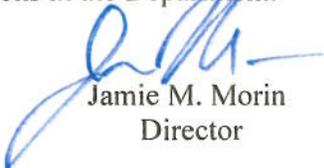JAN - 9 2017

**COST ASSESSMENT AND
PROGRAM EVALUATION**

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY,
AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS
AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: DoD Cost Analysis Data Improvement

Reliable and comprehensive cost data is essential to produce credible cost estimates as required in both statute and regulation. CAPE, in collaboration with Army, Navy and Air Force cost centers, has strategically planned and implemented updates to improve cost data collection in DoD. Our goals with the updates are to: improve data collection; improve analyst productivity and quality of cost estimates; close data gaps; and provide the cost, acquisition, and resource allocation organizations with data required for better analysis and decision making. The key lines of effort in this cross-community plan include the following updates to current DoD policies:

- Cost Analysis Requirements Description (CARD)
- Standard Data Plans
- Software Resources Data Report (SRDR)
- Contractor Cost Data Report (CCDR) for Sustainment
- Knowledge Sharing and Data Storage
- Data Collection on Government-Performed Efforts
- Data Collection on Indefinite Delivery/Indefinite Quantity (IDIQ) Contracts
- Strategic Co-Planning

Each update, its corresponding policy or guidance, and points of contact can be found at http://cade.osd.mil/. A summary of these initiatives is provided in the attachment to this memorandum. Together these updates will greatly improve the ability of the DoD cost analysis community to support acquisition and resourcing organizations in the Department.

Jamie M. Morin
Director

Attachment: As stated

Attachment: Summary of DoD Cost Analysis Data Improvements

CAPE is updating existing policies and systems in accordance with its authority under 10 U.S.C. § 2334 to prescribe the policies and procedures for the conduct of cost estimation and cost analysis for the acquisition programs of the Department. These improvements are consistent with, and provide elaboration and clarification of, current policies found in DoDI 5000.73 and DoD 5000.04-M-1, and will be incorporated into these documents in Fiscal Year 2017.

<u>Cost Analysis Requirements Description</u>

Currently the Cost Analysis Requirements Description (CARD) requires significant effort by program management offices to develop lengthy narrative documents to support preparation of cost estimates at program milestone decision points. The DoD cost community has worked jointly to develop new CARD guidance and templates that strike a balance between competing objectives: the need for detailed data, versus the workload of program offices managing acquisition programs. A balance is struck through a focus on workbook templates to facilitate standardized program data collection, supplemented as appropriate with narrative sections of reduced scope.

Consistent with existing DoD directives and instructions, CARD updates shall now be required annually to update the program description for each major defense acquisition program. These updates will be facilitated with the CAPE templates found on the CADE public website. The annual CARD updates will serve to improve analyses prepared for both the resource allocation and acquisition communities of the Department, as well as Congress. The extensive use of workbook templates will enable the rapid generation of annual updates through revision of only the program parameters that have changed from the prior submission. CARDs shall be stored electronically by CAPE on the Cost Assessment Data Enterprise website for access by all government personnel in the DoD cost community.

<u>Standard Data Plans</u>

The DoD cost community has found that program offices, Service Cost Centers and CAPE spend significant time developing new data collection plans, often from scratch, for each new program contract. To lessen this planning burden, the DoD cost community has implemented common cost data plan templates available for each weapon system commodity group and program phase. These plan templates shall be used as a starting point by program offices and should reflect all but the most unique tailoring requirements. The standard plan templates can currently be found on the CADE website.

<u>Software Resources Data Report (SRDR)</u>

Current software data reports suffer from many shortcomings, including inconsistency of data reporting, inability to track to cost reports, and use of non-standard formats. Over the past two years the DoD cost community has jointly developed a new software data reporting system that will mitigate many of the exisiting shortcomings. CAPE is now implementing the use of the updated SRDR, found on the CADE public website, for collection of software data on efforts that meet Cost and Software Data Reporting (CSDR) thresholds.

Contractor Cost Data Report (CCDR) for Sustainment

Currently there is a lack of available data collected during the sustainment phase of major DoD programs. This shortcoming has caused cost analyses prepared in support of logistics decision options to be both difficult and problematic. To address this issue, the DoD cost community jointly updated the approach to collecting sustainment cost data. This cost data collection approach, in time, will provide better data to support analyses to evaluate competing sustainment alternatives and approaches. The DoD cost community requires the collection of sustainment data on efforts that meet CSDR thresholds using the updated Sustainment Functional Cost-Hour Report.

Knowledge Sharing and Data Storage

To further advance the data available to the DoD cost, acquisition, and resource communities, the CADE team has established a document repository to house CARDs, Independent Cost Estimates, Component Cost Positions, Defense Acquisition Board and Overarching Integrated Product Team Briefings, and Full Funding Certification memoranda. The DoD Components shall now upload their documentation to the portion of the CADE library accessible only to government personnel, in accordance with instructions on the CADE public website.

Data Collection on Government - Performed Efforts

In the past few years, the cost community has begun to work with government-executed elements of acquisition and sustainment programs across the three Military Departments, as the lack of data on these efforts impedes accurate compilation of total program costs. One of the roadblocks preventing the collection of government cost and software data has been the lack of modern financial systems employed by the government. With the advent of new government financial systems, the only remaining impediment is a lack of specific policy. Therefore, as the government implements these modern financial systems in our organizations and depots, the government-performed efforts that meet CSDR thresholds shall now collect and submit cost and software data following the processes outlined in existing CSDR policies.

Data Collection on Indefinite Delivery/Indefinite Quantity (IDIQ) Contracts

Currently one of the most problematic data gaps facing the DoD cost community is the lack of cost data for modernization and sustainment efforts on existing platforms. These programs often use contract structures like Indefinite Delivery/Indefinite Quantity (IDIQ) contracts or Basic Ordering Agreements (BOAs). The various tasks and delivery orders span the range from the development and fielding of modernized equipment, software-intensive efforts providing new capabilities, and sustainment and depot activities. Although these contracts are most often executed by major defense contractors and a single delivery order may well exceed the CSDR reporting threshold figure, no actual cost data is collected. For example, the B-2 program has more than six delivery orders, including two existing Acquisition Category (ACAT) I programs: the B-2 Extremely High Frequency communications program, and the B-2 Defensive Management System program. Also, smaller activities on an IDIQ contract, when combined together, may reach well beyond ACAT I financial threshold figures for reporting. However, individually these efforts may fall below CSDR reporting thresholds, as is the case for many elements of existing programs, such as the F-22 Modernization program, and the data are therefore lost.

For contractors with modern financial systems capable of producing CSDRs, the DoD cost community now requires the collection of cost and software data on Delivery/Task orders on IDIQ contracts that directly support an MDAP, MAIS program, or Major System where individually, or in

aggregate, the value of the task order(s) related to the same MDAP, MAIS program, or a Major System is likely to exceed existing CSDR threshold figures over the life of the IDIQ vehicle. The DoD Components shall collect this data in accordance with existing CSDR policies and procedures.

<u>Strategic Co-Planning</u>

To further advance the efficiency of data reporting, CAPE is working jointly with the acquisition community to develop a CSDR and Earned Value Management (EVM) Co-Plan. This effort aligns the CSDR and EVM data reporting structures. Aligning the two data structures will eliminate unnecessary detail from both systems, reduce the burden of reporting, and help contractors set up their financial accounting systems to more accurately and efficiently report data. The Co-Plan option is already available and its use is strongly encouraged.