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OFFICE OF THE SECRETARY OF DEFENSE
COST ASSESSMENT AND PROGRAM EVALUATION

SLIDES ONLY
NO SCRIPT PROVIDED

OSD CAPE Policy Update

October 2021

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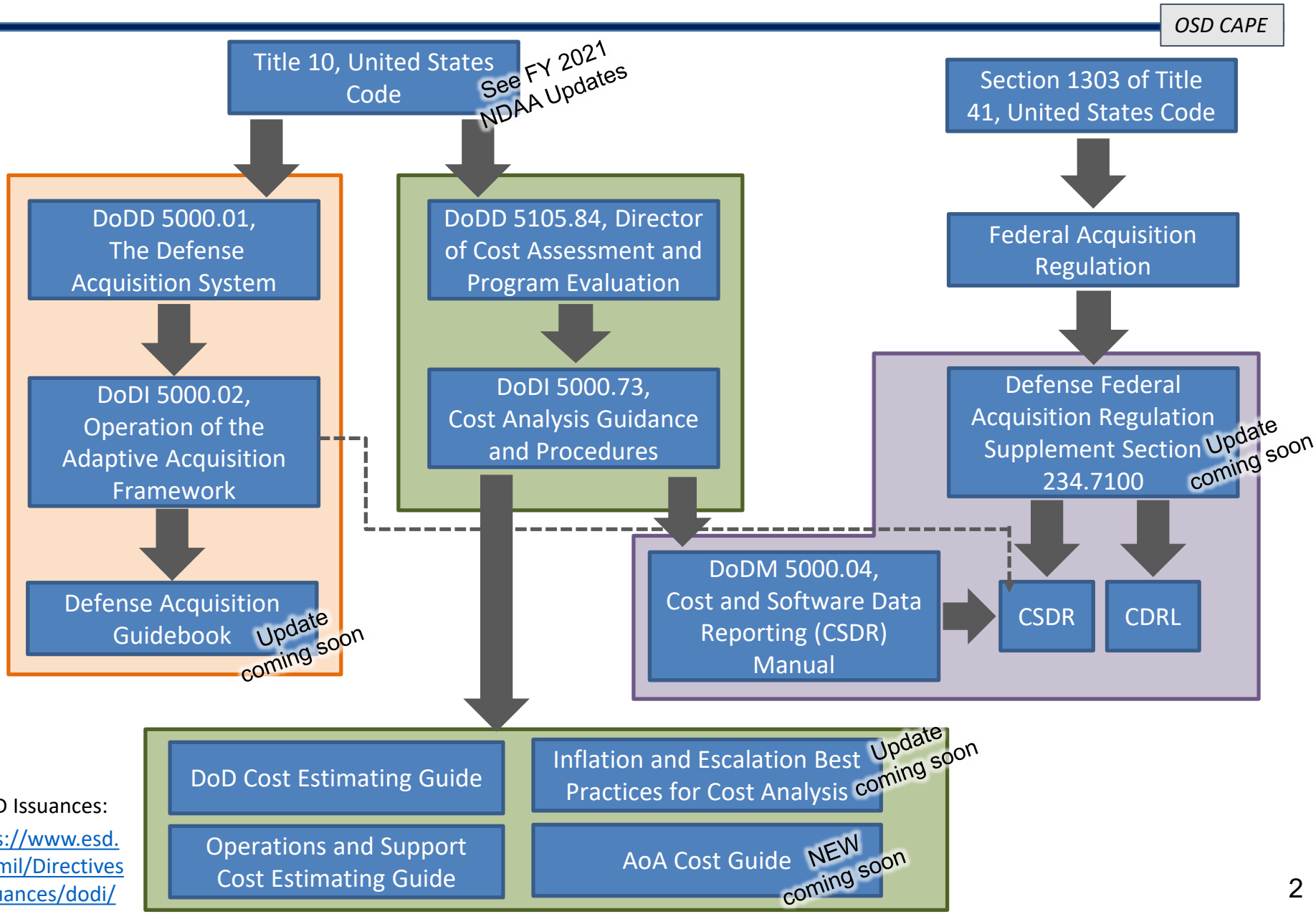
The overall classification of this briefing is:
Unclassified

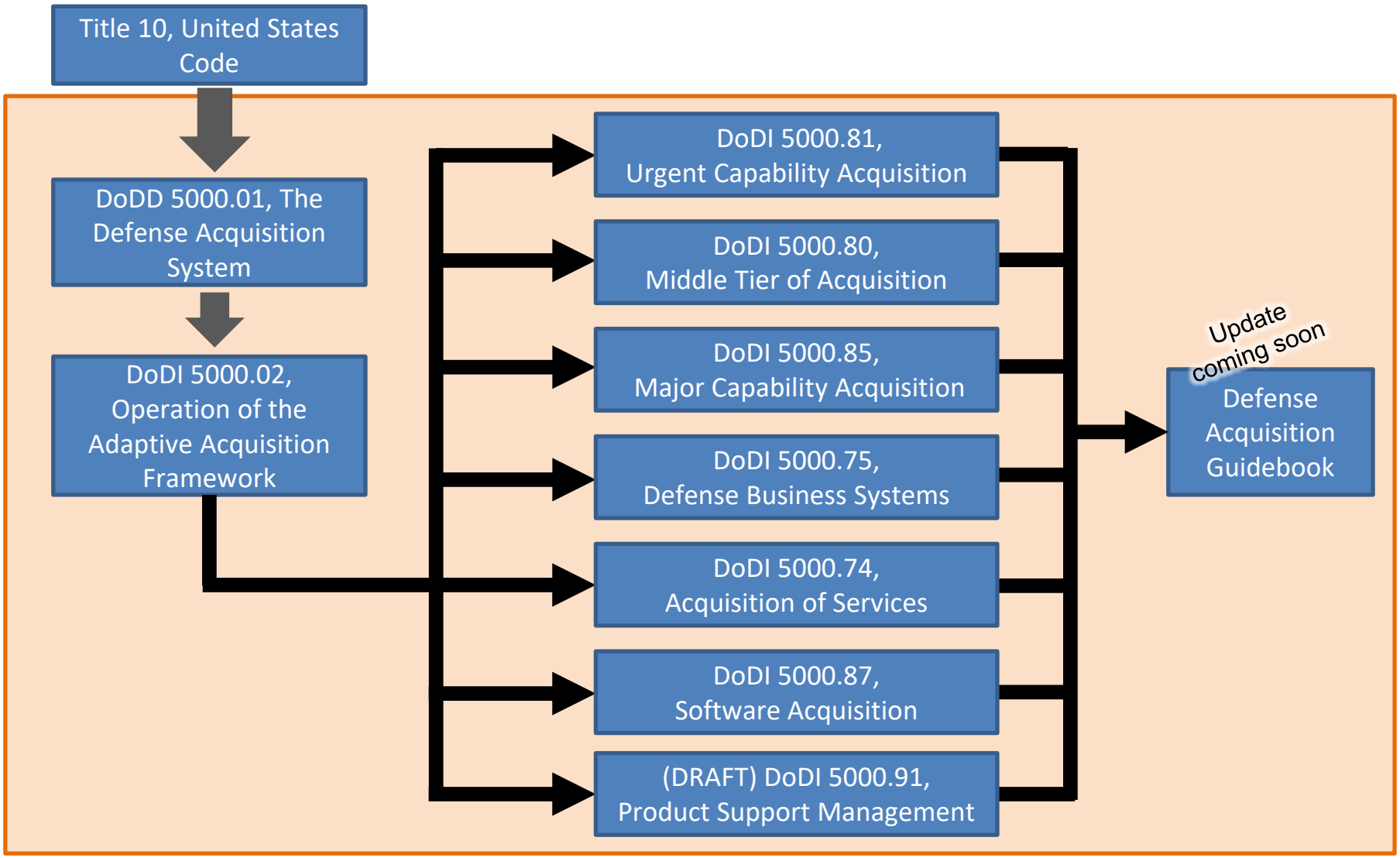
Acquisition Authority and Guidance



DoD Issuances:
https://www.esd.whs.mil/Directives/issuances/dodi/

Adaptive Acquisition Framework Pathways

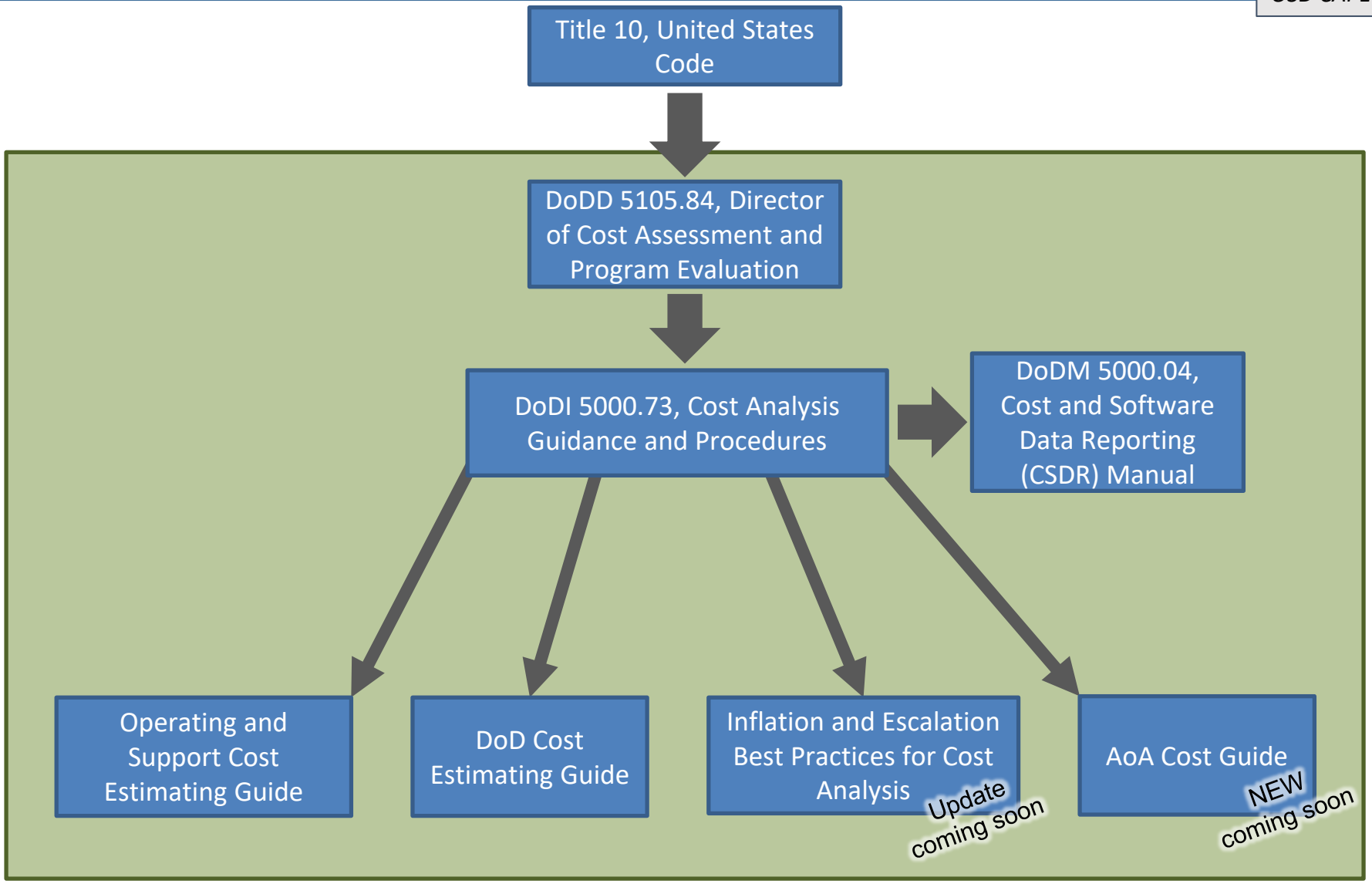
OSD CAPE



Defense Acquisition University resources: https://aaf.dau.edu/
DoD 5000 Series Handbook: https://www.acq.osd.mil/ae/assets/docs/DoD%205000%20Series%20Handbook%20(09%20FEB%2021).pdf

Cost Authority & Policies

OSD CAPE



Status of Recent and Upcoming Policy/Guide Updates

OSD CAPE

- **DoDI 5000.73, Cost Analysis Guidance and Procedures:** released March 2020
- **O&S Cost Estimating Guide:** released September 2020
- **DoD Cost Estimating Guide:** released December 2020
- **DoDM 5000.04, Cost and Software Data Reporting:** released May 2021
- **Inflation and Escalation Best Practices Handbook:** in final CAPE review
- **MIL-STD-881F:** A&S adjudicating comments
- **AoA Cost Guide:** draft in progress
- **Cost Reporting DFARS:** CAPE submitted revisions to align DFARS with DoDI 5000.73 & DoDM 5000.04, we expect news at end of October 2021
- **Program Resource Distribution Table (RDT) Instructions:** adjudicating final comments, finalizing data submission requirements and procedures
- **Contract RDT Data Item Description (DID):** adjudicating final comments, finalizing data submission requirements and procedures

https://www.cape.osd.mil/#CAPEPublicReports

Cost Estimating and Reporting Statutory Authority

OSD CAPE

~~Strikeout~~ = old section numbers, see 2021 NDAA Sec. 1812 for Title 10 revisions

- **10 U.S.C. § 139a.** Director CAPE
- **10 U.S.C. § 221.** FYDP: submission to Congress; consistency in budgeting
- **10 U.S.C. § ~~2306b(i)~~ 3507.** conduct cost analysis for certification of MYP savings
- **10 U.S.C. § ~~2334~~ 3221-3227.**
  - **§ 3221(b)(1).** policies and procedures for the conduct of cost estimation and analysis
  - **§ 3221(b)(4).** issue guidance relating to life-cycle management and sustainability costs in MDAPs
  - **§ 3221(b)(5).** review all cost estimates and cost analyses conducted in connection with MDAPs
  - **§ 3221(b)(6).** conduct ICEs for MDAPs and major subprograms at MS A, MS B, LRIP, FRP, and at any other time deemed appropriate by DCAPE
  - **§ 3227.** develop policies, procedures, guidance, and a collection method for collection of cost data for acquisition programs over $100 million
- **10 U.S.C. § ~~2366a~~ 4251.** Determination required for MDAPs before Milestone A approval that Analysis of Alternatives has been completed and a cost estimate for the program has been submitted and concurred by DCAPE
- **10 U.S.C. § ~~2366b~~ 4252.** Certification required for MDAPs before Milestone B approval that cost and schedule estimates are reasonable and concurred by DCAPE
- **10 U.S.C. § ~~2366c~~ 4253.** Provide independent estimated cost and schedule for MDAPs within 15 days of Milestone C
- **10 U.S.C. § ~~2337a(c)~~ 4325.** Develop and maintain a database on operating and support estimates, supporting documentation, and actual operating and support costs for major weapon systems
- **10 U.S.C. § ~~2433a~~ 4328.** Conduct cost assessment for critical Nunn-McCurdy breach as part of reassessment of program and certification to Congress
- **10 U.S.C. § ~~2441~~ 4323.** Include sustainment reviews in ICEs for MDAPs within 5 years of IOC and every 5 years thereafter
- **10 U.S.C. § ~~2446b(b)~~ 4402.** Include consideration of modular open system approach in AoA study guidance
- **Weapon Systems Acquisition Reform Act of 2009 (Public Law Public Law 111-23)**

New section numbers take effect 1 Jan 2022

Sustainment Reviews

CAPE Responsibilities for Sustainment Reviews

- ICE: 10 U.S.C. §2334 (future: §3221-3227) and DoDI 5000.73
- Review and provide report of findings to each MILDEP: 10 U.S.C §2441 (future: §4323)
- Archive cost estimate in CADE: 10 U.S.C. §2337a (future: §4325)
- Assessment of Cost Data Sources:
  - EVAMOSC: 10 U.S.C. §2337a (future: §4325)
  - Cost and Software Data Reports (CSDR): 10 U.S.C. §2334(g) (future: §3227), DoDI 5000.73 and DoDM 5000.04

FY 2021 Sustainment Reviews

- Estimates delegated to services unless otherwise specified
- CAPE will assess and document the Service estimates regarding:
  - Analysis methods and tools
  - Available Data and Future Data Reporting Plans (see above: CSDR)
  - Documentation

Guidance related to the delegation of Sustainment Review ICE(s) FY22+ to follow

2021 NDAA (H. Rept. 116-617): CAPE-Related Sections (1 of 2)

- **Section 151** – Requires certification of full funding for covered aircraft programs with submission of PB
- **Section 159** – DCAPE to conduct ICE for F-35 block 4 capability requirements
- **Section 221** – DCAPE to consult with SECAF on Advanced Battle Management System cost estimate
- **Section 281** – DCAPE to review Next Gen Air Dominance initiatives of AF and Navy
- **Section 802** – Requires sustainment reviews (including an ICE) for all programs every 5 years, institutes thresholds for reporting O&S cost growth
- **Section 807** – SECDEF to create new space acquisition pathway within Adaptive Acquisition Framework
- **Section 834** – DCAPE to continuously monitor pilot program for consumption-based solutions to address software-intensive warfighting capability
- **Section 836** – DCAPE to serve as steering committee member for A&S-created acquisition data system; report to Congress to include cost assessment/savings information

(continued on next slide)

2021 NDAA (H. Rept. 116-617): CAPE-Related Sections (2 of 2)

- **Section 1645** – DCAPE and USD(C) to annually certify full funding for hypersonic and ballistic tracking space sensor (HBTSS)
- **Section 1647** – DCAPE to conduct ICE for Next Generation Interceptor program
- **Section 1648** – DCAPE to consult with MDA on layered homeland missile defense AoA
- **Section 1671** – DCAPE to conduct ICEs on Army long-range hypersonic weapon program and Navy's conventional prompt strike program
- **Section 1809** – Changes to Title 10 language for budgeting and appropriations
- **Section 1812** – Changes to Title 10 language for cost estimating and analysis (10 U.S.C. §2334)
- **Section 1856** – Changes to Title 10 language for services acquisition
- **Section 5111** – DCAPE to assess Army's plans for medium-heavy lift helicopters

2021 Consolidated Appropriations Act: CAPE-Related Sections

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- **Independent Cost Estimates and Other Program Information** – DCAPE to provide ICEs for all major defense acquisition programs and major subprograms included in the President's budget request and accompanying FYDP
- **F-35 Economic Order Quantity** – DCAPE to estimate cost savings materialized for lot 15-17 aircraft resulting from FY20-21 EOQ appropriated
- **Missile Defense Agency Budget Request, Priorities, and Unfunded Requirements** – DCAPE to work with MDA toward greater programmatic and fiscal alignment
- **Funding for the Department of Defense Acquisition Workforce** – DCAPE to continue to include appropriate funding requests for DoD Acquisition Workforce Development Account (DAWDA)
- **F/A-18E/F Super Hornet Production** – DCAPE to provide report on life-cycle cost assessment of aircraft inducted through Service Life Modification (SLM) and new aircraft, including procurement, personnel, and cost-per-flight hour comparisons
- **Constellation Class Frigate** – No funds may be obligated for construction of second CCF until DCAPE provides updated cost assessment based on actual contract award and design changes since previous ICE

2021 Appropriations Bill (SAC-D Explanatory Statement): CAPE-Related Sections

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- **CONSTELLATION Class Frigate** – No funds may be obligated for construction of second CCF until DCAPE provides updated cost assessment based on actual contract award and design changes since previous ICE
- **Mid-Tier Acquisition and Rapid Prototyping Programs** – Committee is concerned about use of middle tier of acquisition pathway, require list of rapid acquisition programs for PB22 along with acquisition strategy and test information, and certification of full funding (see next slide for details)
- **Conventional Prompt Strike** – Recommends reduction of funding in response to previous CAPE ICE, which noted lack of specificity in the acquisition strategy, technical baseline, and schedule programmatic decision
- **Next Generation Overhead Persistent Infrared** – DCAPE to provide latest analyses and cost estimates for program within 60 days

Mid-Tier Acquisition and Rapid Prototyping Programs

(from SAC-D Appropriations Bill Explanatory Statement)

- **Committee concerned about accelerated acquisition programs:**
  - Lack standard acquisition info (e.g., ICEs, TEMPs)—not required, only submitted upon request
  - Limited understanding of long-term program costs upfront
  - Early narrowing down of industrial base, potentially leading to reduced competition/innovation
  - Lack of transparency in costs with incremental RDT&E funding
- **Committee's direction:**
  - USD(A&S), USD(R&E), Service Acquisition Executives must provide list of accelerated programs (currently approved, or pending approval in FY22) with PB22, including:
    - Rationale for selected acquisition strategy
    - Cost estimate
    - Contracting strategy
  - USD(C) and Service comptrollers must certify full funding of above acquisition strategies
  - DOT&E must certify appropriateness of planned test strategies, to include a risk assessment
  - For any information on the above provided for PB21, explain variations for PB22
  - Service comptrollers must provide cost per prototype item in RDT&E budget exhibits and FYDP

FY 2022 NDAA / Appropriations Preview

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- **Awaiting final FY22 National Defense Authorization Act (NDAA) and Appropriations Act**
- **Recent NDAA draft language from Senate Armed Services Committee (SASC) included:**
  - Delayed sunset of Selected Acquisition Reports (SARs) in FY23 instead of FY21
  - Commission on Planning, Programming, Budgeting, and Execution (PPBE) reform
  - Recognition of importance of Cost Assessment Data Enterprise (CADE), recommendation to "program for real growth […] to accelerate modernization of cost estimation and acquisition data across the Department of Defense"
- **CAPE will review further updates & final Act language, discuss in future policy briefings**

Questions?

Backup Slides

10 U.S.C. Sections 3221-3227

- Sections 3221-3227 of Title 10, United States Code (U.S.C.), are the main statutes that establish CA's roles and responsibilities.

- This content was added to Title 10 by the Weapon Systems Acquisition Reform Act of 2009 as 10 U.S.C. 2334. Section 2334 has been amended numerous times by subsequent National Defense Authorization Acts. The FY2021 NDAA (Section 1812) separated 10 U.S.C. Section 2334 into seven sections, 3221-3227.

- Sections 3221-3227 require that DCAPE:
  - Conduct or approve independent cost estimates (ICEs) for all major defense acquisition programs (MDAPs) prior to Milestone A, Milestone B, low rate initial production (LRIP), full rate production (FRP), and Nunn-McCurdy breach certifications.
  - Develop policies, procedures, guidance, and a collection method to ensure that quality acquisition cost data are collected to facilitate cost estimation and comparison across acquisition programs. The program manager and contracting officer are responsible for ensuring that the data is collected for acquisition programs over $100,000,000.
  - Prescribe, by authority of the Secretary of Defense, policies and procedures for the conduct of cost estimation and cost analysis for the acquisition programs of the Department of Defense.
  - Continued on next slide.

10 U.S.C. Sections 3221-3227

(Continued) Sections 3221-3227 require that DCAPE:

- Issue guidance relating to the proper discussion of risk in cost estimates.
- Issue guidance relating to full consideration of life-cycle management and sustainability costs in MDAPs and major subprograms.
- Review all cost estimates and cost analyses conducted in connection with MDAPs and major subprograms.
- Periodically assess and update the cost indexes used by the Department to ensure that such indexes have a sound basis and meet the Department's needs for realistic cost estimation.
- Annually review the cost and associated information required to be included in the Selected Acquisition Reports.

Other CA Statutory Responsibilities

- Other statutes setting forth CAPE's roles and responsibilities include Sections 4251, 4252, 4323, 3501-3511, 4376-4377, and 4325 of Title 10, U.S.C.

- **10 USC § 4251** – Prior to Milestone A, the milestone decision authority (MDA) must determine in writing that a cost estimate for the program has been submitted, with the concurrence of DCAPE, and that the level of resources required to develop, procure, and sustain the program is sufficient for successful program execution.

- **10 USC § 4252** – Prior to Milestone B, the MDA must determine in writing that reasonable cost and schedule estimates have been developed to execute, with the concurrence of DCAPE, the product development and production plan under the program.

- **10 USC § 4323** – Within 5 years of declaration of initial operational capability of an MDAP, the Secretary of the military department must conduct a sustainment review that includes, among other things, an ICE for the remainder of the life cycle of the program.

Other CA Statutory Responsibilities (Cont'd.)

- **10 USC § 3501-3511** – CA must conduct a preliminary cost analysis before submission of a request for legislative authority to enter into a multiyear procurement (MYP) contract to determine if use of an MYP contract will result in significant savings. CA must conduct a final cost analysis at least 30 days before the MYP contract is awarded.

- **10 USC § 4376-4377** – CA must conduct a cost assessment for MDAPs and major subprograms that have undergone a critical Nunn-McCurdy breach.

- **10 USC § 4325** – DCAPE shall be responsible for developing and maintaining a database on operating and support estimates, supporting documentation, and actual operating and support costs for major weapon systems.