

**WRITTEN STATEMENT OF
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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE**

**OVERSIGHT HEARING
“DEPARTMENT OF COMMERCE INSPECTOR GENERAL IDENTIFIES
ONGOING PROBLEMS WITH MANAGEMENT OF NOAA’S WEATHER
SATELLITES”**

**BEFORE THE
COMMITTEE ON SCIENCE
U.S. HOUSE OF REPRESENTATIVES**

MAY 11, 2006

Introduction

Chairman Boehlert, Representative Gordon, and Committee members, I appreciate the opportunity to discuss with you the recent report by the DOC Inspector General (IG) regarding the National Polar-orbiting Operational Environmental Satellite System (NPOESS). I am Conrad C. Lautenbacher, Jr., Under Secretary for Oceans and Atmosphere and Administrator of the National Oceanic and Atmospheric Administration (NOAA) in the Department of Commerce (DOC).

What is NPOESS?

Let me just briefly remind the Committee about NPOESS and update the status of the program. The United States has historically operated two polar satellite systems, one for the military and one for civilian use. In 1994, a Presidential Decision Directive merged the civilian and military U.S. polar-orbiting operational environmental satellites systems. This new program, known as NPOESS, was originally designed to be a series of six satellites and a total of 13 different sensors. The new sensors will provide higher quality data leading to more sophisticated environmental models for weather, climate, and the oceans.

NPOESS is a unique program in the federal government. It is jointly managed by DOC, the Department of Defense (DOD), and the National Aeronautics and Space Administration (NASA) with direct funding provided by DOC and DOD. At the senior level, the program is overseen by an Executive Committee (EXCOM) and the day to day operations are managed by an Integrated Program Office (IPO) utilizing DOD acquisition policies and procedures.

I want to stress, NPOESS is one of the most complex environmental satellite systems ever developed, and we recognize it therefore requires particularly rigorous management and oversight. The program has presented numerous technical, developmental, integration, and management challenges. As the Committee is well aware, serious design and manufacturing problems with one of the main sensors for NPOESS, called VIIRS (Visible Infrared Imager

Radiometer Suite), were identified in late 2004. By March 2005, the contractor informed the government the NPOESS program would not meet cost and schedule, mostly as a result of problems with VIIRS. In November, after several EXCOM-directed independent reviews, the EXCOM decided on major management changes and narrowed a list of options on how to proceed with the program.

In December, the IPO notified the Air Force of projected cost overruns for the NPOESS program in excess of the 25 percent threshold, triggering a breach of the Nunn-McCurdy statute. For the program to continue the Secretary of Defense must certify the program is essential to national security, there are no alternatives which will provide equal or greater military capability at less cost, the new cost estimates are reasonable and a management structure is in place to adequately manage and control costs.

Although the Nunn-McCurdy process is run by the Office of the Secretary of Defense, given the unique nature of the Tri-Agency management of the program, both NOAA and NASA have had full participation in the process. This includes NOAA personnel on each of the review teams, involvement by senior NOAA executives as part of a principals group, and with me as part of the final decision at the Defense Acquisition Executive level. This process has been ongoing since January 2006 and the program must be certified or have spending terminated by early June.

Throughout the Nunn-McCurdy process, work on NPOESS has continued, especially on the VIIRS sensor. The IPO and the contractor developed a specific work plan which includes: funding, milestones and activities for fiscal year 2006. To date, the program has followed the interim plan without budget or schedule problems. VIIRS will go through several critical tests this year. It should be noted that VIIRS is not the only high-risk element of NPOESS, another sensor, the Conical Microwave Imager Sounder (CMIS) also poses significant risk and its capabilities and functions are part of the Nunn-McCurdy review.

NOAA Response to IG Report

This leads us to the recent report by the Department of Commerce's Office of Inspector General. I appreciate the efforts by the Office of Inspector General (OIG) to review the NPOESS program and agree with the thrust of the recommendations. I believe the EXCOM has identified similar problems and has taken actions to improve program management that are consistent with the recommendations of the OIG report. We have shared the report with our interagency partners and the recommendations are being considered and addressed as part of the management structure review taking place in the Nunn-McCurdy process.

NOAA's official comments about the report have been provided to the OIG.

The OIG report includes the following recommendations:

1. "The Deputy Secretary should ensure that the Undersecretary for Oceans and Atmosphere in his role on the EXCOM works with the other members of the EXCOM to obtain and review regular, independent evaluations of the status of NPOESS. In particular, such evaluations should thoroughly assess the progress toward completing high-risk or otherwise critical tasks and the associated impact of any problems encountered."

2. “The Deputy Secretary should ensure that the Undersecretary for Oceans and Atmosphere in his role as a member of the NPOESS EXCOM works with the other members of the EXCOM to:
 - 1) Critically review and revise the NPOESS award fee plan, taking into consideration whether:
 - i. interim fees should be paid when mission success milestones are being missed,
 - ii. the plan provides adequate incentives for tasks that are critical to the program’s success and/or are high risk,
 - iii. fee amounts (i.e., up to 20 percent of the contract’s total estimated costs) are excessive,
 - iv. the contractor should receive fees for unsatisfactory performance, and
 - v. rolling over fees to subsequent award periods is appropriate.
 - 2) Assign responsibility for determining fee awards to an official who does not directly manage the NPOESS program.”

In regard to the first recommendation, while we are working to improve all aspects of the management of the program, I believe the EXCOM has been actively and directly involved in the oversight and management of NPOESS and its members, including me, have been deeply involved in the on-going Nunn-McCurdy process. But, I concur with the OIG recommendation about the importance of independent reviews given the complexity of this program. Prior to entering the Nunn-McCurdy process, the EXCOM was actively reviewing program options and program management changes. We briefed this committee several times on actions taken by the EXCOM and options under evaluation. For example, the EXCOM proposed establishing a new oversight function, called a Program Executive Office (PEO), responsible for conducting ongoing independent management analysis and reviews of the NPOESS program and reporting to the EXCOM. The PEO as proposed will have the mission and funding specifically to conduct these independent reviews.

While the PEO structure has not been finalized due to the Nunn-McCurdy review, the EXCOM has directed several internal changes in oversight, reviews, and communications at the IPO. Daily reporting and weekly and monthly reviews now measure specific milestones so actions to correct any problems can happen much sooner. The EXCOM members have been provided monthly updates and status reports.

In regard to the second recommendation, per the NPOESS Presidential Decision Directive, all acquisition matters are governed by DOD rules and regulations. Subsequently, in response to a Governmental Accountability Office (GAO) report of December 2005, the DOD in a March 29, 2006, memorandum revised DOD policy on award fee management. Several of the DOD policy changes are consistent with the OIG report. These include: providing adequate incentives for tasks that are critical to the program’s success and/or are high risk; less than satisfactory performance is not entitled to an award fee; and the appropriate use of the “rollover” provision. If the Nunn-McCurdy process certifies the NPOESS program, these DOD changes will be applied to a new or restructured contract. In addition, discussions have already begun about the payment of interim fees and the overall award fee percentage and changes will be part of any new or restructured NPOESS contract.

With regard to the award fee determining official, the EXCOM directed a review of this issue in August 2005. As a result of the review, in November 2005 the EXCOM proposed an action to remove responsibility for determining award fees from the NPOESS program manager. Currently, Brigadier General (Select) Sue Mashiko is the award fee determining official, while Colonel Dan Stockton is the NPOESS program manager.

Again, final decisions on any changes of NPOESS management will be conducted within the Nunn-McCurdy process. However, I want to remind the Committee there is a specific Nunn-McCurdy review team for management issues. Let me be clear, because I know it is of interest to the Committee, NOAA personnel, including me, are ensuring that DOC OIG recommendations are being considered in the Nunn-McCurdy certification process.

NPOESS Lessons Learned Applied to NOAA Acquisitions

NOAA is incorporating NPOESS lessons learned into future acquisitions. To facilitate this, I formed a Program Management Council to provide regular review and assessment of selected NOAA programs and projects. NOAA's next Geostationary Operational Environmental Satellite (GOES-R series) is the first program being reviewed and monitored by the Program Management Council. Consistent with the OIG's recommendation, we intend to establish a Fee Determining Official (FDO) separate from the System Program Director (SPD) for GOES-R. In addition, I am working with NOAA and DOC contracting officials to structure the Award Fee strategy using guidance from the OIG and GAO reports and the DOD award fee policy memorandum. Finally, I have established a GOES-R Independent Review Team, which will meet periodically over the lifetime of GOES-R, to review the program baseline, cost, schedule, and performance. I am also prepared to incorporate any other lessons learned from the Nunn-McCurdy process.

Summary

In closing, Mr. Chairman, I appreciate the efforts by the Committee to stay engaged in this important issue. NPOESS is a critical program to our Nation's ability to forecast the weather and predict climate. I also welcome the DOC OIG's review of the program and its recommendations. While the Nunn-McCurdy process will determine the ultimate fate of the program, I can assure the Committee the OIG recommendations are a major component of the review and will be reflected in any new or revised contract for the program. Thank you for the opportunity to speak with you today and I am prepared to answer any questions.