Army Regulation 11–18

Army Programs

The Cost and Economic Analysis Program

Headquarters Department of the Army Washington, DC 29 August 2019

SUMMARY of CHANGE

AR 11-18

The Cost and Economic Analysis Program

This major revision, dated 29 August 2019—

- o Adds recordkeeping requirements (para 1–5).
- o Incorporates Army Directive 2017–34, Acquisition Reform Initiative #7: Improving Cost Estimation and Resourcing, dated 15 November 2017 (paras 2–1*f*, 2–2*c*, and 2–3*c*).
- o Updates references (app A).
- o Updates abbreviations (glossary).

*Army Regulation 11–18

Effective 29 September 2019

Army Programs

The Cost and Economic Analysis Program

By Order of the Secretary of the Army:

JAMES C. MCCONVILLE General, United States Army Chief of Staff

Official:

KATHLEEN S. MILLER
Administrative Assistant
to the Secretary of the Army

History. This publication is a major revision.

Summary. This regulation establishes responsibilities and policy for the Army's Cost and Economic Analysis Program.

Applicability. This regulation applies to the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve. It also

applies to all Army activities performing cost or economic analyses.

Proponent and exception authority.

The proponent of this regulation is the Assistant Secretary of the Army (Financial Management and Comptroller). The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulation. The proponent may delegate this approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing a justification that includes a full analysis of the expected benefits and must include a formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25-30 for specific guidance.

Army internal control process. This regulation contains internal control provisions in accordance with AR 11–2 and identifies key internal controls that must be evaluated (see appendix B).

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the Assistant Secretary of the Army (Financial Management and Comptroller) (SAFM–CE), 109 Army Pentagon, Washington, DC 22310–0109.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Assistant Secretary of the Army (Financial Management and Comptroller) (SAFM–CE), 109 Army Pentagon, Washington, DC 22310–0109.

Distribution. This publication is available in electronic media only and is intended for the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

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^{*}This regulation supersedes AR 11-18, dated 19 August 2014.

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Glossary

Chapter 1 Introduction

1-1. Purpose

This regulation establishes policy for the Department of the Army (DA)'s Cost and Economic Analysis Program to support decision making throughout the Army and assigns responsibility for aspects of the cost and economic analysis program to appropriate officials. This regulation contains management control provisions and cost-benefit analysis (C–BA) management controls.

1-2. References and forms

See appendix A.

1-3. Explanation of abbreviations and terms

See glossary.

1-4. Responsibilities

See chapter 2.

1-5. Records management (recordkeeping) requirements

The records management requirement for all record numbers, associated forms, and reports required by this regulation are addressed in the Army Records Retention Schedule-Army (RRS-A). Detailed information for all related record numbers, forms, and reports are located in ARIMS/RRS-A at https://www.arims.army.mil. If any record numbers, forms, and reports are not current, addressed, and/or published correctly in ARIMS/RRS-A, see DA Pam 25-403 for guidance.

Chapter 2 Responsibilities

2-1. Headquarters, Department of the Army principal officials

HQDA principal officials will—

- a. Provide program and cost data, such as system descriptions, requirements, plans, schedules, and funding data (for example, the cost analysis requirements description (CARD)).
- b. Serve as functional proponents for program areas involving economic analysis in decision making, resource allocation, and support of the Planning, Programming, Budgeting, and Execution System (PPBES).
- c. Review cost and economic analysis or other cost comparisons to ensure completeness, suitability, feasibility, and balance against Army program requirements and objectives.
- d. Coordinate cost and economic analysis matters with Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) and provide members to the Army cost review board (CRB), study advisory groups, and other cost and economic analysis groups. Study advisory groups may be established under the provisions of AR 5–5. Intra-Army committees may comply with AR 15–1, including approval by the Secretary of the Army (SECARMY).
- e. The following HQDA principal officials will establish procedural guidance for incorporating C–BAs into the decision-making processes and forums for which they are responsible. This procedural guidance may include dollar thresholds below which C–BAs are not required.
 - (1) Chief, Legislative Liaison. Legislative proposals.
- (2) *Deputy Chief of Staff, G–3/5/7*. The Army Resource and Requirements Board, Army Campaign Plan decision points, and capability portfolio reviews, concept plans, force design updates stationing analysis, and Equipment Requirements Validation Board.
 - (3) Deputy Chief of Staff, G-8. Develop the Army program objective memorandum.
- f. The following HQDA officials will support the CRB process by participating in proposed CARD and Army cost position (ACP) briefings and providing members to the CRB working group. The CRB process is further described in the Department of the Army Cost Analysis Manual. CRB members include:
 - (1) Deputy Assistant Secretary of the Army (Plans, Programs, and Resources).
 - (2) Deputy Assistant Secretary of the Army (Budget).
 - (3) Deputy Assistant Secretary of the Army (Environment, Safety, and Occupational Health).

- (4) Deputy Chief of Staff (DCS), G-3/5/7.
- (5) DCS, G-4.
- (6) Chief Information Officer/G-6.
- (7) DCS, G-8, Program Analysis & Evaluation.
- (8) DCS, G-8, Force Development.
- (9) Functional Proponent Representative (Information Systems only) will participate and serve in an advisory capacity to the CRB.

2-2. Assistant Secretary of the Army (Financial Management and Comptroller)

- a. The ASA (FM&C) has the policy making authority to—
- (1) Direct the DA Cost and Economic Analysis Program to include establishing the cost and economic policies, methods, and procedures.
- (2) Develop and maintain standard cost and economic analysis systems, cost data collection, models, and databases; statutory independent cost estimates; and cost factors for installation operations and civilian personnel.
- (3) Ensure the use of sound methods for setting cost factors for preparing the program and budget, chairing the Army CRB and approving the ACP for major acquisition programs, and supervising and providing technical guidance and support for cost management efforts.
 - b. The ASA (FM&C) will—
- (1) Establish and publish policy and procedures for and oversee the following: all Army cost and economic analysis activities, to include development, review, and validation of cost C–BA; the cost analysis career field, to include education, training, professional development, and referral; the program office estimates and/or economic, cost analyses, or component cost analysis processes; and estimating manpower.
- (2) Approve the ACP, represent the Army in the acquisition process on all cost and economic analysis matters, provide policy on implementing contractor cost data reporting, and publish manuals that provide frameworks and procedures to implement DOD and Army policies to include DODD 5000.01, DODI 5000.02, DODI 5000.73, DODI 7041.03, and DOD 5000.04–M–1.
- (3) Implement the Army's Cost and Economic Analysis Program, and administer the Office of the Secretary of Defense Cost Assessment and Program Evaluation process for the Army.
- (4) Prepare Army component cost analyses and independent cost analyses; develop cost models and tools for Armywide use, databases, and planning factors; and review selected cost and economic analyses and other cost comparisons.
- (5) Publish a cost-estimating calendar, and administer the contractor cost data reporting and the visibility and management of operating and support cost program processes.
- (6) Manage a cost research program and provide members to study advisory groups, CRBs, and other cost and economic analysis groups.
- (7) Develop, coordinate, and approve the recommended ACP for major weapon and information systems through the CRB process. The ACP is the Army's life-cycle cost estimate used to create a cost basis for Army program baselines, decisions, programming, and budgeting.
 - c. On behalf of ASA (FM&C), the Deputy Assistant Secretary of the Army (Cost and Economics) (DASA-CE) will—
 - (1) Chair the CRB.
 - (2) Review and validate C–BAs submitted under the provisions in this regulation.
- (3) Validate rough order of magnitude estimates to support development of the course of action and the Initial Capability Documents for the Army Requirements Oversight Council (AROC) and Materiel Development Decision Army Systems Acquisition Review Council (ASARC) decisions.
- (4) Conduct sensitivity analysis for acquisition category (ACAT) I and selected ACAT II and III programs or Mid-Tier acquisition programs, and brief the ACP to the AROC and ASARC at Milestones A, B, and C, and Full-Rate Production decisions to provide funding options so Army senior leaders can make cost-informed decisions. The Assistant Secretary of the Army for Acquisition, Logistics, and Technology; ASA (FM&C); and DCS, G–8 can nominate ACAT II and III programs for this process in accordance with AR 70–1.
- (5) Perform Independent Cost Estimates or sufficiency reviews of cost estimates nominated in accordance with AR 70-1.

2–3. Commanders of Army commands, Army service component commands, and direct reporting units

Commanders of ACOMs, ASCCs, and DRUs will—

a. Incorporate C–BA into the resource decision-making processes within their organizations.

- b. Establish and maintain sufficient cost and economic analysis expertise to support acquisition and resource allocation processes, and review and validate cost and economic analyses and other cost comparisons for currency, reasonableness, completeness, and compliance with DOD and Army guidance.
- c. Implement contractor cost data reporting; collect, analyze, store, and distribute program and cost data; and provide members to study advisory groups, CRB, and other cost and economic analysis groups.

2-4. Program executive officers and program manager

PEOs and program managers will—

- a. Provide program and cost data (to include a CARD) and contract data (to include cost performance reports), and provide validated cost and economic analyses and other cost comparisons to support the acquisition and PPBES processes.
- b. Conduct in-process reviews to ensure coordination of program requirements and consistency of cost estimating for the program office estimates, coordinate cost and economic analyses with supporting major command cost analysis activities for validation, implement contractor cost data reporting, and coordinate cost and economic analysis matters with the ASA (FM&C).

Chapter 3 Provisions

3-1. Planning, Programming, Budgeting, and Execution System

The Army is committed to supporting the PPBES and the system acquisition processes within the DOD (see AR 1–1). The keys to an executable PPBES and to properly resource acquisition programs are professionally prepared cost and economic analyses.

3-2. Cost and economic analyses

The Army will provide timely and sufficient cost and economic analyses to support the effective allocation and management of resources for Army programs, materiel systems, automated information systems, facility acquisitions, installation services, capital budget investments, production base support, construction projects, forces, and activities.

3-3. Cost-benefit analysis requirements

- a. C-BA is a process used to support a resource-informed decision by analyzing courses of actions to make a value based proposition recommendation to decision makers. A list of best practices and methods to completing a C-BA can be found in the U.S. Army Cost Benefit Analysis Guide.
 - b. At HQDA level, a C-BA is required to support resource-informed decision making in the following situations:
- (1) When an unfunded requirement or a new or expanded program proposal is submitted to the SECARMY, Chief of Staff of the Army, Under Secretary of the Army, or Vice Chief of Staff of the Army.
 - (2) When a resource decision is to be made in the context of the processes and forums identified in this regulation.
- c. Within ACOMs, ASCCs, and DRUs, a C-BA is required to support significant resource decisions. The commanders of these organizations will determine significance. A general guideline is that a C-BA is appropriate for any decision involving \$10 million or more in any one fiscal year.

Appendix A

References

Section I

Required Publications

DOD publications are available at https://www.esd.whs.mil/dd/.

AR 1-1

Planning, Programming, Budgeting and Execution (Cited in para 3–1.)

AR 70-1

Army Acquisition Policy (Cited in para 2-2c(4).)

Army Directive 2017-34

Acquisition Reform Initiative #7: Improving Cost Estimation and Resourcing, dated 15 November 2017 (Cited in summary of change.)

Department of the Army Cost Analysis Manual

(Available at https://www.asafm.army.mil/offices/ce.) (Cited in para 2–1f.)

DOD 5000.04-M-1

Cost and Software Data Reporting (CSDR) Manual (Cited in para 2–2b(2).)

DODD 5000.01

The Defense Acquisition System (Cited in para 2-2b(2).)

DODI 5000.02

Operation of the Defense Acquisition System (Cited in para 2-2b(2).)

DODI 5000.73

Cost Analysis Guidance and Procedures (Cited in para 2-2b(2).)

DODI 7041.03

Economic Analysis for Decision-Making (Cited in para 2-2b(2).)

U.S. Army Cost Benefit Analysis Guide

(Available at https://www.asafm.army.mil/offices/ce/.) (Cited in para 3–3a.)

Section II

Related Publications

A related publication is a source of additional information. The user does not have to read it to understand this publication. Unless otherwise indicated, DA publications are available on the Army Publishing Directorate website (https://armypubs.army.mil/).

AR 5-5

Army Studies and Analyses

AR 5-10

Stationing

AR 11-2

Managers' Internal Control Program

AR 15-1

Department of the Army Federal Advisory Committee Management Program

AR 25-30

The Army Publishing Program

DA Pam 5-13

Procedures for Army Stationing

DA Pam 25-403

Guide to Recordkeeping

Department of the Army Economic Analysis Manual

(Available at https://www.asafm.army.mil/offices/documents.aspx?category=303.)

GAO Cost Estimating and Assessment Guide

(Available at http://www.gao.gov/new.items/d093sp.pdf.)

Joint Agency Cost Schedule Risk and Uncertainty Handbook

(Available at https://www.ncca.navy.mil/tools/csruh/ja_csruh_16sep2014.pdf.)

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

Unless otherwise indicated, DA Forms are available on the Army Publishing Directorate website (https://armypubs.army.mil/).

DA Form 11–2

Internal Control Evaluation Certification

DA Form 2028

Recommended Changes to Publications and Blank Forms

Appendix B

Internal Control Evaluation

B-1. Function

The function covered by this evaluation is the Army Cost and Economic Analysis Program.

B-2. Purpose

The purpose of this evaluation is to assist PEOs in evaluating the key internal controls listed. It is intended as a guide and does not cover all controls.

B-3. Instructions

Answers must be based on the actual testing of key internal controls. Answers that indicate deficiencies must be explained and the corrective action identified in supporting documentation. These internal controls must be evaluated at least once every 5 years. Certification that the evaluation has been conducted must be accomplished on DA Form 11–2 (Internal Control Evaluation Certification).

B-4. Test questions

- a. Have the policies and guidelines supporting the execution of the Army Cost and Economic Analysis Program been established and published?
 - b. Have the policy, procedures, and process to review and validate C-BAs been established and published?
- c. Are manuals, guidebooks, and supporting documents for executing the Army Cost and Economic Analysis Program current?
 - d. Have ACPs been fully documented and approved by the ASA (FM&C)?

B-5. Supersession

This evaluation replaces the evaluation previously published in AR 11-18, dated 19 August 2014.

B-6. Comments

Help make this a better tool for evaluating internal controls. Submit comments to the Assistant Secretary of the Army (Financial Management and Comptroller) (SAFM–CE), 109 Army Pentagon, Washington, DC 22310–0109.

Glossary

Section I

Abbreviations

ACAT

acquisition category

ACOM

Army command

ACP

Army cost position

AR

Army regulation

ARIMS

Army Records Information Management System

AROC

Army Requirements Oversight Council

ASA (FM&C)

Assistant Secretary of the Army for Financial Management and Comptroller

ASARC

Army Systems Acquisition Review Council

ASCC

Army service component command

CARE

cost analysis requirements description

C-BA

cost-benefit analysis

CRB

cost review board

DA

Department of the Army

DA Form

Department of the Army form

DA Pam

Department of the Army pamphlet

DCS

Deputy Chief of Staff

DOD

Department of Defense

DODD

Department of Defense directive

DODI

Department of Defense instruction

DRU

direct reporting unit

HODA

Headquarters, Department of the Army

PEO

program executive officer

PPBES

Planning, Programming, Budgeting, and Execution System

SECARMY

Secretary of the Army

Section II

Terms

Cost analysis

The act of developing, analyzing, and documenting cost estimates through various analytical approaches and techniques. It is the process of analyzing and estimating incremental and total resources required to support past, present, and future systems. In its application to future resource requirements, it becomes a step in selection of alternatives by the decision maker.

Cost-benefit analysis

A structured methodology for estimating and comparing the anticipated costs and benefits of alternative courses of action in order to identify the optimum solution for achieving a stated goal or objective. A C–BA identifies courses of action for solving a problem, determines their costs and benefits and, with a sound rationale, identifies the best course of action. The purpose of a C–BA is to produce a strong value proposition, which is a clear statement that the benefits of a recommended course of action justify the costs, risks, and bill-payers associated with that course of action. C–BA is a narrowly focused economic analysis that applies rigorous analytical techniques to complement, but not replace, experience, judgment, and subject matter expertise.

Economics analysis

A systematic approach to identify, analyze, and compare costs or benefits of alternative courses of action that will achieve a given set of objectives. This approach is taken to determine the most efficient and effective manner to employ resources. In the broad sense, the systematic approach called economic analysis applies to new programs, as well as to the analysis of ongoing actions.