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United States
Department of Defense



Spider XM-7 Network Command Munition

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Acronyms and Abbreviations

APL	Anti-Personnel Landmines
ATK	Alliant Techsystems
CCS	Close Combat System
DCMA	Defense Contract Management Agency
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
LRIP	Low-Rate Initial Production
MOA	Memorandum of Agreement
PEO	Program Executive Officer



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

August 29, 2008

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Acquisition of the Spider XM-7 Network Command Munition
(Report No. D-2008-127)

We are providing this report for your information and use. We considered your comments on a draft of this report when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. John E. Meling at (703) 604-9091 (DSN 664-9091) or Ms. Lisa M. Such at (703) 604-9284 (DSN 664-9284). The team members are listed inside the back cover.

A handwritten signature in red ink, reading "Richard B. Jolliffe", is centered below the text.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Results in Brief: Acquisition of the Spider XM-7 Network Command Munition

What We Did

Our audit objective was to evaluate the overall management of the Spider XM-7 Network Command Munition (Spider) program. Specifically, we determined whether management cost effectively developed and readied the program for the production and deployment phase of the acquisition process and implemented best business practices that are available through acquisition initiatives.

What We Found

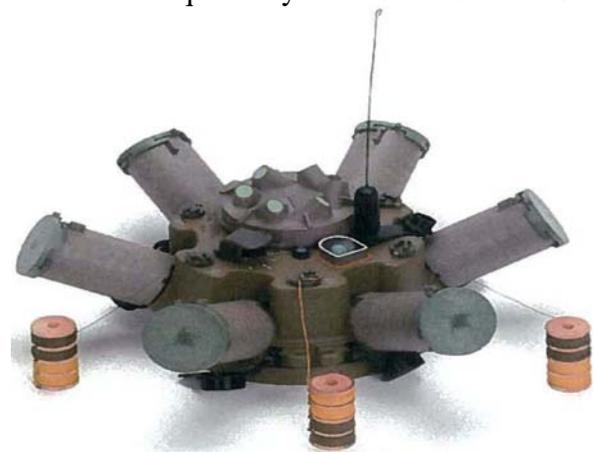
We determined that the Army, Program Executive Office for Ammunition and the Project Manager, Close Combat Systems were successfully developing and readying the Spider program for the production and deployment phase of the acquisition process in the area of requirements and capabilities, testing, systems engineering, contracting, acquisition strategy, and funding. However, we determined that the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey, did not establish and document its program surveillance and support requirements in a performance-based memorandum of agreement between that office and the Project Manager, Close Combat Systems, and the Commander, Defense Contract Management Agency, Boston, Massachusetts, for the Spider program. As a result, the commander could not effectively plan and execute surveillance activities to support desired program management outcomes for the Spider program.

What We Recommend

We recommend that the Army Project Manager, Close Combat Systems; the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, Defense Contract Management Agency, Boston, Massachusetts, establish a performance-based memorandum of agreement for the Spider program focused on the program office's top priorities and risk areas.

Client Comments and Our Response

The Project Manager, Close Combat Systems and the Director, Headquarters, Defense Contract Management Agency responding for the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, Defense Contract Management Agency, Boston, Massachusetts, concurred with our recommendation. We consider the concurrences responsive to our recommendation and do not require any additional comments.



Spider Munition Control Unit

Recommendations Table

Client	Recommendation Requiring Comment	No Additional Comments Required
Army Project Manager, Close Combat Systems		✓
Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey		✓
Commander, Defense Contract Management Agency, Boston, Massachusetts		✓

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Introduction

Objectives

Our audit objective was to evaluate the overall management of the Army's Spider XM-7 Network Command Munition (Spider) program. Specifically, we determined whether management cost effectively developed and readied the program for the production and deployment phase of the acquisition process and implemented best business practices. The scheduled date for a full-rate production decision is April 2009. We also evaluated the internal controls as they related to the overall objective. See Appendix A for a discussion of the audit scope and methodology.

Background

Landmines

A landmine is an explosive device used to destroy or damage equipment or personnel. The anti-personnel landmine (APL) is a landmine designed to either kill or incapacitate victims on foot. The U.S. has maintained over the years an arsenal of "persistent," "dumb," or "non-self-destructing" APLs, which are munitions that remain lethal indefinitely and can affect civilians long after the military action is over. Used either tactically or operationally, APLs can be used either in a limited capacity to disrupt an enemy's progress or in a long-term capacity such as in border protection.

Landmine Policy

In 1998, the United States issued policy designed to phase out and eventually eliminate all APLs outside Korea. The policy stated that by 2003, the United States would end the use of APLs except in Korea. A continued military requirement for APLs in Korea exists for reinforcement of the demilitarized zone. The policy also directed DoD to initiate a research program to identify and develop alternatives to APLs used in Korea with the goal of fielding that alternative by 2006. DoD initiated a three-track approach with the Department of the Army taking the lead to develop non-self-destruct alternatives to APLs used in Korea.

On February 27, 2004, the United States announced a new position on landmines with the issuance of the National Landmine Policy. This policy stated that landmines still had a valid and essential role in military operations. The new policy states that the United States is committed to eliminating the humanitarian risks posed by persistent landmines. After the year 2010, the United States will no longer use persistent landmines and will continue to develop alternatives to current persistent APLs that incorporate self-destructing/self-deactivating technology and preserve military capabilities.

Spider Mission and System Description

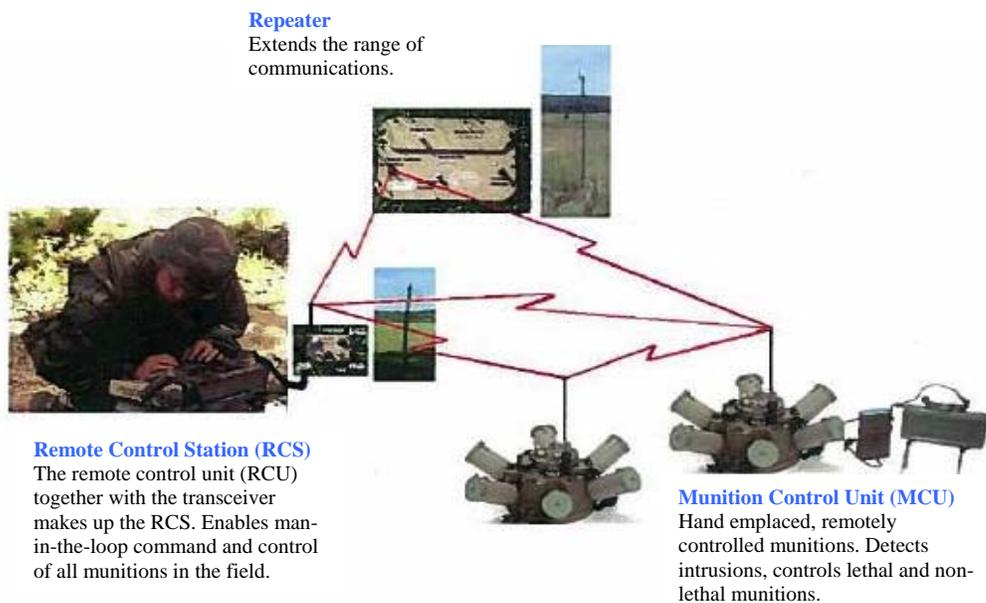
The Spider system is designed to provide perimeter defense and flank protection to the warfighter. As an alternative to persistent APLs, the Spider program was initiated to address humanitarian concerns while still meeting essential military requirements. The Spider system consists of 3 main components to include up to 63 munition control units, a remote control station, and a repeater for extending the range of communications. Each

munition control unit can contain up to six individual lethal grenades. The munitions are situated on the battlefield by the warfighter and employ a “man-in-the-loop” function that provides the operator control of the network of munitions from a distance. The operator deploys tripwires that provide a sensing network that, when tripped, wirelessly signal the operator who can then choose to fire one or multiple grenades with either lethal or non-lethal effects. The system was also initially developed with a “battle override” mode that triggers the grenades as soon as the tripwire is touched. However, the Army subsequently determined that the “battle override” mode was not required to provide the needed force protection and in July 2008, the Army announced that it would field the Spider system with only a “man-in-the-loop” function. The Spider system can also be ordered to self-destruct so that the munitions do not pose a threat to noncombatants or leave a residual hazard. The system will be recoverable and reusable if not previously fired.

Program Management

The Spider program is under the management of the Program Executive Officer (PEO) for Ammunition. The PEO’s mission is to develop and procure conventional and advanced munitions to increase the combat power of the soldier. The Project Manager, Close Combat Systems (CCS) is responsible for managing the Spider program and reports to the PEO. The PEO for Ammunition is the milestone decision authority for the program. Research, development, test, and evaluation, and procurement funds for the Spider program total approximately \$586 million to acquire 532 Spider systems and 263 ammunition re-load sets by FY2013. The program entered the low-rate initial production phase (LRIP) of the acquisition process in June 2006. The Project Manager, CCS plans to schedule the full-rate production decision for April 2009.

The figure below provides a depiction of the Spider system.



Procurement History

In November 1997, the Army notified industry of an opportunity to develop a replacement for the non-self-destruct function of the APL. Potential offerors were briefed on possible alternative technologies, policies, and key system attributes and responded to the opportunity with white papers describing their concepts and capabilities. Each white paper was evaluated and the top 12 contractors were awarded purchase orders to prepare proposals. Alliant Techsystems (ATK) and Textron Systems Corporation (Textron) were awarded contracts to develop and furnish prototypes from proposals received for the program definition and risk reduction phase of the acquisition process.

To support the engineering, manufacturing, and development phase of the acquisition process, the Government intended to select just one contractor. Both ATK and Textron updated and submitted their proposals. A source selection board evaluated each proposal and determined that both had shortfalls. To overcome the shortfalls, the source selection board concluded that the most operationally effective system would incorporate the best features of each of the competing systems.

ATK and Textron supported the source selection board's recommendation to integrate the best of both concepts into one system and advised the Government that they would develop a joint business arrangement to support the system development and production phases of the acquisition process. The Principal Under Secretary of Defense (Acquisition, Technology, and Logistics) approved the Project Manager, CCS proposed change in the acquisition strategy to award a sole-source contract.

In June 2000, ATK and Textron entered into a joint venture agreement for the Spider program, establishing a 50-50 work share split based on proposed costs between the two companies for the system development and production phase for the Spider program. ATK is responsible for the munition control unit and munitions. Textron is responsible for developing the remote control unit and for providing overall system integration. On June 30, 2006, the Army awarded a sole-source contract to ATK and Textron for \$31.13 million for LRIP. On March 23, 2007, the Army increased the contract value to \$116.13 million through a contract modification.

Role of Defense Contract Management Agency in Contract Surveillance

The Defense Contract Management Agency (DCMA) is an independent support agency responsible for assessing contractor manufacturing, production, and quality assurance processes. DCMA employs administrative contract officers to perform contract oversight. Specifically, DCMA is responsible for ensuring that goods are delivered on time, within cost, and that they meet performance requirements. The Federal Acquisition Regulation (FAR) 42.2, "Contract Administration Services," states that contracting officers have the authority to delegate contract administration services to DCMA. Barring any limitations in the contracting officer's delegation, DCMA is responsible for all contract administration functions listed in FAR Part 42.3, "Contract Administration Office Functions."

Spider Management Assessment

We determined that, overall, the Project Manager, CCS was successfully developing and readying the Spider program for the production and deployment phase of the acquisition process within established cost, schedule, and performance parameters in the areas of requirements and capabilities, testing, systems engineering, contracting, acquisition strategy, and funding. However, we did find a need for a performance-based memorandum of agreement (MOA) between the Project Manager, CCS and DCMA to document DCMA program surveillance and support requirements as discussed in the finding of this report.

Finding. Establishing Defense Contract Management Agency Support Responsibilities

The Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey (DCMA Springfield), as head of the lead contract management office for the Spider program, did not establish and document program surveillance and support in a performance-based MOA with the project manager. Further, the Commander, DCMA Springfield did not use a separate annex to an MOA to delineate responsibilities for providing contract administration support at Textron—the other contractor in the joint venture—to the Commander, Defense Contract Management Agency, Boston, Massachusetts (DCMA Boston). This condition occurred because the Commander, DCMA Springfield did not comply with the provisions of the FAR, the *DCMA Instruction*, and the *DCMA Guidebook* for preparing an MOA. As a result, the Commander, DCMA Springfield did not have the information and agreement needed to provide the Project Manager, CCS with effective oversight of contractors' efforts during LRIP for the Spider program, to include an annex in the MOA delineating DCMA Boston contract administration support responsibilities at Textron.

Regulations and Guidance for Defense Contract Management Agency Support

Federal and DCMA regulations and guidance define the DCMA role in supporting a project manager in the development of a weapon system.

Federal Acquisition Regulation

FAR 42.302, "Contract Administration Functions," specifies the contract administration functions that Federal organizations normally delegate to contract administration offices. Those contract administration functions include program status reporting; assessing contractor compliance with contract terms; surveilling contractor engineering efforts and management system; and reviewing and evaluating the contractor's logistic support, maintenance, and modification programs. The FAR also specifies that the Contract Administration Officer shall perform contract administration functions in accordance with the contract terms and, unless otherwise agreed to in an interagency agreement, the applicable regulations of the servicing agency.

DCMA Policy and Guidance

The *DCMA Instruction* and the *DCMA Guidebook* provide mandatory policy and supplemental guidance for performing the contract management functions listed in the FAR. Specifically, they provide the DCMA staff with direction for performing outcome-based program management support to DoD acquisition programs, including direction for:

- establishing a performance-based MOA between the lead contract management office and the program manager that focuses on desired program outcomes,
- establishing plans that detail the surveillance activities necessary to meet the provisions of the MOA, and
- establishing and managing program support teams led by program integrators to carry out the activities documented in the plans.

In addition, the *DCMA Guidebook* specifies that when a contract is awarded to multiple prime contractors, as in the case of a joint venture, a lead contract management office must be identified and is responsible for coordinating and developing the overarching MOA with program managers and the other contract management offices. Further, in situations where the program crosses DCMA district lines, the lead contract management office should establish separate annexes to the MOA to clarify internal roles and responsibilities.

Establishing the MOA

DCMA Springfield did not adequately establish and document its support in an MOA for the Spider program. The *DCMA Instruction* and the *DCMA Guidebook* specify that DCMA personnel should establish with the program managers performance-based MOAs that provide in annexes the following mandatory information:

- **Customer Outcomes:** Annex A is to document customer (program manager) priorities for outcomes and for DCMA performance commitments.
- **Cause-and-Effect Analysis:** Annex B is a cause-and-effect analysis that links metrics and standards established in the body of the MOA to applicable desired customer outcomes.
- **Activity That DCMA Does Not Plan to Engage In or Plans to Deemphasize:** Annex C is to clarify what the MOA does not cover or include in the metrics describing DCMA's performance commitments. Annex C also is to document any contract administration functions specified in FAR 42.302 that DCMA does not plan to provide under the MOA.

During the audit, the project manager and representatives from DCMA Springfield and Boston stated that a performance-based MOA for LRIP was not established for the Spider program. Because there was no negotiated and documented MOA, DCMA Springfield did not establish the required annexes to identify the project manager's priorities related to the outcomes or DCMA performance commitments. Regardless, DCMA Springfield and Boston were performing contract support functions at ATK and Textron. Specifically, DCMA representatives attended meetings, performed system software and engineering surveillance, performed quality assurance activities as directed by the Quality Assurance Letter of Instruction, and monitored production transition activities. In addition, DMCA provided monthly program status reports to the Project Manager, CCS.

Factors Affecting Establishment of a Performance-Based MOA

Representatives from DCMA Springfield attributed the absence of an MOA, in part, to changes in how DCMA performed contract management functions. Specifically, DCMA, before the award of the LRIP contract for the Spider program, transitioned from a management philosophy that focused on compliance to one focused on performance. As a result of the transition, DCMA revised its previous instruction, guidance, and the format of MOAs. The new *DCMA Instruction* and *DCMA Guidebook* recommended that MOAs include performance metrics, standards, customer desired outcomes, and DCMA oversight activities. Because a performance-based MOA was now required for the Spider program, a DCMA Springfield official stated that they delayed preparing an MOA until the staff completed training.

In addition to the transition, DCMA representatives identified other factors that contributed to the absence of an MOA for the Spider program. These included:

- a change in command from DCMA Twin Cities to DCMA Springfield;
- direction from the Director, Ground Systems and Munitions Division, DCMA Springfield to focus DCMA resources on another program; and
- uncertainty associated with ongoing negotiations between the Commander, DCMA Springfield and the PEO for Ammunition regarding “overarching” outcomes for acquisition programs under the oversight of the PEO for Ammunition.

Consequence of Not Coordinating an MOA

Without a comprehensive performance-based MOA, DCMA could not be assured that it was providing the Project Manager, CCS with the most effective oversight of contractor efforts for the LRIP phase of the Spider program. For example, as the executive agent for the earned value management system (EVMS), DCMA is responsible for reviewing EVMS plans and verifying initial and continuing compliance with EVMS criteria. During the audit, we determined that DCMA was not performing EVMS analysis on the LRIP contract and that the contracting officer withheld EVMS data analysis responsibilities from DCMA. Although the Project Manager, CCS had program office personnel performing their own EVMS analysis, DCMA review and analysis of EVMS data is important because it provides an independent and objective assessment of program cost and performance and is an effective tool that acquisition decision makers can use to make informed decisions. Without this independent and objective analysis, the program office may not be able to effectively monitor progress and manage the program.

Further, without a performance-based MOA, DCMA was not able to allocate resources in the most efficient and effective way. An MOA defines the outcomes for DCMA support based on assessed risk and program need. Absent a performance-based MOA, DCMA and the Project Manager, CCS did not have a common understanding regarding cost, schedule, and performance goals and priorities. A common understanding of program goals and priorities is essential to enable DCMA to target its resources to allow for

maximum oversight in support of the mission and to ensure that program office and DCMA surveillance activities are not duplicated. Performance-based MOAs typically include an appendix that shows the number of hours required by DCMA staff to execute agreed-upon project manager priorities and outcomes. Since DCMA did not coordinate a performance-based MOA with the Project Manager, CCS, it was not in a position to make appropriate decisions concerning staff assigned to the Spider program.

Corrective Actions Taken During the Audit

In October 2007, as a result of our audit work, DCMA Springfield and DCMA Boston began performing EVMS analysis for the Spider program. In January 2008, DCMA Springfield issued a memorandum to the contracting officer requesting that he amend the delegation of contract administration letter to add EVMS to the list of functions that the DCMA administrative contracting officer would perform. The contracting officer amended the delegation letter in February 2008, giving those EVMS review functions to DCMA.

Conclusion

DoD's monitoring of contractor performance and cost is essential for protecting the interests of the Government. By assuring that contracted products meet performance standards set forth in the contract and that the prices paid are reasonable, accurate, and within the scope of the contract, DoD is fulfilling its fiduciary responsibilities. Accordingly, contracting and DCMA personnel need to sufficiently monitor contractors' performance to decrease the risk of increased contract cost, poor performance, and schedule slips.

Client Comments on Background and Finding and Audit Response

Army Comments on Background

The Project Manager, Close Combat Systems stated that the Army will not field the Spider system with a "battle override" function allowing munitions to be triggered by touching a tripwire. Instead, he stated that the Army will field the Spider system with a "man-in-the loop" capability only.

Audit Response

We revised the report to clarify that the Army initially planned to field the Spider system with a "battle override" capability. We also inserted that the Army, in July 2008, decided to field the system with only a "man-in-the-loop" function which allows munitions to be fired solely by direct action from an operator.

Defense Contract Management Agency Comments on Establishing an MOA

The Director stated that DCMA Twin Cities established an MOA with the Spider program within 3 weeks of the basic Spider low-rate initial production contract awarded on June 30,

2006. He further stated that on March 23, 2007, the contract was modified and during that time DCMA responsibility for the Spider program transferred from DCMA Twin Cities to DCMA Springfield. For those reasons and his desire to establish an overarching agency level performance-based MOA with the Program Executive Office for Ammunitions, the Director stated that DCMA Springfield was instructed to delay developing another MOA. See the Clients Comments sections of this report for the complete text of the Director's comments.

Audit Response

A MOA for the Spider program was not established within 3 weeks of the award of the basic Spider LRIP contract on June 30, 2006. In a subsequent conversation with DCMA Springfield, they agreed that a proposed MOA was drafted; but never finalized.

Recommendation, Client Comments, and Our Response

We recommend that the Army Project Manager, Close Combat Systems; the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, Defense Contract Management Agency, Boston, Massachusetts, negotiate and establish a performance-based memorandum of agreement for the Spider XM-7 Network Command Munition, to include an annex specifying contract administration support roles and responsibilities for the Commander, Defense Contract Management Agency, Boston, Massachusetts.

Army Project Manager, Close Combat Systems

The Project Manager, Close Combat Systems concurred with the recommendation. He stated that a performance-based MOA should be established to fully document the roles and responsibilities for DCMA in support of the Spider program. He stated that DCMA met with the Project Manager, Close Combat Systems to finalize a performance-based MOA, which he expects to be issued by October 2008. The Project Manager, Close Combat Systems further stated that although a performance-based MOA was not formalized, DCMA Springfield and DCMA Boston have performed support functions for the Spider program throughout the low-rate initial production phase. See the Client Comments section of this report for the complete text of Project Manager, Close Combat Systems' comments.

Defense Contract Management Agency

The Director, Headquarters, Defense Contract Management Agency, responding for the Commander, DCMA, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, DCMA, Boston, Massachusetts, concurred with the recommendation stating that the Director, DCMA Springfield has met with Project Manager, Close Combat Systems and they anticipate having a signed performance-based MOA by October 2008. He further stated that the performance-based MOA will include a supporting annex specifying the contract administration support required from DCMA Boston.

Appendix A. Scope and Methodology

We conducted this performance audit from May 2007 through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

During the audit, we evaluated whether management was cost effectively developing and readying the Spider program for the full-rate production phase of the acquisition process. To accomplish this objective we reviewed the program's requirements and capabilities, testing, systems engineering, contracting, acquisition strategy, and funding documents dated from November 1997 through March 2008:

- Program documents including the Spider mission need statement, November 24, 1997; analysis of alternatives, April 1998; the operational requirements document, December 1, 2000; draft memorandum of agreement between DCMA Twin Cities, DCMA Boston, and the Project Manager, CCS, November 15, 2002; risk management plan, December 16, 2002; production qualification test, November, 2005; acquisition plan, November 7, 2005; test and evaluation master plan revision 3.0, January 17, 2006; key performance parameters and capabilities production document approval, April 4, 2006; capability production document, May 2006; production qualification test, June 13, 2006; acquisition strategy, June 29, 2006; low-rate initial production acquisition decision memorandum, June 29, 2006; acquisition program baseline agreement, May 31, 2007; system engineering plan, November 16, 2006; program deviation report, May 25, 2007; system assessment for initial operational testing, June 6, 2007; and information support plan, July 24, 2007.
- Contractual documents for the Spider, including the joint venture agreement between ATK and Textron regarding the non-self-destruct alternative, June 19, 2000; joint venture agreement signature page, June 20, 2000; contract DAAE30-02-C-1118 with ATK and Textron, September 24, 2002; justification and approval for other than full and open competition for the system design and development phase, February 29, 2000; contract W15QKN-06-C-0154 with ATK and Textron, June 30, 2006; justification and approval for other than full and open competition for the first phase of low-rate initial production phase, February 28, 2006; contract W15QKN-06-C-0154, modification P00002 with ATK and Textron, March 23, 2007; and a justification and approval for other than full and open competition for the second phase of low-rate initial production, September 17, 2007.
- Other-than-DoD documents, including Presidential Decision Directive 64, "Humanitarian Demining," May 1998; U.S. Department of State Fact Sheet, "New United States Policy on Landmines: Reducing Humanitarian Risk and Saving Lives of United States Soldiers," February 27, 2004; and U.S. Department of State Fact Sheet, "Landmine Policy White Paper," February 27, 2004.

We also contacted the staffs of the Offices of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Assistant Secretary of the Army (Acquisition, Logistics, and Technology); the Army Deputy Chief of Staff (G-8); the Director of Operational Test and Evaluation; the Joint Capability Development Directorate (J-8); the Program Executive Officer, Close Combat Systems; the U.S. Army Test and Evaluation Command; the U.S. Army Training and Doctrine Command; and the Defense Contract Management Agency to determine whether management was effectively implementing the requirements and systems engineering processes and adequately applying contracting and funding procedures. In addition, we also contacted and visited contractor representatives from ATK and Textron to determine the contractors' perspectives concerning their management of the Spider program.

Review of Internal Controls

We determined that a material internal control weakness in DCMA existed as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. DCMA had not established a performance-based memorandum of agreement between DCMA and the Spider program for the LRIP phase of the acquisition process. Implementing the recommendation will improve the efficiency and effectiveness of DCMA's surveillance of the Spider program. We will provide a copy of this report to the senior officials responsible for internal controls in DCMA.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Use of Technical Assistance

Engineers from the Technical Assessment Directorate of Investigative Policy and Oversight, Department of Defense Office of Inspector General assisted in the audit. The engineers evaluated and reviewed the Spider program documentation to determine whether technical and engineering documents supporting the program fulfilled the requirements of the applicable DoD test and evaluation and systems engineering policy and guidance, and general engineering principles.

Prior Coverage

No prior coverage has been conducted on the Spider XM-7 Network Command Munition during the last 5 years.

Appendix B. Other Matter of Interest

During the audit, we noted this other matter of interest concerning DCMA access to contract information for the Spider program.

Access to Invoicing and Contract Administration Data

During the audit we identified that DCMA Boston did not have access to the Wide Area Work Flow application and although they had access to aggregate cost and schedule data from the joint venture in Mechanization of Contract Administration Services, DCMA Boston could not view Textron's cost and schedule data separate from ATK's cost and schedule data. The Wide Area Work Flow and the Mechanization of Contract Administration Services are two key DoD sources of information for tracking contract delivery schedules, invoices, vouchers, inspection and receiving reports, and payment authorizations. Without access to these systems, DCMA Boston did not have all the cost and schedule data that it needed to determine whether Textron was fully performing within the terms and conditions of the contract. Neither DCMA Springfield nor the Project Manager, CCS were aware that DCMA Boston could not access or review the information in those systems. After we identified that DCMA Boston could not view Textron's contract, invoice, and delivery data retained in Mechanization of Contract Administration Services and Wide Area Work Flow, DCMA Boston worked with DCMA Springfield and Textron to obtain the necessary data in order to track Textron's costs and production schedules.

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE PROJECT MANAGER FOR CLOSE COMBAT SYSTEMS
PICATINNY ARSENAL, NEW JERSEY 07806-5000

SFAE-AMO-CCS

21 July 2008

MEMORANDUM FOR ODIG-AUD, Department of Defense Inspector General, 200
Army Navy Drive (Rm 801), Arlington, VA 22202-4704

SUBJECT: Report on the Acquisition of the Spider XM-7 Network Command Munition
reference to DODIG DRAFT REPORT - DATED JULY 2, 2008, PROJECT NO. D2007-
D000AE-0194.000

1. PROJECT MANAGER FOR CLOSE COMBAT SYSTEMS COMMENTS TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL REPORT

a. REPORT RECOMMENDATION: The DoDIG recommends that the Army Project Manager, Close Combat Systems; the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, Defense Contract Management Agency, Boston, Massachusetts, negotiate and establish a performance-based memorandum of agreement for the Spider XM-7 Network Command Munition, to include an annex specifying contract administration support roles and responsibilities for the Commander, Defense Contract Management Agency, Boston, Massachusetts.

(1) PM CCS COMMENT: Concur. A PB MOA should be established to fully document the roles and responsibilities for DCMA in support of the Spider program. To that end, DCMA Springfield has met with PM CCS and a PB MOA is currently in the process of being finalized. It is anticipated that this document will be in place within the next 90 days.

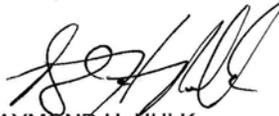
(2) It should be noted that despite a lack of a formal PB MOA being in place, DCMA (Springfield & Boston) have been performing support functions for the Spider program throughout the LRIP acquisition phase based on PM CCS articulated priorities. The signing of a PB MOA will formally document much of the DCMA already established surveillance and support functions that are currently being provided to the Spider program.

b. REPORT STATEMENT (SECTION – BACKGROUND, PAGE 2): The system can also be set to a "battle override" mode that triggers the grenades as soon as the tripwire is touched.

SFAE-AMO-CCS

SUBJECT: Report on the Acquisition of the Spider XM-7 Network Command Munition
reference to DODIG DRAFT REPORT - DATED JULY 2, 2008, PROJECT NO. D2007-
D000AE-0194.000

(1) PM CCS COMMENT: The Spider system will be fielded as "man-in-the-loop (MITL) only" and will not contain a "battle override" mode that allows munitions to be triggered upon the touch of a tripwire. The fielding of a MITL only system has been approved by the Vice Chief of Staff Army (VCSA) and Joint Requirements Oversight Council. The VCSA has articulated this Spider system fielding position to Congressional leadership by memorandum as well as personally calling Senator Leahy (VT).



RAYMOND H. NULK
Colonel, OD
Project Manager
Close Combat Systems

Defense Contract Management Agency Comments



DEFENSE CONTRACT MANAGEMENT AGENCY
6350 WALKER LANE, SUITE 300
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IN REPLY
REFER TO DCMA-DMI

JUL 25 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL,
ACQUISITION AND CONTRACT MANAGEMENT,
PROGRAM DIRECTOR,

SUBJECT: DODIG Draft Report, Acquisition of the Spider XM-7 Network Command
Munition, Project No. D2007-D000AE-0194

Reference: DODIG draft audit report No. D20007-D000AE-0194

We have attached the Headquarters, Defense Contract Management Agency
response to the recommendation cited in the subject audit report.

Point of contact is Ms. Dorotherine Eaddy at 703-428-1446 or
Dorotherine.Eaddy@dema.mil.


CHARLIE E. WILLIAMS, JR.
Director

DoDIG DRAFT REPORT - DATED JULY 2, 2008
DoDIG PROJECT NO. D2007-D000AE-0194.000

Report on the Acquisition of the Spider XM-7 Network Command Munition

**DEFENSE CONTRACT MANAGEMENT AGENCY COMMENTS
TO DEPARTMENT OF DEFENSE INSPECTOR GENERAL RECOMMENDATIONS**

RECOMMENDATION: The DoDIG recommends that the Army Project Manager, Close Combat Systems; the Commander, Defense Contract Management Agency, Munitions and Support Systems, Picatinny Arsenal, New Jersey; and the Commander, Defense Contract Management Agency, Boston, Massachusetts, negotiate and establish a performance-based memorandum of agreement for the Spider XM-7 Network Command Munition, to include an annex specifying contract administration support roles and responsibilities for the Commander, Defense Contract Management Agency, Boston, Massachusetts.

DCMA COMMENTS: Concur. DCMA is in the process of establishing and negotiating a new Performance Based Memorandum of Agreement (PB MOA) with the Program Manager, Close Combat Systems (PM CCS) at Picatinny Arsenal, New Jersey. The Director of DCMA Munitions and Support Systems - Springfield has recently met with the Program Manager (PM) and they anticipate having a signed PB MOA to include the supporting annex specifying the required flow down contract administration support from DCMA Boston within the next 90 days.

BACKGROUND: It should be noted that DCMA Twin Cities did initially have a MOA with the Spider Program Office within three weeks of the basic Low Rate Initial Production (LRIP) I contract being issued on June 30, 2006. This contract was subsequently modified by the Procuring Contracting Officer (PCO) on March 23, 2007, to begin low rate production of the initial units. However, at the time of the contract modification the Agency was in process of transferring responsibility for the Spider Program from DCMA Twin Cities to the DCMA Munitions and Support Systems – Springfield. In order to facilitate an orchestrated Agency level approach the cognizant support Team in Plymouth, Minnesota was instructed to delay the development of another MOA until an overarching Agency Level PB MOA could be reached with the Program Executive Office for Ammunitions (PEO AMMO). The Agency Level PB MOA was subsequently agreed to and mutually signed in October, 2007, setting the parameters and associated customer performance commitments for future PB MOAs with the subordinate PMs (one of which is PM, CCS) aligned under PEO AMMO.

Also, during the course of the audit, the DCMA Munitions and Support Systems - Springfield's Team in Plymouth, Minnesota, in conjunction with the DCMA Boston Team, began providing a combined monthly program status and Earned Value Management System (EVMS) report to the Spider Program Office. PM CCS and the Spider Program Office have relied heavily upon DCMA reports and oversight which, as was concluded in the Draft IG Report, allowed them to "successfully develop and ready

the Spider program for the production and deployment phase of the acquisition process.”

We concur with the DODIG recommendations that a PB MOA and its correlated outcomes will allow DCMA to more efficiently monitor contractors’ performance and provide mutually agreed criteria and levels of support for cost, schedule and performance goals for the PM.

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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Inspector General Department of Defense

