September 30, 2010
ACC-R	W58RGZ-09-C-0028	October 27, 2008
ACC-R	W58RGZ-09-D-0130-0102	September 28, 2010
ACC-R	W58RGZ-11-C-0072	May 26, 2011
PEO-STRI	W900KK-08-C-0011	December 18, 2007
PEO-STRI	W900KK-09-D-0002-0001	February 5, 2009
PEO-STRI	W900KK-09-D-0002-0002	August 28, 2009
PEO-STRI	W900KK-09-D-0002-0003	April 7, 2010
PEO-STRI	W900KK-09-D-0320-0002	April 15, 2011
KRCC	W91B4M-11-A-0001	October 20, 2010
KRCC	W91B4M-10-A-0003	February 10, 2010
KRCC	W91B4M-10-A-0004	February 10, 2010
KRCC	W91B4M-10-A0005	February 10, 2010
KRCC	W91B4M-11-C-0007	December 7, 2010
AFSOC	FA0021-10-C0010	July 14, 2010
USSOCOM	H92222-09-C0048	September 25, 2009
SOFSA	H92254-09-D-0001-116	October 1, 2010
SOFSA	USZA22-03-D-0006-7810	October 1, 2007
SOFSA	USZA22-03-D-0006-7811	October 1, 2007
SOFSA	USZA22-03-D-0006-8602	October 1, 2008
SOFSA	USZA22-03-D-0006-8603	October 1, 2008
SOFSA	USZA22-03-D-0006-8969	September 28, 2009

SMDC/ARSTRAT	U.S. Army Space and Missile Defense Command/Army Forces Strategic Command
ACC-R	U.S. Army Contracting Command-Redstone
PEO-STRI	Program Executive Office Simulation, Training and Instrumentation
KRCC	Kabul Regional Contracting Center
AFSOC	Air Force Special Operations Command
USSOCOM	U.S. Special Operations Command
SOFSA	Special Operations Forces Support Activity

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Appendix D. Defense Acquisition Criteria

According to the Defense Acquisition Guidebook, the Defense acquisition system exists to manage the DoD investments in technologies, programs, and product support necessary to achieve the DoD's strategy. The objective is to rapidly acquire quality products that satisfy user needs with measurable improvements to mission capability at a fair and reasonable price. The fundamental principles and procedures that DoD follows in achieving those objectives are described in DoD Directive 5000.01 and DoD Instruction 5000.02.

Acquisition Directive

DoD Directive 5000.01 states that the Defense acquisition system is the management process used by DoD to provide effective, affordable, and timely systems to the users. DoD Directive 5000.01 also states that an acquisition program is a directed, funded effort that provides a new, improved, or continuing materiel, weapon or information system, or service capability in response to an approved need.

DoD Directive 5000.01 defines the management structure for an acquisition program. The Defense Acquisition Executive is the USD(AT&L) and has the responsibility for supervising the Defense acquisition system. Additionally, the Defense Acquisition Executive takes precedence on all acquisition matters after the Secretary and Deputy Secretary of Defense. The Milestone Decision Authority is the designated individual with overall responsibility for a program. The Milestone Decision Authority has the authority to approve entry of an acquisition program into the next phase of the acquisition process and is accountable for cost, schedule, and performance reporting to a higher authority, including Congressional reporting.

Acquisition Instruction

DoD Instruction 5000.02, issued December 8, 2008, establishes a framework to manage acquisition programs and states that the defense acquisition system provides a simplified and flexible management framework for translating capability needs and technology opportunities into stable, affordable, and well-managed acquisition programs.

DoD Instruction 5000.02 implements the requirements of the DoD acquisition system outlined in DoD Directive 5000.01 and establishes the total program cost thresholds in FY 2000 constant dollars for DoD acquisition programs. Defense acquisition programs are grouped into the following acquisition categories:

- Category I—costs of more than \$365 million in Research, Development, Test, and Evaluation funds; more than \$2.19 billion in procurement; or a designation by the Milestone Decision Authority as a special interest;
- Category II—costs of more than \$140 million in Research, Development, Test and Evaluation or more than \$660 million in procurement; or
- Category III—costs do not meet the criteria for Defense acquisition category II programs or above.

Required Acquisition Documentation

Table D-1 shows examples of required documents for any Defense acquisition program.*

Table D-1. Examples of Required Defense Acquisition Documents

Information Requested	When Required
Acquisition Strategy	Milestone B
Acquisition Decision Memorandum	Milestone A, B, C or Each Review
Analysis of Alternatives	Milestone A
Affordability Assessment	Milestone B
Study Guidance	Material development decision
Study Plan	Immediately after material development decision
Life Cycle Sustainment Plan (part of acquisition strategy)	Milestone B
Acquisition Program Baseline	Milestone B
Capability Development Document	Milestone B
Technology Readiness Assessment	Milestone B
Capability Production Development	Milestone C

*For a complete list, see Enclosure 4 of DoD Instruction 5000.02.

Office of Under Secretary of Defense for Acquisition, Technology and Logistics Comments



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

NOV 22 2011

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL AND DIRECTOR,
ACQUISITION AND CONTRACT MANAGEMENT, DoDIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *7/8 11/22/11*

SUBJECT: Response to DoDIG Draft Report on DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft (Project No. D2011-D000AS-0030.000)

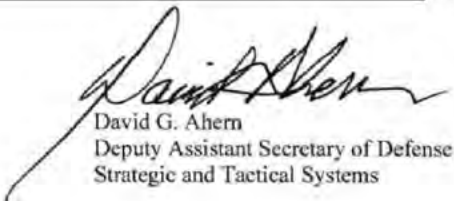
Responses to the general content and recommendations contained in the subject report are included.

In January 2010, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) designated the Department of the Army as the lead Service for the DoD to consolidate Russian-made Mi-17 helicopter procurement, sustainment, training and technical support under a single, Service-level, Project Management Office (PMO). This PMO was organized to address problems related to the prior fragmented approach of tasking different Services to execute partial Mi-17 procurement and sustainment tasks; that prior approach added confusion and inefficiency. The Non-Standard Rotary Wing Aircraft Project is successfully correcting these problems. The PMO is now meeting the USD(AT&L)'s intent; improved delivery and more effective procurement, sustainment, training and technical support to Partner Nations and U.S. users of these aircraft.

With significant progress realized to date, the USD(AT&L) action to establish a PMO can be improved and we agree to address planning and tracking activities. There are important differences between a series of foreign military sales actions in support of other nations' forces and the specific criteria that apply to major defense acquisition programs; the approach implemented is appropriate.

Specific responses to the finding, recommendations, and comments on the stated internal control weaknesses are attached (Attachment 1). Recommended corrections to Appendix B and C of your report are also provided (Attachment 2). In general, we non-concur with the report.

Please contact [REDACTED] if additional information is required.


David G. Ahern
Deputy Assistant Secretary of Defense
Strategic and Tactical Systems

Attachments:
As stated

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ATCH 1

**Responses to DoDIG Draft Report on DoD Needs to Improve Accountability and Identify
Costs and Requirements for Non-Standard Rotary Wing Aircraft
(Project No. D2011-D000AS-0030.000)**

Finding:

There are important disagreements on several details in the report. A few examples are provided to help clarify our general assessment.

- The report states that “more than \$1B in estimated future Non-Standard Rotary Wing Aircraft efforts” was identified. This statement does not distinguish between initial estimates for potential actions (for example, a contract option line to purchase replacements for aircraft losses) being worked in the PMO and actual budgetary requests from the Department which are significantly lower.
- Table 1 contrasts the number of aircraft “managed” by the Non-Standard Rotary Wing Aircraft (NSRWA) Project Management Office (PMO) to the number of aircraft “within the CENTCOM area of responsibility;” the differences suggest a lack of management, which is not the case. The actual differences in the number of aircraft can be traced to aircraft owned by countries that do not request U.S. support. Different questions resulted in different answers that were not resolved during the audit.
- The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) did not establish the PMO “as a temporary solution.” The Department is developing a long-term plan for addressing partner-nation rotary wing requirements that is less dependent on foreign sources of supply and the formation of the NSWRA PMO was the initial step in that long-term plan.
- The audit was conducted during the time the PMO was being staffed, actions and contracts were being transitioned, and during ongoing procurement bid protest litigation. The complexity of this period is worth noting.

Recommendation 1a:

Request that the Deputy Secretary of Defense designate the Army as the Executive Agent for non-standard rotary wing aircraft.

Response:

The Department agrees that activities, such as procurement and sustainment of NSRWA, need a single manager, as is evident in the January 19, 2010, Acquisition Decision Memorandum (ADM) by the USD(AT&L) that assigns the Army to lead those efforts. But, the Department disagrees that these activities should be consolidated by designating the Army as the Executive Agent.

The IG’s recommendation is based on the conclusion that effective management of NSRWA requires “...that the Army make DoD-wide decisions...for NSRW activities.” The Army “need” to make “DoD-wide decisions” is limited to specific procurement and support of these aircraft, as delegated in the ADM. For example, the Army only provides advice in NSRW policy matters; the overarching United States policy initiative to Build Partner Nation Capability is directed by the Secretary of State, the Under Secretary of Defense (Policy), and the cognizant Combatant Commander(s).

The decision to designate an Executive Agent is reserved, by policy and guidance, for occasions when no existing means to accomplishing this objective exists, when DoD resources need to be focused on specific areas of responsibility to minimize duplication or redundancy, or when designated by law, Executive order, or government-wide regulation (reference: DoD Directive (DoDD) 5101.1, DoD Executive Agent). Those conditions do not exist. The Department exercised "existing means" to focus the challenges of purchasing NSRWA through its ADM by directing the Army to establish a NSRWA PMO, assigning it the sole responsibility for NSRW acquisition activities, and directing the other Services to transition similar activities to that office in an orderly fashion. The Army already managed a majority of all Department helicopter activities, including helicopter training.

Staffing the program office and contract transition activities, which were ongoing during the time of the DoD IG review, are now complete. The NSRWA PMO is under the oversight of the U.S. Army Aviation Program Executive Officer and has expert support available from the Army Aviation Engineering Directorate. As a result, the NSRWA PMO currently provides full acquisition capacity. The Department is satisfied that the NSRWA PMO is the most effective means to manage NSRW procurement and support activities.

Designating an Executive Agent also incurs additional responsibilities, as stated in DoDD 5101.1, that are problematic to apply to NSRWA, such as the need to report requirements and resources in the DoD Component's budget documentation. The Army is not responsible to fund NSRWA or their support. Most NSRWA PMO business is customer-reimbursed, using Foreign Military Sales (FMS), overseas contingency operations funding, or section 1206/1208 appropriations, that are not resourced by the U.S. Army.

Since establishing an Executive Agent would not make the oversight or the management of NSRWA any more effective or efficient and would incur unnecessary additional expense and the current management structure is effective, the Department intends to continue the current management structure and does not contemplate designating an Executive Agent. No further actions are planned. No alternative action is considered appropriate.

Recommendation 1b:

Establish the non-standard rotary wing aircraft program as a long-term effort and designate it with the necessary Defense acquisition program category.

Response:

The Department agrees that the NSRWA program needs to continue to support Building Partner Nation Capability activities as long as they are required. The USD(AT&L) ADM that tasked the Army to establish the NSRWA Program Office does not limit the duration of the program office and remains in force; no consideration has been given to any abbreviation of the effort.

The Department disagrees that designating the NSRWA program as an acquisition category program is necessary or appropriate. The NSRWA program does not meet the Major Defense Acquisition Program (MDAP) criteria in section 2430 of Title 10, United States Code (10 USC 2430) which defines an MDAP as:

"...a Department of Defense acquisition program that is not a highly sensitive classified program (as determined by the Secretary of Defense) and - (1) that is designated by the Secretary of Defense as a major defense acquisition program; or (2) that is estimated by the Secretary of Defense to require an eventual total expenditure for research, development, test, and evaluation of more than \$300,000,000 (based on fiscal year 1990 constant dollars) or an eventual total expenditure for procurement, including all planned increments or spirals, of more than \$1,800,000,000 (based on fiscal year 1990 constant dollars)."

The estimated acquisition costs for the NSRWA program are less than the above statutory dollar thresholds. Furthermore, the type of funds used for the program are not research, development, test, and evaluation or procurement account funds appropriated by Congress. The types of funds used for the NSRWA program are FMS, overseas contingency operations funds, or section 1206/1208 appropriations that do not meet the definition of 10 USC 2430.

Therefore, the Department specifically chose not to designate the NSRWA program as an MDAP. The USD(AT&L) established NSRWA as a Special Interest (SI) program in his January 19, 2010, ADM: "I also designate the non-standard rotary wing aircraft a Special Interest Acquisition (SIA); however, at present it will not carry an acquisition category program designation."

Designation of a SI program is not a designation as an MDAP under 10 USC 2430. The DoD acquisition regulations recognize the distinction between an MDAP and a SI program. Section 10.10 of the Defense Acquisition Guidebook states, in part:

"If the DAE [Defense Acquisition Executive] desires oversight of a program that falls below MDAP dollar thresholds, and deems that statutory reporting associated with MDAPs is not needed, the program is designated a Special Interest program. If the DAE retains MDA [Milestone Decision Authority], the program is an ACAT ID Special Interest program. If the DAE delegates MDA to the Component Head or CAE [Component Acquisition Executive], then the program is an ACAT IC Special Interest program. The CAE may also designate Special Interest programs that are ACAT II or below. For such Special Interest programs, the reporting requirements are tailored to meet the specific oversight needs."

The DoD acquisition regulations authorize the DAE to tailor the requirements for a SI program. SI program designation does not equate to designation as an MDAP under 10 USC 2430.

Many aspects of the defense management processes and documentation required of an acquisition category program do not apply to the NSRWA program. For example, Partner Nations determine their needs outside the formal requirements process. Afghan Security Force Fund appropriations are managed in accordance with the Arms Export Control Act and FMS procedures, not with program-specific documents such as an acquisition program baseline.

Since the NSRWA program does not meet the statutory criteria for an MDAP in accordance with 10 USC 2430 and the current Special Interest program designation provides effective oversight, the Department intends to continue the current SIA designation. No further actions are planned. No alternative action is considered appropriate.

Recommendation 1c:

Identify and develop the acquisition documents required for the Non-Standard Rotary Wing Aircraft program.

Response:

The Department agrees to develop and provide guidance to the Army that will establish documentation and reporting requirements tailored for this SI program and the specific situation.

The Department will issue such guidance within six months.

Recommendation 1d:

Require that all non-standard rotary wing aircraft contractual requirements be sent to a single contracting command and identify a timeline for transitioning all remaining contracts.

Response:

The Department agrees that management of all NSRWA procurement and support activities should be consolidated. The January 19, 2010, USD(AT&L) ADM that tasked the Army to establish a single Service-level PMO also stipulated: "The other Services shall coordinate with the PMO to transition all relevant procurement and support activities in an orderly fashion." The guidance specified the transitions should be completed "in an orderly fashion" to preclude delaying needed support and to allow the flexibility for efficient transfers at logical times in the contracts. At present, the NSRWA PMO manages all Mi-17 procurement; all Mi-17 aircraft contracts are either completed or have transitioned to the Army Contracting Center (ACC)-Redstone under PMO oversight, and management of all active Mi-17 task orders on the OSD Counternarcotics contract have transitioned to ACC-Redstone under PMO oversight. Management of other types of non-standard aircraft is in transition.

The Department disagrees with issuing unqualified general guidance to send all contracts to a "single contracting command." Contract novation may add cost or incur delays. Similarly, transition in cases where the contracts are nearly complete would provide no value.

As part of the documentation and reporting guidance to be established under recommendation 1c, the Department will task the PMO to report the status of all procurement and support contracts on a recurring basis, to include planned transitions or closeout status. That tasking will be completed within six months.

Recommendation 1e:

Require the Non-Standard Rotary Wing Aircraft Project Management Office to implement target affordability and control cost growth, incentivize productivity and innovation in industry, and promote real competition as required by the November 3, 2010, "Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending" memorandum.

Response:

While the goals stated in the memorandum are relevant, the Department disagrees with making these goals mandatory for the NSRWA program.

We revised draft
report
Recommendation
1.d

The subject memorandum pertains to defense acquisition category programs or contracts for which the Department controls the variables that enable the goals, such as the details of the requirement or long-term Service commitments to request the requisite funding be appropriated. As stated in the reply to recommendation 1b, NSRWA is a SI program, not an acquisition category program, and therefore is not automatically subject to the memorandum, absent specific direction.

As stated previously, Partner Nations or FMS customers generally stipulate a required product. This contrasts with the U.S. practice of stating requirements in terms of performance needs that permit competition among alternative products. In the case of NSRWA, Partner Nations seek products that are not procured or supported in the U.S. inventory; hence the term non-standard.

Building a Partner Nation's capability almost always involves an urgent need to enable the Partner Nation to defend itself with decreasing support from U.S. Forces. Near-term urgency to provide a specific product, that is often manufactured overseas, fundamentally conflicts with greater efficiency and improved productivity.

Procurement of NSRWA on behalf of a Partner Nation is routinely subject to the laws of the country of the original equipment manufacturer of the equipment to be purchased or supported.

Such situations can limit competition, preclude access to the country's industry, and frustrate DoD's ability to achieve the goals stated in the memorandum. For example, Mi-17 aircraft to be used for military purposes, as determined by the Russian Federation, must be purchased from a specific export agency, thus precluding competition.

The Department has stated that its long-term goal is to transition Partner Nations to equipment built and supported by U.S. companies as the Partner Nations progress in skill levels, take over their own defense, and, hopefully, use their own funds. Such transitions to U.S. manufactured products will enable the goals stated in the memorandum. Therefore, when applicable and appropriate, the Department will apply the premises of the "Better Buying Power" memorandum to the NSRWA program.

No alternative action is considered appropriate.

Lack of Internal Controls for Management of NSRWA:

USD(AT&L) did not provide adequate authorization to the NSRWA Project Manager or require that NSRWA efforts follow the Defense acquisition process.

Response:

The Department disagrees with the finding and the statement (see the responses to recommendations 1a and 1b). As stated before, the USD(AT&L) directed the Army to establish a PMO in his ADM of January 19, 2010, and designated it a SI program. The Army assigned the task to its Aviation Program Executive Officer who established the NSRWA Project Office, which is subject to the same internal control requirements as other aviation program offices. The Army provides expert engineering and contracting support to the PMO, as required; those organizations maintain internal controls. The PMO is provided funding from various appropriations and sources that are also subject to internal controls. FMS cases are subject to

internal controls, as well as the foreign country's oversight. Efforts to Build Partner Nation capability have been implemented using the FMS process with so-called "pseudo-FMS" case identification to facilitate internal control discipline to those actions. The Program Manager presents program status briefings using data found in the FMS systems. The opposing positions of the IO and the DoD regarding the internal controls may be a result of explicit reporting requirements for this SI program. As stated in the response to recommendation 1c, the Department agrees to develop and provide guidance to the Army that will establish documentation and reporting requirements tailored for this SI program and the specific situation. The Department will issue such guidance within six months.

ATCH 2

APPENDIX B. Mi-17 Pseudo-FMS Cases Annotated with Program/Contract/Manager Status

Case No	Country	Program/Contract Manager
G5-B-UEV	Afghanistan	NSRWA/AMCOM SAMD
G5-B-UDJ	Afghanistan	NSRWA/AMCOM SAMD
G5-B-UDH	Afghanistan	NSRWA/AMCOM SAMD
G5-B-UDG	Afghanistan	NSRWA/AMCOM SAMD
G5-B-UDD	Afghanistan	NSRWA/AMCOM SAMD
G5-B-UAQ	Afghanistan	NSRWA/AMCOM SAMD
E6-P-SBU	Afghanistan	NSRWA (was Navy Case)
E6-B-UDL	Afghanistan	NSRWA/AMCOM SAMD
E6-B-UCJ	Afghanistan	NSRWA (was PEO STRI)
E5-B-UBV	Afghanistan	PEO STRI Case Completed, did not transfer
E3-P-GBI	Afghanistan	Navy IPO / NAVAIR (Est case closure 2013)
E3-B-UBW	Afghanistan	NSRWA / AMCOM (was PEO STRI)
E3-B-UBP	Afghanistan	USASAC FMS Case
B6-P-GCM	Afghanistan	Navy IPO / NAVAIR (Est case closure 2013)
B6-B-FCP	Afghanistan	NSRWA / AMCOM (was PEO STRI)
G5-P-SAH	Afghanistan	Navy Case, Cancelled
E6-P-LGB	Afghanistan	NSRWA (was Navy Case)
E6-P-LCR	Afghanistan	NSRWA (was Navy Case)
E6-B-UBP	Afghanistan	NSRWA (was PEO STRI)
E3-B-UBE	Afghanistan	PEO STRI, Case completed, did not transfer
B2-B-AAV	Afghanistan	PEO STRI, Case completed, did not transfer
B6-B-FCO	Afghanistan	PEO STRI, Case completed, did not transfer
B6-B-FCV	Afghanistan	PEO STRI, Case completed, did not transfer
B6-B-ABV	Afghanistan	PEO STRI, Case completed, did not transfer
G5-B-UBD	Afghanistan	PEO STRI, Simulator Case, did not transfer
B7-B-AAY	Iraq	NSRWA (was PEO STRI)
E4-B-UBF	Iraq	PEO STRI, Case completed, did not transfer
G8-B-UBF	Iraq	TACOM, (Machine Gun support case)
B4-P-ABB	Pakistan	Navy case, (Case closed 22 Sep 09)
B9-B-UDM	Pakistan	PEO STRI, Case completed, did not transfer
G4-B- BOD	Pakistan	USASAC / New Cumberland BO Case for spares
G7-B-UAW	Yemen	NSRWA/AMCOM SAMD

Abbreviations:

NSRWA	Non Standard Rotary Wing Aircraft Project Office
AMCOM SAMD	Army Material Command, Security Assistance Management Directorate
PEO STRI	Program Executive Office for Simulations, Training and Instrumentation
USASAC	U. S. Army Security Assistance Command
TACOM	(U.S. Army) Tank and Automotive Command
Navy IPO	Navy International Program Office
NAVAIR	Naval Air Systems Command
BO	Blanket Order

Appendix C. Mi-17 Contracts with Status

<u>Contracting Acty*</u>	<u>Contract No.</u>	<u>Award D</u>	<u>Status</u>
SMDC/ARSTRAT	W9113M-07-D-0006-0032	30-Sep-09	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0006-0044	30-Sep-09	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0006-0055	30-Sep-10	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0015	23-Sep-08	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0020	26-Sep-08	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0021	30-Sep-08	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0022	30-Sep-08	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0035	30-Sep-09	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0040	21-Jul-10	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0055	30-Sep-09	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0007-0061	30-Sep-10	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0008-0024	30-Sep-10	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0009-0002	30-Sep-08	Transferred to ACC-R July 2011
SMDC/ARSTRAT	W9113M-07-D-0009-0005	30-Sep-10	Transferred to ACC-R July 2011
ACC-R	W58RGZ-09-C-0028	27-Oct-08	ACC-R
ACC-R	W58RGZ-09-D-0130-0102	28-Sep-10	ACC-R
ACC-R	W58RGZ-11-C-0072	26-May-11	ACC-R
PEO-STRI	W900KK-08-C-0011	18-Dec-07	Transferred to ACC-R Feb 2010
PEO-STRI	W900KK-09-D-0002-0001	5-Feb-09	Not Transferred, ended Mar 2010
PEO-STRI	W900KK-09-D-0002-0002	28-Aug-09	Not Transferred, ended Mar 2010
PEO-STRI	W900KK-09-D-0002-0003	7-Apr-10	Not Transferred, ended Apr 2011
PEO-STRI	W900KK-09-D-0320-0002	15-Apr-11	Not Transferred, Simulator Effort
KRCC	W91B4M-11-A-0001	20-Oct-10	Not Transferred, Local BPA Complete
KRCC	W91B4M-10-A-0003	10-Feb-10	Not Transferred, Local BPA Complete
KRCC	W91B4M-10-A-0004	10-Feb-10	Not Transferred, Local BPA Complete
KRCC	W91B4M-10-A0005	10-Feb-10	Not Transferred, Local BPA Complete
KRCC	W91B4M-11-C-0007	7-Dec-10	Transferred to ACC-R Feb 2011
AFSOC	FA0021-10-C0010	14-Jul-10	Not Transferred, AC lease, Hurlburt
USSOCOM	H92222-09-C0048	2-Sep-10	Not Transferred, ended June 2010
SOFSA	H92254-09-D-0001-116	1-Oct-10	Not Transferred, AC Maint, Hurlburt
SOFSA	USZA22-03-D-0006-7810	1-Oct-07	Not Transferred, ended Sep 2008
SOFSA	USZA22-03-D-0006-7811	1-Oct-07	Not Transferred, ended Sep 2008
SOFSA	USZA22-03-D-0006-8602	1-Oct-08	Not Transferred, ended Sep 2009
SOFSA	USZA22-03-D-0006-8603	1-Oct-08	Not Transferred, ended Sep 2009
SOFSA	USZA22-03-D-0006-8969	28-Sep-09	Not Transferred, ended Sep 2009

Abbreviations:

SMDC/ARSTRAT	Space and Missile Defense Command / Army Strategic Command
ACC-R	(U.S. Army) Army Contracting Command – Redstone (Arsenal)
PEO-STRI	Program Executive Office for Simulations, Training and Instrumentation
KRCC	Kabul Regional Contracting Command
AFSOC	Air Force Special Operations Command

USSOCOM
SOFSA

United States Special Operations Command
Special Operations Forces Support Activity

North Atlantic Treaty Organization Training Mission- Afghanistan/Combined Security Transition Command- Afghanistan Comments



REPLY TO
ATTENTION OF

HEADQUARTERS
NATO TRAINING MISSION - AFGHANISTAN
COMBINED SECURITY TRANSITION COMMAND - AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

NTM-A/CSTC-A

15 November 2011

MEMORANDUM THRU

United States Forces – Afghanistan (CJIG), APO AE 09356
United States Central Command (CCIG), MacDill AFB, Florida 33621

FOR Office of the Special Inspector General for Afghanistan Reconstruction, 400 Army Navy
Drive, Arlington, Virginia 22202

SUBJECT: NTM-A/CSTC-A Response to the Draft Report "DoD Needs to Improve
Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft"

1. Reference:

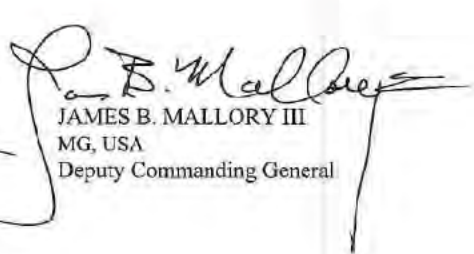
- a. Draft Report, dated 18 October 2011, project no. D2011-D000AS-0030.000
- b. CSTC-A Draft Report Response, dated 12 Nov 2012

2. The purpose of this memorandum is for CSTC-A to non-concur on recommendation 1.b and
concur with comment on recommendations 1.c, 1.d, and 1.e of the referenced DoD IG Draft
Report.

3. Point of contact for this action is [REDACTED]

Encls

1. Draft DoD IG Report, 18 OCT 11
2. CSTC-A Response, 12 NOV 11


JAMES B. MALLORY III
MG, USA
Deputy Commanding General

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REPLY TO
ATTENTION OF

HEADQUARTERS
NATO TRAINING MISSION - AFGHANISTAN
COMBINED SECURITY TRANSITION COMMAND - AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

12 Nov 2011

CSTC-A Response to 18 Oct 2011 DoD IG Report project no. D2011-D000AS-0030.000

1. Page 17, Section "Recommendations 1.b" the Report states:

Establish the non-standard rotary wing aircraft program as a long term effort and designate it with the necessary Defense acquisition program category.

NTM-A/CSTC-A Response:

1. Concur and non-concur: Fully concur with establishment of NSRWA program as a long term program. However, non-concur on use of Defense acquisition categories (ACAT) for Afghan Security Forces Fund (ASFF) funded efforts. ACAT designators are defined in DODI 5000.02. DoDI 5000.02 defines various Acquisition Categories (ACAT) designations based on two factors: (1) funding levels of research, development, test and evaluation (RDT&E) or procurement appropriations, or (2) designation by the Milestone Decision Authority. Since all ASFF is an OCO appropriation and not an RDT&E or Procurement appropriation, DoDI 5000.02 does not apply and therefore ACAT designations should not apply. Further, since nearly all NSRW aircraft and training devices for Afghanistan have been procured to date, designating these as "ACAT" programs this late in their acquisition will add little to mitigate future risks or address any previous acquisition strategy concerns. It is worth noting that ASFF-funded efforts are managed in accordance with the Arms Export Control Act. We use DOD 5105.38-M, Security Assistance Management Manual (SAMM), Defense Security Cooperation Agency's (DSCA) Foreign Military Sales (FMS) process, which fully employs each implementing Services' procurement oversight processes. Should Defense acquisition program categories be directed for NSRWA, they should be defined for specific NSRW platforms (e.g. M-17, Mi-35, Rotary Wing Trainer, etc.) vice across all NSRW aircraft and further should be defined by country supported vice all countries.

2. Page 17, "Recommendations 1.c" the Report states

Identify and develop the acquisition documents required for the Non-Standard Rotary Wing Aircraft program.

NTM-A/CSTC-A Response:

1. Concur with comment: Implementing acquisition documents for efforts not already into or beyond production would be valuable. However, given that the NSRW programs supporting Afghanistan are already well into or beyond the production and deployment

Page 1

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phase, retroactively recreating acquisition documents for these programs will have little value and will likely require extensive effort.

3. Page 17, "Recommendations 1.d" the Report states

Require that all non-standard rotary wing aircraft contractual requirements be sent to a single contracting command and identify a timeline for transitioning all remaining contracts.

NTM-A/CSTC-A Response:

1. Concur with comment: concur regarding various US contracting commands. However, CSTC-A may well look to transition contracting activity for future sustainment of NSRW-provided platforms to the Afghans who would use their own internal procurement processes. This IG recommendation should be modified to allow for such a possibility and thereby facilitate future transition of sustainment efforts to the Afghans.

4. Page 17, "Recommendations 1.e" the Report states:

Require the Non-Standard Rotary Wing Aircraft Project Management Office to implement target affordability and control cost growth, incentivize productivity and innovation in industry, and promote real competition as required by the November 3 2010, "Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending" memorandum.

NTM-A/CSTC-A Response:

1. Concur with comment: CSTC-A / SAO-A is working with PM NSRWA to develop a long-term overarching sustainment strategy and contract for the Mi-17. All NSRW aircraft for the Afghan Air Force will be competed, thereby adhering to the "better buying power" OSD(AT&L) initiative.

APPROVED BY:

████████████████████
COL USA
Director, Security Assistance Office – Afghanistan

PREPARED BY:

████████████████████
MAJ, USAF
Chief, AAF FMS branch

We revised draft
report
Recommendation
1.d

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Inspector General
Department of Defense

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