MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES
COMPONENT ACQUISITION EXECUTIVE, DEFENSE INFORMATION
SYSTEMS AGENCY
COMPONENT ACQUISITION EXECUTIVE, DEFENSE LOGISTICS
AGENCY
COMPONENT ACQUISITION EXECUTIVE, MISSILE DEFENSE
AGENCY
COMPONENT ACQUISITION EXECUTIVE, NATIONAL SECURITY
AGENCY
COMPONENT ACQUISITION EXECUTIVE, TRICARE MANAGEMENT
ACTIVITY
ASSISTANT SECRETARY OF DEFENSE FOR NUCLEAR, CHEMICAL
AND BIOLOGICAL DEFENSE PROGRAMS

SUBJECT: Recording and Tracking Affordability Constraints and 10 USC 2366a Milestone A
Parameters in the OUSD(AT&L) Acquisition Visibility Environment

References: (a) Under Secretary of Defense for Acquisition, Technology and Logistics
(USD(AT&L)) memorandum, “Implementing Directive for Better Buying
Power 2.0 – Achieving Greater Efficiency and Productivity in Defense
Spending,” April 24, 2013
(b) 10 U.S.C. § 2366a, “Major Defense Acquisition Programs: Certification
Required Before Milestone A”
(c) 10 U.S.C. § 181, “Joint Requirements Oversight Council”

Purpose:

The Better Buying Power (BBP) 2.0 Implementation Directive (reference (a)), directed
Acquisition Resources and Analysis (ARA) to immediately begin tracking affordability
constraints in our Acquisition Visibility environment. These constraints consist of affordability
goals at Materiel Development Decision (MDD) and Milestone (MS) A as well as affordability
caps at MS B and beyond. In addition, 10 USC § 2366a (reference (b)) lists two other MS A
parameters for Major Defense Acquisition Programs (MDAPs)—projected (total) program
acquisition cost and time to deliver an initial operational capability (IOC)—that require tracking
to enable congressional notification if breached by 25 percent at any time prior to MS B.

This memorandum describes how Components will record and track affordability
constraints and MS A parameters in reports within the Acquisition Visibility (AV) electronic
environment. These interim procedures may be modified as AV systems evolve.
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Background:

Affordability Constraints. Reference (a) directed Milestone Decision Authorities (MDAs) to ensure affordability constraints are established at milestone decision reviews and enforced. Components are to base affordability constraints on anticipated future budgets that will be available to procure and support the product being acquired within a relevant portfolio of products. Affordability constraints are not the product of cost analysis but a constraint on costs, and force prioritization of requirements, drive performance and cost trades, and ensure that unaffordable programs do not enter the acquisition process. The MDA is to approve affordability goals at MDD and MS A. At MDD, these are tentative cost goals (e.g., total funding, annual funding profiles, unit procurement and/or sustainment costs, as appropriate) and inventory goals to help scope the AoA. The goals are refined at MS A to inform requirements and design tradeoffs during Technology Development phase. At the pre-B (currently called “pre-EMD”) and subsequent decision reviews, the MDA is to approve affordability caps, which are functionally equivalent to Key Performance Parameters. If breached, costs must be reduced or else program cancellation can be expected. At MS A and beyond, these constraints for MDAPs are to be unit procurement and sustainment costs, typically average procurement unit cost (APUC) or recurring flyaway, and average operating and support (O&S) cost, per unit, per year. For Major Automated Information System (MAIS) programs (which have no production quantity), appropriate affordability constraints are total acquisition cost and average O&S cost per year after declaration of Full Deployment. The parameters are to be documented in acquisition decision memoranda (ADMds) and acquisition program baselines (APBs).

MS A Certification Parameters. Reference (b) describes the criteria required for the MDA to certify MDAP programs at MS A. Subparagraph (b) of the section requires the Program Manager (PM) to notify the MDA, and the MDA in turn to submit a report to Congress and make various certifications, “if the projected [total acquisition] cost of the program or subprogram at any time prior to MS B approval, exceeds the cost estimate for the program submitted at the time of the certification by at least 25 percent, or the program manager determines that the period of time required for the delivery of an initial operational capability is likely to exceed the schedule objective established [by the Joint Requirements Oversight Council] pursuant to [10 USC § 181 (b)(5) (reference (c))] by more than 25 percent.”

ARA uses the Defense Acquisition Management Information Retrieval (DAMIR) system, to maintain the official list of MDAP and MAIS programs, as well as record and track cost, schedule and performance information for these programs. DAMIR automates development of APBs, and automates and stores MDAP Selected Acquisition Reports (SARs), MAIS Annual Reports (MARs), Defense Acquisition Executive Summary (DAES) reports and MAIS Quarterly Reports (MQRs) for baselined programs. The only reports that are common to all unbaselined (typically pre-MS B) programs are Program Objective Memorandum (POM) reports and President’s Budget (PB) reports. These internal DoD POM and PB reports are not provided to Congress.

Guidance:

To begin tracking and reporting these parameters immediately, I have established these interim procedures that do not require information system modifications. Instead, the parameters
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will be reported and tracked in memorandum fields of existing reports. For baselined MDAPs
and MAIS programs, Components will record MDA-approved affordability constraints in Cost
Section memorandum fields of the APB and DAES, and Program Managers (PMs) will report
current estimates in the DAES cost memorandum fields as well. Since pre-MDAPs and
Unbaselined MAIS programs do not submit DAES reports, Components will record affordability
goals and Section 2366a parameters in the programs’ next POM or PB report in DAMIR. PMs
will report current estimates in all subsequent POM and PB reports. Detailed guidance is
provided in Attachment A.

My point of contact for MDAP and MAIS reporting requirements is COL James McNulty, james.mcnutly@osd.mil, (703) 695-5167 and my point of contact for AV functional
issues is Mr. Jeffery Tucker, jeffrey.tucker@osd.mil, (703) 693-7954. For questions regarding
OSD(AT&L) policy on affordability constraints, contact Dr. Phil Anton in the Office of the
Director, Performance Assessments and Root Cause Analysis, philip.anton@osd.mil,
(571) 256-7059.

Nancy L. Spruill
Director
Acquisition Resources and Analysis

Attachment:
As Stated

cc:
ASD(A)
DD,CAPE/CA/PE
DoD CIO
DCMO
OUSD(C)/Investment
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Attachment A

Detailed Guidance for Recording Affordability Constraints, 10 USC 2366a Parameters and Current Estimates

1. Materiel Development Decision (MDD). Following each MDD in which the Milestone Decision Authority (MDA) establishes affordability goals for a potential MDAP or MAIS program, the Program Manager (PM) will include the following statement in the General Memo of the Cost & Funding section of the next and subsequent POM or PB reports in Defense Acquisition Management Information Retrieval (DAMIR) (these internal-DoD reports are not submitted to Congress):

   In the Materiel Development Decision Acquisition Decision Memorandum, dated [ADM Date], the Milestone Decision Authority established Affordability Goals of [$xxx.xM (BYxx)] total cost [or other cost measure established by the MDA] and [$xx.xM (BYxx)] lifetime average Operating and Support Cost per [unit] per year [or other sustainment cost measure established by the MDA] for [xxx units] [if known].

2. Milestone (MS) A (MDAPs). For each MDAP certified by the MDA in accordance with 10 USC 2366a (for MS A):

   a. The PM will include the following statement in the General Memo of the Cost & Funding section of the next and subsequent POM or PB reports in DAMIR:

      The total acquisition cost estimate submitted at Milestone A with the concurrence of the Director of Cost Assessment and Program Evaluation was [$x,xxxM (BYxxxx)].
      The Current Estimate is: [$x,xxxM (BYxxxx)]

      [Between milestones, Current Estimates are typically comprised of prior-year actuals, approved POM or PB and FYDP, and the "beyond-FYDP" ICE or SCF estimate, adjusted by the program office or acquisition center to accommodate FYDP changes. If after consulting the Service Cost Agency or DCAPE, the PM projects the Total Acquisition Cost will exceed the MS A estimate by more than 25 percent, the PM will clearly note that here and notify the MDA in accordance with 10 USC 2366a].

      In the Milestone A Acquisition Decision Memorandum, dated [ADM Date], the Milestone Decision Authority established Affordability Goals of [$xxx.xM (BYxxxx)] Average Procurement Unit Cost [or other unit procurement measure] and [$xx.xM (BYxxxx)] lifetime average Operating and Support Cost per [unit] per year. The Current Estimates are: [list Current Estimates for the same parameters].
The PM will include the following statement in the General Memo of the Schedule section of the next and subsequent POM or PB reports in DAMIR:

*Milestone A: [ADM Date]*
JROC-established Initial Operating Capability Objective (IOC): [IOC Date].

*The Program Manager’s Current IOC Estimate is: [date]* [If the PM projects the period of time from MS A to IOC will exceed the estimate at MS A by more than 25 percent, the PM will clearly note that here and notify the MDA in accordance with 10 USC 2366a].

3. **MS A or Preferred Alternative Decision (MAIS Programs).** For each MAIS program for which the MDA has established affordability goals, the PM will include the following statement in the General Memo of the Cost & Funding section of the next and subsequent POM or PB reports in DAMIR:

*In the Milestone A Acquisition Decision Memorandum [or ADM approving preferred alternative, if no MS A], dated [ADM Date], the Milestone Decision Authority established Affordability Goals of [$xxx.xM (BYxxxx)] Total Acquisition Cost [or other measure] and [$xx.xM (BYxxxx)] average Operating and Support Cost per year after Full-Deployment. The Current Estimates are: [list Current Estimates for the same parameters].*

4. **Pre-B and Beyond.**

   a. For each future Acquisition Program Baseline (APB), the Component will add the following statement to the General Memo of the APB Cost Section:

      (1) for MDAPs,

      *In the [Pre-B, MS B, MS C, FRP...] Acquisition Decision Memorandum, dated [ADM Date], the Milestone Decision Authority established Affordability Caps of [$xxx.xM (BYxxxx)] Average Procurement Unit Cost [or other unit procurement measure] and [$xx.xM (BYxxxx)] lifetime average Operating and Support Cost per [unit] per year.*

      (2) for MAIS programs,

      *In the [Pre-B, MS B, MS C, FDD...] Acquisition Decision Memorandum, dated [ADM Date], the Milestone Decision Authority established Affordability Caps of [$xxx.xM (BYxxxx)] Total Acquisition Cost and [$xx.xM (BYxxxx)] Total Operating and Support Cost for the 10 years after declaration of Full Deployment.*

   b. For each subsequent DAES report, the PM will ensure the affordability constraint is similarly recorded in the Cost and Funding section, along with the Current Estimate for each parameter. The PM will coordinate the Current Estimate with the Service Cost Agency or DCAPE if an affordability cap is projected to be breached.
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c. For each MDAP and MAIS program that has MDA-established affordability constraints not recorded in its APB, the PM will still record the constraints and Current Estimates for each parameter in the DAES report.