

Paul Solomon
3307 Meadow Oak Drive
Westlake Village, CA 91361
Paul.solomon@pb-ev.com

March 22, 2021

The Honorable Adam Smith
Chairman, HASC
2216 Rayburn House Office Building
Washington, D.C. 20515

Subject: Second Request for GAO Assessment of F-35 Cost and Schedule Performance Reporting

Dear Chairman Smith:

In the letter to you, dated May 12, 2020, I requested that you initiate oversight actions to address GAO findings in its report, "F-35 JOINT STRIKE FIGHTER Actions Needed to Address Manufacturing and Modernization Risk on the F-35 Program," GAO-20-339. I had stated that those findings are symptoms of chronic **Lockheed Martin F-35 failures to perform and to report the truth**. Two problems cited by GAO in 2020, provide evidence that performance and reporting deficiencies that I have been disclosing for years have not been fixed, as follows:

1. Unrealistic Cost Estimates at Completion (EAC)
2. Deferred Functionality

In my letter to you, dated March 19, 2021, I cited the 2021 GAO report, to repeat the unresolved deferred functionality issue. Today, I also address the unresolved EAC issue.

Unrealistic, Optimistic EAC

GAO 2020:

F-35's Block 4 development cost estimate did **not meet** the GAO Leading Practice that "The cost estimate results are unbiased, **not** overly conservative or **optimistic** and based on an assessment of **most likely costs**." Per GAO, "Congress is left without a complete picture of what DOD intends to spend on the total Block 4 effort."

GAO 2021, GAO-21-226:

The airframe contractor's **planned work is too optimistic** and not reflective of historical performance. For example, for a recent software drop, Lockheed Martin completed only 64 percent of planned work and delivered only 69 percent of planned functionality on time...the contractor is consistently delivering less than the planned amount of work that was expected to be completed. As a result, we found that the **remaining schedule** is not achievable as it **is based on optimistic assumptions** about the amount of work that can be completed and is **not rooted in reality**.

Lockheed Martin's Chronic Failure to Report Credible Cost and Schedule Performance

Lockheed Martin's reporting failures, discussed in 2020, are repeated below:

Lockheed Martin's failure to report a most likely EAC was first disclosed in my whistleblower lawsuit against LM and Northrop Grumman in 2012. Per Northrop Grumman's reply in support of its motion for summary judgement, "There was public disclosure that defendants' EAC3 projections were *not based on* "Most Likely" estimates. On 12/19/2017, the US Court of Appeals concluded that "the DCMA and GAO reports allege facts that make a *potentially fraudulent scheme* readily identifiable: LMC and its subcontractors were violating contracting regulations by using their management reserve budgets to compensate for over-budget expenditures that would have ***otherwise raised their...estimates at completion reported to the government.***

The F-35 continues to miss its schedule targets and grow in cost. It is time to examine whether Lockheed Martin's reporting of Block 4 cost and schedule performance to DOD and to Congress is credible and accurate. My recommendations to Sen. McCain are valid today.

In a letter from Sen. McCain, dated 3/5/15, he said, "I want to thank you for your letter concerning the cost overruns and mismanagement of the F-35 program...Our focus of effort for this Congress will be to provide accountability and to arrest the growth in cost and schedule."

That was **five** years ago. It has not happened. Please continue his quest.

Per last week's GAO report, Lockheed Martin's planned work

1. Is **too optimistic and not reflective of historical performance.**
2. **Is based on optimistic assumptions about the amount of work that can be completed and is not rooted in reality.**

Recommended HASC Oversight

It is now **six** years since I received Sen. McCain's letter. My request to you from last year is still pertinent: Examine whether Lockheed Martin's reporting of Block 4 cost and schedule performance to DOD and to Congress is credible and accurate.

Yours truly,



Paul J. Solomon

CC:

Hon. Sen. Joni Ernst, SASC

Mr. Andrew Hunter, Biden-Harris Transition Team

Hon. Kathleen Hicks, Dep. Sec. of Defense