DONCAS

Service Cost Position (SCP) - Process and Discussion

Presented to the
Department of the Navy Cost Analysis Symposium
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Service Cost Position
SECNAV Guidance

SECNAVINST 5223.2, 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

Common DON cost position = Service Cost Position
Service Cost Position
OSD CA&PE Guidance

• Required Signed and Documented Component-level Cost Position for Milestone Reviews, 12 March 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
Service Cost Position
ASN (RD&A) and ASN (FM&C) Guidance

- Department of the Navy Service Cost Positions, 7 January 2010
  - DON official Life-Cycle Cost Estimate (LCCE) of all resources …regardless of funding source.

- Who?
  - All ACAT I programs,
  - Selected ACAT II programs

- When?
  - MS A, B, C and full-rate production decisions
  - When an APB is updated/established
  - Updated for non-MS Gate Reviews
  - DASN (CE) is SCP Signature authority

How…
Peer Reviews

- **SYSCOM-owned processes**
  - Internal reviews for accuracy, quality, thoroughness
  - Each SYSCOM manages these differently!

- **DON Policy Expectations (what is required?)**
  - 3 Peer Reviews required
    - SYSCOM and NCCA concur on schedule
    - Discussion of the program schedule and acquisition strategy
    - Estimate ground rules and assumptions
    - Detailed system and technical baseline description
    - CARD review
    - Detailed WBS/CES including definitions
Peer Reviews

• DON Policy Expectations (continued)
  – Comprehensive walk-throughs for:
    • Working cost model
      – Methodologies
      – Input variables
      – Assumptions and inputs used in outside (i.e. commercial, or government) models
      – Supporting data and data sources
    • Risk/uncertainty approach
      – Methodologies used in the working cost model
      – Incorporation of technical and schedule uncertainty
    • Discussion of the estimate
      – Phasing methodologies and assumptions
Cost Review Boards (CRB)

- CRBs bring stakeholders together to understand the SCP before /s/
- Two CRBs within the SCP process
- Initial CRB (“scope, assumptions, baseline”):
  - 2 to 3 months prior to Gate Review (or due date)
  - Review technical and programmatic baseline that forms the basis for the program’s LCCE (CARD Review)
  - PM presents an overview of his/her program, including technical, schedule, cost and acquisition risks
- Final CRB (“results, risk, compare to budget”):
  - 1-2 weeks prior to Gate review or SCP due date
  - Review of draft SCP – SYSCOM presents LCCE and NCCA presents assessment results (ACAT ID) or ICE/CCA results (ACAT IA/IC).
CRB Membership

- DASN(C&E) (Chair)
- DUSN(BO&T) (former OPA)
- FMB
- DASN (acquisition)
- PEO
- ASN(RD&A) CHSENG
- SYSCOM Cost Director
- DON CIO
- OPNAV N80, N8F, N15, N4
- OPNAV N2/N6
- HQMC Director Programs
- HQMC Director Fiscal
- DASN (M&B)

Cost Review Board Membership

Chair: Deputy Assistant Secretary of the Navy for Cost and Economics.

Principal members:

For all programs:

a. Deputy Under Secretary of the Navy, Business Operations and Transformation (DUSN(BO&T))
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) CHSENG)
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, C5, EW, Oceanography, Space and other information programs:

a. Chief of Naval Operations, Director for Information Dominance (OPNAV N2/N6).

For all Marine Corps programs:

a. Headquarters Marine Corps, Director of Programs Division.
b. Director, Fiscal Division, Headquarters, United States 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.
Post-CRB Memos

• SCP
  ▪ Summarizes program costs and cost risk
  ▪ For ACAT ID programs, SYSCOM Cost Directors co-sign
  ▪ Signed by DASN (C&E), “TO” ASN(FM&C)/(RD&A)
  ▪ Distributed via Tasker system

• Full funding memo
  ▪ Drafted by DASN AO or FMB analyst
  ▪ OSD policy guidance: must fully fund to SCP in the current FYDP
    ▪ Or commit to full funding in the next President’s Budget FYDP
  ▪ Co-Signed by ASN(FM&C) and ASN(RD&A)
    ▪ SCP is an Enclosure to the Full Funding memo
SCP Documentation

- Description of the program scope as it relates to the SCP/costs
- Summary of costs, by appropriation, BY$ and TY$
- Scope of risk and uncertainty efforts
- Table of Program Office portion of costs compared to budget (“Spruill chart”)
- Risk Curves (S-Curves) (total and Program Office’s)
- CRB Attendance List
SCP Process Discussion Items

• Peer Review standards, compliance, open information sharing
• What is required in the process, and when, and to what detail?
• Lead time required in process steps, vs. changes/churn to program
• Read-aheads and timeliness, ability to digest information by CRB
• Linkage between SCP and PPBE/Requirements (R3B) processes
  • Reconciling between SCP and BES and FF memo
• DON-sensitive info in the Memo, vs. release to OSD
• Perspectives: PM, SYSCOM, NCCA, FMB, N80, N8 sponsor, N4, N1, DASN, OSD CAPE, MDA
  • Perspectives met via the SCP?
Questions?

Resource Sponsor

Program Manager

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Back-Up Slides
# Notional Analysis Schedule

<table>
<thead>
<tr>
<th>Task</th>
<th>Responsibility</th>
<th>Timeline *</th>
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<tbody>
<tr>
<td>Submit Draft CARD</td>
<td>PMO</td>
<td>X</td>
</tr>
<tr>
<td>Submit Draft CARD Comments</td>
<td>NCCA</td>
<td>X + 14 days</td>
</tr>
<tr>
<td>Submit Formal Data Request</td>
<td>NCCA</td>
<td>X + 19 days</td>
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<tr>
<td>Conduct Kick-Off Meeting</td>
<td>PMO/NCCA</td>
<td>X + 20 days</td>
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<tr>
<td>Conduct Kick-Off Technical Review Board (TRB)</td>
<td>NCCA</td>
<td>X + 26 days</td>
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<tr>
<td>Submit Penultimate CARD</td>
<td>PMO</td>
<td>X + 34 days</td>
</tr>
<tr>
<td>Submit Penultimate CARD Comments</td>
<td>NCCA</td>
<td>X + 46 days</td>
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<tr>
<td>Submit Final CARD/Data/Draft PLCCE</td>
<td>PMO</td>
<td>X + 67 days</td>
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<tr>
<td>Conduct Midpoint TRB</td>
<td>NCCA</td>
<td>X + 91 days</td>
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<tr>
<td>Conduct Initial Reconciliation</td>
<td>PMO/NCCA</td>
<td>X + 93 days</td>
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<tr>
<td>Accept Final CARD/Data Submission</td>
<td>NCCA</td>
<td>X + 98 days</td>
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<tr>
<td>Conduct Interim Reconciliation</td>
<td>PMO/NCCA</td>
<td>X + 119 days</td>
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<tr>
<td>Complete Technical Baseline Estimate (TBE)</td>
<td>PMO/NCCA</td>
<td>X + 131 days</td>
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<tr>
<td>Conduct Final Reconciliation</td>
<td>PMO/NCCA</td>
<td>X + 133 days</td>
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<tr>
<td>Perform Risk Analysis</td>
<td>PMO/NCCA</td>
<td>X + 137 days</td>
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<tr>
<td>Perform Funding Assessment</td>
<td>PMO/NCCA</td>
<td>X + 140 days</td>
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<td>Complete Draft Service Cost Position</td>
<td>PMO/NCCA</td>
<td>X + 143 days</td>
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<tr>
<td>Conduct Final TRB</td>
<td>NCCA</td>
<td>X + 145 days</td>
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<tr>
<td>Conduct DON Cost Review Board (CRB)</td>
<td>PMO/NCCA</td>
<td>X + 159 days</td>
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<tr>
<td>Complete Final Service Cost Position</td>
<td>PMO/NCCA</td>
<td>X + 170 days</td>
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<tr>
<td>Submit Final NCCA Results (Memorandum)</td>
<td>NCCA</td>
<td>X + 173 days</td>
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<tr>
<td>Conduct Sufficiency Gate Review</td>
<td>ASN RD&amp;A</td>
<td>X + 180 days</td>
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* Calendar Days
# Typical Cost Estimating Activities

- **Data Collection & Initial Review**
  - Collect Program CPRs and Actual Data (1921s, BOMs)
  - Review IBR/EVM and IMS
  - Contractor Site Visits
  - Collect Technical Specs & Requirements Information
  - Review of Program Documentation
  - CARD Review and Comment Adjudication
  - Collect Analogous Historical Data
  - Review Documentation and Costs on Historical Programs
  - Normalize Historical Data
  - Adjust/asses Technical Baseline
  - Assess Schedule and Events
  - Review O&S and Logistics Concepts
  - Develop Models and Spreadsheet
  - Adjust for Inflation
  - Conduct Sensitivity Analysis
  - Adjust for Risk
  - Document Results
  - Peer/Supervisor Reviews

- **Data Analysis & Model Creation**

- **Estimate Finalization**

Some tasks occur in parallel throughout the estimating process (e.g., documentation & peer/supervisor reviews)
DoD Acquisition in WSARA 2009
(Statute Applicable to Major Defense Acquisition Programs)

- Mandatory System/Critical Subsystem Competitive Prototyping
- Mandatory Preliminary Design Review (PDR) before Milestone B

- Director of Cost Assessment and Program Evaluation develops and approves AoA study guidance
- Dir, SE, reviews and approves the Systems Engineering Plan
- Dir, DT&E, reviews and approves the DT&E plans in the Test and Evaluation Strategy and the Test and Evaluation Master Plan
- DDR&E independently reviews, assesses, and reports on the technological maturity and integration risk of MDAP technologies
- MDAP Redefined:
  … eventual total expenditure for RDT&E of more than $365M
  … eventual total expenditure for procurement, including all planned increments, of more than $2.19B