

The OBSERVER

May 25, 2012

Special Edition with Vice Adm. Kevin McCoy

This has been a great year for our NAVSEA team and I could not be more proud of the effort and results from each of you. Each year of my tenure, we have focused on a few different priorities throughout the year in order to deliver the right requirements to the Fleet at the right time. This focus drives our organization and supports CNO's sailing direction. Everything we do supports CNO's priorities of warfighting first, operate forward, and be ready. Our focus areas at NAVSEA continue to support those priorities, building upon the successes from previous years while working to *build an affordable future fleet, sustain today's fleet, and enable our people.*

Sustain the Current Fleet. One of the biggest impacts we have had over the last four years is to get surface maintenance on track to enable our ships to achieve their expected full service lives. We are developing engineered class maintenance plans for each ship class. We developed an assessment regimen that has been accepted by the fleet. And we have implemented restaffing efforts at the intermediate maintenance activities and the regional maintenance centers to have the right



personnel and skills required to execute maintenance successfully.

Another area where we have made great strides is submarine and aircraft carrier maintenance. We have been very successful at on-time or early completion of SSN availabilities of nine months or less and recently, we completed our first ever SSN engineered overhaul early. In carrier maintenance, we have a steady workload of dry-docking planned incremental availabilities over the next five years that will require focus on maintenance planning and execution to ensure the fleet has sufficient CVN presence to meet worldwide requirements. CVN planned incremental availabilities are becoming increasingly difficult. Our focus areas for fiscal year 12 and fiscal year 13 aim to address these challenges.

Build an Affordable Future Fleet. We have made tremendous progress in stabilizing shipbuilding programs and instituting fixed price contracts on the majority of our shipbuilding programs. We have increased the staffs of all four of the SUPSHIPS by about 20 percent on

average over the last five years. Through the "Back to Basics" initiatives, we have focused on ensuring everyday compliance with fundamental deckplate processes associated with structural, piping, electrical, and coating work.

We must continue to achieve warfare center (WFC) cost and contracting excellence. Staffing at our WFCs has increased by 5-7 percent over the past four years. The technical health assessment process and consolidated performance metrics developed by the WFCs have instilled rigor in measurement of business execution. The WFCs have been leaders in making significant reductions to overhead costs and in working with the PEOs to implement well defined tasking statements for work.

Enable our People. We have made good progress growing the acquisition workforce in headquarters and the WFCs to support our Navy. We have increased staffing in the naval shipyards, supervisors of shipbuilding, and regional maintenance centers to ensure sufficient capacity in our



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SPECIAL EDITION OBSERVER: FOCUS ON THE YEAR AHEAD

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key industrial activities. We must continue to nurture the workforce while ensuring fairness in hiring and promotions. We are beginning to see progress in increasing the diversity of our civilian workforce and this progress is the direct result of senior command engagement. We remain the nation's leader in hiring our wounded heroes. These individuals bring tremendous leadership and experience to our team. We are well on our way to meet our hiring goals for fiscal year 12 and fiscal year 13 of 500 Wounded Warriors per year. Our Shipmate-to-Workmate program is making great strides working with the other Navy SYSCOMs to ensure any displaced sailors who want to continue their Navy careers as civilians have the opportunity to compete fairly for available jobs. Sailors have valuable skills and deckplate experience directly translates into what we do here in NAVSEA.

We must remember to practice execution excellence in all we do. We also must be brilliant at the basics

of cost, business, schedule, quality, technical authority, and safety. Command compliance with controlling directives and policy, must be as much the business of NAVSEA as executing maintenance and modernization or overseeing ship construction. It is something we MUST DO. We must also be judicious in our spending and seek ways to help the Navy spend less, particularly eliminating

waste, excess costs and being judicious in spending the government's money as if it were our own personal money, all while sustaining readiness. I am counting on you to execute these focus areas. Thanks in advance for your support! As always, be safe and keep charging.



SUSTAIN THE CURRENT FLEET: MAINTAINING SURFACE READINESS

with Rear Adm. James Shannon and Rear Adm. Dave Gale

At any given time, nearly 50 percent of the destroyers, cruisers and frigates that form the backbone of the surface fleet are underway, combating piracy, conducting ballistic missile defense, safeguarding international shipping lanes, and working to stem the tide of drugs and contraband.

To support these operational demands, it is critical to maintain, sustain and modernize the Navy's surface fleet to ensure these ships are able to meet fleet requirements. In 2009, NAVSEA launched a series of initiatives, modeled after successful programs in the submarine and carrier communities, to increase fleet support and improve surface ship maintenance efforts. In the three years since that effort began, NAVSEA has nearly completely realigned the Navy's surface ship maintenance and modernization organization and has made significant progress in defining the maintenance requirement necessary to improve material readiness of surface ships.

"Probably the biggest change has been the creation and maturation of the Surface Maintenance Engineering and Planning Program (SURFMEPP) and Commander, Navy Regional Maintenance Center (CNRMC)," said Rear Adm. Jim Shannon, NAVSEA deputy commander for surface warfare. "Together, those two forces have done more to make a direct impact to surface fleet readiness than anything we've done in decades — probably since NAVSEA was first established."

SURFMEPP is leading the effort to implement a surface ship readiness assessment program that can provide a solid, engineering basis for making maintenance and repair decisions so that the right maintenance can be conducted at the right time.

Meanwhile, CNRMC was created to oversee the operations of the NAVSEA's three Regional Maintenance Centers (RMCs)

and other waterfront activity in their execution of surface ship maintenance and modernization. CNRMC led the RMCs in 2011 in developing and executing standardized maintenance and modernization processes, instituting common policies, and standardizing training in an effort to sustain a consistent business model across the RMCs and, ultimately, to provide cost-effective readiness to the Navy's surface ship fleets.

"Our efforts with initiatives such as surface ship assessments, policy and procedures, sustainment programs, expansion of RMC capability and capacity, and the execution and certification of maintenance and modernization availabilities, all support the fleet commanders' efforts to get at the harder issues surrounding keeping our surface fleet ready to fight," said Rear Adm. Dave Gale.



Shannon

Together, these two commands are helping the Navy fully plan and understand surface force maintenance requirements, which will help NAVSEA limit growth work and maintain availability schedules — a major focus for fiscal years 2012 and 2013.

"We're going to focus on meeting our milestones dates," said Shannon. "It's important for us to stay on schedule — that we start on time and end on time. That is something the surface Navy has not done as well as the submarine or aircraft carrier communities. So that's where we'll be focusing our efforts for the next couple years."

Part of that focus will be on limiting growth work as much as possible.

"Every availability has some growth," said Shannon. "So what we're focused on is making sure that growth work is prioritized. If we find something that impacts the safety of a ship we'll do the work. But if there's no safety impact, and we believe the maintenance can be deferred, we will. That's where SURFMEPP comes in. In the past we would defer work and not follow up. People would move on, and our approach was not persistent. But now we can make those deferral decisions based on objective evidence; we fully capture it. We can make sure the work during the next availability is properly planned and funded."

NAVSEA will continue to refine and improve its surface maintenance efforts over the next two years, with an eye toward detailed planning and funding.

"It's just good business. It's inherent in the Navy's culture to do things right, to not be ad hoc in our planning," said Shannon. "The better planning you put into a product, the better result you're getting out of it. Because the surface Navy typically falls third or fourth in terms of maintenance funding priorities, sometimes we don't get everything we want. That's okay. We can accept those risks. But we cannot afford to not properly plan."



Gale

FY12 and FY13 Goals

- Effective oversight by the regional maintenance centers to achieve quality maintenance execution by the private sector.
- Drive down the costs of surface maintenance and modernization.
- Adhere to availability milestones and completion dates.

SUSTAIN THE CURRENT FLEET: IMPROVE SUBMARINE AND CARRIER MAINTENANCE

with Rear Adm. Thomas Moore and Rear Adm. David Duryea



Moore

Having a mission-ready fleet requires all warfighting assets to be primed for action when duty calls. Due to increased operational requirements, one element critical to mission readiness is maintenance.

“We have more missions than we have submarines right now,” said Rear Adm. David Duryea, deputy commander for Undersea Warfare. Rear Adm. Thomas Moore, program executive officer for Carriers agrees. “We’re an 11 carrier Navy in a 15 carrier world,” said Moore.

In order to adjust to the increased demand for submarines and aircraft carriers, both Duryea and Moore and their teams have placed a greater emphasis on optimizing maintenance plans.

“We’re constantly assessing the maintenance plans to ensure we’re taking the right actions, and also that the maintenance fits within the capacity of the naval shipyards to get that work done,” said Moore. “The catch is that the combination of the ships getting older and the fact that we’re operating them more is driving up the amount of maintenance we need to get done on them.”

Moore is confident that he and his team have a good plan for aircraft carriers in terms of a maintenance cycle. Currently, carriers go into a maintenance availability every 32 months for six months in what’s called a planned incremental availability, or depending on the maintenance required, a 10½-month docking may be necessary.

However, a number of factors have led to late deliveries following maintenance availabilities recently, despite a streak of 19 on-time carrier deliveries in a row at one point.

According to Moore, the solution is twofold:

“The biggest thing I can do in terms of productivity is put a plan in place that is executable and that will allow them to be more successful than they are today,” said Moore. “On the flipside, my message to the shipyards has been, ‘Hey, you’ve got to think differently. Even though you were very successful in the past, those processes that got you there may not get you there going forward,’” said Moore.

“In the past year, we’ve put a concerted effort into looking at how we plan these availabilities. We’ve also looked at the processes we have in place with other vested parties to ensure we’re all in line pulling the same direction when the availabilities start. I’m confident that the result of that work going forward will be us doing a much better job of meeting schedules and costs of

carrier availabilities going into the future,” Moore added.

Likewise, Team Submarine has placed an emphasis on quick shipyard turnarounds in order to get more availability out of their submarines.

“Starting with the [Los Angeles] class, we extended the operational interval from 48 to 72 months. We’ve now taken that same study and have applied it to the Virginia class. So starting with SSN 776 and beyond, they’ll go to a 72-month, six-year interval, which means we’ll gain more operational time for the fleet.”

Beyond the extended interval time, Team Submarine has also made some changes to its shipyard processes.

“Every additional day we spend in overhaul or in the shipyard is a day the submarine should be out either on mission or preparing to go on mission,” said Duryea. “But, we don’t focus on internal shipyard procedures. Instead, we focus on what we know we can do — the preparation of the work packages — to make the submarine availabilities succeed.”

Utilizing the Advanced Equipment Repair Program (AERP) and Corporate Component Repair Program (CCRP) parts is one way Team Submarine has improved its pre-availability planning.

“Over the last year, we saved a lot of time, and in the process, found about \$9 million for additional AERP and CCRP, which are refurbished ahead of time. Now, we can just go in and replace a worn out component when we need to instead of taking the part out, waiting to have it refurbished, and then get it back,” said Duryea.

Together, Carriers and Team Submarine have taken on the task of maximizing their shipyard availabilities without compromising the quality and quantity of maintenance needed — all while

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SUSTAIN THE CURRENT FLEET: IMPROVE SUBMARINE AND CARRIER MAINTENANCE

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meeting their budgets. Consequently, both teams have been working to refine their plans and processes in order to increase their mission readiness.

“We’re not asking people to do the impossible, which is why I think it’s so important we work from a process standpoint,” said Moore. “It’s a great workforce out there — they’re all national assets — but if we don’t put the processes in place and give them the tools that will allow them to be more productive, we’re going to fail. But, I think we’re headed in the right direction. It’s the right time, it’s the right focus area, and we’re all trying to do our piece to help out.”



Duryea



FY12 and FY13 Goals

- Gain an extra hour of productivity per day for each worker by partnering with our labor unions, and implementing enabling initiatives.
- Achieve submarine intermediate and depot-level schedule and quality excellence with particular focus on completing SSBN engineering refueling overhaul, SSN engineered overhaul, and Virginia-class extended dry-docking selected restricted availabilities on time.
- Ensure on-time completion with requisite quality for CVN PIA/DPIA/refueling complex overhaul scheduling policies, maintenance execution, and NAVSEA headquarters oversight.



BUILD AN AFFORDABLE FUTURE FLEET: SUSTAIN SUPSHIP IMPROVEMENTS

with Sharon Smoot and Rear Adm. Dave Lewis

NAVSEA's four Supervisors of Shipbuilding, Conversion and Repair (SUPSHIPS) oversee a tremendously complex portfolio. At any given time, dozens of surface ships, submarines and aircraft carriers are under construction at nine major shipyards across the country, requiring more than 1,000 military and civilian professionals to provide critical cost, schedule and quality oversight.

Because their oversight role is so immense — and critical — the SUPSHIPS conducted a detailed self-assessment in 2010 which resulted in a major “back-to-basics” initiative designed to strengthen its ability to oversee the Navy’s shipbuilding programs.

Now in year three of that back-to-basics push, SUPSHIPS are focused on sustaining the improvements made to their processes.

“This is the year we focus on sustaining the improvements we’ve made,” said Sharon Smoot, NAVSEA executive director for Logistics, Maintenance and Industrial Operations. “Over the last two years we’ve put new processes in place with a particular emphasis on building first

time quality into ships. So this year we’ll be working to sustain those processes and comply with our oversight requirements.”

The most critical change the SUPSHIPS have made since they began their back-to-basics initiative was to significantly increase staffing, particularly in their waterfront quality assurance departments.

“One of the major processes we’ve put in place is more stringent quality assurance inspections up front instead of reviewing it after construction is complete,” said Smoot. “We absolutely needed the increased manning, especially in quality assurance, so we could really strengthen the Navy’s oversight of these contracts.”

Rear Adm. Dave Lewis, program executive officer for Ships, agreed that SUPSHIP waterfront staffing increases were key to improving shipbuilding oversight and execution.

“They were clearly understaffed before, and the increase in staffing, focusing on quality assurance, engineering and contract support has been very useful, and we’re seeing that in terms of the condition of the ships at delivery,” said Lewis.

The recent successes in the LPD and T-AKE programs are testament to that fact that staffing increases have been, and will continue to, pay dividends. USS San Diego (LPD 22) delivered in November with zero outstanding major deficiencies — a first for the LPD program. The two most recently completed T-AKEs were also delivered with zero deficiencies.

“Clearly this was the best LPD we have ever delivered. In my experience, one of the best ships ever delivered, and I’ve delivered close to 40 in my career,” said Lewis. “I really credit SUPSHIP with the lion’s share of that effort. The increased manning was a major factor, as that has enabled them to implement proper processes.”

In addition to increased waterfront staffing, the SUPSHIPS have also increased staffing in its financial and contract departments in an effort to better oversee and enforce contract terms. Because of this increased oversight, shipyards are



Smoot

improving cost and schedule performance.

Both Lewis and Smoot agree that the maintaining the improvements made over the last few years will be critical as budgets shrink and the shipbuilding portfolio shifts into more steady-state production.

“We need to institutionalize the changes we’ve made over the last couple years,” said Lewis. “We’re going to keep working together to ensure their manning is correct, which will help make sure our construction standards are met.”

“Every program across the department will be challenged by fiscal constraints,” said Smoot. “So we’ll continue improving our processes so that NAVSEA can deliver ships on cost and on schedule.”

FY12 and FY13 Goals

- Understand quality indicator trends and take action on what the trends say.
- Drive down the cost of shipbuilding by working with PEOs, technical warrant holders, and shipbuilders.
- Anticipate and engage earlier on potential cost and schedule problems through use of earned value management and other schedule and cost tools.
- Facilitate program successes and enhance the SUPSHIP role as Supervisor of Shipbuilding through contracting authorities and control of progress payments.



Lewis

BUILD AN AFFORDABLE FUTURE FLEET: WFC COST/CONTRACTING

with Rear Adm. James Shannon and Rear Adm. Tom Wears

In early 2011, the U.S. Attorney for Rhode Island charged a Naval Undersea Warfare Center, Newport, employee with accepting more than \$10 million in kickbacks from a company to which the employee had been directing sole-source contracts.

Though it wasn't the only cause, the scandal forced NAVSEA leadership to focus on the contracting process across the enterprise — something that would become one of NAVSEA's primary focus areas for the next two years.

"This really started about a year-and-a-half ago when the [Newport contracting] scandal broke," said Rear Adm. Tom Wears, commander Naval Undersea Warfare Center. "It opened NAVSEA's and the Navy's eyes to the state of contracting. We'd experienced 10 years of really rapid growth in the amount of money flowing into NAVSEA. At my divisions, the amount of work doubled, but the workforce didn't. So, it caused us, over time, to take on some practices that weren't as sound as they should be."

Following a period of in-depth internal and external reviews, NAVSEA, NSWC and NUWC leadership began to focus on two things: service contracts and overhead expenditures.

"We stepped back to really look at the state of contracting," continued Wears. "What do we need to do differently going forward and what opportunities do we have to make our contracts better and less expensive?"



To better understand the costs and details in their service contracts, NSWC and NUWC divisions as well as NAVSEA headquarters and program executive offices began participating in a formal "contracting court," which is led by NAVSEA's commander and executive director. They personally reviewed all of these contracts to assess the condition of the contracts and to



enable remediation as might be necessary.

"We're participating in the NAVSEA contract courts, which aren't like a judicial court, there's no adversarial relationship. But it does have a certain level of seriousness and formality," said Rear Adm. James Shannon, commander, Naval Surface Warfare Center. "NAVSEA leadership reviews with each command what their service contracts are for, and what they're trying to find are the outliers — the really expensive contracts. When we see the outliers, they challenge why that money is being spent. The NAVSEA contract courts are opportunities to identify more efficient ways of doing business across the organization."

Wears credits this kind of direct leadership oversight with putting a much-needed spotlight on a part of the business that we hadn't really been carefully examined.

"They've affected us in a very positive way, and they caused us to take a very focused look at our service contracts," said Wears. "At NUWC Newport, we have 199 service contracts that support the work that gets done there. Many people think these contracts are just overhead or administrative in nature. But that's not the case, and now we can validate that. Less than 3 percent of our service contracts are administrative. That means most of these contracts go to delivering real product — writing code for torpedoes, buying material for the fleet, producing real products.

The review indicates, though there are areas for improvement, service contracting is, for the most part, being done effectively.

"We've validated we're doing the right work and at a very efficient rate," said Wears. "We've also identified opportunities going forward. Why do we have certain contracts? In some cases, we're finding very similar types of efforts. So are there opportunities to combine contracts if different departments can share resources?"

From a business perspective, the warfare centers are also focusing on reducing overhead costs — money that pays for things like infrastructure, command staff, comptroller, human resources, IT, travel, training and telecommunications.

"Driving down overhead costs is something we focus on every day," said Shannon. "Because we're a working capital funded activity, we can determine where every dollar is going —

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BUILD AN AFFORDABLE FUTURE FLEET: WFC COST/CONTRACTING

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direct labor, product, overhead. That's different from a mission funded activity. So, the goal is to reduce overhead as much as possible just like in a business would."

Because the warfare centers are run with an eye toward the bottom line, both Shannon and Wears have already made significant progress.

"We have specific budget guidance on overhead rates," said Shannon. "Each fiscal year we can tell whether we're over or under budget, and since fiscal year 2008, we've been below the budget on overhead costs. So there is a cost of doing business, but we are constantly trying to drive those costs down as much as possible."

"We've worked on overhead costs for years," echoed Wears. "Since the early 90s, we've seen a 35 percent reduction in our overhead costs."

To further understand and drive down those costs, each of the warfare divisions participates in regular financial reviews with leadership.

"We have semi-annual execution reviews when we formally sit down with each individual command to review the current year's financial execution and plan for the next year," said Shannon.

Added Wears, "I've always done financial reviews at the NUWC divisions. They're big businesses. As working capital funded activities we have a legal mandate to break even in the long term. And it's only through proper oversight and management that you can find those opportunities to reduce costs wherever you can."

Both Shannon and Wears agree cost reductions will continue to be important at each of the divisions, though not at the expense of employees.

"The 16,000 employees at our surface warfare centers and the 5,000 employees

at our undersea warfare centers all have a common job — to build and maintain the Navy now and into the future," said Shannon. "We care about our people, and we need to protect and continue to invest in them if we want to maintain relevancy as a Navy. The people that work for us are the intellectual capital of the Navy. And when you define something as capital, you invest in it. If you look at our people as the intellectual capital, and not as a cost, then from a business perspective you want to do everything you can to invest in them, and we will. The Navy challenged the NAVSEA warfare centers to reduce overhead by \$50 million per year starting in fiscal year 12 and they are on track to accomplish that objective through hard work and a detailed review of expenses."



FY12 and FY13 Goals

- Continue reduction of overhead costs.
- Increase competition to drive support contract costs down by implementing the "contracting court" redlines and lessons-learned.
- Focus on direct and other costs through piloting and implementing a should cost approach with PEOs.
- Implement and conduct periodic financial reviews of each WFC with NAVSEA Leadership.



ENABLE AND SUPPORT OUR PEOPLE: RECRUITING AND RETAINING A TALENTED WORKFORCE

with Peggy Harrell



FY12 and FY13 Goals

- Evaluate employee capabilities in relation to mission requirements, determine near- and long-term development goals, and select the best-value training to enhance employee performance and mission accomplishment.
- Hire and retain highly qualified candidates reflective of our nation's diversity and through strict adherence to merit principles and EEO in all hiring and promotion actions.
- Promptly process EEO complaints.
- Remain the nation's leader in hiring wounded heroes — Hire 500 per year in fiscal year 12 and fiscal year 13.
- Working with the other Navy systems commands, ensure any displaced sailors who want to continue their Navy careers as civilians have the opportunity to compete fairly for available jobs.

With a world-wide workforce of nearly 50,000, NAVSEA is committed to recruiting and retaining the best people.

Though the NAVSEA workforce has grown over the last few years, growth at headquarters and within the program executive offices will see a steady state or potential decrease in new hires in 2013 and 2014. Because of this slowdown in growth, NAVSEA is in the process of modifying how it finds and recruits talented employees.

“NAVSEA as an enterprise will grow about 1,900 people each year at the public shipyards, but headquarters and PEOs hiring will most likely be in a steady state,” said Peggy Harrell, NAVSEA’s director for Corporate Operations and Total Force (SEA 10). “Because of the fact that we are not going to grow like we have been, we are prioritizing where we are recruiting and looking for those folks with unique capabilities that NAVSEA needs in our workforce. We are prioritizing much more than we had in the past.”

To ensure the right events are being targeted, NAVSEA’s recruiting team is collecting data from previous recruiting events to determine which had the best return on investment. The team is also working with Navy’s Office of Civilian Human Resources and the Office of Personnel Management’s USA Jobs web team to include job fair data on each application to identify from which event each new employee was recruited.

“We try to find those places that have been most beneficial to us,” said Harrell. “If we go to this place, we get great applicants. At other places, we don’t get many applicants or as many high-quality applicants. Our recruiting integrated business operating team (R-IBOT) is also exploring ways to use technology to lower investment costs. For example, we will test drive a virtual recruiting event later this fall designed to reach talent already skilled in using technology.”

NAVSEA is also continuing its outreach into the veteran community, wounded warriors, and active-duty service members being impacted by enlisted retention boards.

Because the command values the experience and enthusiasm found in the nation’s wounded warrior population, NAVSEA has hired 284 service-disabled veterans since Oct. 1, on track to meet its hiring goal of 500 for fiscal year 2012. That same goal is in place for 2013 as well.

“This makes a huge difference to the workforce,” said

Harrell. They’ve been out there — they know what’s going on in the field.”

To aid sailors impacted by enlisted retention boards, NAVSEA is a leading participant in the Shipmate-to-Workmate program. The program provides information about career opportunities available at partnering commands and helps sailors prepare job applications and résumés. The participating commands are providing separating sailors, command career counselors and transition assistance coordinators a dedicated Shipmates-to-Workmates website to facilitate participation. This website will serve as a “one-stop shop” for sailors seeking Navy-related employment.

“We’ll give these sailors the assistance they need,” said Harrell. “We’ll make sure that all our activities know that these

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ENABLE AND SUPPORT OUR PEOPLE: RECRUITING AND RETAINING A TALENTED WORKFORCE

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well as help build a culture that fosters meaningful partnerships and connections among interested employees in order to increase knowledge, skills and job satisfaction.”

Finally, the entire command is focusing on individual development and career progression. Employees both at headquarters and at field activities will submit an individual development plan to their leadership concurrent with their yearly evaluation. A tool is available on the Total Workforce Management System, or TWMS, website to assist employees with that requirement.

“I think [individual development plans] are extremely important,” said Harrell. “If you sit down with your supervisor and you tell them what your goals are and what you’d like to do, they can help you meet those goals by sending you to the right meetings; sending you to the right courses. If they don’t know what you want, they can’t help you.”

Over the next five years, NAVSEA will be charged with buying 41 new ships — \$67 billion dollars worth of steel, aluminum and advanced electronics — and fully maintaining more than 285 ships. Because of that tremendous responsibility, NAVSEA will continue to recruit top talent and retain existing employees.

wonderful sailors are available to come to the workforce, and that many of them have skills we really need.”

Whether going to college job fairs, focusing on veterans or reaching out to unemployed auto industry employees, NAVSEA will continue to ensure new hires have a diverse range of backgrounds and experiences.

“We are making the workforce as diverse as possible so we can get as many different ideas as possible,” said Harrell. “If you grow up in a city or grow up on a farm, you have a different way of thinking about things, and you might come to a problem differently than someone else might.”

NAVSEA is also focusing its efforts on retaining those employees coming on board as well as those already here.

“Retention is a huge part of what we’re doing, and we’re working on a number of specific initiatives,” said Harrell.

NAVSEA’s retention efforts begin at onboarding, which the command is in the process of lengthening.

“We do our onboarding in phases,” said Harrell. “Onboarding used to be just a couple days. What we’ve discovered with new employees if you take a couple days initially then, you come back after three to four months for a post-onboarding, and then try to get them out to see the fleet. We want to carry a person through for a longer period of time than just those couple of days when they first come onboard.”

The command is also improving its retention by increasing access to mentoring

programs. For example, in early January 2012, SEA 10 hosted a speed mentoring event that brought employees face to face with more than 20 senior mentors. For 30 minutes, mentees rotated to five different mentors asking their advice on a variety of topics including training, career development, work life balance and NAVSEA programs.

“We are looking for events to bring people face to face and hope there may be a few connections,” said Harrell. “The goal of the event was to increase communication throughout the command about developmental opportunities and individual professional strategies, as



COMMITMENT TO NAVY PRIORITIES: ACTIVELY HELP THE NAVY SPEND LESS

with Bill Deligne and Steve Schulze



During these strenuous economic times, reducing total ownership costs on a continuous basis is critical to support National Maritime Strategy. Throughout the past two decades, Naval Sea Systems Command and its affiliated Program Executive Offices have participated in various affordability initiatives and programs, but the costs to build, own and operate current and future fleet continue to rise.

Though reducing costs has always been a priority, in 2010, NAVSEA submitted and the Navy chose to invest in eight Reduction of Total Ownership Cost (R-TOC) initiatives, with the goal of driving down costs across the enterprise. Now that the funding has arrived, NAVSEA has been busy executing the chosen initiatives to realize the potential cost savings.

Bill Deligne, PEO Carriers' executive director, said NAVSEA is already starting to see the benefits of one of the initiatives, and a few others will start showing returns in fiscal year 2013. But he also noted that more often than not, it takes several years for the savings to come to fruition.

"We can't just do them all in one year and then start to see the savings."

Although a majority of the initiatives are doing well and performing as anticipated, Deligne believes NAVSEA has only just begun to embrace the concept of TOC.

"You have to understand what the total ownership cost of your product is and you have to understand that the decisions you make today affect that TOC, especially when you have a product with a 50-year life cycle," said Deligne.

He also emphasized that, above and beyond any R-TOC initiatives, there must be a change in the mindset of program offices at the big picture level.

"We're trying to establish a culture of affordability for the

long term," said Deligne. "Vice Adm. McCoy thinks we've really only scratched the surface of it, and I absolutely agree with him — I think we have a lot more to do. When you're making decisions, you have to be informed of what the implications of those decisions are on the affordability of the product, and we have a long way to go to connect all that together."

Deligne added that NAVSEA made a very concerted effort to identify R-TOC initiatives during the POM 12 planning period. Since then, NAVSEA has instituted what Deligne and Steve Schulze, executive director for undersea warfare, have called a "strategic pause" to not only assess the fulfillment of POM 12 initiatives, but to also ramp up and come to the table with more cost-saving ideas for POM 14.

"Our goal here is to establish a 'Top 50' of TOC initiatives to show the Pentagon we always have stuff in the hopper and that we're being proactive as opposed to reactive in our processes," said Schulze.

To do this, each program office is required to submit its top 10 TOC initiatives to their respective Affordability Management Program team representative. From there, leadership will assess and prioritize the initiatives and generate the command top 50 list.

The list contains a wide variety of initiatives. Those requiring funding will be extracted, matured, and then submitted to the vice chief of naval operations for selection and approval.

At the local level, NAVSEA also encourages the workforce to identify and execute cost-saving initiatives through the TOC awards program. The program is designed to recognize and reward initiatives from individuals and teams that have yielded TOC savings. "People are out there doing good things every day, and they're saving money for the Navy across different aspects of the business," said Schulze. "These are people who are just doing their job, looking for ways to save the government money, executing on that, and then us recognizing them."

Nearly \$350,000 in cash awards have been paid out since the inception of the program in the autumn of 2009, and the application period for fiscal year 2012 TOC initiatives just closed. Individuals have been awarded up to \$2,500 and other compensation, such as time off, in appreciation for their efforts which have resulted in millions of dollars saved.

FY12 and FY13 Goals

- Reduce the cost of shipbuilding by working with shipbuilders to identify and make appropriate risk based, technically justified changes to ship specifications.
- Identify Total Ownership Cost (TOC) reduction initiatives; develop a list of top 50 TOC initiatives with positive return on investment no later than Sept. 1, 2012.
- Develop recommendations to terminate all or part of initiatives/programs based on warfighting return on investment, risk, redundancy, etc.



COMMITMENT TO NAVY PRIORITIES BE JUDICIOUS IN OUR SPENDING

with Brian Persons



As submitted in February 2012, the fiscal year 2013 budget request included reduced funding for Defense — nearly \$1.5 billion dollars less for the Navy than the year before. Over the next five years, the Navy will receive \$58 billion less than had been planned for in previous years.

Despite the reductions in funding, there will not be a reduction in the number of missions the Navy will be asked to execute. In fact, the Navy's — and NAVSEA's — responsibilities are growing, which means the command will need to prioritize its spending.

“Based on fiscal realities, we're going to be asked to do a whole lot more with less,” said Brian Persons, NAVSEA executive director. “We've known this was coming, so we've spent the last two years looking for areas where spending could be cut, as well as processes we could put in place to ensure that the money we will spend is being spent as wisely as possible.”

Beginning in 2010, NAVSEA conducted a detailed review to define acceptable levels of overhead reductions and oversight processes that would reduce costs or improve business processes.

The first major cost-reduction initiative to be rolled out focuses on overhead costs. In a February 2012 memo, Vice Adm. McCoy directed that all of NAVSEA must reduce its spending on travel, information technology devices, executive fleet use, printing and extraneous promotional items by at least 20 percent from fiscal year 2010 amounts. Though the effort was mandated by President Barack Obama in November 2011, it was an area NAVSEA had already been focusing on.

“This was actually an easy area to target,” said Persons. “Cutting travel, IT and printing costs across the command has been something we've been working on for more than two years, and allows us to reprioritize those funds into programs that will more directly impact our primary customer — the warfighter.”

Specific guidance has already been released on travel reductions — individuals requesting travel will be required to certify that a teleconference would not be a better option; 0-6 and GS-15 level employees will be limited to seven travel days per quarter; and international travel must be approved by the vice commander. A similar memo has also been promulgated to NAVSEA commanders on the publication of employee newsletters, and guidance is being prepared on the required IT reductions.

In addition to overhead reductions, NAVSEA has also implemented several initiatives that will give leadership better insight into spending and contracting processes.

“NAVSEA is given a tremendous amount of funding each year — billions of dollars,” said Persons. “As good stewards of the taxpayers' money, it is imperative that we know where the

money is going and that it's being spent effectively.”

The Enterprise Resource Planning system that is now in place across NAVSEA will be critical to this oversight, and is increasing the command's ability to accurately plan, budget, measure and manage all of its programs. Sept. 30 will mark the end of the first full fiscal year for the use of ERP across the enterprise, a major accomplishment.

“NAVSEA now has one business system that is secure, reliable, accessible and current,” said Persons. “We have updated and simplified our processes; we're eliminating redundancies; and we're saving money.”

Another new oversight process that has been put in place has been the implementation of “contracting courts.” Each field activity is required to meet with NAVSEA leadership to explain each of their service contracts so that the costs, contract terms and purpose is fully understood and justifiable. The command is also strengthening the role and authority vested in contracting officers and their representatives. It is expected this will lead to greater front-line oversight.

“Service contracts are something we've been looking at very closely since the kickback scandal in Newport,” said Persons. Because of how many we have in place for things like administrative or direct fleet support, it's important that we know how that money is being spent.”

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FY12 and FY13 Goals

- Drive key business performance through full use of ERP and other tools.
- Achieve service contracting excellence through contracting officer and contracting officer representative oversight, and implementation of “contracting court” redlines and lessons learned.
- Ensure integrity in execution of the contracts by strengthening the role, stature, and authority of contracting officers and CORs.
- Reduce travel, employee information technology devices, printing, executive fleet (motor vehicles) and extraneous promotional item spending in fiscal year 13 by not less than 20 percent below fiscal year 10 values.
- Pilot/implement reverse audits for standardized purchases.
- Fully reconcile sponsor owned material (SOM)/ government owned material (GOM) and complete disposal of excess material and turnover remaining material to NAVSUP for warehousing and management.
- Ensure cost-effective spending of Budget Submitting Office (SBO) 24 funding implementing mid-and end-of-year reviews.
- Comply with Navy requirements for financial auditability.

COMMITMENT TO NAVY PRIORITIES: BE JUDICIOUS IN OUR SPENDING

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It is expected that each of these initiatives will allow the command to better meet its financial auditability goals.

“We already hold regular mid-year reviews with the Navy comptroller to show what money we’ve spent, what remains to be obligated and what savings we’ve made. And we’re seeing during those reviews that we’re doing a great job saving money that we can spend elsewhere,” said Persons. “But by 2017, Congress has mandated that the entire Department be fully auditable, similar to

the way a private company would be.”

To that end, NAVSEA has established two Financial Improvement Program (FIP) teams to enhance the command’s internal financial controls. Because of NAVSEA’s size and complexity, audit preparations are a complicated process, and the FIP teams will spend the next few years designing methodologies, developing guidance, analyzing financial statements, training employees and ensuring that NAVSEA business practices are in compliance.

“All of this boils down to showing the American public that their tax dollars are being managed responsibly,” said Persons. “We owe them nothing less than our best.”

COMMITMENT TO NAVY PRIORITIES: KEEPING NAVSEA IN COMPLIANCE

with Jon Nelson

When it comes to successfully executing NAVSEA’s astounding array of complex programs, complying with governing instructions is critical to success. Fortunately for NAVSEA, the Office of the Inspector General has become a model for other commands based on their processes and focus on maintaining that compliance.

“Our focus on command compliance aligns NAVSEA’s expectations to ‘big Navy’ requirements. It is an affirmation of the importance of compliance — to do the fundamentals well,” said Jon Nelson, NAVSEA’s inspector general.

Although command compliance has been a long-term focus for the Office of the Inspector General, the IG has recently implemented changes to the Command Inspection program.

The first major change to NAVSEA’s IG processes has been to how command inspections are conducted.

“Historically, command inspections were two weeks. Now we’re at activities for one week and we travel with a smaller team,” said Nelson. “But even though it’s a smaller team and shorter inspection, we get back more regularly. [Vice Adm. McCoy’s] perspective and ours is that if you get to commands more regularly you tend to keep them on centerline.”

Nelson and his team have focused on ensuring there’s value to what is being assessed so that other significant issues are not overlooked during an inspection.

Nelson said, “We may go and do a safety inspection to make sure all the

regulations are being adhered to, but we don’t want to walk away from the command saying, ‘Yes, all the blocks have been checked, they’re adhering to the requirements technically,’ but miss the bigger picture of whether, in fact, they’ve got a safe environment at their command.”

One of the ways the office of the Inspector General holds commands accountable for their deficiencies and discrepancies is by stressing the importance of after-action execution.

“We write up succinct discrepancies so the command can understand specifically where the requirement is coming from. Then, we have a very active post-inspection execution tracking where everything that’s written up is tracked until completed with the goal of instituting organizational change. Sometimes that takes a couple of years if it’s a complex matter and takes an organization time to adjust to it — but we ensure corrections and long-term improvements are made,” said Nelson.

Additionally, Vice Adm. McCoy has a post-inspection video teleconference with each commanding officer in order to hear what the plan of action is for correcting deficiencies and implementing changes that will result in a compliant command.

“[Command compliance] has got to start with the leadership — leadership has got to be engaged to embrace it,” said Nelson. “Second, it’s the people — you can’t get it done without the right folks doing the right job. And then third it’s the right process. When I talk about being modeled, I think that’s what’s notable



about NAVSEA — we’re strong in all three areas.”

FY12 and FY13 Goals

- The NAVSEA Inspector General will focus intensively on the following fundamentals of a command: Compliance with controlling directives and policy, command climate, and mitigation of organizational risks.
- NAVSEA IG inspections and command site visits will be shorter in duration and may occur on short notice. The intent of the upgraded Command Inspection program is to give NAVSEA leadership a more complete understanding of our compliance posture, command climate, and organizational risks.
- Command excellence is particularly important in the key areas of security, EEO, financial management, military programs, contracting, information assurance, civilian personnel management practices, and prevention of fraud/questionable expenditures.
- Accountable commanders will personally brief the executive director, vice commander, and commander on issues found during NAVSEA IG Command Inspections, root causes, and corrective action plans.