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SECNAVINST 5223.2  
ASN(FM&C): NCCA  
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SECNAV INSTRUCTION 5223.2

From: Secretary of the Navy

Subj: DEPARTMENT OF THE NAVY COST ANALYSIS

Ref: (a) SECNAVINST 5420.188F  
(b) SECNAVINST 5000.2D  
(c) SECNAVINST 5420.196  
(d) DoD Directive 5000.01 of 12 May 2003  
(e) DoD Instruction 5000.2 of 12 May 2003  
(f) DoD Manual 5000.4-M of 11 December 1992  
(g) DoD Manual 5000.4-M-1 of 18 April 2007  
(h) OUSD (AT&L) Policy Memo of 7 March 2005  
(i) ASN (RDA) Policy Memo of 9 May 2007  
(j) OUSD (AT&L) Policy Memo of 1 May 2007

1. Purpose

a. To promulgate policy on cost analysis throughout the Department of the Navy (DON).

b. To assign responsibilities for cost estimating, cost assessments and reviews, Earned Value Management (EVM) analyses and advisory support to DON leadership on cost issues.

2. Applicability and Scope

a. The responsibilities assigned by this instruction apply to the cost estimating organizations within the following U.S. Navy and U.S. Marine Corps Commands in support of functions required for cost estimating and acquisition decision-making as provided in references (a) through (e). Collectively in this instruction, organizations (indicated in subparagraphs 2a(2) through 2a(6) below) are referred to as the Systems Commands (SYSCOM) cost organizations.

- (1) Naval Center for Cost Analysis (NCCA)
- (2) Naval Air Systems Command
- (3) Naval Sea Systems Command

- (4) Space and Naval Warfare Systems Command
- (5) Marine Corps Systems Command
- (6) Navy Engineering Logistics Office

b. Responsibilities are also assigned to DON program managers, Navy resource sponsors, and Headquarters Marine Corps (HQMC) personnel who participate in the planning, programming, budgeting, and execution of DON programs.

### 3. Background

a. Cost and effectiveness estimates form the basis for decisions regarding future Naval forces and weapon systems. It is therefore imperative that realistic, objective and comprehensive cost information be available throughout each stage of the acquisition decision making process. The cost estimating process must be transparent and information presented must be credible and defensible.

b. In response to NCCA and SYSCOM cost staff reductions during the 1990s and early 2000s, many "independent" and program office cost products were outsourced or eliminated for other than Acquisition Category (ACAT) I programs. This resulted in diminished visibility into cost and risk drivers for program managers and decision makers and reduced collection of historical data to support future analysis. This instruction reestablishes a robust cost estimating construct to improve visibility into cost and risk drivers for program managers and decision makers throughout the Department of the Navy.

4. Responsibilities. Senior DON leadership shall consider the independent cost and risk assessments provided by NCCA or by SYSCOM cost organizations before making milestone, programming or budgeting decisions. To provide such support to senior leadership, the following responsibilities are assigned:

a. NCCA will contribute to a more efficient and transparent cost analysis process by serving as the focal point for cost analysis within the Department of the Navy. In addition to the program decision principal advisor's responsibilities as stated in reference (a), NCCA shall:

(1) Serve as the principal advisor to DON leadership on issues of cost. As principal advisor, NCCA will review cost, economic, and business case analyses and affordability assessments presented to the Secretary of the Navy (SECNAV), Chief of Naval Operations (CNO) or Commandant of the Marine Corps (CMC), when requested.

(2) Develop independent cost estimates for ACAT IC programs and independent component cost analyses for ACAT IAC and ACAT IAM programs in preparation of a milestone decision as required by reference (b).

(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.

(4) Perform DON non-advocate assessments for programs incurring Nunn-McCurdy breaches.

(5) Provide cost analysis support to joint programs where Navy or Marine Corps is not the lead service, to special interest programs where no single SYSCOM is the lead, and to pre-milestone A programs where no SYSCOM lead has been designated. NCCA will generate independent estimates, sufficiency reviews or cost assessments as appropriate for each such program.

(6) Chair DON Cost Analysis Improvement Group (CAIG) review of the results of cost estimates per reference (c).

(7) Serve as the DON's representative to the Office of the Secretary of Defense CAIG per reference (b).

(8) When requested by ASN(FM&C), support investment pricing and validation teams.

(9) NCCA will serve as an advisory member and support the two-pass acquisition gate review process defined in reference (b) for ACAT I and selected ACAT II programs. For programs at pass one gates 1 and 2, NCCA will assess the adequacy of cost information provided with respect to the program's phase in its acquisition life cycle. For programs at pass one gate 3, NCCA will assess the cost and schedule information presented by the program manager. At pass two gates 4 through 6, NCCA will present a common DON cost position and will provide insight into major cost drivers, cost risk and uncertainty, and projected Total Ownership Costs (TOC) for the program.

(10) When specifically requested by Deputy Chief of Naval Operations, Integration of Capabilities and Resources (CNO (N8)), NCCA will support a program's R3B that is held separate from the gate review process. NCCA will provide independent advice regarding potential cost drivers, cost trade-offs, and cost risk issues relevant to the maturity of the program's definition.

(11) Chair a DON Cost Estimating Stakeholders Group (CESG). The CESG will:

(a) Establish best practices and develop common cost estimating policy, processes, tools and standards across DON cost organizations.

(b) Oversee general plans for professional development and training.

(c) Address data availability issues and proactively address future analytical requirements.

(d) Develop and maintain cost and financial risk metrics.

(e) Oversee issues affecting the DON cost estimating community.

(12) Provide special cost studies and analyses to the Secretariat, CNO and CMC staffs.

(13) Manage the Visibility and Management of Operating and Support Costs program.

b. SYSCOM cost organizations will provide comprehensive cost analysis support and EVM analyses for all acquisition, non-acquisition pre-milestone A, Rapid Deployment Capability and special interest programs. To achieve this level of support, SYSCOM cost organizations, as the cost competency leads, will oversee Program Executive Offices' (PEOs') and program managers' defined cost analysis, estimating and EVM analyses. SYSCOM cost organizations shall utilize demand-driven organic and non-organic resources, including working capital fund resources, to execute the following responsibilities:

(1) Develop program life-cycle cost estimates for all acquisition programs in support of milestone reviews.

(2) Oversee development and review of cost estimates in support of evaluations of alternatives, analyses of alternatives, and business case analyses.

(3) Serve as the approving technical authority for all outsourced program cost analysis support and outsourced EVM support prior to SYSCOM comptroller authorizing contract funding.

(4) Support the investment pricing and validation teams, the R3B, and the acquisition gate review process. Provide insight into major cost drivers, cost risk and uncertainty, and TOC for DON leadership.

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

(6) Support the PEOs, program managers, Navy resource sponsors and HQMC programmers with cost information to

substantiate and inform budget formulation, justification, and execution.

(7) Participate in DON CESC and EVM Stakeholders Group activities.

(8) Maintain program cost documentation, justification and quality metrics for all cost products developed by the SYSCOM cost organization.

(9) Review program plans for contractor cost data reports and software resource data reports, and advise program managers on required data inputs.

(10) Provide cost analysis capability in the areas of integrated logistics support and operating and support costs.

(11) Provide cost analysis in support of echelon I and echelon II command objectives, including special studies, risk and uncertainty analyses, trade studies, industry studies, source selection cost evaluations, and strategic analyses.

(12) Provide EVM program support. Support estimate to complete analyses, schedule risk assessments, management systems assessments, and integrated baseline reviews. Implement the use of common tools to collect, report, and manage EVM data.

c. Program managers shall utilize the cost and risk information provided by DON cost agencies for their programs. Cost estimates, earned value analysis and budget planning information that is provided by cost organizations shall be used to inform all relevant program management decisions. Program manager financial positions counter to the provided information shall be fully documented and thoroughly explained to decision making and oversight authorities at appropriate decision, programming, budgeting and execution reviews. To further achieve more responsive cost growth control, program managers shall be responsible for the following:

(1) Develop, as a basis for estimating, a Cost Analysis Requirements Description (CARD) when a program life-cycle cost estimate is required. The CARD shall include all program financial, technical and schedule assumptions in accordance with reference (f).

(2) Update the CARD annually. Annual updates should be made in conjunction with the Office of the Chief of Naval Operations (OPNAV) and HQMC requirements process reviews or with appropriate reviews required by references (a), (b), (e) and (f). Updates should reflect all pertinent information that describes configuration changes; additional known programmatic, contractual, financial or system information; reassessment of risk; and any other changes to the program that may affect its cost or cost risk.

(3) Obtain a review of technical and programmatic requirements contained in the CARD from designated SYSCOM authorities before submittal of CARD to the appropriate cost organization(s).

(4) Obtain SYSCOM cost organization review, acceptance of the CARD and all annual updates prior to final approval. The CARD for all ACAT IC and IA programs shall be reviewed and accepted by NCCA prior to final approval.

(5) Write contract terms that provide the required contractor cost data to be collected per references (b), (g) and (h).

(6) Obtain the approval of the respective SYSCOM cost competency prior to contracting for program cost or EVM support.

d. OPNAV and HQMC shall utilize the cost and risk information developed by DON cost organizations in their respective resource determination processes. Cost estimates, analysis and budget planning information that is provided by cost organizations shall be used to inform all relevant resource decisions. Financial positions counter to the provided information shall be fully documented and thoroughly explained to decision making and oversight authorities at appropriate decision, programming, budgeting and execution reviews. Chief of Naval Operations, Warfare Integration Division (OPNAV (N8F)), will participate in DON CESSG activities.

5. Action. Assistant Secretary of the Navy (Research, Development, and Acquisition), ASN(FM&C) and SYSCOM commanders will ensure performance of the specified functions and tasks by ensuring subordinate organizations are chartered and resourced

appropriately. Lead program cost estimators who fill key leadership positions as defined by references (i) and (j) shall be qualified full time Department of Defense civilian or military employees. Recommended changes to this instruction shall be sent to ASN(FM&C).

6. Records Management. Records created as a result of this instruction, regardless of media and format, shall be managed in accordance with SECNAV Manual 5210.1.



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