Army Programs

The Cost and Economic Analysis Program

Headquarters
Department of the Army
Washington, DC
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UNCLASSIFIED
This major revision, dated 19 August 2014--

- Updates responsibilities of Assistant Secretary of the Army (Financial Management and Comptroller), Deputy Assistant Secretary of the Army for Cost and Economic, and Principal officials of Headquarters, Department of the Army (para 4).

- Provides policy on cost benefit analysis (para 4e).

- Updates publication to reflect current policies and practices (throughout).
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 Active 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 justification that includes a full analysis of the expected benefits and must include 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 (Revised Change to Publications and Blank Forms) directly to Headquarters, Department of the Army (SAFM–CE), 109 Army Pentagon, Washington, DC 22310–0109.

Distribution. This publication is available in electronic media only and is intended for command levels C, D, and E for the Active Army, C for the Army National Guard/Army National Guard of the United States, and C for the U.S. Army Reserve.

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Glossary
1. Purpose
This regulation establishes policy for the Department of the Army (DA)’s Cost and Economic Analysis Program to support decisionmaking 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 (CBA) management controls. Existing CBA management processes are proscribed in the DA Cost Benefit Analysis Guide.

2. References
Required and related publications and prescribed and referenced forms are listed in appendix A.

3. Explanations of abbreviations and terms
Abbreviations and terms used in this regulation are explained in the glossary.

4. Responsibilities
a. The Secretary of the Army delegates to the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) policy making authority as pertaining to: Directing the DA Cost and Economic Analysis Program, including establishing cost and economic policies, methods and procedures; developing and maintaining standard cost and economic analysis systems, models and databases; developing statutory independent cost estimates; developing and maintaining cost factors for installation operations and civilian personnel; ensuring the use of sound methods for setting cost factors for preparing the program and budget; chairing the Army Cost Review Board (CRB) and approving the Army cost position (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 CBA; the cost analysis career field, to include education, training, professional development, and referral; the program office estimates and/or economic, and cost analyses or component cost analysis processes.
   (2) Approve the Army cost positions; 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 (for example, the DA’s Cost Analysis Manual) that provide frameworks and procedures to implement Department of Defense (DOD) and Army policies including: Department of Defense directive (DODD) 5000.01, DODD 8120.1, Department of Defense instruction (DODI) 5000.2, DODI 7041.3, DODI 8120.2, and DOD 5000.4–M, DOD 5000.04–M–1.
   (3) Implement the Army’s Cost and Economic Analysis Program; administer the Office of the Secretary of Defense Cost Assessment and Program Evaluation process for the Army; prepare Army component cost analyses and independent cost analyses; develop cost models and tools for Armywide use, databases, and planning factors; review selected cost and economic analyses and other cost comparisons (note that non-Headquarters, Department of the Army (HQDA) offices such as the Corps of Engineers for military construction, also provide comprehensive reviews); publish a cost-estimating calendar; administer the contractor cost data reporting and the visibility and management of operating and support cost program processes; manage a cost research program; and provide members to study advisory groups, cost review boards, and other cost and economic analysis groups. Study advisory groups must be established under the provisions of AR 5–5. Intra-Army committees must comply with AR 15–1, including approval by the SecArmy.
   (4) 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. The Deputy Assistant Secretary of the Army (Cost and Economics) (DASA–CE) will—
   (1) Chair the CRB.
   (2) Review and validate CBAs submitted under the provisions in this regulation.

d. Principal officials of HQDA will provide program and cost data, such as system descriptions, requirements, plans, schedules, and funding data (for example, the cost analysis requirements description); 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; review cost and economic analysis or other cost comparisons to ensure completeness, suitability, and balance against Army program requirements and objectives; coordinate cost and economic analysis matters with ASA (FM&C); and provide members to the CRB, study advisory groups, and other cost and economic analysis groups. Study advisory groups must be established under the provisions of AR 5–5. Intra-Army committees must comply with AR 15–1, including approval by the SecArmy.

e. Principal officials of HQDA identified in this paragraph will establish procedural guidance for incorporating CBAs into the decisionmaking processes and forums for which they are responsible. This procedural guidance may include dollar thresholds below which CBAs are not required.
   (1) Deputy Chief of Staff, G–3/5/7: The Army Resource and Requirements Board, Army Campaign Plan decision
points, capability portfolio reviews, concept plans, Force design updates, and Equipment Requirements Validation Board.

(2) Deputy Chief of Staff, G–8: Development of the Army program objective memorandum.

(3) Chief, Legislative Liaison: Legislative proposals.

f. HQDA personnel identified in this paragraph will support the CRB process by participating in proposed cost analysis requirements description and ACP briefings and providing members to the CRB Working Group. CRB members include the Deputy Assistant Secretary of the Army (Plans, Programs, and Resources); Deputy Assistant Secretary of the Army (Budget); Deputy Assistant Secretary of the Army (Environment, Safety and Occupational Health); Deputy Chief of Staff, G–3/5/7; Deputy Chief of Staff, G–4; Chief Information Officer/G–6; Deputy Chief of Staff, G–8, Program Analysis & Evaluation; Deputy Chief of Staff, G–8, Force Development; Deputy Assistant Secretary of the Army (Manpower and Reserve Affairs), and Functional Proponent Representative (Information Systems only). The CRB process is further described in the Department of the Army’s Cost Analysis Manual.

g. Commanders of Army commands, Army service component commands, and direct reporting units will—

(1) Incorporate CBA into the resource decisionmaking processes within their organizations.

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

h. Program executive officers and program managers will: provide program and cost data, such as system descriptions, requirements, plans, schedules, funding, and contract data (to include cost performance reports); provide validated cost and economic analyses and other cost comparisons to support the acquisition and Planning, Programming, Budgeting, and Execution System processes; 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; coordinate cost and economic analysis matters with the ASA (FM&C).

5. Policy

a. The Army is committed to supporting the Planning, Programming, Budgeting, and Execution System and the system acquisition processes within the DOD (see AR 1–1). The keys to an executable Planning, Programming, Budgeting, and Execution System and to properly fund acquisition programs are professionally prepared cost and economic analyses.

b. 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.

c. At HQDA level, a CBA is required to support resource informed decisionmaking in the following situations:

(1) When an unfunded requirement or a new or expanded program proposal is submitted to the Secretary of the Army, 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.

d. Within Army commands, Army service component commands, and direct reporting units, a CBA is required to support significant resource decisions. Significance will be determined by the commanders of these organizations. A general guideline is that a CBA is appropriate for any decision involving $10 million or more in any 1 year.
Appendix A

References

Section I
Required Publications
DOD publications are available at http://www.dtic.mil/whs/directives/.

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

DA Cost Analysis Manual

DOD 5000.4–M
Cost Analysis Guidance and Procedures (Cited in para 4.)

DOD 5000.04–M–1
Cost and Software Data Reporting (Cited in para 4.)

DODD 5000.1
Defense Acquisition (Cited in para 4.)

DODD 8120.1
Life Cycle Management of Automated Information Systems (Cited in para 4.)

DODI 5000.2
Defense Acquisition Management Policies and Procedures (Cited in para 4.)

DODI 7041.3
Economic Analysis and Program Evaluation for Resource Management (Cited in para 4.)

Interim DODI 5000.02
Operation and Defense Acquisition System (Cited in para 4.)

U.S. Army Cost Benefit Analysis Guide

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.

Air Force Cost Risk and Uncertainty Handbook

AR 5–5
Army Studies and Analyses

AR 15–1
Boards and Commissions, and Committees – Committee Management

AR 25–30
The Army Publishing Program

Department of the Army Economic Analysis Manual
Section III
Prescribed Forms
This section contains no entries.

Section IV
Referenced Forms

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 program executive officers in evaluating 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 CBAs 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
Not applicable.

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

ACP
Army cost position

ASA (FM&C)
Assistant Secretary of the Army (Financial Management and Comptroller)

CBA
cost benefit analysis

CRB
Cost Review Board

DA
Department of the Army

DOD
Department of Defense

DASA–CE
Deputy Assistant Secretary of the Army for Cost and Economics

HQDA
Headquarters, Department 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 an step in selection of alternatives by the decision maker.

Cost benefit analysis
A CBA is 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 CBA 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 CBA 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. CBA is a narrowly focused economic analysis that applies rigorous analytical techniques to complement, but not replace, experience, judgment, and subject matter expertise.

Economics analysis
An economic analysis is 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.

Section III
Special Abbreviations and Terms
This section contains no entries.