



SECRETARY OF THE ARMY
WASHINGTON

15 NOV 2017

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Army Directive 2017-34 (Acquisition Reform Initiative #7: Improving Cost Estimation and Resourcing)

1. References. A complete list of references is at the enclosure.
2. The purpose of this directive is to improve the cost estimation and resourcing processes to enable Army senior leaders to make better informed and more timely decisions. This directive is a continuation of Army Directive 2017-22.
3. I direct the following actions:
 - a. The Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)) will update Army Regulation (AR) 70-1 (Army Acquisition Policy) to:
 - (1) develop cost estimates for U.S. Army Training and Doctrine Command capability developers to support development of the course of action and Initial Capabilities Document for the Army Requirements Oversight Council (AROC) and Milestone Development Decision Army System Acquisition Review Council (ASARC) decisions. (Target: No later than (NLT) 30 April 2018.)
 - (2) include that the Deputy ASA (Cost and Economics), on behalf of the ASA (Financial Management and Comptroller) (FM&C), will develop Independent Cost Estimates for Milestones A, B, and C, and Full-Rate Production decision reviews for the Army Acquisition Executive-selected Acquisition Category (ACAT) II and III programs. The ASA (ALT), ASA (FM&C), and Deputy Chief of Staff (DCS), G-8 can nominate programs for Independent Cost Estimates. (Target: NLT 30 April 2018.)
 - (3) include program numbers in the Army Acquisition Program Master List to facilitate linking and aligning programmatic information across financial systems (such as the Standard Study Number-Line Item Number Automated Management and Integrating System (SLAMIS), Force Development Investment Information System (FDIIS), and General Fund Enterprise Business System (GFEBIS). (Target: NLT 30 April 2018.)
 - b. The ASA (FM&C) will update AR 11-18 (The Cost and Economic Analysis Program) to:

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(1) validate rough order of magnitude estimates, conducted by the Program Executive Officer or Program Manager, to support development of the course of action and the Initial Capability Document for the AROC and Milestone Development Decision ASARC decisions. (Target: NLT 30 April 2018.)

(2) develop Independent Cost Estimates for Army Acquisition Executive-selected ACAT II and III program Milestone Reviews to ensure that Army senior leaders have consistent and accurate information to make better resource decisions. The ASA (ALT), ASA (FM&C), and DCS, G-8 can nominate programs. (Target: NLT 30 April 2018.)

(3) include U.S. Army Materiel Command representation at the Army Cost Review Board to ensure the sustainment perspective is included in the Army Cost Position. (Target: NLT 30 April 2018.)

(4) conduct sensitivity analysis for ACAT I and selected ACAT II and III programs and brief the Army Cost Position to the AROC and ASARC at Milestones A, B, and C, and Full-Rate Production to provide funding options so Army senior leaders can make cost-informed decisions. The ASA (ALT), ASA (FM&C), and DCS, G-8 can nominate ACAT II and III programs for this process. (Target: NLT 30 April 2018.)

(5) change business rules to ensure all program cost estimates are developed using the Army Procurement Objective, Army Authorization Objective, and Basis of Issue Plan to produce accurate cost figures. (Target: NLT 30 April 2018.)

c. The ASA (FM&C) will write a legislative change proposal for the National Defense Authorization Act for Fiscal Year 2019 to increase year of execution funding flexibility to enable timely program adjustments. Solutions include:

(1) increasing dollar limits for below threshold reprogramming actions to \$50 million for both procurement and research, development, test, and evaluation.

(2) allowing the Secretary of the Army to reprogram up to \$250 million of unobligated funds for Rapid Acquisition Authority.

(3) requesting a General Funding Appropriation of \$100 million not dedicated to a specific program. (Target: NLT 30 April 2018.)

d. The DCS, G-3/5/7, in coordination with the ASA (ALT), will update AR 700-142 (Type Classification, Materiel Release, Fielding, and Transfer) to validate the Program Manager's Materiel Fielding Plan to ensure it is in accordance with the operational priorities of the Dynamic Army Resourcing Priority List; the Army Resourcing Priority List; the Integrated Requirements Priority List; and Headquarters, Department of the Army execution order to facilitate unit fielding schedule. (Target: NLT 30 April 2018.)

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e. The DCS, G-8, in coordination with the ASA (FM&C), will update AR 1-1 (Planning, Programming, and Budget Execution) to, based on an agreed upon solution, map and integrate program numbers or other unique identifiers into financial systems (such as SLAMIS, FDIIS, and GFEBs) to ease the execution and audit trail of data calls, and will identify associated costs. (Target: NLT 30 April 2018.)

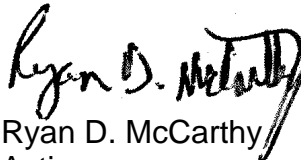
f. The DCS, G-8 will update AR 71-9 (Warfighting Capabilities Determination), in coordination with Training and Doctrine Command, to publish a Modernization Strategy update, as needed but at least every 2 years, that contains the authoritative list of investment priorities informed by The Army Plan. (Target: NLT 30 April 2018.)

g. The DCS, G-8 will assess and review the feasibility of using the Army Financial Benefits Reporting and Tracking process to provide visibility and track financial benefits (cost savings, cost avoidance, and revenue generation. (Target: NLT 30 April 2018).

4. The policies in this directive apply to the Active Army, Army National Guard/Army National Guard of the United States, and U.S. Army Reserve.

5. This directive is rescinded upon publication of these policy changes in AR 1-1, AR 11-18, AR 70-1, AR 71-9, and AR 700-142.

Encl



Ryan D. McCarthy
Acting

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REFERENCES

- a. Section 1735, Title 10, United States Code, The Defense Acquisition Workforce Improvement Act of 1990.
- b. Section 1741, Title 10, United States Code, Policies and Programs: Establishment and Implementation.
- c. Section 3016b(5)(A), Title 10, United States Code, Assistant Secretaries of the Army.
- d. Section 1122, National Defense Authorization Act for Fiscal Year 2017, Public Law 114-328.
- e. Section 808, National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92, Volume 129 Statute at Large, p. 888–889.
- f. Chief of Staff of the Army, Report to Congress on Linking and Streamlining Army Requirements, Acquisition, and Budget Processes in Response to National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, Section 808 (May 2016).
- g. Department of Defense (DoD) Directive 5000.01 (The Defense Acquisition System), May 12, 2003, Certified Current as of November 20, 2007.
- h. DoD Instruction 5000.02 (Operation of the Defense Acquisition System), January 7, 2015; Incorporating Change 1, Effective January 26, 2017 and Change 2, Effective February 2, 2017.
- i. DoD 7000.14-R (Department of Defense Financial Management Regulation), Volume 4 (Accounting Policy), January 2016.
- j. Headquarters, Department of the Army (DA) General Orders No. 2017-01 (Assignment of Functions and Responsibilities Within Headquarters, Department of the Army), 5 January 2017.
- k. Army Directive 2017-22 (Implementation of Acquisition Reform Initiatives 1 and 2), 12 Sep 2017.
- l. Army Regulation (AR) 1-1 (Planning, Programming, and Budget Execution), 23 May 2016.
- m. AR 11-18 (The Cost and Economic Analysis Program), 19 August 2014.
- n. AR 70-1 (Army Acquisition Policy), 16 June 2017.

Enclosure

- o. AR 71-9 (Warfighting Capabilities Determination), 28 December 2009.
- p. AR 700-142 (Type Classification, Materiel Release, Fielding, and Transfer), 2 June 2015.