



OFFICE OF THE SECRETARY OF DEFENSE
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MAR 12 2009

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ENGINEERING)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Required Signed and Documented Component-level Cost Position for
Milestone Reviews

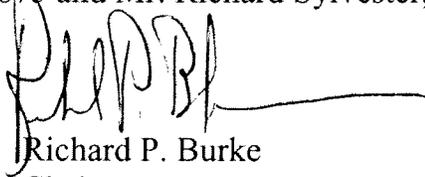
Recent changes to statutory requirements and regulatory requirements in the recent update to DoD Instruction 5000.02, *Operation of the Defense Acquisition System*, make it necessary to strengthen and improve transparency in cost estimation review procedures. As a result, beginning now a signed and documented Component-level cost position will be required for all Milestone (MS) A, B, C and Full Rate Production Decisions for all Major Defense Acquisition Programs (MDAPs). Also, to support statutory certifications and regulatory requirements the Component must fully fund to this cost position in the current President's Budget Future Years Defense Program (FYDP), or commit to full funding of the cost position in the next President's Budget FYDP, with identification of specific offsets to address any funding shortfalls that may exist in the current FYDP. More specifically, we expect the Deputy Assistant Secretaries of the Military Departments for Cost and Economics to sign for the Component-level cost position. We also expect the Service Acquisition Executive and the Chief Financial Officer to endorse and certify that the FYDP fully funds the program consistent with the component cost estimate.

The OSD Cost Analysis Improvement Group (CAIG) is currently updating DoD 5000.4-M, *DoD Cost Analysis Guidance and Procedures*. Among other changes, the update to DoD 5000.4-M will address the new milestone decision authority certifications required in accordance with 10 United States Code, Section 2366, for MS A and MS B approvals. The update will also address modified requirements for preparation of cost

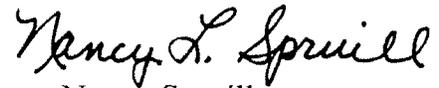


estimates to support MS A reviews. The process described above will be incorporated into the update of the DoD 5000.4-M document.

The points of contact for this effort are Dr. Ronald Lile, ronald.lile@osd.mil, (703) 601-4875 and Mr. Richard Sylvester, richard.sylvester@osd.mil, (703) 697-0476.



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