



Highlights of [GAO-07-745](#), a report to the Subcommittee on Emerging Threats and Capabilities, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Advanced SEAL Delivery System (ASDS) is a hybrid combatant submersible providing clandestine delivery and extraction of Navy SEALs and equipment in high-threat environments. The first ASDS has had significant performance issues and has cost, to date, over \$885 million. In May 2006, you requested that GAO review ASDS. This report examines (1) how the Navy managed ASDS risks through its contracts and (2) the status of major technical issues and program restructuring.

What GAO Recommends

GAO is making recommendations to the Secretary of Defense to help ensure that a decision to proceed with ASDS is based on acceptable cost, schedule, and performance criteria; that essential design changes are operationally tested prior to a program decision; and that the future contract strategy appropriately balances risk and promotes better accountability. DOD partially concurred with GAO's first two recommendations and concurred with the third recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-07-745.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul Francis at (202) 512-4841 or francisp@gao.gov.

DEFENSE ACQUISITIONS

Success of Advanced SEAL Delivery System Hinges on Establishing a Sound Contracting Strategy and Performance Criteria

What GAO Found

The Navy did not effectively oversee the contracts to maintain, repair, and upgrade the ASDS and failed to hold the prime contractor accountable for results. The Navy took responsibility for correcting the boat's deficiencies while continuing to pay the costs and fees of the prime contractor under cost reimbursable contracts to execute the corrections. Before accepting the boat, the Navy went to sources other than the prime contractor to obtain better designs for the propeller and battery and then paid the prime contractor to install them. When the Navy accepted the ASDS in 2003 in an "as is" condition, it relieved the contractor from having to take any additional actions to correct known problems. Since then, the U.S. Special Operations Command has continued to invest millions of dollars to fix existing problems and address new ones in an attempt to make the boat operational. In making this additional investment, the Navy entered into contracts with the prime contractor that provided little incentive to control costs, authorized work before reaching agreement on the scope and price of the work to be performed, and failed to finalize the terms of the work within required time frames. Meanwhile, the contractor's performance continued to be poor, often exceeding initial estimates for the time and cost required to perform the work. ASDS officials took actions over the past 2 years to address these issues, but acknowledge that it is too early to determine the effectiveness of more recent actions to incentivize the contractor's performance.

Continuing problems with the existing ASDS led to DOD's April 2006 decision to cancel plans to buy additional ASDS boats, establish an improvement program for the in-service ASDS, and conduct an assessment of alternative material solutions to fulfill remaining operational requirements. The problems have seriously degraded the boat's reliability and performance, and the boat is only available for limited operational use. The results of these improvement and assessment efforts are expected to provide DOD the knowledge needed to determine whether ASDS's reliability can be improved cost-effectively to make ASDS an operational asset and whether an alternative development program is needed to meet the remaining operational requirements. A program decision is planned in mid-2008, after the ASDS improvement program and assessment of alternate material solutions are completed.