

GAO Highlights

Highlights of [GAO-13-833](#), a report to congressional committees

Why GAO Did This Study

The Navy estimates that it will need \$3.7 billion from fiscal year 2014 through fiscal year 2020 to develop and field an initial UCLASS system. The National Defense Authorization Act for Fiscal Year 2012 mandated that GAO evaluate the UCLASS system acquisition strategy. This report (1) assesses the UCLASS acquisition strategy, (2) identifies key areas of risk facing the system, and (3) notes areas where the Navy's strategy contains good practices. To do this work, GAO reviewed the Navy's acquisition strategy and compared it to DOD's acquisition policy, among other criteria; and reviewed Navy acquisition documents and spoke with Navy and Office of the Secretary of Defense officials.

What GAO Recommends

Congress should consider directing the Navy to hold a Milestone B review for the UCLASS system after the system level preliminary design review is complete. If the Navy does not comply, Congress should consider limiting the amount of funding available for the UCLASS system until an acquisition program baseline is provided. GAO included these matters for consideration because the Navy does not plan to make changes as a result of GAO's recommendation to hold a Milestone B review following the system level preliminary design review—which is currently scheduled in fiscal year 2015. The Navy did not concur with the recommendation, and believes that its approved strategy is compliant with acquisition regulations and laws. GAO continues to believe that its recommendation is valid as discussed in this report.

View [GAO-13-833](#). For more information, contact Michael J. Sullivan at (202) 512-4841 or sullivanm@gao.gov.

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DEFENSE ACQUISITIONS

Navy Strategy for Unmanned Carrier-Based Aircraft System Defers Key Oversight Mechanisms

What GAO Found

In fiscal year 2014, the Navy plans to commit to investing an estimated \$3.7 billion to develop, build, and field from 6 to 24 aircraft as an initial increment of Unmanned Carrier-Launched Airborne Surveillance and Strike (UCLASS) capability. However, it is not planning to hold a Milestone B review—a key decision that formally initiates a system development program and triggers key oversight mechanisms—until after the initial UCLASS capability has been developed and fielded in fiscal year 2020. The Navy views UCLASS as a technology development program, although it encompasses activities commensurate with system development, including system integration and demonstration. Because the initial UCLASS system is to be developed, produced, and fielded before a Milestone B decision, Congress's ability to oversee the program and hold it accountable for meeting cost, schedule, and performance goals will likely be limited. Specifically, the program will operate outside the basic oversight framework provided by mechanisms like a formal cost and schedule baseline, statutory unit cost tracking, and regular reports to Congress on cost, schedule, and performance progress. The Navy believes its approach effectively utilizes the flexibility in the Department of Defense's (DOD) acquisition policy to gain knowledge needed to ensure a successful UCLASS system development program starting in fiscal year 2020. Yet the Navy expects to review preliminary designs, conduct a full and open competition, and award a contract for UCLASS development in fiscal year 2014, a point at which DOD policy and best practices indicate that a program would be expected to hold a Milestone B review to initiate a system development program. Apart from deferring Milestone B, the Navy's plan would be consistent with the knowledge-based acquisition process reflected in DOD policy.

UCLASS faces several programmatic risks going forward. First, the UCLASS cost estimate of \$3.7 billion exceeds the level of funding that the Navy expects to budget for the system through fiscal year 2020. Second, the Navy has scheduled 8 months between the time it issues its request for air vehicle design proposals and the time it awards the air vehicle contract, a process that DOD officials note typically takes 12 months to complete. Third, the UCLASS system is heavily reliant on the successful development and delivery of other systems and software, which creates additional schedule risk. Fourth, the Navy will be challenged to effectively manage and act as the lead integrator for three separate but interrelated segments—air vehicle, carrier, and control system—and 22 other government systems, such as the aircraft landing system, the timing and alignment of which are crucial to achieving the desired UCLASS capability. While the Navy recognizes many of these risks and has mitigation plans in place, they could lead to cost increases and schedule delays if not effectively addressed.

The Navy's UCLASS acquisition strategy includes some good acquisition practices that reflect aspects of a knowledge-based approach. For example, the Navy is leveraging significant knowledge gained from prior technology development efforts, incorporating an open systems design approach, working to match the system's requirements with available resources, and reviewing preliminary designs for the air vehicle before conducting a competition to select a single contractor to develop and deliver the air vehicle segment.