



**Office of the Secretary of Defense (OSD)
Cost Analysis Improvement Group (CAIG)**

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OSD/CAIG

Agenda

- **OSD CAIG Background**
 - **OSD Organizational Structure**
 - **Role of the CAIG**
 - **Milestone Review Timelines**
- **OSD CAIG Products/Processes**
 - **Cost Analysis Requirements Description (CARD)**
 - **Cost and Software Data Report (CSDR)**
- **Current/Upcoming Issues**
 - **DoD Topline Pressures**
 - **Budget to CAIG Estimate**
 - **Other Analytical Study Activities**
 - **Capabilities/Portfolio Analysis**

OSD CAIG Background

Basis of the CAIG

Independent Cost Estimate (ICE)

- **USC Title 10, Section 2434:**

The SecDef may not approve SDD, or the production and deployment, of a Major Defense Acquisition Program (MDAP) unless an independent estimate of the full life-cycle of the program ... [has] been considered by the Secretary.

... the independent estimate ... [shall] -- (a) be prepared by an office or other entity that is not under ... the military department ... directly responsible for ... [developing or acquiring] the program; and (b) include all costs without regard to funding source or management control ...

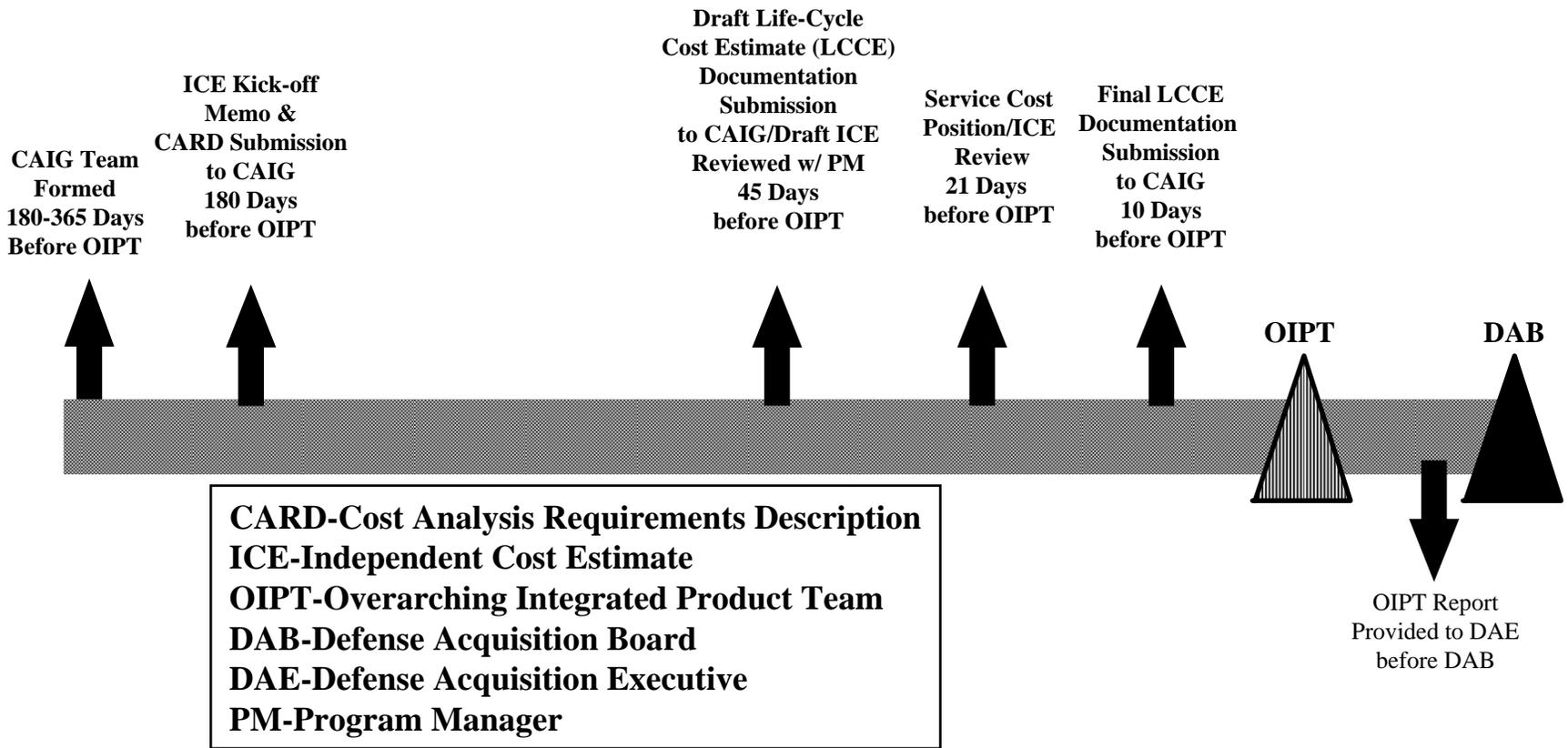
- **DoD Instruction 5000.2:**

For all ACAT ID and designated ACAT IC programs, the CAIG shall prepare an independent life-cycle cost estimate and report for all milestone reviews after Milestone A (Program Initiation/Milestone B & C).

- **DoD Directive 5000.4:**

... the OSD CAIG is chaired by the Deputy Director, Resource Analysis, in the Office of the Director, Program Analysis & Evaluation.

Key Regulatory Costing Events Leading to a DAB Milestone Decision



CAIG Products/Processes

Cost Analysis Requirements Description (CARD)

- Description of features pertinent to costing the system
- Quantitative descriptions of technical, physical, programmatic, and performance characteristics
- Common definition of system for costing purposes: “Program of Record”
- Should be completed 180 days prior to acquisition decision meeting
- Requirement revalidated in AT&L Lean Six Sigma Study

CARD Requirements Specified in DoD Manual 5000.4-M

Cost & Software Data Reporting (CSDR)

- **Mission:**

- OSD CAIG's Defense Cost and Resource Center (DCARC): Collects historical Major Defense Acquisition Program cost and software resource data and makes those data available for use by authorized government analysts to estimate the cost of ongoing and future government programs, particularly DoD weapon systems.

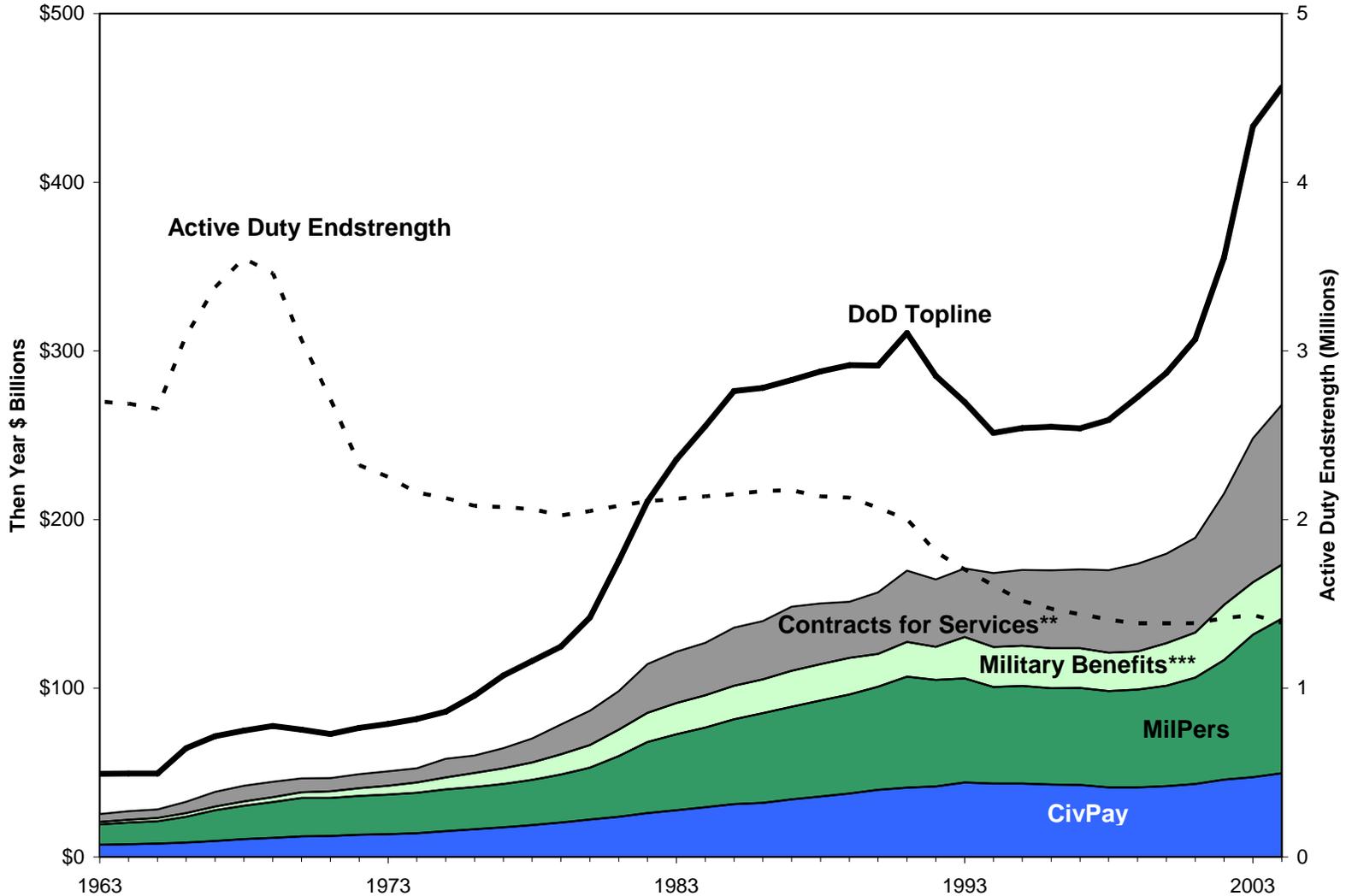
- **Significant improvement in compliance:**

- 1st Round (end March 2004):
 - 44 Red/Yellow Advisory
 - 10 Yellow
 - 4 Green/Green Advisory
- Currently (May 2006):
 - 3 Red/Yellow Advisory
 - 7 Yellow
 - 62 Green/Green Advisory

CSDR Requirements Specified in DoD Manual 5000.4-M-1

Current / Upcoming Issues

Personnel Costs* vs. DoD Topline



* Source: OUSD(C) and WHS, excludes costs not on the DoD budget (e.g., VA)
 ** Source: WHS, which categorizes contracts as Procurement, RDT&E, or Services
 *** Retirement, DHP, Family Housing

Budgeting to CAIG Estimate

- Historical Position:
 - Previous Budgetary Instructions to the Services state:
“In order to achieve program stability and avoid cost stretch-out, [the Services shall] properly price programs at not less than levels estimated by the Cost Analysis Improvement Group”
- Emerging guidance (as DoD topline remains constant/declines):
 - ICE will assess funding required and funding available vis-à-vis program schedule and content
 - CAIG to provide alternatives when significant disconnects exist
 - Tradeoffs between schedule, content and capabilities will be challenging
- Impact is not always a funding increase to the Program:
 - Schedule stretch and production inefficiencies can yield lower funding
 - Excess funds potentially subject to reallocation (e.g. PDM; PBD)

Ongoing CAIG Studies

- **Global Defense Posture**
- **Installation** (Sustainment, Recapitalization, Operations, Demolition)
 - Base Realignment and Closure (BRAC)
- **Supply Chain Management & Logistics**
- **Fuel Analysis**
- **Operating & Support Cost Analysis**
 - Visibility and Management of Operating & Support Costs (VAMOSC) Database
 - Performance Based Logistics (PBL)
- **Defense Manpower Review Process**

Capabilities/Portfolio Analysis

DAB Capability Area Reviews (CARs)

- Strategic Planning Guidance
- Defense Planning Scenarios
- Family of Concepts
- Transformation

Capabilities Based Assessment

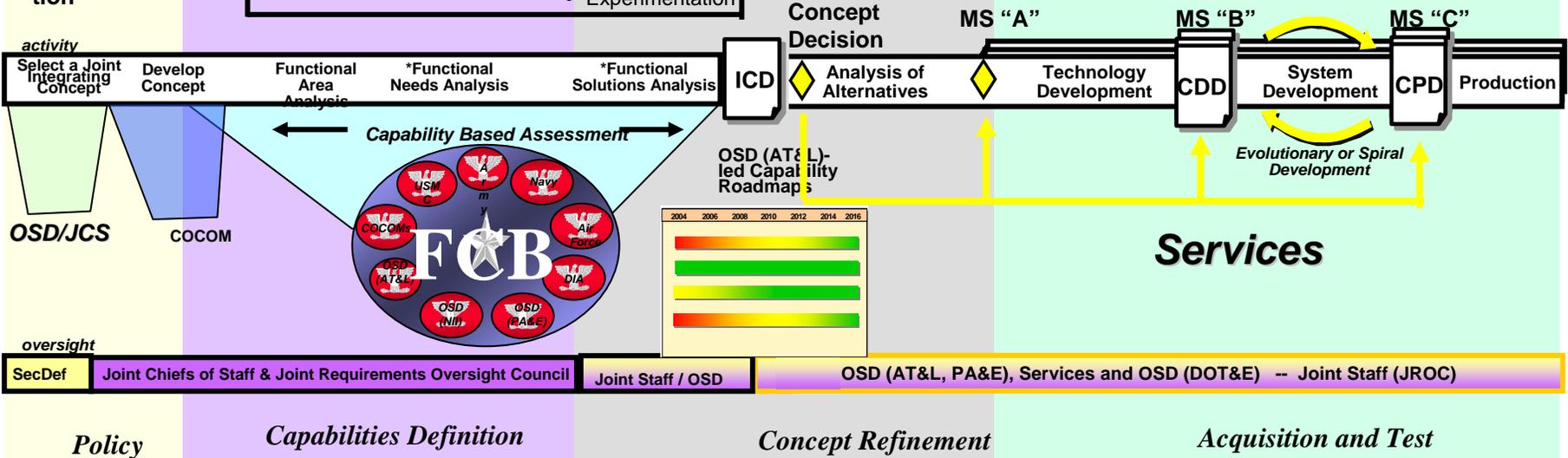
- Capabilities
- Tasks
- Attributes
- Metrics
- Gaps
- Shortfalls
- Redundancies
- Risk areas
- Non-materiel solutions
- Materiel solutions
- S+T initiatives
- Experimentation

- Refined concept
- Analysis of Alternatives
- Technology Development Strategy
- SoS System Engineering

- Affordable military-useful increment
- Technology demonstrated
- Initial KPPs
- SEP

- Revise KPPs
- Detailed design
- System integration
- DT&E

- LRIP
- IOT&E



DOD End-to-End Capabilities, Acquisition, and Test Process

