



THE ASSISTANT SECRETARY OF THE NAVY
(Research, Development and Acquisition)
WASHINGTON, DC 20350-1000

JAN 22 2013

The Honorable Claire McCaskill
Chairman
Subcommittee on Contracting Oversight
Committee on Homeland Security and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Madam Chairman:

I am responding to your letter of December 7, 2012 to the Chief of Naval Operations (CNO) regarding contract management and oversight services provided by the Space and Naval Warfare Systems Command (SPAWAR). In his interim response of the same date, the CNO wrote that the concerns raised in your letter were complex and of great importance to the Navy and our Nation. Your letter requested a copy of the SPAWAR Systems Center Atlantic Inspector General's report on the Smart/Jones building project and all reports, audits and investigations relating to SPAWAR contract management for the last two years. The Navy appreciates the willingness of your staff to allow additional time to compile the information. Please find enclosed 26 documents and a CD containing the 1,238 pages responsive to your request. The Naval Inspector General is simultaneously providing, under separate cover, eight reports of investigation that appear responsive to your letter. This office is also aware of several Naval Criminal Investigative Service (NCIS) investigations associated with SPAWAR during the period covered by your request. We are currently coordinating with NCIS to determine whether any responsive reports exist that can be provided without jeopardizing ongoing law enforcement activities.

SPAWAR and the Department of the Navy (DON) acquisition community have implemented, and will continue to implement, significant actions to improve our contracting and management practices and to prevent fraud, waste, and abuse. As examples of such initiatives, SPAWAR and the DON's other major procurement commands have adopted contracting "tripwires," which require elevated review of procurements with certain characteristics that warrant increased surveillance. SPAWAR and the other commands have implemented more intensive fraud and ethics training programs for their employees. SPAWAR has also dedicated significant resources to training and managing contracting officer's representatives (CORs), who are the first line of defense in detecting irregularities, and has instituted a policy requiring assignment of CORs at the task-order level for all indefinite-delivery contracts. The command has also instituted a Contract Initiation Review Board for requirements of \$500,000 or more, and has increased oversight of progress reviews and project management. Finally, SPAWAR took appropriate personnel actions in connection with the Smart/Jones building project. This office will ensure that any lessons learned from the ongoing review of the Department of Defense Medical Review Board (DoDMERB) project will be implemented in the DON's contracting and program management practices.

The Department of the Navy takes matters such as those identified in your letter very seriously. The Deputy Assistant Secretary of the Navy for Acquisition and Procurement has assembled a working group consisting of the legal, financial management, contracting and warfare center communities to review our current practices and, as warranted, recommend changes necessary to improve the acquisition of services. The working group will complete its work within the next 45 days, at which time the Department will determine at the senior level, the best approach to Department-wide implementation of measures to significantly reduce the risk of such incidents occurring in the future.

The enclosed documents contain sensitive information that is subject to the disclosure exemptions of the Freedom of Information Act (FOIA, 5 U.S.C. § 552) and the non-disclosure requirements of statutes such as the Trade Secrets Act (18 U.S.C. § 1905). The Department provides these documents for the official use of the Committee with the understanding and intent that providing the materials shall not be deemed a waiver of any applicable privilege or exemption from public disclosure requirements. The Department respectfully requests that these documents be shared only within the Committee and then only with those who have an official need for the information, that the documents not be disclosed outside the Committee or to the public, that appropriate steps be taken to safeguard these documents including limitations on copying and distribution, and that the documents be destroyed after use. Although the Department has endeavored to identify those portions of the documents that fall within particular exemptions to the FOIA for the convenience of the Committee, the documents have not been subjected to FOIA review procedures in the context of a request for public release. Please refer any request for release of the documents or their contents to this office for appropriate review and action.

Please note that one document, entitled "SSC LANT DoDMERB Project Preliminary Management Inquiry" and dated October 22, 2012, contained attorney-client privileged material. Three pages of such privileged material have been redacted in the original document and in subsequent documents to which the Preliminary Management Inquiry was an enclosure.

We look forward to continuing to work with you and your staff. Please contact Ms. Louise Vitale, Office of Legislative Affairs at (703) 697-2880, should you have questions or concerns.

Sincerely,



Sean J. Stackley

Enclosures
As stated

Copy to: The Honorable Rob Portman
Ranking Member