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The Honorable Donald Norcross
Chairman, HASC Subcommittee on Tactical Air and Land Forces
2216 Rayburn House Office Building
Washington, D.C. 20515

Subject: Today's F-35 Hearing, Deceptive (or No) Performance Metrics, and Ponzi Schemes

Dear Subcommittee Chairman Norcross:

In watching today's hearing, I realized that there are great similarities between the F-35 program and:

1. The Casablanca scene in which Captain Renault said: "I'm shocked, shocked to find that gambling is going on in here!"
2. A Ponzi Scheme

Shocked, Shocked!

I previously cited the GAO assessment of issues with effectively implementing the C2D2 (Agile) approach to develop and deliver **Block 4** capabilities, including:

- Contractor continues to deliver capabilities late.
- Remaining schedule contains significant risk and is not achievable based on the pace of past performance.
- Block 4 **metrics** for software quality, performance, cost, schedule provide **limited insight** into aspects of software development quality under the Agile software development approach.
- Current **metrics** do **not** include the number of planned features and the number of completed features for each software increment, which would provide insight into progress against the planned schedule and help ensure that all capabilities are delivered as planned in the first increment of each software drop.

So, I was not shocked, shocked to hear from Bg. Gen. Abba and GAO witness Diana Maurer that performance measures for the development of ALIS still do not exist. As you know, the ALIS failures are a major cause of high sustainment costs.

In a GAO report released in July 2020, Ms. Maurer stated:

In September **2014**, we recommended that DOD develop a performance measurement process for ALIS that includes, but is not limited to, performance metrics and targets that

- (1) are based on the intended behavior of the system in actual operations and
- (2) tie system performance to user requirements.

The DOD Systems Engineering Guide for Systems of Systems states that to fully understand performance of systems of systems (such as ALIS), it is important to have a set of metrics that assess the system's performance and trace back to user requirements because the system will likely evolve based on incremental changes—similar to ALIS's incremental fielding. These **metrics** should measure the intended behavior and **performance** of the system in actual operations versus the **progress of the development of the system, allowing an assessment of system capabilities based on user requirements**.

Systemic Lack of Technical Performance Metrics (TPM)

The lack of performance metrics and the focus on how much **work** was performed (instead of progress towards meeting the product requirements) are chronic and systemic in DOD. I have reported this to HASC Chairman Ike Skelton and to SASC Chairman McCain. I proposed specific recommendations to fix the problem to them and to DOD and the NDIA for over 20 years. However, all stakeholders preferred to maintain the status quo.

My recent mantra has been “Build Products that Work, not Statements of Work.” I was glad to read Chairman Smith's recent statement, “I'll be interested to hear what actions Congress can take to unleash a more commercial style of **product management** in DOD.” I ask that you and Chairman Smith act on my acquisition reform and oversight recommendations.

Ponzi Scheme

Finally, per the FBI “Scams and Safety” website, a “Ponzi” scheme promises high financial returns or dividends not available through traditional investments. Instead of investing the funds of victims, however, the con artist pays “dividends” to initial investors using the funds of subsequent investors. The scheme generally falls apart when the operator flees with all of the proceeds or when a sufficient number of new investors cannot be found to allow the continued payment of “dividends.”

A DOD cost plus award fee “Major Capability Acquisition” and many software acquisitions, especially those using “Agile Methods,” are akin to a Ponzi scheme. A contractor may submit a monthly Integrated Performance Management Report or a periodic software release that **purports** to have increased functionality or technical performance. However, the acquisition regulations enable the contractor to deceive the DOD Program Manager

about the true cost, schedule, and technical performance. Often, Management Reserve (MR) budget is transferred to cover additional rework, drawings, code, or tests. The contractor contends that more budget is needed for increased “scope of work.” The true cost overruns are hidden. Eventually, the program depletes MR, needs more funds and the contractor goes through the ceremony of requesting an “Over Target Baseline (OTB).” Finally, after OTB approval, the contractor receives additional funds, similar to a Ponzi Scheme.

It is time to hold DOD program managers and contractors accountable for delivering products that work. We need to require accountability and transparency in the program measurement and reporting processes. We need to reduce fraud, waste, and abuse and make better use of DOD budgets.

I would be glad to assist you in any way. This letter and related letters to HASC, SASC, DOD, and OMB may be downloaded from www.pb-ev.com at the Acquisition Reform tab.

Yours truly,

A handwritten signature in blue ink that reads "Paul J. Solomon" with a long horizontal flourish extending to the right.

Paul J. Solomon

CC:

Hon. Adam Smith, Chairman, HASC

Hon. Joni Ernst, SASC

Mr. Andrew Hunter, Biden-Harris Transition Team

Hon. Kathleen Hicks, Dep. Sec. of Defense

Hon. Acting Undersecretary of Defense Stacy Cummings

Ms. Diana Maurer, GAO