

Paul Solomon, PMP
3307 Meadow Oak Drive
Westlake Village, CA 91361

November 13, 2016

The Trump Transition Team
725 Fifth Avenue
New York, NY 10022

Subj: DoD Acquisition Reform - Under Budget and Ahead of Schedule

Dear Mr. Trump:

I am pleased that you intend to apply your business techniques to defense programs and, as with your Post Office hotel renovation, to complete projects “under budget and ahead of schedule.”

I expect that you have common objectives with Sen. McCain, who is a force for acquisition reform. In his recent letter to Sec. Def. Carter, he stated that “we owe the American taxpayer a thorough accounting of the cost, schedule, and performance of these very expensive weapons systems programs.”

I have experience of over 30 years in project management controls used by major defense contractors and have also consulted with IT contractors in India and S. Korea (Samsung). I have concluded that the contractually-required management system for controlling and reporting cost, schedule, and technical performance on major, cost plus programs is flawed and ineffective. The system is called Earned Value Management System (EVMS). The policy for using EVMS is owned by the OMB and is implemented through the Federal Acquisition Regulation (FAR) and the DFAR Supplement (DFARS).

Unfortunately for taxpayers, contractors often exploit permissive EVMS guidelines and submit monthly contract performance reports (CPR) that overstate cost and schedule performance and understate the estimated completion costs and schedule. The CPRs often fail to provide an early warning of pending funding shortfalls and delays to providing working weapons to the warfighters.

EVMS is also required on non-defense contracts such as IT systems for the IRS or air traffic control systems.

I have been an advocate of needed revisions to FAR and DFARS that will result in valid, useful earned value information to the government program managers.

Since 2010, I have worked with staffers of Congressman Ike Skelton, when he was Chair of the House Armed Services Committee, and then with Sen. McCain's staff. They have included my recommended language in mark ups to several National Defense Authorization Acts. Unfortunately, DoD has not revised or improved the regulations.

I offer to support your Sec. Def. in considering and implementing needed acquisition reforms. The biggest loophole in the EVMS guidelines allows contractors to report progress in terms of percent complete that is based on flawed, misleading metrics. In construction terms, contractors may report cost and schedule performance based on the number of actual vs. planned architectural drawings, or floors built, even if the rising structure will not meet building codes, seismic risks etc. Contractors are not required by the EVMS guidelines to assess and report progress that is based on achieved vs. planned technical performance or quality (Quality Gap).

I have written many articles that were published in DoD and commercial journals that included recommended fixes to close the Quality Gap. I have also submitted specific recommendations directly to DoD as a consultant, after retiring from Northrop Grumman. DoD has not revised any regulations that would change contractor behavior and practices.

My most recent letter to Sen. McCain, dated November 5, is attached. The letter includes a recap of my acquisition reform recommendations and includes specific recommendations regarding the Lockheed Martin F-35 program. My May 2011 article was published in *Defense AT&L Magazine*, entitled "Path to EVM Acquisition Reform." It is available with other articles and letters to congressmen at <http://www.pb-ev.com/acquisition-reform.html> ,

You have stated that you will ask that "savings be accomplished through common sense reforms that eliminate government waste and budget gimmicks – and that protect hard-earned benefits for Americans." I believe that the EVMS, as currently regulated and practiced, enables government waste and includes gimmicks.

I would be pleased to support your new Sec. Def., *pro bono*, to fix this.

Yours truly,

A handwritten signature in blue ink that reads "Paul J. Solomon". The signature is written in a cursive style with a long horizontal line extending from the end.

Paul Solomon, PMP
818-212-8462
www.pb-ev.com

cc:

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

Attachment:

Letter to The Honorable John McCain
Chairman, Senate Armed Services Committee
Dated November 5, 2016
Subj: Cost Overruns and Delays on the F-35 Program and Need for
Acquisition Reform

**Paul Solomon, PMP
3307 Meadow Oak Drive
Westlake Village, CA 91361**

November 5, 2016

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?

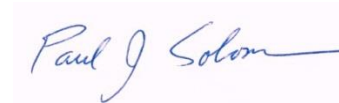
2. What is the estimated completion date for the SDD program that is consistent with the most likely EAC?
3. What is the behind schedule condition (schedule variance in months) that was reported?
4. How much does Lockheed Martin's most likely EAC and schedule variance differ from Dr. Gilmore's assessments 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,



Paul J. Solomon, PMP
818-212-8462
Paul.solomon@pb-ev.com