



# Department of Defense

## DIRECTIVE

NUMBER 5000.04  
August 16, 2006

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DPA&E

SUBJECT: Cost Analysis Improvement Group (CAIG)

- References:
- (a) DoD Directive 5000.4, "Cost Analysis Improvement Group (CAIG)," November 24, 1992 (hereby canceled)
  - (b) DoD 5000.4-M, "Cost Analysis Guidance and Procedures," December, 1992
  - (c) DoD 5025.1-M, "DoD Directives System Procedures," March 2003
  - (d) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003
  - (e) through (k), see Enclosure 1

### 1. REISSUANCE AND PURPOSE

This Directive:

- 1.1. Reissues Reference (a) to update the policy, responsibilities and functions, relationships, and authorities of the CAIG.
- 1.2. Authorizes the publication of Reference (b), consistent with Reference (c).

### 2. APPLICABILITY AND SCOPE

2.1. This Directive applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as the "DoD Components").

2.2. The policies and management principles set forth in this Directive apply to any Major Defense Acquisition Program (MDAP), as defined in Enclosure 2 of Reference (d), Major System as defined in Section 2302 of title 10, United States Code (U.S.C.) (Reference (e)), and Major System as defined in Section 403-1(q) of title 50, U.S.C. (Reference (f)), that are subject to review by the Defense Acquisition Board (DAB) or the Defense Space Acquisition Board (DSAB). The DAB or DSAB reviews address acquisition programs that are designated as

Acquisition Category (ACAT) ID, pre-MDAP projects approaching formal program initiation as likely ACAT I programs, or ACAT IC programs, including Space MDAPs, in accordance with National Space Acquisition Policy 03-01 (Reference (g)), when requested by the appropriate Milestone Decision Authority (MDA).

### 3. POLICY

It is DoD policy that:

3.1. A CAIG review is a disciplined and orderly process that requires timely cooperation and coordination among the CAIG, the rest of the OSD staff, and diverse elements within the DoD Component responsible for the acquisition program under review. A summary of the major elements of a CAIG review is provided in Reference (d). A more comprehensive description of the CAIG review process is found in Reference (b). The events and timelines associated with CAIG reviews are designed to ensure that issues and concerns are raised and resolved at the appropriate level in a systematic and timely manner.

3.1.1. Since the CAIG cost estimates are independent, they are not subject to negotiation or compromise. However, this independence does not preclude appropriate reconciliation of methodologies at the cost element level between the sponsoring DoD Component's estimate and the CAIG estimate. Frequent dialog and exchange of information throughout the review process are essential. The CAIG staff, which identifies emerging issues and provides feedback to the program manager and DoD Component staff as early as possible, participates in Integrated Product Team (IPT) meetings (including the Cost IPT, if any), but does not formally join any IPT. The CAIG, the program manager, and DoD Component staff shall work together to address any significant differences between the two cost estimates and thoroughly evaluate the issues in a professional manner before any presentations to, or discussions with, the MDA regarding the differences.

3.1.2. CAIG assessments often address a broad range of cost, technical, or schedule issues when such issues have cost implications. It is often necessary for the CAIG staff to visit the program office and/or associated government and/or contractor facilities to obtain first-hand information about program status and risk areas. The CAIG staff may initiate these visits or, alternatively, may attend meetings, such as critical design reviews or production readiness reviews, already scheduled for a larger audience.

3.2. The foundation of a sound and credible cost estimate is a well-defined program. A document known as a Cost Analysis Requirements Description (CARD) is used to describe an acquisition program for purposes of preparing the program office cost estimate (and the DoD Component cost position, if applicable) and the CAIG Independent Cost Estimate (ICE). For MDAPs, the sponsoring DoD Component develops the CARD in support of major milestone decisions, as required by Reference (d).

3.2.1. Reference (b) provides guidelines for content information and preparing a CARD. A CARD describes the basic technical, programmatic, and operational characteristics of an acquisition program. The description should include a realistic assessment of program risks and measures being planned or taken to mitigate those risks. The CARD should be consistent with other program documentation, such as the acquisition program baseline, the acquisition strategy report, or approved capability needs documents, and with contractual documents, such as requests for proposals or contract specifications.

3.2.2. The CAIG staff shall review the CARD for completeness and consistency with other program documents. As part of this review, the CAIG staff may require access to privileged information such as contractor proposals that are proprietary or source selection sensitive. The CAIG staff shall follow all necessary procedures to ensure that the integrity of the privileged information is protected, including signing any appropriate nondisclosure agreements.

#### 4. RESPONSIBILITIES AND FUNCTIONS

As an objective entity in OSD, the CAIG has been established to conduct independent cost assessments of MDAPs and to serve as the principal advisor to the appropriate MDA on matters of program life-cycle cost. In this capacity, the CAIG, under the administrative control of the Director, Program Analysis and Evaluation (DPA&E), consistent with DoD Directive 5141.01 (Reference (h)), shall:

4.1. Provide the MDA with comprehensive assessments of a program's cost at major milestone decision points. In conducting these assessments, the CAIG prepares its own ICE and reviews the program manager's cost estimate (or the DoD Component cost position), as applicable. The CAIG shall include recommendations about program funding and a review of the actual program funding in the most recent President's Budget submission and Future Years Defense Program position as part of its assessment, in comparison to the time-phased program manager's cost estimate (or DoD Component cost position), as applicable, and the time-phased CAIG estimate, for the budget years and the outyear program years.

4.2. Satisfy statutory requirements in accordance with Section 2434 of title 10, U.S.C. (Reference (i)), by preparing and providing such ICEs.

4.3. Satisfy statutory requirements in accordance with Reference (f) on joint DoD and intelligence community programs by coordinating activities with the appropriate intelligence community office and, when tasked, preparing and providing such ICEs.

4.4. Prepare other ICEs or conduct other ad hoc cost assessments, as requested by the MDA or senior leaders, including the Secretary of Defense.

4.5. Ensure that cost analysis improvement policies, programs, and procedures are designed and managed in ways that improve standards of performance, economy, and efficiency.

4.6. Assess the performance of cost analysis improvement efforts and the responsiveness of cost analysis products and services to the requirements of the OSD senior leadership and the Congress and advise the Secretary of Defense accordingly.

4.7. Provide support, such as training on cost-estimating methods or analytic assistance on cost assessments, for international programs or activities, when approved by the cognizant OSD authority.

4.8. Support the certification process of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) for programs breaching established unit cost thresholds. The CAIG shall provide the USD(AT&L) with a recommendation concerning the reasonableness of the most recent DoD Component unit cost estimates.

4.9. Assign an organization to administer Cost and Software Data Reporting (CSDR) System plans in accordance with DPA&E Memorandum (Reference (j)) for ACAT I programs and serve as a repository for all CSDR data.

## 5. RELATIONSHIPS

5.1. The Deputy Director for Resource Analysis, Office of the DPA&E (OD(PA&E)) shall chair the CAIG. The CAIG staff is also a part of the Office of the Deputy Director for Resource Analysis, consistent with Reference (h).

5.2. The CAIG Chair shall have direct access to, and communication with, the appropriate MDA on all CAIG-related matters. The application of this direct access includes submitting CAIG reports that provide CAIG ICEs to the MDA. Depending on program content and type, the MDA shall be either the USD(AT&L), the Under Secretary of the Air Force (as the MDA for space programs), or the respective Service Acquisition Executive or other DoD Component Acquisition Executive. The Secretary (or designee) may share Milestone Decision Authority with the Director of National Intelligence (or designee) for certain intelligence programs, in accordance with Reference (f).

5.3. The CAIG Chair is advised by other CAIG members representing organizations outside the OD(PA&E). These organizations include, but are not limited to, directorates in the following Components: the USD(AT&L), the Under Secretary of Defense for Policy, the Under Secretary of Defense for Intelligence, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Under Secretary of Defense for Personnel and Readiness, the Assistant Secretary of Defense for Networks and Information Integration/DoD Chief Information Officer, the Director of Operational Test and Evaluation, the General Counsel of the Department of Defense, and the Chairman of the Joint Chiefs of Staff. Areas of expertise provided by the other CAIG members include technical assessments, systems engineering, procurement and acquisition policy, industrial base assessments, acquisition resource analysis, financial management, system manpower, and other functional areas. The nature and degree of participation by the other CAIG members varies across programs and is determined on a case-by-case basis.

5.4. The CAIG Chair holds frequent and regular meetings with the Directors of the Military Department Cost Centers. The purpose of these meetings is to review general procedural and administrative matters, as well as to discuss specific issues associated with ongoing CAIG reviews. These meetings are also for the purpose of reviewing the education, training, and certification programs for DoD cost analysis personnel.

## 6. AUTHORITIES

The CAIG serves as the principal advisor to the MDA on issues regarding an acquisition program's cost. In this capacity, the CAIG Chair is authorized to:

6.1. Establish substantive guidance to the DoD Components on preparing life-cycle cost estimates for acquisition programs that are subject to CAIG review. This guidance is set forth in Reference (b).

6.2. Provide standard cost terms and associated definitions used in managing defense acquisition programs. The terms and definitions are found in Reference (b). The use of standardized cost terms and definitions throughout the DoD Components promotes communication within the Government (between the acquisition and budget communities) as well as between the Government and industry on program cost issues.

6.3. Establish procedural guidance for certain cost data collection systems and monitor system implementation by the DoD Components. Such guidance includes the use of standard cost-reporting formats for each system. Systematic and institutionalized cost data collection by each of the DoD Components is important for credible cost estimates of current and future programs. The cost data collection systems subject to CAIG oversight are:

6.3.1. CSDR System. The CSDR system serves as the primary source of acquisition cost data for MDAPs. Interim guidance is provided in Reference (j). The CSDR system consists of the two following subsystems:

6.3.1.1. Contractor Cost Data Reporting (CCDR) System. The CCDR is the DoD primary source of systematically collecting data on development and production costs that contractors incur in performing work under acquisition program contracts. Detailed procedures and other implementing guidance are prescribed on the Defense Cost and Resource Center (DCARC) web site (<http://dcarc.pae.osd.mil>). This guidance shall be incorporated into the revised DoD 5000.4-M-1 (Reference (k)).

6.3.1.2. Software Resources Data Reporting (SRDR) System. The SRDR collects resources and related data associated with high-cost software elements of MDAPs and major automated information systems. Detailed procedures and other implementing guidance are provided on the DCARC web site (<http://dcarc.pae.osd.mil>). This guidance shall be incorporated into Reference (k).

6.3.2. Visibility and Management of Operating and Support Costs (VAMOSOC) Program. In support of the VAMOSOC program, each Military Department develops and maintains a historical operating and support cost data collection system. Guidance on the VAMOSOC program is contained in Reference (b).

6.4. Coordinate cost research that is conducted by the DoD Components. The CAIG sponsors an annual DoD-wide Cost Research Symposium, where all DoD Components describe their plans for performing or sponsoring cost research. This symposium facilitates the exchange of information on cost research and helps avoid duplicating effort across the DoD Components.

7. EFFECTIVE DATE

This Directive is effective immediately.

A handwritten signature in black ink that reads "Gordon England". The signature is written in a cursive, flowing style.

Gordon England

Enclosures - 1

E1. References, continued

E1. ENCLOSURE 1

REFERENCES, continued

- (e) Section 2302 of title 10, United States Code
- (f) Section 403-1(q) of title 50, United States Code
- (g) National Security Space Acquisition Policy 03-01, "Guidance for DoD Space System Acquisition Process," October 6, 2003<sup>1</sup>
- (h) DoD Directive 5141.01, "Director, Program Analysis and Evaluation," March 16, 2006
- (i) Section 2434 of title 10, United States Code
- (j) Director, Program Analysis and Evaluation Memorandum, "Interim Guidance on Contractor Cost Data Report (CCDR) and Software Resources Data Report (SRDR) Manuals," February 20, 2004
- (k) DoD 5000.4-M-1, "Contractor Cost Data Reporting (CCDR) Manual," April 16, 1999

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<sup>1</sup> This document is available at [www.safus.hq.af.mil/usa/usap](http://www.safus.hq.af.mil/usa/usap)