

## NEXT GENERATION ENTERPRISE NETWORK

### Navy Implementing Revised Approach, but Improvement Needed in Mitigating Risks

#### Why GAO Did This Study

DON, a component of the Department of Defense (Defense), is replacing its existing network system with NGEN. Capabilities for the new system include secure transport of voice and data, data storage, and e-mail, at a cost of about \$38 billion through fiscal year 2024. In March 2011, GAO reported that the approach for acquiring NGEN was not grounded in a reliable analysis of alternatives, the execution of NGEN was not based on a reliable schedule, and acquisition decisions were not always performance- and risk-based. GAO recommended that Defense, among other things, reconsider its approach. The department has not yet fully implemented GAO's recommendations but revised its approach to include acquiring certain NGEN services simultaneously instead of staggering their implementation.

GAO was asked to review the revised approach to determine (1) the extent to which DON's selected approach to acquire NGEN is the most cost effective and (2) the current status of and plans for acquiring NGEN. To do this, GAO reviewed analyses supporting the cost effectiveness of the acquisition approach, the program's revised acquisition strategy, integrated master schedule, key milestone decisions, and other relevant documents.

#### What GAO Recommends

GAO is recommending that Defense develop comprehensive risk mitigation plans for program-wide risks. In its comments, Defense concurred with GAO's recommendation and noted that it will continue to build on efforts to improve NGEN risk mitigation.

View [GAO-12-956](#). For more information, contact Valerie C. Melvin at (202) 512-6304 or [melvinv@gao.gov](mailto:melvinv@gao.gov).

#### What GAO Found

While the Department of the Navy (DON) has revised its acquisition approach for its new network system, the Next Generation Enterprise Network (NGEN), it still has not shown that it has selected the most cost-effective approach for acquiring NGEN capabilities. Cost effectiveness is shown by comparing life-cycle costs and quantifiable and nonquantifiable benefits among alternatives, which can be accomplished by conducting a thorough analysis of alternatives. GAO previously identified weaknesses with the NGEN analysis of alternatives related to cost estimates and analysis of operational effectiveness and made associated recommendations. However, DON did not revisit the analysis of alternatives to address the weaknesses previously identified, nor did it conduct any other analysis that would show whether its revised approach is the most cost effective. For example, while DON developed a draft economic analysis in February 2012, the analysis assessed only the status quo and revised approach, and not other alternatives. As a result, GAO remains concerned with the analysis measuring NGEN cost effectiveness and DON does not know whether its revised approach for acquiring NGEN is the most cost effective.

Even though DON lacks assurance that it is pursuing the most cost-effective approach to acquiring NGEN capabilities, it has moved forward with implementing its revised approach. For example, the agency has completed activities to support the acquisition and transition to NGEN, prepared plans and analyses required for program initiation, and conducted oversight reviews to support the release of the request for proposals for transport and enterprise services (secure data and e-mail services, among other things). However, the program's schedule for acquiring NGEN capabilities has been delayed, thus making it more likely that DON will not be able to fully transition by the end of the continuity of services contract in April 2014. For example, the release of the request for proposals was delayed, and upcoming milestones, such as contract award and program initiation, have slipped (see table for major delays). Program officials attributed the delays to the need for additional planning and to revisions to the request for proposals. Compounding this situation is that identified risks are not being adequately mitigated. For example, not all mitigation plans are comprehensive because they do not always include all the elements of an effective plan (e.g., identification of resources needed) nor do they always contain the current status of the mitigation actions. According to program officials, weaknesses in these mitigation plans were due, in part, to the lack of a priority in establishing and maintaining comprehensive and current mitigation plans. As a result, the program faces an increased probability that transition from its existing system to NGEN will face further delays and cost overruns.

#### Major Delays

Milestone	Status	Delay
Transport services request for proposals release	Completed	17 months
Enterprise services request for proposals release	Completed	9 months
Program initiation	Not yet occurred	15 months
Transport services contract award	Not yet occurred	14 months
Enterprise services contract award	Not yet occurred	6 months

Source: GAO analysis of DON data.