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SECNAVINST 5420.196A
ASN(FM&C): NCCA
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SECNAV INSTRUCTION 5420.196A

From: Secretary of the Navy

Subj: ESTABLISHMENT AND REVIEW OF DEPARTMENT OF THE NAVY
INDEPENDENT COST ESTIMATES FOR ACQUISITION CATEGORY'S
IC AND IA PROGRAMS

Ref: (a) 10 U.S.C. §2434
(b) DoD Instruction 5000.02 of 8 Dec 2008
(c) SECNAVINST 5000.2E
(d) ASN (RD&A)/ASN (FM&C) memo of 7 Jan 2010, "Department
of the Navy Service Cost Positions"
(e) SECNAVINST 5223.2
(f) DoD Manual 5000.4-M Cost Analysis Guidance and
Procedures, of 11 Dec 92
(g) DASN(C&E) publication of 18 Oct 2010, "DON Cost
Estimating Guide"
(h) GAO publication GAO-09-3SP of 2 Mar 2009, "Cost
Estimating and Assessment Guide"

Encl: (1) Procedures for DON Independent Cost Estimates

1. Purpose

a. This instruction issues procedures for the Department of the Navy (DON) establishment and review of the independent cost estimate (ICE) for acquisition category (ACAT) IC and ACAT IA programs, as required by references (a) and (b).

b. This instruction replaces the previous Directives Issuance System Instruction, SECNAVINST 5420.196. It is a complete revision and should be reviewed in its entirety. Significant changes are as follows:

(1) Revises the references, terminology, and the applicable policy herein to reflect recent changes to cost estimating statutes, directives, regulations, processes, and guidance.

(2) Reflects the new titles of re-organized and re-designated DON entities.

2. Cancellation. SECNAVINST 5420.196

3. Policy

a. The Naval Center for Cost Analysis (NCCA) is the DON designated service cost center for the establishment of an ICE for all DON ACAT IC programs, and is the DON designated authority for the establishment of a Department of Defense (DoD) Component Cost Estimate, referred to as an ICE, for all DON Major Automated Information System (MAIS) (ACAT IA) programs. NCCA will establish an ICE for each DON ACAT IC and ACAT IA program per references (a) through (c).

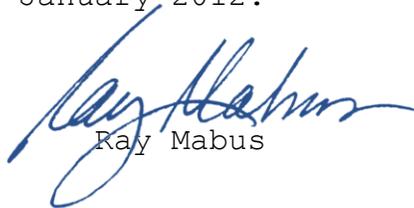
b. A DON Cost Review Board (CRB) will review each ICE established for a DON ACAT IC or ACAT IA program prior to a DON Program Decision Meeting or milestone-based Gate Review, per reference (c).

c. For independent cost estimates of Joint Service ACAT IC or ACAT IA programs, NCCA will independently estimate the elements of the total life-cycle costs that are relevant to the DON. An independent cost estimate of a Joint ACAT IC or ACAT IA program may be led by NCCA or by another Service's headquarters cost organization.

d. Procedures for a DON CRB review of an NCCA-led ICE on a Joint ACAT IC or ACAT IA program will be the same as that of a DON-only program. A DON CRB review of an other-Service-led ICE will be adapted to that Service's review procedures.

4. Procedures. Procedures, responsibilities, and detailed direction are provided in Enclosure (1).

5. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed as per SECNAV Manual 5210.1 of January 2012.



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Procedures for DON Independent Cost Estimates

1. Background

a. Reference (a) sets a statutory requirement for an independent estimate of the full life-cycle cost of each Major Defense Acquisition Program (MDAP) and for any major subprogram of an MDAP. Reference (b) sets a regulatory requirement for a DoD Component Cost Estimate for each MAIS program. Reference (b), enclosure (3), table 1 defines the ACAT designations for MDAP and MAIS programs. Reference (b), enclosure (4), table 2-1 specifies the milestone review requirements for an ICE for each MDAP program, and further delegates the establishment of the statutory ICE for ACAT IC programs to the appropriate Service Cost Center. Reference (b), enclosure (4), table 3 specifies the milestone review requirements for a DoD Component Cost Estimate for each MAIS program.

b. Reference (a) requires an ICE to include "all costs of development, procurement, military construction, and operations and support, without regard to funding source or management control."

c. The DoD Component Cost Estimate required for a MAIS program by reference (b) is an independent cost estimate. The term "ICE" will be used throughout this instruction and throughout DON cost estimating processes, procedures, and documentation when referring to this DoD Component Cost Estimate.

2. Procedures

a. NCCA will establish an ICE for all DON ACAT IC and ACAT IA programs to support milestone reviews per references (a) through (d). The notification of the requirement for a milestone-based Service Cost Position (SCP) by an acquisition Deputy Assistant Secretary of the Navy (DASN) or by a Navy/Marine Corps headquarters programming office, pursuant to reference (d), shall also serve as the notification of the requirement for an ICE.

b. The Deputy Assistant Secretary of the Navy for Cost and Economics (DASN(C&E)) will chair all DON CRBs for DON ACAT IC and ACAT IA programs. Each DON CRB will include representation from stakeholder offices and organizations who will serve as principal advisors to DASN (C&E), as listed in reference (d), enclosure (2). Attendance of non-government personnel at a DON CRB must be approved by DASN(C&E). In the event of the unavailability of

listed stakeholders, DASN(C&E) may elect to proceed with the DON CRB with the attendees on hand.

c. An initial DON CRB will be held with key stakeholders approximately 4 to 5 months prior to the target completion date of the ICE to review the technical and programmatic baseline as described in the program's draft Cost Analysis Requirements Description (CARD). The DON CRB will review program and estimating assumptions and shall examine their validity. Subsequently, the CARD will be finalized per references (e) and (f) to respond to cost estimating organizations' and program stakeholders' comments.

d. A final DON CRB will be held with key stakeholders prior to the scheduled DON Program Decision meeting or milestone-based Gate Review.

e. The program office cost organization, typically the associated systems command (SYSCOM) cost organization, will present the Program Life Cycle Cost Estimate (PLCCE) to the final DON CRB. NCCA will present the ICE results to the final DON CRB.

f. The final CRB will review all of the presented information to establish an official common DON SCP for the program, and will assess budget and funding profiles, per references (c) and (d).

g. In establishing the ICE, NCCA shall employ DON best practices for cost estimating per references (g) and (h).

h. The ICE will include an independent quantitative assessment of cost risk and cost uncertainty in the program, using the best practices as described in references (g) and (h). In developing the risk and uncertainty analysis, NCCA may consider the validity of programmatic and technical assumptions, uncertainties in inputs, uncertainties in factors used in making the estimates, and other potential sources of risk or uncertainty in the cost of the program.

i. Prior to the final DON CRB, NCCA will chair a series of meetings that will allow the program office cost organization analysts and the NCCA analysts to attempt to reconcile differences between the PLCCE and the ICE. Unresolved substantial differences will be brought forward to the leadership of the respective cost organizations. Any significant issues

remaining unresolved will be discussed and adjudicated at the final DON CRB.

j. The ICE shall be documented separately from the SCP and shall retain the independent view of the assumptions, risks, and costs of the program.

3. Responsibilities

a. DASN(C&E) shall:

(1) Schedule and chair all DON CRB meetings for ACAT IC and ACAT IA programs.

(2) Provide a report of the approved DON SCP for all ACAT IC and ACAT IA programs to the Milestone Decision Authority (MDA) and to other cognizant organizations following a completed final DON CRB, per references (c), (d), and (e).

(3) Advise the MDA whether cost estimating deficiencies are so significant that the milestone or program review should be deferred.

b. The Program Manager/Program Executive Officer shall:

(1) Plan for the ICE and DON CRB processes for all ACAT IC and ACAT IA programs.

(2) Identify cost estimating support requirements as early as possible to supporting SYSCOM cost organizations.

(3) Provide all data and information requested by the SYSCOM cost organization and by NCCA, in the time allotted, to allow generation of the PLCCE and the ICE.

(4) At the initial DON CRB, present a detailed explanation of all major sections of the CARD and describe the process that was used to arrive at the technical and programmatic baseline, including the results of any independent reviews of the CARD. Summarize the overall acquisition strategy, budget data, program risks and other high level key programmatic information necessary for the generation of cost estimates.

(5) At the final DON CRB present a brief overview of the program, including: technical, schedule, cost, and acquisition risks; a detailed explanation of changes to the CARD since the initial DON CRB; and the prospective Probability of Program

Success (PoPS) total ownership cost estimating metric information.

(6) Participate in the reconciliation events prior to the final DON CRB review.

c. SYSCOM cost divisions shall:

(1) Provide all data and information requested by NCCA, in the time allotted, to allow generation of the ICE.

(2) Participate in the reconciliation events prior to the final DON CRB review.

(3) At the final DON CRB present the PLCCE, including a discussion of assumptions, methodologies, and cost risk.