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The Honorable John McCain
Chairman, Senate Armed Services Committee
241 Russell Senate Office Building
Washington, DC 20510

Subject: Cost Overruns and Delays on the F-35 Program and Need for Acquisition Reform

Dear Sen. McCain:

I read your letter to Sec. Carter, dated November 3, 2016, regarding yet another delay in the completion of the System Development and Demonstration (SDD) phase of the F-35 Joint Strike Fighter Program, which could result in another cost overrun of over \$1 billion.

You also cited a pattern of over-optimistic and inaccurate status assessments by Air Force and DoD personnel. In the past, the Air Force assessments have been corrected following disclosures of Dr. Gilmore's independent assessments. With each correction, the schedule slipped substantially and the SDD's estimated cost at completion (EAC) revealed increasing cost overruns.

I was pleased that, on the same day, you issued a press release which discussed our flawed defense acquisition system and the acquisition reforms in recent National Defense Authorization Acts (NDAA). However, the recent reforms, and the earlier WSARA reforms, failed to address significant deficiencies in the acquisition regulations which enable contractors to report monthly "earned value management" (EVM) cost and schedule performance reports, including the most likely EAC, that are inaccurate.

Five years ago, I reported similar conditions to you in my letter, subject: "Cost Controls on the F-35 and the Need for Acquisition Reform of EVM," dated October 25, 2011. I am pleased that since then, I have been corresponding with your staffers on this subject and that you included some recommendations in mark ups. My emails have reiterated recommended acquisition reforms regarding EVM, cited the continuing slips in development of Blocks 2F and 3F software as well as other F-35 functional requirements, and have recommended that you request the GAO to determine the accuracy of Lockheed's monthly EVM reports.

In your letter to Sec. Carter, you posed several questions, including:

1. When will the Department complete the SDD phase of the F-35?
2. How many additional funds, in each upcoming fiscal year budget, will be required to complete F-35 SDD?

Please consider four additional questions, regarding Lockheed Martin's September 2016 earned value Contract Performance Report (CPR), as follows:

1. What has Lockheed Martin reported as its most likely EAC in the CPR?
2. What is the estimated completion date for the SDD program that is consistent with the most likely EAC?

3. What is the behind schedule condition (schedule variance in months) that was reported?
4. How much does Lockheed Martin's most likely EAC and schedule variance differ from Dr. Gilmore's assessments and why?

In June 2015, Eric Taylor, your Defense Legislative Fellow, responded that, "The Senator's top priority after removing sequestration is acquisition reform. This year's NDAA is the first steps in that process. We have a good reception in the House for all of the reforms in this year's bill. I expect to see many more reforms coming this year and next. Thank you for your support of these changes."

In my recent email to Ms. Gabriel, dated Oct. 29, I discussed DoD's failure to implement improvements that were discussed in its 2010 DoD EVM Report to Congress that was required by WSARA. I also cited my newly published article which addresses the failures of DoD to implement the objective of its 2004 Policy for Systems Engineering (SE Policy). That objective was cited in the DoD EVM report. The article cites a recent DCMA assessment that contractors are not integrating Technical Performance Measurement (TPM) with EVM. The article points out that contractors are not even required to use processes that would enable a program manager to adhere to DoD instructions and guidance regarding TPMs and SE.

I would be pleased to work with Ms. Gabriel and yourself regarding legislation that should be included in the next NDAA. I also recommend that you consider requesting the GAO to determine the root causes of differences between Lockheed Martin's EVM reports and Dr. Gilmore's assessments. A GAO investigation and recommendations may provide insight into needed acquisition reforms.

Yours truly,



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