

UNCLASSIFIED

Naval Center for Cost Analysis (NCCA)

Service Cost Position (SCP) Process for ACAT I Programs

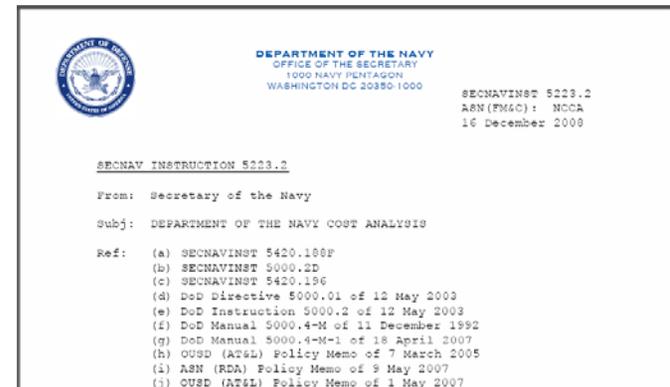


19 February 2010

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Service Cost Position SECNAV Guidance

- From SECNAVINST 5223.2 dated 16 Dec 2008:
 - For all ACAT I programs, NCCA shall:
 - Determine a common DON cost position
 - Provide insight into:
 - **Cost drivers**
 - **Cost risk and uncertainty**
 - **Total Ownership Cost**
 - SYSCOMs shall:
 - Support NCCA in reviews
 - Collaborate with NCCA to develop a common DON cost position



(3) Assess SYSCOM-generated program life-cycle cost estimates for all ACAT I programs. NCCA will additionally assess estimates for ACAT II programs as directed by the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)). Assessments will be conducted to support program milestone decisions and updated annually in consonance with the Requirements and Resources Review Board (R3B) schedule of program reviews. Assessments will include an independent evaluation of risk and uncertainty and provide increased visibility and understanding of major program costs and cost growth. NCCA will review cost processes and key assumptions to ensure cost estimates are consistent with DON policy and guidance frameworks and collaborate with SYSCOM cost organizations to determine a common DON cost position for each program reviewed.

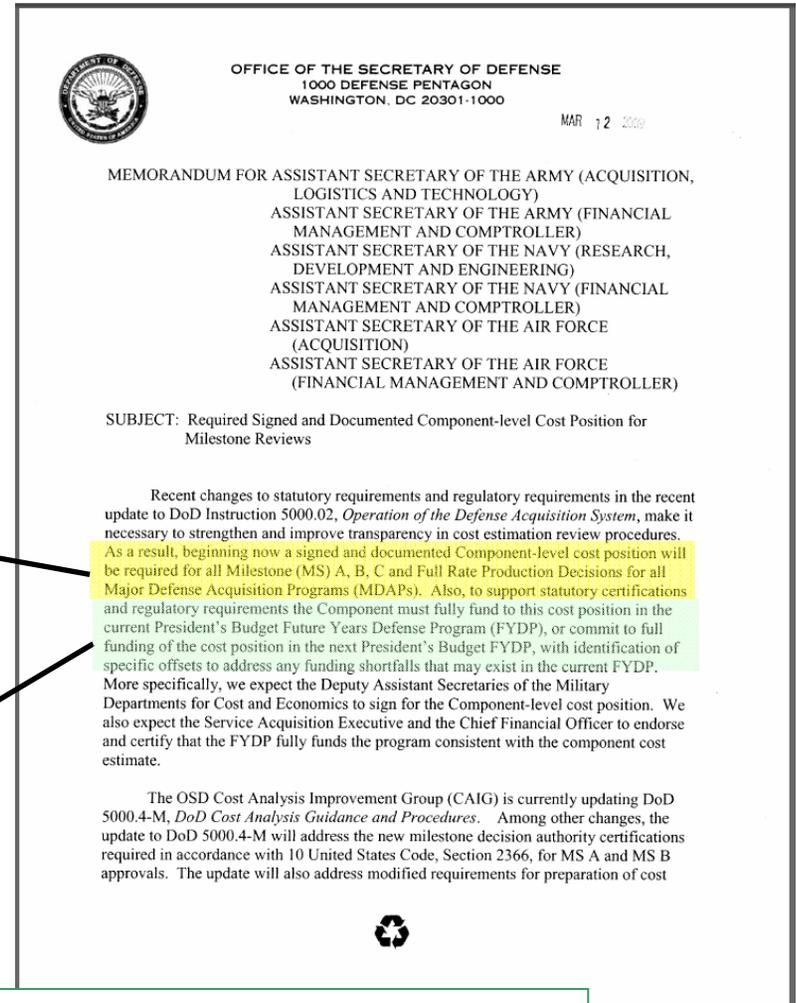
(1) Naval Center for Cost Analysis (NCCA)

(5) Support NCCA in reviews of cost estimates. Collaborate with NCCA to determine a common DON cost position for each program NCCA reviewed.

Common DON cost position = Service Cost Position

Service Cost Position OSD CA&PE Guidance

- From OSD CA&PE (formerly OSD CAIG) memo “Required Signed and Documented Component-level Cost Position for Milestone Reviews” dated March 12, 2009:
 - **“A signed and documented Component-level cost position will be required for all MS A, B, C, and Full Rate Production Decisions”**
 - **“The Component must fully fund to this cost position in the current FYDP, or commit to full funding of the cost position in the next President’s Budget FYDP”**



Component-level Cost Position = Service Cost Position

ASN (RD&A) and ASN (FM&C) SCP Guidance

- From the ASN (RD&A) and ASN (FM&C) memo “Department of the Navy Service Cost Positions” dated 7 January 2010:

- *“The SCP is the DON official life-cycle cost estimate of all resources and associated cost elements required to develop, produce, deploy, sustain, and dispose of a particular system.”*

The SCP is the complete LCCE; program funded items are a subset of the SCP and are presented for comparison to the budget in the “Spruill” chart



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
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January 7, 2010

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Department of the Navy Service Cost Positions

References: (a) OUSD (AT&L)/ARA Policy Memo “Required Signed and Documented Component-level Cost Position for Milestone Reviews” of 12 March 2009
(b) SECNAVINST 5223.2 Department of the Navy Cost Analysis
(c) DoD Instruction 5000.02 of 02 December 2008
(d) SECNAVINST 5420.196 Department of the Navy Cost Analysis Improvement Group

Enclosures: (1) Service Cost Position Process
(2) Cost Review Board membership

1. This memorandum provides the process and policy for establishing and approving a Service Cost Position (SCP) for each Department of the Navy (DON) Acquisition Category (ACAT) ID, IC, IA, and selected ACAT II programs. This policy also applies to the establishment of an SCP for the naval component of joint ACAT I programs and other programs wherein the DON is expected to provide a Component-level cost position. SCPs will be established to serve as the DON Component-level cost position to comply with the requirements of the Office of the Secretary of Defense (OSD), Director for Acquisition, Resources and Analysis and Director, Cost Analysis Improvement Group (CAIG) as stated in reference (a) policy.

2. Consistent with reference (a), the Deputy Assistant Secretary of the Navy for Cost and Economics (DASN (C&E)) will be the signature authority for all DON SCPs. Systems Command Cost Directors will co-sign SCPs for ACAT ID programs. The SCP process is intended to consider cost inputs from all contributors to the cost estimating process. A depiction of the SCP process is provided in enclosure (1).

3. The SCP is the DON official life-cycle cost estimate of all resources and associated cost elements required to develop, produce, deploy, sustain, and dispose of a particular system. The SCP encompasses all past (or sunk), present, and future costs of the program of record, regardless of funding source. The life-cycle of a program is defined as program initiation through procurement of the last item plus the operational life of the item and disposal.

SCP Schedule

CAPE Kick-Off	6-mo prior DAB
Initial CRB	3-mo prior due date
Final CRB	1-wk prior due date
SCP Due Date	The earliest of 2-days prior Gate or 3-weeks prior OIPT
Gate Review	DAB-4wks
OIPT	DAB-2wks
DAB	0 days

CRB Members

Principals:

For all programs:

- a. Office of Program Assessments (OPA).
- b. Deputy Assistant Secretary of the Navy for Budget (FMB).
- c. Deputy Assistant Secretary of the Navy for the acquisition program.
- d. Program Executive Officer (PEO) of the program.
- e. Department of the Navy Chief Systems Engineer (ASN(RD&A) CHENG)
- f. Director of the respective Systems Command (SYSCOM) cost organization.

For all ACAT IA programs and other designated AIS programs:

- a. Department of the Navy Chief Information Officer (DON CIO).

For all Navy programs:

- a. Chief of Naval Operations, Director, Programming Division (OPNAV N80).
- b. Chief of Naval Operations, Director of Warfare Integration (OPNAV N8F).
- c. Chief of Naval Operations, Director, Training and Education (OPNAV N15).
- d. Deputy Chief of Naval Operations (Fleet Readiness and Logistics) (OPNAV N4).

For all Navy ISR, Cyber, C4, EW, Oceanography, Space and other information programs:

- a. Chief of Naval Operations, Director for Information Dominance (OPNAV N21N6).

For all Marine Corps programs:

- a. Headquarters Marine Corps, Director of Programs Division.
- b. Director, Fiscal Division, Headquarters, United State Marine Corps.

Advisory Members:

Other program stakeholders will be invited to the board as required, in a non-principal role, depending on the nature of the program and responsibility assigned

SCP Forecast

Program Short Title	ACAT	Milestone Event	MS Event Date	Cost Product
SM-6	ID	DAB	March	Revised SCP
SDB II	ID	MS-B	March	SCP
DCGS-N	IAM	FDDR	March	SCP and CCA
ORP	PM	MS-A	April	SCP
GCCS-M	IAM	MS-C	April	SCP and CCA
SSN-774	ID	MS-III	April	SCP
P-8A Poseidon	ID	MS-C	May	SCP
LCS (Seaframe+MM)	ID	MS-B	May	SCP
VTUAV	IC	FRP	May	SCP and ICE
NMT	IC	MS-C	June	SCP and ICE
LHA Replacement	ID	DAB	July	SCP
Navy ERP	IAM	FDDR	July	SCP and CCA

Initial CRB Agenda

NCCA:

- . SCP schedule

Program Office:

- . Program overview
- . AoA status
- . System configuration
- . Development effort
- . Risk summary
- . GFE list
- . Acquisition strategy overview
- . Current & prior Presidents Budget position for each appropriation
- . Quantity and fielding schedule
- . Schedule of major events

SYSCOM:

- . Base year selection for the estimate
- . Service life
- . Start/end dates of the program
- . Inflation indices
- . WBS
- . LCCE items not funded by the program office
- . Facilities/Milcon
- . Methodology overview

Final CRB Agenda

Program Office:

- . Program overview
- . Development status
- . Risk summary
- . Current & prior Presidents Budget position for each appropriation
- . Quantity and fielding schedule
- . Schedule of major events

SYSCOM:

- . Basis of estimate by WBS by appropriation
- . Inflation indices
- . LCCE items not funded by the program office
- .

NCCA:

- . Assessment of PLCCE
- . S-Curve basis of estimate
- . Recommendations for SCP

Peer Reviews

- SYSCOM conducts initial, mid, and final peer reviews
 - Initial and final held prior to CRBs
 - Objective; detail review of cost estimate by peers (no elephants please)
 - Initial; WBS elements, program scope, potential data sources, materiel solution, intended methodology
 - Mid; Update to initial, risk items, ROM
 - Final; detailed model walk thru