



DoD INSTRUCTION 5000.73

COST ANALYSIS GUIDANCE AND PROCEDURES

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Approved by:	John E. Whitley, Performing the Duties of the Director, Cost Assessment and Program Evaluation

Purpose: In accordance with the authority in DoD Directive 5105.84, this issuance establishes policy, assigns responsibilities, and provides procedures for the conduct of cost estimation and analysis and the collection of cost data in the DoD.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. POLICY.

a. The DoD conducts analysis to provide accurate information and realistic estimates of cost for DoD acquisition programs. Data is collected to inform the analysis.

b. Independent and sound cost estimates are vital for effective acquisition decision making and oversight. Cost estimates also support efficient and effective resource allocation decisions throughout the planning, programming, budgeting, and execution process.

c. The concepts presented in this instruction must be applied to all DoD acquisition programs as designated in policies established in DoD issuances and by the DoD Component and Service cost agencies (SCAs).

SECTION 2: RESPONSIBILITIES

2.1. DIRECTOR OF COST ASSESSMENT AND PROGRAM EVALUATION (DCAPE).

The DCAPE:

- a. Oversees implementation of the procedures in this issuance.
- b. Prepares clarifying guidance as needed for this issuance.
- c. Reviews and takes appropriate action on waiver requests from the DoD Components.

2.2. DOD COMPONENT HEADS.

The DoD Component heads:

- a. Implement the procedures in this instruction and, as appropriate, develop DoD Component guidance.
- b. When necessary, request DCAPE approval of waivers or exceptions to the provisions of this issuance.

SECTION 3: COST ESTIMATE REQUIREMENTS AND PROCEDURES

3.1. COST ANALYSIS ACTIVITIES.

This section describes the points at which the Office of Cost Assessment and Program Evaluation (CAPE), DoD Components, and SCAs conduct cost analyses as well as the timelines and required documentation for the conduct of such analyses.

a. Major Capability Acquisitions.

(1) Independent Cost Estimates (ICES).

(a) Pursuant to Section 2334 of Title 10, United States Code (U.S.C.), the Office of Cost Assessment (CA) within CAPE conducts or approves ICEs and cost analyses for all major defense acquisition programs (MDAPs) and major subprograms:

1. In advance of any Milestone A certification pursuant to Section 2366a of Title 10, U.S.C., or Milestone B certification pursuant to Section 2366b of Title 10, U.S.C.
2. In advance of any decision to enter low-rate initial production (LRIP) or full-rate production (FRP).
3. In advance of any certification for critical Nunn-McCurdy breaches under Section 2433a of Title 10, U.S.C.
4. At any other time considered appropriate by the DCAPE or upon the request of the Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) or the milestone decision authority (MDA).

(b) At the discretion of DCAPE or upon the request of the Secretary of the Military Department concerned, CA conducts or approves ICEs for the remainder of the life-cycle of the program for sustainment review required by Section 2441 of Title 10, U.S.C. If DCAPE does not choose to conduct or approve the ICE, the DOD Component must conduct the ICE in accordance with the relevant SCA's policies and procedures.

(2) Cost Analysis for Development Request for Proposals (RFP) Release Decision Point.

CA may conduct or approve an ICE or conduct a cost analysis to inform the development RFP release decision point review for MDAPs or major subprograms. If CA does not conduct or approve an ICE or cost analysis, the cost analysis will be conducted in accordance with the relevant SCA's policies and procedures.

(3) Multiyear Procurement (MYP) Certification.

Pursuant to Section 2306b of Title 10, U.S.C., CA conducts a preliminary cost analysis before submission of a request for legislative authority to enter into an MYP contract in order to

determine the projected savings from use of a MYP contract over a baseline annual procurement contract. CA conducts a final cost analysis at least 30 days before the MYP contract is awarded.

(4) Post-Initial Operational Capability (IOC).

(a) After IOC, DoD Components must continue to track operating and support (O&S) costs and update O&S cost estimates yearly throughout an MDAP's or major system's life-cycle to determine whether preliminary information and assumptions remain relevant and accurate and to identify and record reasons for variances.

(b) O&S cost estimates are independently reviewed at post-IOC reviews.

(c) Each O&S cost estimate must be compared to earlier estimates and the program's sustainment cost goals established pursuant to Section 2448a of Title 10, U.S.C., and as appropriate, used to update the life-cycle affordability analysis provided to the MDA and requirements validation authority. This comparison must identify the reasons for significant changes.

b. Middle Tier of Acquisition (MTA) Programs.

(1) Rapid Prototyping Programs.

CAPE will conduct an estimate of life-cycle costs for programs likely to exceed acquisition category (ACAT) I threshold pursued using the MTA rapid prototyping pathway. CAPE may, in its discretion, delegate the authority for the conduct of the cost estimate to the SCA. Estimates for rapid prototyping programs that do not exceed the ACAT I threshold must be conducted in accordance with guidance issued by the relevant SCA.

(2) Rapid Fielding Programs.

CAPE will conduct an estimate of life-cycle costs for programs likely to exceed ACAT I or II thresholds pursued using the MTA rapid fielding pathway. CAPE may, in its discretion, delegate the authority for the conduct of the cost estimate to the SCA. DoD Components must conduct life-cycle cost estimates for rapid fielding programs that do not exceed the ACAT II threshold in accordance with guidance issued by the relevant SCA.

c. Defense Business Systems (DBS).

CAPE may conduct a cost estimate for DBS at DCAPE's discretion. For all other DBS, the SCA or, if delegated by the SCA, the designated organization will conduct cost analyses for each phase of the business capability acquisition cycle and to support authority to proceed decision points in accordance with guidance issued by the relevant SCA. The cost analyses may include cost impact studies, cost benefit analyses, rough order of magnitude estimates, analyses of alternatives, cost performance parameters, and the program baseline cost.

d. Contracted Services.

CAPE may conduct a cost estimate for acquisition of a contracted service at DCAPE's discretion. All other cost estimates for contracted services must be conducted in accordance with the policies and procedures issued by the relevant SCA.

e. Software.

CAPE will conduct an ICE for programs using the software acquisition pathway likely to exceed ACAT I or II thresholds before the program enters the execution phase (EP). CAPE may, in its discretion, delegate the authority for the conduct of the cost estimate to the SCA. At the discretion of DCAPE, the ICE may be updated during the EP. Estimates for software acquisition programs that do not exceed the ACAT II threshold must be conducted in accordance with the policies and procedures issued by the relevant SCA.

3.2. POLICIES FOR ICES.

a. Content of ICE.

The ICE is a full life-cycle cost estimate of a program and includes:

(1) All costs of development, procurement, military construction, operations and support, disposal, and trained manpower to operate, maintain, and support the program or subprogram upon full operational deployment, without regard to funding source or management control.

(2) At Milestone A, identification and sensitivity analysis of key cost drivers that may affect life-cycle costs.

b. Consideration of ICE at Milestone Reviews.

The MDA may not approve entering a milestone phase of an MDAP or major subprogram unless an ICE, conducted or approved by DCAPE, has been considered by the MDA.

c. Cost Estimate Not Used for Contract Negotiation.

Pursuant to Section 2334(f)(1) of Title 10, U.S.C., the cost estimates developed under Paragraph 3.1.a.(1) for baseline descriptions and other program purposes may not be used for contract negotiations or the obligation of funds.

3.3. POLICIES FOR DOD COST ESTIMATING AND ANALYSIS ACTIVITIES.

a. Review of Estimates.

(1) DCAPE reviews all cost estimates and cost analyses conducted in connection with MDAPs and major subprograms, as well as estimates of O&S costs for all major weapon systems.

(2) To facilitate the review of cost estimates, the DoD Component must submit the results of all cost estimates, cost analyses, and associated studies conducted for MDAPs and major subprograms to DCAPE.

(3) SCAs review all other cost estimates in accordance with SCA policy.

b. Discussion of Risk.

All cost estimates conducted for DoD programs must:

(1) Include a discussion of risk, the potential impacts of risk on program costs and schedule, and approaches to mitigate risk.

(2) Include analysis to support decision making that identifies and evaluates alternative courses of action that may:

(a) Reduce cost and risk.

(b) Result in more affordable programs.

(c) Result in less costly systems.

(3) Be developed, to the extent practicable, based on historical actual cost information that is based on demonstrated contractor and government performance and provide a high degree of confidence that the program can be completed without the need for significant adjustment to the program's or subprogram's budgets.

c. Discussion of Risk in Selected Acquisition Reports (SARs).

The information required in Paragraph 3.3.b. must be included in the next SAR prepared in compliance with Section 2432 of Title 10, U.S.C.

d. Inflation and Escalation.

All cost estimates must document the rationale for inflation and escalation rates. Guidance can be found in the CAPE Inflation and Escalation Best Practices for Cost Analysis guidebook.

e. Access to Data.

CAPE, DoD Components, and SCAs must be provided timely access to any records and data in the DoD (including the records and data of each military department and defense agency, to include classified, unclassified, and proprietary information) they consider necessary to review cost analyses and conduct ICEs and cost analyses.

f. Cost Estimates Used for Baseline and Budget.

DCAPE assesses whether a proposed program's baseline and associated budget provide the necessary confidence that the program can be completed without the need for significant adjustment to future program budgets.

(1) Following a milestone (or equivalent acquisition) decision, CA will verify that the DoD Component has fully funded the program, in accordance with the full funding certification made at the milestone, in all Program Objective Memorandum or President's Budget submissions to OSD.

(2) If DCAPE identifies non-compliance during the President's Budget review, DCAPE will request the SCA or DoD Component provide any new cost and technical baseline descriptions that support the new position.

g. Cost Estimates for Defense Agency Programs and Field Activities.

For Defense Agencies and DoD Field Activities (DAFAs) without an SCA, a DAFA representative will meet with CA at least 210 days before a decision for which a cost estimate is required for an ACAT I or II level DAFA program. At the meeting, CA and the DAFA representative will determine what type of estimate is required for the decision, who will conduct the estimate, and the policies and procedures that will be followed.

3.4. TIMELINES FOR COST ANALYSIS ACTIVITIES.

If a cost estimate is required in accordance with Paragraph 3.1., the following timelines will be used when preparing the estimate:

a. Determination of Organization that will Prepare ICE for a Major Capability Acquisition.

Figure 1 describes the typical timeline of events and deadlines to support CAPE's decision whether to prepare an ICE or review and approve the DoD Component ICE.

(1) The PMO will notify CA of a program's upcoming milestone that requires either a DoD Component ICE or a CAPE ICE at least 210 days before the planned cost review board (CRB) meeting.

(2) A kick-off meeting is held no later than 180 days before the planned CRB meeting. Before the kick-off meeting, the SCA and CA will develop an agenda of information to discuss, including requirements for the cost estimates, alternatives to consider, available data, and the assumptions on which the cost estimates will be based.

(3) A CA representative and SCA representative will co-chair the kick-off meeting. A representative from the program management office (PMO) will brief a description of the program at the kick-off meeting. If a program's milestone decision is delayed, a second meeting must be held during which the PMO updates CA and the SCA on any changes to the program. Those changes must be included in an updated draft cost analysis requirements description (CARD).

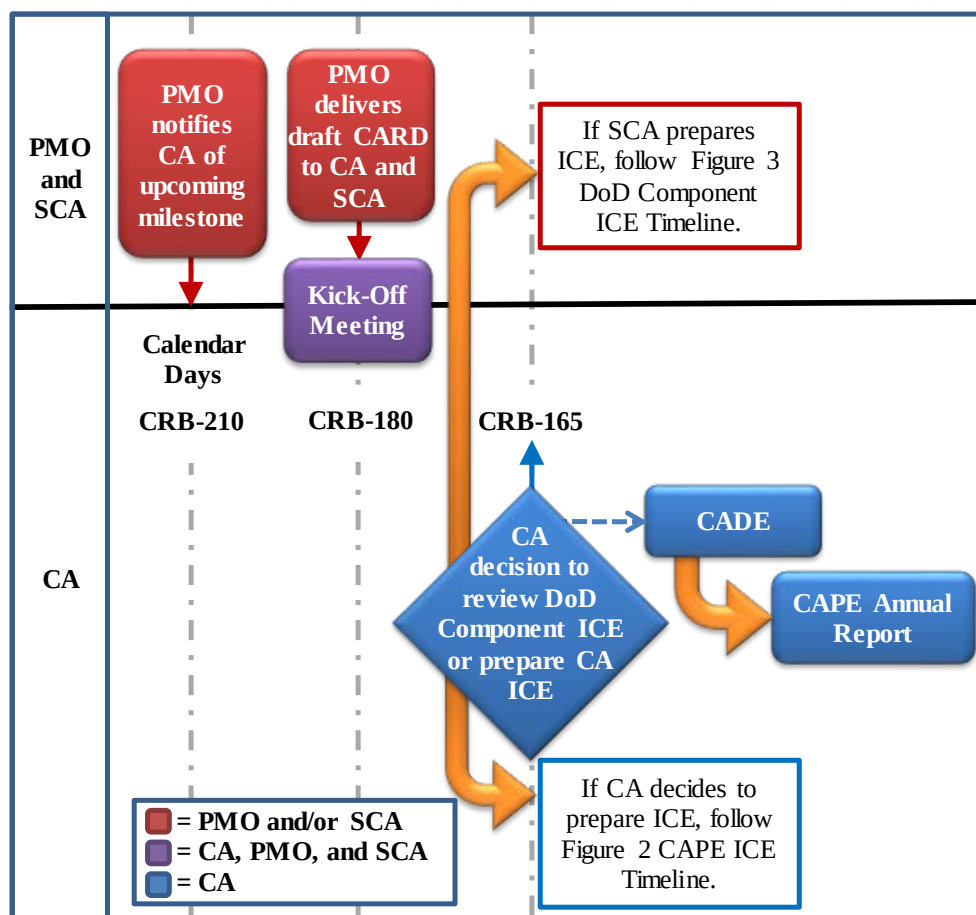
(4) The PMO will prepare and deliver the draft CARD to CA and the SCA at or before the kick-off meeting. For joint programs, the CARD will include the common program agreed to

by all participating DoD Components, as well as any unique program requirements of the participating DoD Components.

(5) CA will make a decision whether to review and approve the DoD Component ICE or to prepare a CAPE ICE at least 165 days before the planned CRB meeting. CA will issue a memorandum, a copy of which will be placed into the Cost Assessment Data Enterprise (CADE), documenting its decision.

(6) If CA decides to prepare the ICE, the program will follow the timeline in Figure 2 and procedures described in Paragraph 3.4.b. If CA decides to review and approve the DoD Component ICE, the program will follow the timeline in Figure 3 and procedures in Paragraph 3.4.c.

Figure 1. Timeline for Determination of Organization that will Prepare ICE for a Major Capability Acquisition



b. Preparation of CAPE ICE for a Major Capability Acquisition.

Figure 2 shows the typical timeline of events and deadlines to support CAPE's timely completion of an ICE. This timeline may be tailored as needed, at the discretion of CAPE, depending upon the program and the information needed to best support the decision maker.

(1) CA will provide feedback to the PMO on the draft CARD no later than 45 days after receipt of the draft CARD, usually at least 135 days before the planned CRB meeting.

(2) If CA or the SCA determine that the CARD is insufficient, CA and the SCA will sign a memorandum to the PMO informing the PMO that the CARD is insufficiently developed to continue with preparation of the cost estimates no later than 45 days after receipt of the draft CARD, usually at least 135 days before a planned CRB meeting. In this scenario, the planned CRB meeting and defense acquisition board (DAB) (or DoD Component equivalent) meeting may be delayed.

(3) Following the kick-off meeting and continuing until the CRB, the CA analyst and representatives from the SCA and PMO will conduct site visits and collect and review program data. During this same time, the CA analyst and SCA and PMO representatives will have ongoing discussions concerning the cost estimating strategies and methodologies used to develop all relevant cost estimates, including the ICE, DoD Component cost estimate (CCE), program office estimate (POE), and DoD Component cost position (CCP).

(4) The PMO will deliver the draft final CARD to CA and the SCA at least 45 days before the CRB meeting. The draft final CARD should be in near complete form, with only minor changes occurring between its delivery and the delivery of the final signed CARD at least 21 days before the CRB meeting.

(5) The PMO and SCA representatives will brief CA on the working level drafts of the POE, the CCE, the CCP, and any other relevant estimates at least 45 days before the CRB meeting. Following this briefing, the PMO and SCA representatives will provide CA any updates to the working level drafts of the estimates as appropriate or upon request.

(6) A final copy of the CARD, dated and signed by the program executive officer and program manager, must be provided to CA and the SCA by the PMO at least 21 days before the scheduled CRB meeting and uploaded into CADE.

(7) Representatives from CA, the PMO, and the SCA may meet to compare and discuss methods, assumptions, and results of the draft ICE, CCE, and POE approximately 7 days before the CRB meeting.

(8) A CA representative will brief a summary of the draft ICE at the CRB meeting.

(9) The SCA must deliver the final, signed CCP to CA at least 10 days before the planned DAB (or DoD Component equivalent) meeting and upload a copy to CADE. If the program concept evolves after a milestone review, the SCA may update the CCP, and the DoD Component may fully fund the program in the Future Years Defense Program (FYDP) to the updated CCP. A copy of the updated CCP must be submitted to CADE.

(10) CA will brief the ICE to the MDA in conjunction with the DAB (or DoD Component equivalent) meeting.

(11) Before the MDA documents his or her decision from the DAB (or DoD Component equivalent) review meeting in an acquisition decision memorandum (ADM), CA will issue its ICE report, a copy of which will be uploaded into CADE.

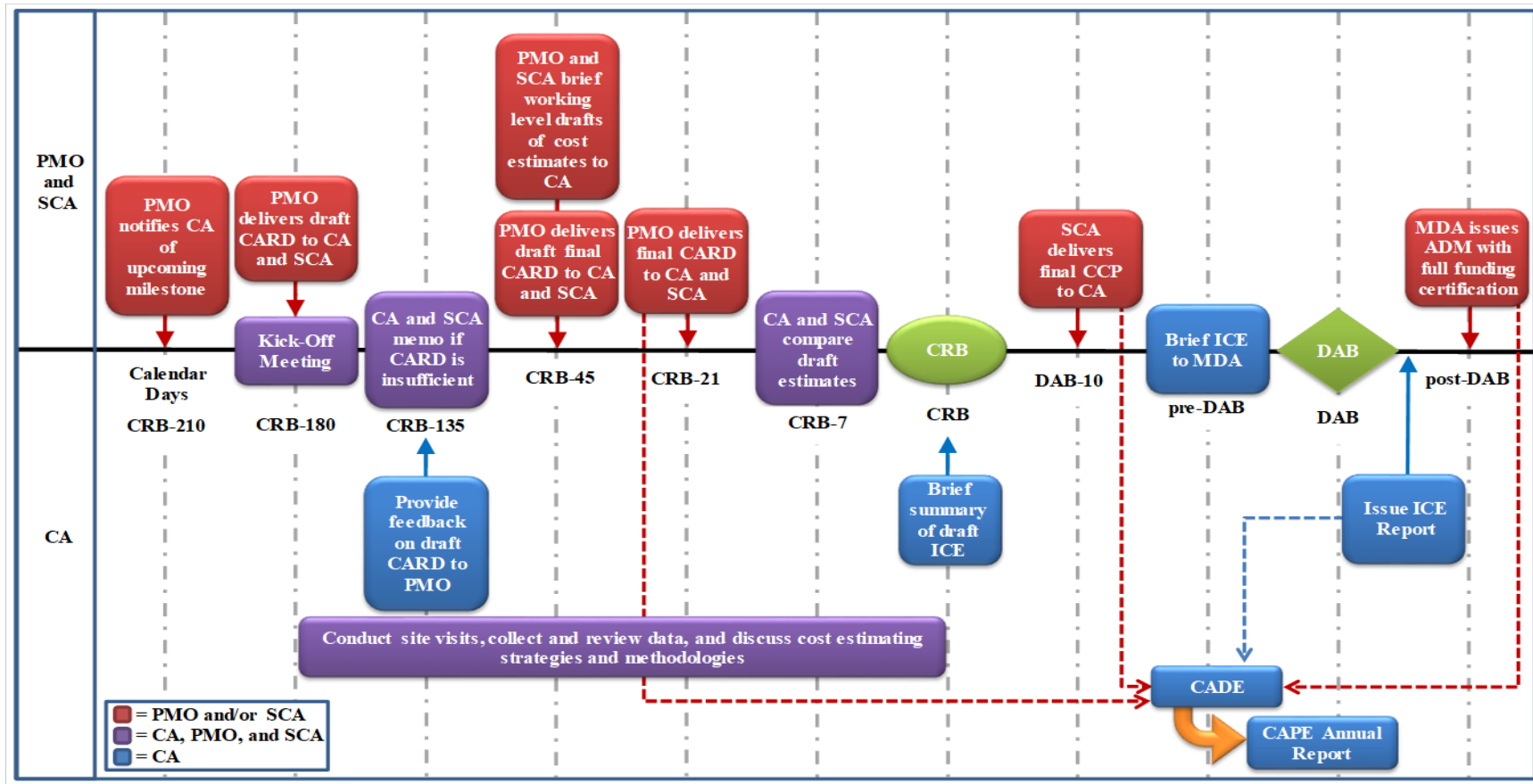
(12) Following the DAB (or DoD Component equivalent) meeting, the MDA will document his or her decision in an ADM, coordinated through the DoD Component offices responsible for financial management and requirements, that certifies the DoD Component will fully fund the program to the CCP or the ICE in the current FYDP or will commit to full funding of the CCP or ICE during the preparation of the next FYDP.

(a) In the ADM, the MDA will direct that either the CCP or ICE be used as the acquisition program baseline. A full funding certification statement in the ADM is required at Milestones A and B and at the LRIP and FRP decisions.

(b) If the DoD Component is directed to fund to the CAPE ICE, CAPE will help the DoD Component understand the methodologies used to conduct the CAPE ICE, so the DoD Component can update its cost model.

(13) CA uses the information submitted to CADE when preparing its annual report to the U.S. Congress. The annual report summarizes the cost estimation and analysis activities of the DoD during the previous year and assesses the progress of the DoD in improving the accuracy of its cost estimates and analyses.

Figure 2. Timeline for Preparation of CAPE ICE



c. Preparation and Review of DoD Component ICE for a Major Capability Acquisition.

Figure 3 describes the typical timeline of events and deadlines to support a DoD Component's timely completion of an ICE. This timeline may be tailored as needed, at the discretion of DCAPE, depending upon the program and the information needed to best support the decision maker.

(1) If CA decides to review and approve the DoD Component ICE, the CA analyst will continue to meet with technical and cost analysts from the PMO and SCA from 165 to 30 days before the CRB meeting. The SCA should invite the CA analyst to estimate discussion meetings throughout the process, and the CA analyst should participate in as many DoD Component meetings as possible. If, during this time, CA determines that there are significant changes to the program or increased cost or schedule risk, CA may decide to perform a CAPE ICE of the program.

(2) The SCA will provide feedback to the PMO on the draft CARD no later than 45 days after receipt of the draft CARD and usually at least 135 days before the planned CRB meeting.

(3) If the CARD is insufficient, the SCA will sign a memorandum to the PMO informing the PMO that the CARD is insufficiently developed to continue with preparation of the cost estimates no later than 45 days after receipt of the draft CARD, usually at least 135 days before a planned CRB meeting. In this scenario, the planned CRB meeting and DAB (or DoD Component equivalent) meeting may be delayed.

(4) The PMO will deliver the draft final CARD to CA and the SCA at least 45 days before the CRB meeting. The draft final CARD should be in near complete form, with only minor changes occurring between its delivery and the delivery of the final signed CARD at least 21 days before the CRB meeting.

(5) The PMO and SCA representatives will brief CA on working level drafts of the POE, DoD Component ICE, CCP, and any other relevant estimates available at the time at least 30 days before the CRB meeting.

(6) CA will review the DoD Component ICE and provide feedback to the SCA, during the 30 days before the CRB meeting. In order to receive CAPE approval of the ICE, the SCA will revise the DoD Component ICE as needed.

(7) The SCA will deliver a signed DoD Component ICE and CCP to CA. Copies of the documents must be uploaded into CADE within 7 days of the CRB.

(8) After the CRB, CA will review and assess the adequacy of the ICE and will document its assessment in a memorandum, copies of which will be delivered to the DoD Component Acquisition Executive and placed in CADE.

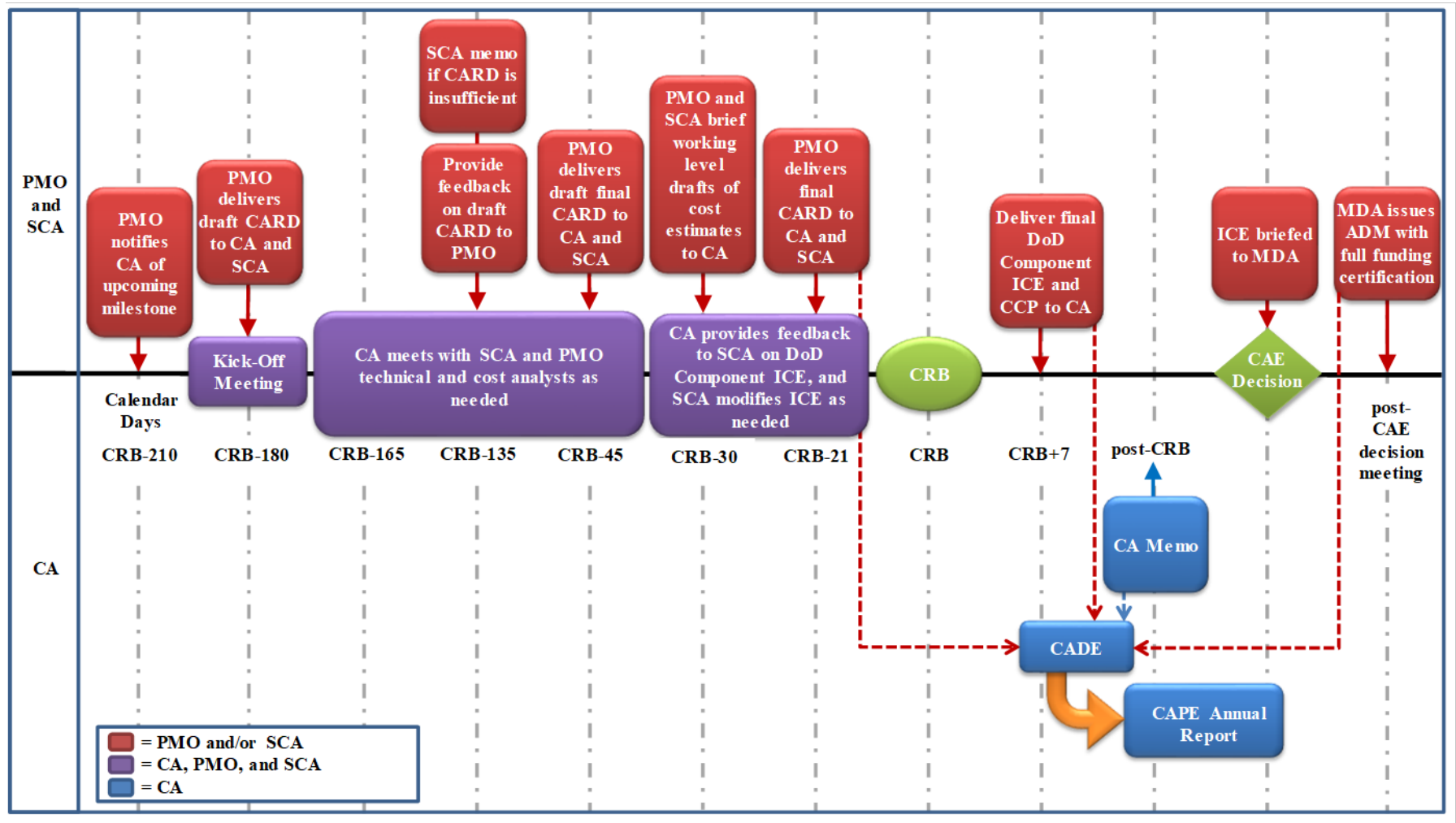
(9) The SCA will brief the DoD Component ICE to the MDA at the DAB (or DoD Component equivalent CAE decision) meeting conducted by the DoD Component.

(10) Following the DAB (or DoD Component equivalent CAE decision) meeting, the MDA will document his or her decision in an ADM, coordinated through the DoD Component offices responsible for financial management and requirements, that certifies the DoD Component will fully fund the program to the CCP or the ICE in the current FYDP or will commit to full funding of the CCP or ICE during the preparation of the next FYDP.

(a) If the DoD Component is directed to fund to the CAPE ICE, CAPE will help the DoD Component understand the methodologies used to conduct the CAPE ICE, so the DoD Component can update its cost model.

(b) In the ADM, the MDA will direct that either the CCP or ICE be used as the acquisition program baseline. A full funding certification statement in the ADM is required at Milestones A and B and at the LRIP and FRP decisions.

Figure 3. Timeline for Preparation and Review of DoD Component ICE



d. Preparation of MYP Cost Analyses.

For multiyear contracts for acquisition of property exceeding \$500 million, then year dollars (as updated in DFARS 217.172), the Secretary of Defense, or the USD(A&S) if delegated by the Secretary of Defense, must submit a legislative request to use MYP authority. The request must be supported by a report containing the preliminary findings by the agency head that the requirements listed in Section 2306b(a) of Title 10, U.S.C., will be fulfilled by use of an MYP contract, and confirmation that the preliminary findings are supported by a preliminary cost analysis performed by CAPE.

(1) The Secretary of Defense, or the USD(A&S) if delegated, must certify at least 30 days before the MYP contract award that the requirements listed in Section 2306b(a) of Title 10, U.S.C., will be met by use of the MYP contract and that a final cost analysis performed by CAPE supports the certification.

(2) CA follows the timeline in Figure 4 when preparing its preliminary cost analysis and final cost analysis.

(3) No later than October 1 of the fiscal year preceding the fiscal year in which a DoD Component plans to request legislative authority for a multiyear contract, the DoD Component must submit a list of MYP contract candidates and supporting information to the DCAPE. Upon submission of this list, CA and the DoD Component will begin to conduct an MYP options review to determine whether any of the programs are good MYP candidates. During the review, CA and DoD Component representatives consider whether the loss of flexibility is justified in light of the potential savings opportunities, what level and phasing of investment in economic order quantity (EOQ) funding maximizes the government's savings potential, the impact of foreign military sales on the program, the period of performance, and the buy profile's impact on potential savings.

(4) By March 1 of the fiscal year preceding the fiscal year in which a DoD Component plans to request legislative authority for a multiyear contract, CA and the DoD Component will complete their option review and present the results at a DAB-level review. The Component Acquisition Executive will select the MYP options to pursue and will provide authority to release RFPs for the selected programs. The DoD Components will instruct contractors to submit proposals by July 1, and the DoD Components will begin proposal evaluation and not-to-exceed (NTE) contract negotiations.

(5) Concurrently with the NTE contract negotiations, CA will evaluate the contractor's proposals against CA's earlier cost analysis.

(6) By December 1 of the fiscal year in which the DoD Component plans to request legislative authority for the multiyear contract, the contractor and the DoD Component, with OSD concurrence, will agree on an NTE contract proposal. From December 1 until the beginning of February, CA will document its estimate of the potential savings that could be achieved using the MYP contract.

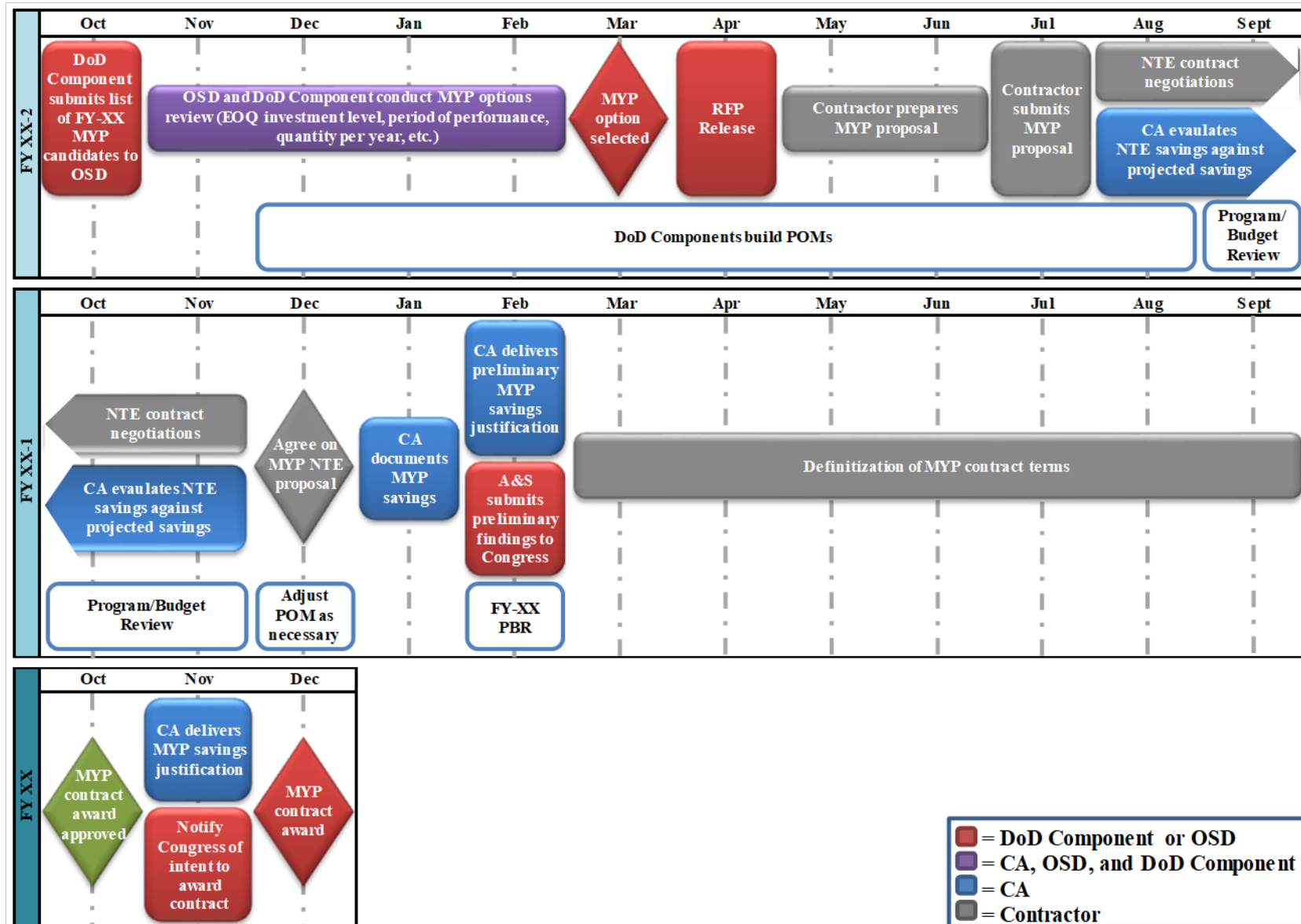
(a) CA will deliver its preliminary MYP savings justification to the USD(A&S), and upload a copy of the preliminary MYP savings justification to CADE.

(b) The USD(A&S) will submit the preliminary findings to the U.S. Congress in conjunction with a request for a specific authorization by law to carry out a defense program using multiyear contract authority.

(7) The DoD Component and contractor will negotiate and definitize the MYP contract terms, from March until September of the fiscal year in which the DoD Component requested legislative authority for the MYP contract.

(8) Following congressional approval for award of the MYP contract, CA will finalize its MYP savings justification and upload a copy to CADE. CAPE's MYP savings justification should be based upon a reasonable expectation that the contractor will perform in accordance with its proposal and the contractor's previous experience. In accordance with Section 2306b(i)(3) of Title 10, U.S.C., the Secretary of Defense will notify the congressional defense committees of the intent to award the MYP contract at least 30 days before MYP contract award.

Figure 4. Timeline for Preparation of MYP Cost Analyses



e. Preparation of Nunn-McCurdy Cost Assessment.

CA follows the timeline in Figure 5 when conducting its analysis to support a critical Nunn-McCurdy breach certification. This timeline assumes that the breach is declared between October 1 and submission of the President's Budget. If the breach is declared at a different time, a tailored version of this timeline is used.

(1) By October 1, the DoD Components or PMOs should informally notify CA and the SCA of any programs in danger of a critical or significant Nunn-McCurdy breach. The early notification allows the CA analyst to become familiar with the program, begin to gather data, and do preliminary analysis on the program.

(2) Concurrently with the official declaration to the Congress of the critical Nunn-McCurdy breach, the PMO and SCA will deliver documentation regarding the program of record (POR) to CA, to include copies of the current CARD, latest cost estimates, and any other relevant program data. Copies of these documents are submitted to CADE.

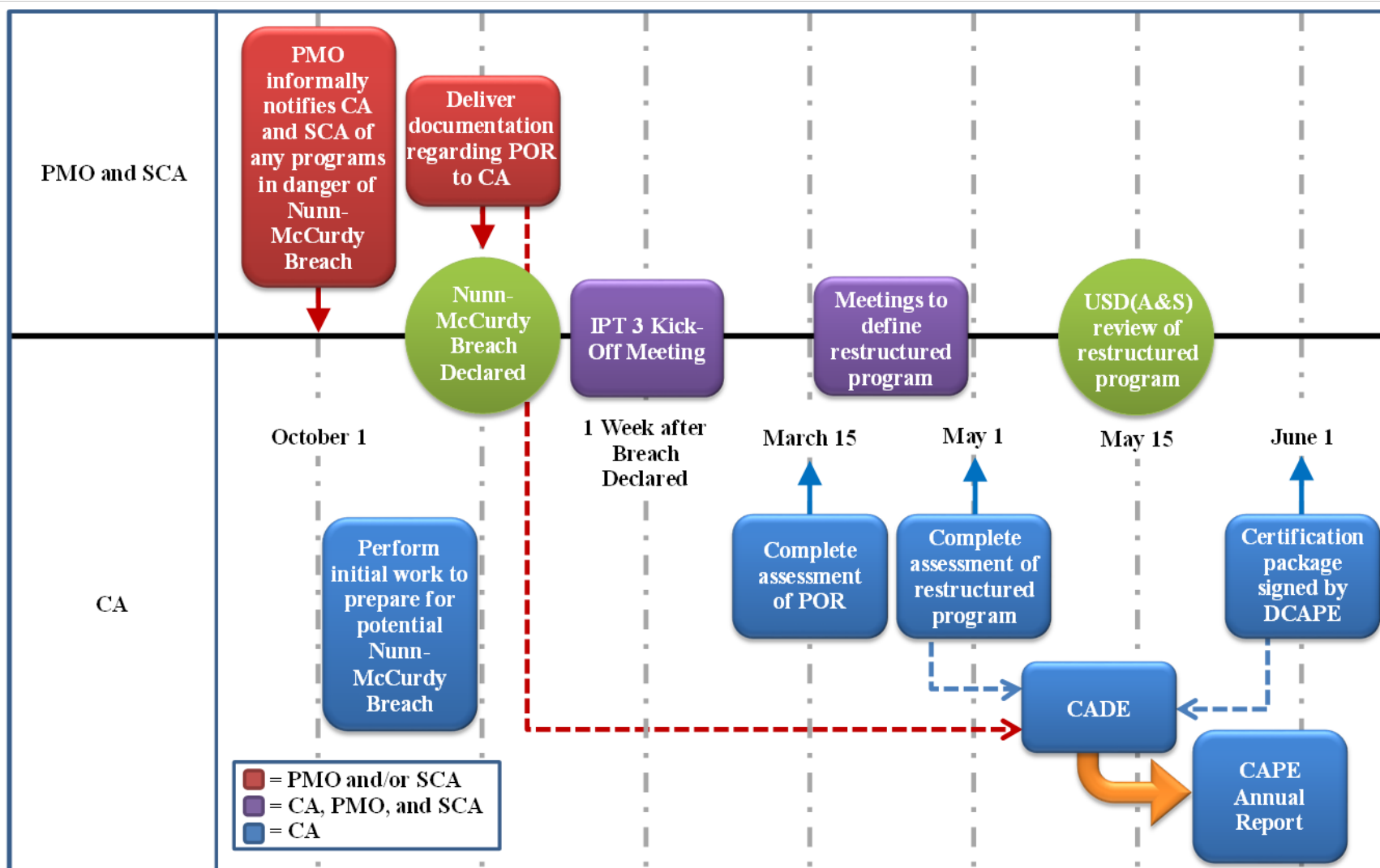
(3) Approximately 1 week after the critical Nunn-McCurdy breach is declared, the integrated product team 3, responsible for conducting cost analysis following declaration of the critical Nunn-McCurdy breach, holds a kick-off meeting. At the meeting, changes to the program's cost, schedule, and technical status since the last acquisition milestone review should be discussed. If necessary, following the integrated product team 3 kick-off meeting, the DoD Component will brief the appropriate division director within CA regarding program status. Additionally, the division director often will lead a team of CA analysts on a field visit to one or more contractor facilities.

(4) By approximately March 15, CA will complete its analysis of the POR.

(5) From March 15 through May 1, CA participates in and supports discussions concerning the restructuring of the program. In many cases, DoD leadership considers adjustments to program definition, including technical content, costs and funding, and planned schedules. The CA analysts typically assess options for program definition to support the decision making process that could result in a restructured program, perhaps constrained to align with available funding. In addition, the CA analysts may be called upon to assist the CAPE Deputy Director of Program Evaluation to assess alternatives to the program. Office of Program Evaluation analysts will perform an initial screening of program alternatives, based on factors other than cost, and identify the most promising alternative. The CA analysts may be called upon to provide cost estimates for one, or a small number, of alternatives and may request additional data and information from the DoD Component to support such cost estimates. CA's review and assessment of the restructured program is completed around May 1.

(6) The results of the CA review are documented in a formal CA memorandum provided to the USD(A&S) around June 1, a copy of which is submitted to CADE. The memorandum provides a summary of the current acquisition cost estimate for the program, as reported in the most recent SAR, as well as the results of the CA analysis of program acquisition costs. The memorandum provides a breakdown of the considerations that led to the growth in unit cost and an assessment of the adequacy of current program funding.

Figure 5. Timeline for Preparation of Nunn-McCurdy Cost Analysis



f. Preparation of Sustainment ICE.

Figure 6 describes the typical timeline of events and deadlines to support CAPE's decision whether to prepare an ICE, review and approve the DoD Component ICE, or delegate the responsibility of preparing the ICE to the DoD Component for a sustainment review conducted under Section 2441 of Title 10, U.S.C. Figure 6 also describes the timeline for review and approval of a DoD Component ICE.

(1) The DoD Component or PMO will notify CA and the SCA of a program's upcoming sustainment review that requires either a DoD Component ICE or a CAPE ICE at least 210 days before the planned sustainment review.

(2) A kick-off meeting is held no later than 180 days before the planned sustainment review meeting. Before the kick-off meeting, the SCA and CA will develop an agenda of information to discuss including requirements for the cost estimate, alternatives to consider, available data, and the assumptions on which the cost estimate will be based. A CA representative and SCA representative will co-chair the kick-off meeting. A PMO representative will brief a description of the program at the kick-off meeting.

(3) The PMO will prepare and deliver the draft CARD to CA and the SCA at or before the kick-off meeting. For joint programs, the CARD will include the common program agreed to by all participating DoD Components, as well as any unique program requirements of the participating DoD Components.

(4) CA will make a decision whether to prepare a CAPE ICE, review and approve the DoD Component ICE, or delegate the preparation of the ICE to the DoD Component at least 165 days before the planned sustainment review. CA will issue a memorandum documenting its decision and place a copy of the memorandum into CADE.

(a) If CA decides to prepare the ICE, the program will follow a modified version of the timeline in Figure 2 and procedures described in Paragraph 3.3.b.

(b) If CA decides to review and approve the DoD Component ICE, the program will continue to follow the timeline in Figure 6 and the procedures in Section 3.4.f(5)-(10).

(c) If CA decides to delegate responsibility for the ICE to the DoD Component, the DoD Component will follow its policies in preparing the ICE and will deliver a copy of the final DoD Component ICE to CA within 7 days of the sustainment review.

(5) The CA analyst will meet with technical and cost analysts from the PMO and SCA from 165 to 30 days before the sustainment review. If, during this time, CA determines that there are significant changes to the program or increased cost or schedule risk, CA may decide to perform a CAPE ICE.

(6) The PMO will deliver the final draft CARD to CA and the SCA at least 45 days before the sustainment review. The final draft CARD should be in near complete form, with only minor changes occurring between its delivery and the delivery of the final signed CARD at least 21 days before the sustainment review.

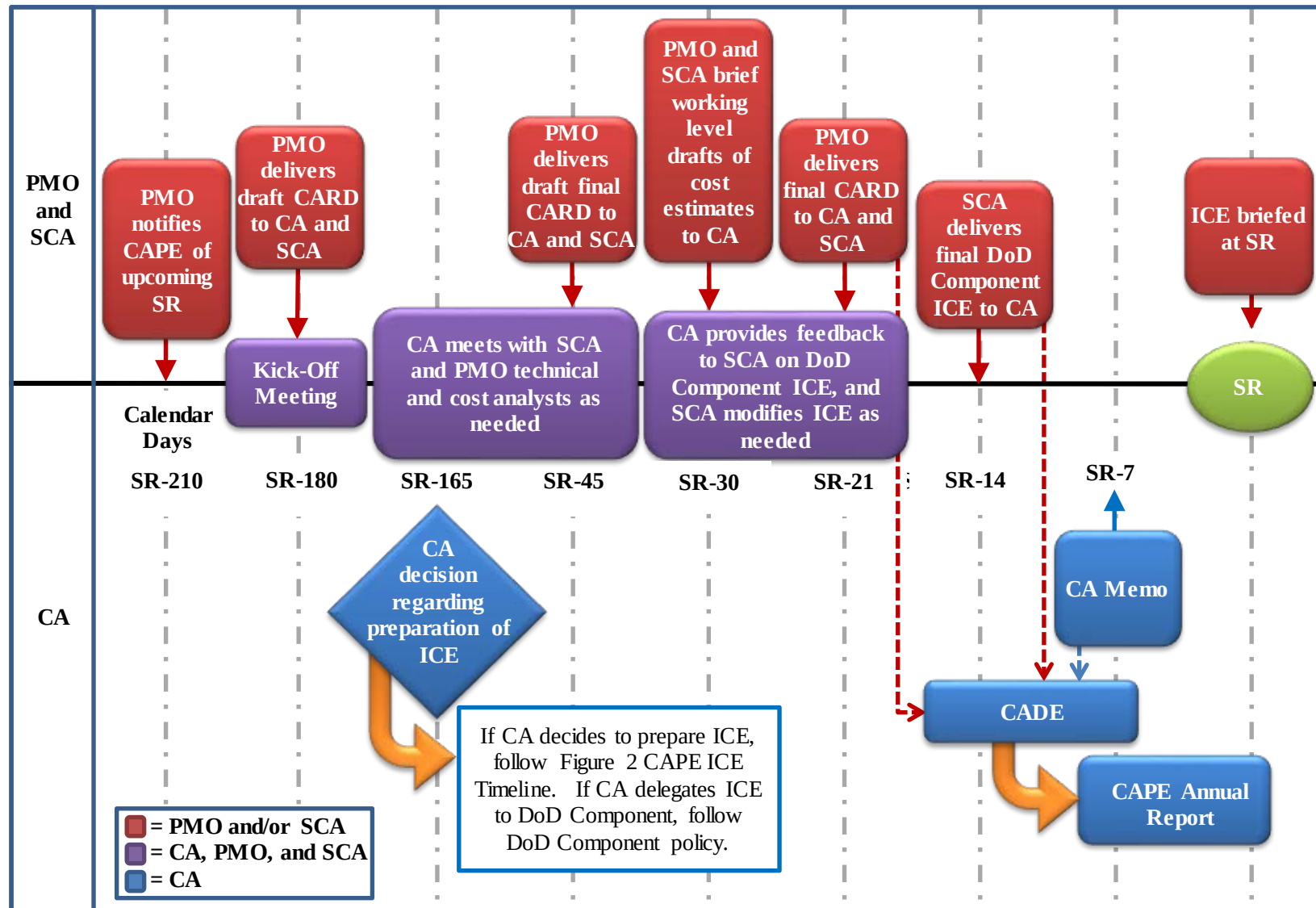
(7) The PMO and SCA representatives will brief CA on working level drafts of the DoD Component ICE and any other relevant estimates at least 30 days before the sustainment review.

(8) CA will review the DoD Component ICE and provide feedback to the SCA during the 30 days before the sustainment review. Based on the feedback, SCA will revise the DoD Component ICE as needed.

(9) The SCA will deliver the final DoD Component ICE to CA at least 14 days before the sustainment review. CA will review and assess the adequacy of the DoD Component ICE and will document its assessment in a memorandum. CA will provide a copy of the memorandum to the Secretary of the Military Department concerned and upload a copy to CADE at least 7 days before the sustainment review.

(10) The SCA will brief the DoD Component ICE at the sustainment review.

Figure 6. Timeline for Review and Approval of DoD Component Sustainment ICE



g. Preparation of Estimates of Life-Cycle Costs for MTA Programs.

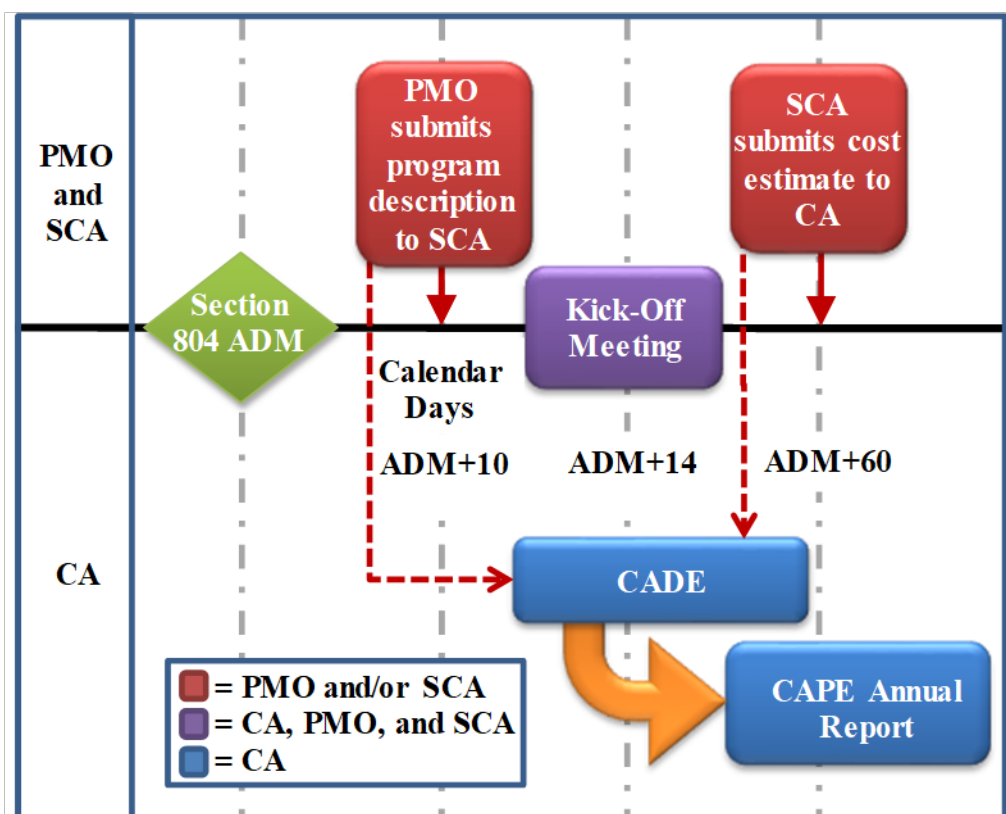
Figure 7 describes the typical timeline of events and deadlines to support the timely completion of an estimate of life-cycle costs for MTA rapid prototyping and fielding programs.

(1) The PMO must submit a comprehensive program description to the SCA, no later than 10 days after the ADM documenting the DoD Component's decision to pursue a program using the rapid prototyping or fielding pathway is signed. The program description must provide a sufficient level of detail upon which to base the cost estimate. The PMO may submit a CARD; however, a CARD is not required.

(2) No later than 14 days after the ADM documenting the DoD Component's decision to pursue a program using the rapid prototyping or fielding pathway is signed, the director of the relevant SCA will meet with the CAPE Deputy Director for Cost Assessment (DDCA). At the meeting, DDCA will determine whether CA will prepare the life-cycle cost estimate or whether the responsibility will be delegated to the SCA.

(3) The estimate of life-cycle costs should be completed no later than 60 days after the ADM documenting the DoD Component's decision to pursue a program using the rapid prototyping or fielding pathway is signed. A summary of the final cost estimate must be documented in a dated memorandum signed by the SCA Director or DDCA, as relevant, with copies delivered to the relevant defense acquisition executive, service acquisition executive, program manager, MTA governance board, and CAPE.

Figure 7. Timeline for Preparation of Rapid Prototyping and Fielding Cost Estimates



h. Preparation of ICE for Acquisition of Software.

Figure 8 shows the typical timeline of events and deadlines to support the timely completion of an ICE for a software acquisition program. This timeline may be tailored as needed, depending upon the program and the information needed to best support the decision maker.

(1) Concurrent with submission of an ADM documenting the decision to use the software acquisition pathway, the PMO will notify CA of an upcoming execution phase (EP) decision that requires either a DoD Component ICE or a CAPE ICE. If the start of the planning phase is less than 210 days before the EP decision, DCAPE will tailor the timeline to support the shorter time frame.

(2) A kick-off meeting will be held no later than 180 days before the planned EP decision. Before the kick-off meeting, the SCA and CA will develop an agenda of information to discuss, to include requirements for the cost estimates, alternatives to consider, available data, and the assumptions on which the cost estimates will be based. A CA representative and SCA representative will co-chair the kick-off meeting. A PMO representative will brief a description of the program.

(3) The PMO will prepare and deliver the draft CARD to CA and the SCA at or before the kick-off meeting. For joint programs, the CARD will include the common program agreed to by all participating DoD Components, as well as any unique program requirements of the participating DoD Components.

(4) CA will make a decision whether to conduct a CAPE ICE or delegate the responsibility for the ICE to the SCA at least 165 days before the planned EP decision meeting. CA will issue a memorandum documenting its decision and upload a copy to the CADE. If CA decides to prepare the ICE, the program will follow the timeline in Figure 8 and procedures described in this section. If CA delegates the responsibility for the ICE to the SCA, the SCA will follow its policies in preparing the ICE and will deliver a copy of the final DoD Component ICE to CA within 7 days of the EP decision.

(5) CA will provide feedback to the PMO on the draft CARD no later than 45 days after receipt of the draft CARD, usually at least 135 days before the planned EP decision.

(6) No later than 45 days after receipt of the draft CARD, usually at least 135 days before a planned EP decision, if CA or the SCA determine that the CARD is insufficient, CA and the SCA will sign a memorandum to the PMO informing the PMO that the CARD is insufficiently developed to continue with preparation of the cost estimates. In this scenario, the planned EP decision may be delayed.

(7) Following the kick-off meeting and continuing until the EP decision, the CA analyst and representatives from the SCA and PMO will conduct site visits and collect and review program data. During the same time, the CA analyst, SCA representative, and PMO representatives will have ongoing discussions concerning the cost estimating strategies and methodologies used to develop all relevant cost estimates.

(8) The PMO will deliver the draft final CARD to CA and the SCA at least 45 days before the EP decision. The draft final CARD should be in near complete form, with only minor changes occurring between its delivery and the delivery of the final signed CARD at least 21 days before the EP decision.

(9) The PMO and SCA representatives will brief CA on the working level drafts of all relevant estimates available, at least 45 days before the EP decision. Following this briefing, the PMO and SCA representatives will provide CA any updates to the working level drafts of the estimates as appropriate or upon request.

(10) The PMO must provide a final copy of the CARD, dated and signed by the program executive officer and program manager, to CA and the SCA at least 21 days before the scheduled EP decision and uploaded into CADE.

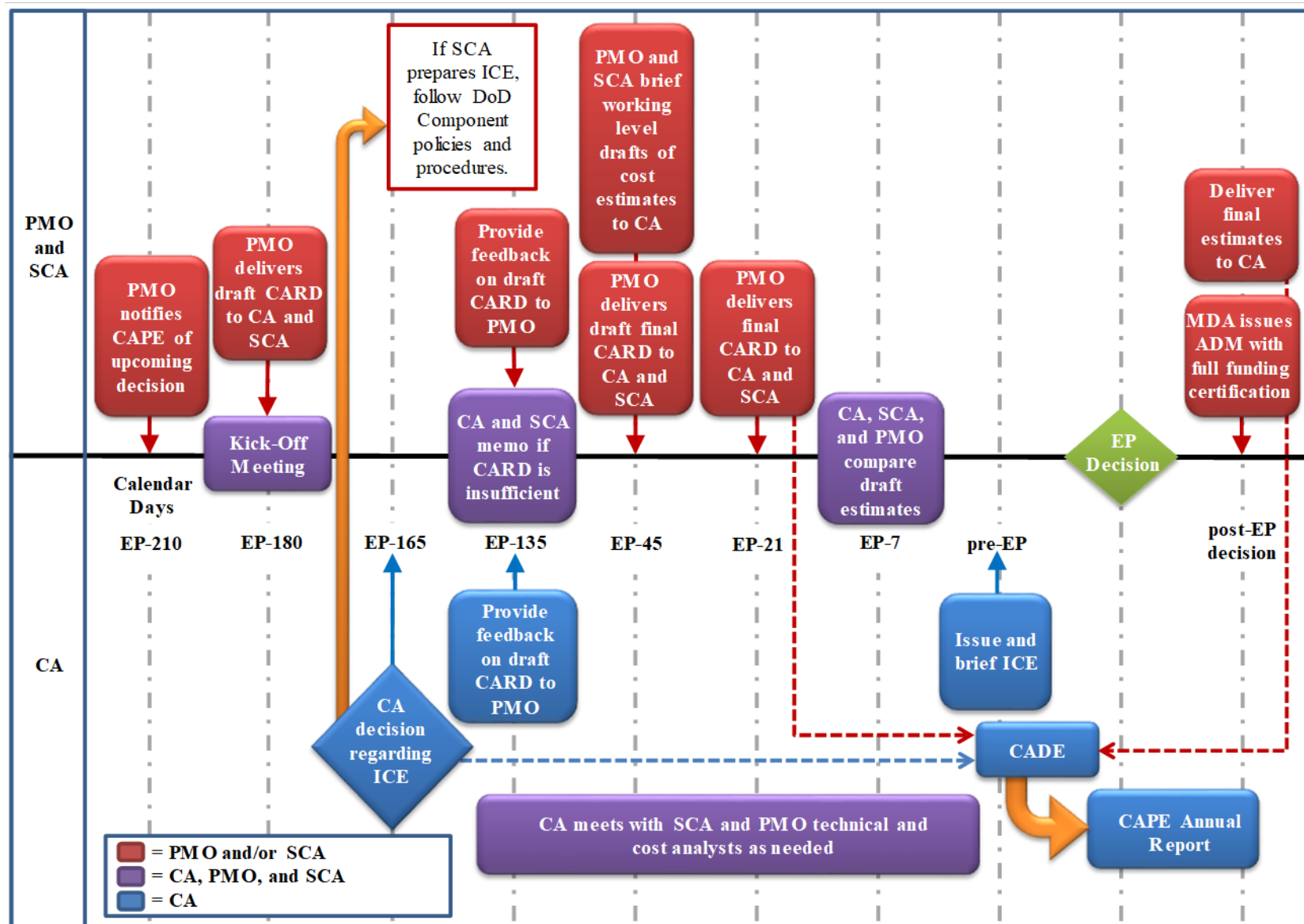
(11) Representatives from CA, the PMO, and the SCA may meet approximately 7 days before the EP decision to compare and discuss the results of the draft cost estimates.

(12) Before the EP decision, CA will issue its ICE report and upload a copy to CADE.

(13) CA will brief the ICE to the decision authority either before or at the EP decision.

(14) Following the EP decision, the decision authority will document his or her decision in an ADM, coordinated through the DoD Component offices responsible for financial management and requirements, that certifies the DoD Component will fully fund the program in the current FYDP or will commit to full funding during the preparation of the next FYDP.

Figure 8. Timeline for Preparation of ICE for Software Acquisition



SECTION 4: DATA COLLECTION

4.1. COLLECTION OF ESTIMATES AND SUPPORTING DOCUMENTATION.

Well-documented estimates, research, and cost data represent enduring investments of government time and resources that can be used on estimates of similar systems, foster improvement in knowledge and estimating techniques over time, and serve as a basis for future methodology improvement efforts. CADE electronically houses cost estimates and the associated supporting documentation. SCAs and DoD Components must upload copies of the final CARD, CCP, ADM certifying full funding, DoD Component ICE, and other program documentation to the CADE library. Copies of certain documents are accessible to authorized users via the CADE Website (<https://cade.osd.mil/>) and the Acquisition Information Repository Website (<https://www.dodtechipedia.mil/dodc/display/AIR/Home>).

4.2. COLLECTION OF STUDIES. CADE serves as an electronic repository for cost research reports so that cost estimating organizations can share data and research in traditionally difficult areas of estimation and avoid re-learning what other organizations have already experienced. To enable this sharing of data, CA, SCAs, DoD Components, and other DoD organizations associated with developing cost and schedule estimates for the DoD will upload research reports developed or sponsored by their organization to CADE.

4.3. COST DATA COLLECTION. Systematic and institutionalized cost data collection by each DoD Component is important to support credible cost estimates of current and future programs. The cost data collection systems subject to CA oversight are the Cost and Software Data Reporting (CSDR) system and the Visibility and Management of Operating and Support Costs (VAMOSC) system.

a. CSDR.

The CSDR system serves as the primary source of cost data for DoD acquisition programs over \$100 million, then-year dollars. CSDR reporting is required by Section 2334(g) of Title 10, U.S.C. DoD 5000.04-M-1 provides additional guidance on CSDR reporting. CSDR reports are submitted by and accessible to authorized users via the CADE website. Table 1 establishes the cost reporting requirements for DoD programs in an amount greater than \$100 million, then-year dollars.

Table 1. Cost Data Reporting Requirements

REPORT REQUIRED	WHEN REQUIRED
Program Resource Distribution Table	ACAT I-II Level Programs • All contracts, subcontracts, government-performed efforts, and major components (e.g., government furnished equipment), including foreign military sales (FMS) and programs in sustainment, regardless of acquisition phase and contract type, including non-Federal Acquisition Regulation (FAR) agreements, valued at more than \$50 million, then-year dollars, for ACAT I-II level programs. • High-risk or high-technical-interest, as determined by the CSDR plan approval authority, or software contracts priced between \$20 million and \$50 million, then-year dollars.
Contractor Cost Data Report	ACAT I-II Programs • All contracts, subcontracts, government-performed efforts, and major components (e.g., government furnished equipment), including FMS and programs in sustainment, regardless of acquisition phase and contract type, including non-FAR agreements, valued at more than \$50 million, then-year dollars, for current and former ACAT I – II programs. • High-risk or high-technical-interest, as determined by the CSDR plan approval authority, or software contracts priced between \$20 million and \$50 million, then-year dollars. Information System (IS) Programs • All contracts, subcontracts, government-performed efforts, and major components (e.g., government furnished equipment), regardless of acquisition phase and contract type, including non-FAR agreements, valued at more than \$50 million, then-year dollars, for IS programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures. • High-risk or high-technical-interest, as determined by the CSDR plan approval authority, or software contracts priced between \$20 million and \$50 million, then-year dollars.

Table 1. Cost Data Reporting Requirements, Continued

REPORT REQUIRED	WHEN REQUIRED
Contractor Cost Data Report, Continued	Middle Tier Acquisition Programs • All contracts, subcontracts, government-performed efforts, and major components (e.g., government furnished equipment), regardless of acquisition phase and contract type, including non-FAR agreements, valued at more than \$20 million, then-year dollars, for Middle Tier Acquisition Programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures. Other Programs in an amount greater than \$100 million: • May be required at the discretion of the CSDR approval authority for all high interest or high risk contracts, subcontracts, or government-performed efforts. Not required under the following conditions: • Contracts on programs with anticipated acquisition expenditures less than \$100 million, then-year dollars. • Contracts priced below \$20 million, then-year dollars. • PM requests and obtains approval from the DDCA for a reporting waiver (e.g., procurement of commercial systems).
Software Resources Data Report	Development and Enterprise Resource Planning Efforts • All contracts, subcontracts, and government-performed efforts, regardless of acquisition phase and contract type, including non-FAR agreements, for developing and/or producing software valued at more than \$20 million, then-year dollars, for: • Programs that exceed the ACAT I-II level thresholds. • IS programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures. • Middle Tier Acquisition Programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures. • High-risk or high-technical-interest software efforts estimated below \$20 million, then-year dollars, as determined by the CSDR plan approval authority, if the overall effort inclusive of non-software efforts exceeds \$20 million, then-year dollars.

Table 1. Cost Data Reporting Requirements, Continued

REPORT REQUIRED	WHEN REQUIRED
Software Resources Data Report, Continued	Maintenance Efforts • For all contracts, subcontracts, and government-performed efforts, regardless of acquisition phase and contract type, including non-FAR agreements, for: • Programs with previous SRDR development or enterprise resource planning requirements or software maintenance efforts of more than \$20 million, then-year dollars. • Programs that exceed the ACAT I-II level thresholds. • IS programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures.
Contractor Business Data Report	• Required for contractor business entities (e.g., plant, site, or business unit) responsible for contracts or subcontracts with CSDR requirements that are expected to exceed \$250 million, then-year dollars. • Not required for business units based solely on CSDR requirement Middle Tier Acquisition Program contracts.
Maintenance and Repair Parts Data Report	All sustainment contracts, government-performed efforts, and major components (e.g., government furnished equipment), regardless of contract type, including non-FAR agreements, valued at more than \$50 million, then-year dollars, for programs that exceed ACAT I-II level thresholds and IS programs that are anticipated to exceed \$100 million, then-year dollars, when equivalent information cannot be provided by the program manager, at the discretion of the CSDR plan approval authority.
Technical Data Report	All contracts, government-performed efforts, and major components (e.g., government furnished equipment), regardless of acquisition phase and contract type, including non-FAR agreements, valued at more than \$50 million, then-year dollars, for programs that exceed the ACAT I and II level threshold and IS programs anticipated to exceed \$100 million, then-year dollars, in acquisition expenditures when equivalent information cannot be provided by the program manager, at the discretion of the CSDR plan approval authority.

Table 1. Cost Data Reporting Requirements, Continued

The following notes apply to all reports in this table:

1. For CSDR purposes, contract value represents the estimated cost at contract completion (i.e., initial contract award plus all expected authorized contract changes) and is based on the assumption that all contract options will be exercised. If an indefinite delivery, indefinite quantity contract; a basic ordering agreement; a blanket purchase agreement; or a similar type of contract is estimated to exceed the designated threshold in total, the cost working group integrated product team, whose membership is defined in DoD 5000.04-M-1, will determine which individual task or delivery orders require CSDRs and if CSDRs are required at the total contract level.
2. If FMS requirements are a portion of a contract that surpasses the reporting thresholds for CSDRs, the FMS content will be reported in addition to the DoD content. If a contract contains only FMS requirements and surpasses the reporting thresholds for CSDRs, the program manager will contact CAPE to determine if CSDRs should be placed on FMS contracts with no DoD content.
3. Contractor Cost Data Reports consist of either the Cost and Hour Report (FlexFile) and the Quantity Data Report or the DD Form 1921 series of forms and contract work breakdown structure dictionary, subject to the requirements in the approved CSDR plan.
4. An IS is a system of computer hardware, computer software, data, or telecommunications that performs functions such as collecting, processing, storing, transmitting, and displaying information. Computer resources, both hardware and software, that are an integral part of a weapon or weapon system are excluded. For the purpose of cost reporting, DBS and software acquisition programs are included in the IS definition.
5. Acquisition expenditures are the estimated total cost for development, procurement, acquisition operations and maintenance, and system-specific military construction.

b. CDSR Planning Process.

The detailed procedures for planning, preparation, and submission of CSDRs are provided in DoD 5000.04-M-1. The following policies apply to the planning process:

(1) The planning process that occurs before contract award is the foundation for successful cost and software data reporting. The planning process involves determining what data is needed, when the data will be needed, and how the data will be reported. This includes formally incorporating appropriate contractual requirements into RFPs and other pertinent contractual documents.

(2) For programs estimated to be above the ACAT I dollar threshold, DDCA is the CSDR plan approval authority. For programs estimated to be below the ACAT I dollar threshold, the SCA Director is the CSDR plan approval authority. DDCA is the approval authority for all CSDR waiver requests.

(3) The key outputs of the planning process are the approved contract and subcontract CSDR plans that reflect the data requirements for each major acquisition effort. These CSDR plans document the:

- (a) Work breakdown structure elements.
- (b) Specific CSDR formats.
- (c) Reporting frequency.

(4) The PMO must develop the contract and subcontract plans in consultation with CAPE, representatives from the SCA, and any other appropriate stakeholders. The PMO must

submit the planning documents, related RFP language, and other supporting documents to the CSDR plan approval authority with sufficient time to incorporate an approved plan into the first RFP release.

c. VAMOSC.

CAPE is responsible for developing and maintaining a database on O&S estimates, supporting documentation, and actual O&S costs for major weapon systems. To support this requirement, each Military Department has developed and maintains a historical O&S cost data collection system. These Military Department systems are a key data source for preparation of O&S cost estimates. CA oversees and provides broad policy guidance pertaining to VAMOSC programs but leaves the details concerning implementation to each Military Department.

(1) Each Military Department:

- (a) Must collect and manage actual O&S cost data for its fielded major systems.
- (b) Is responsible for the design, maintenance, administration, and quality control of its O&S cost data system.
- (c) Will make its VAMOSC data system readily available to its registered users – DoD government personnel and contractor personnel when endorsed by an appropriate government sponsor – through online access.

(2) CA promotes standardization of O&S cost data collection, provides a forum for the exchange of ideas and research, and encourages the effective use of VAMOSC data in O&S cost estimates. The DDCA conducts annual reviews of the Military Departments VAMOSC programs.

(3) To the greatest extent feasible, the Military Department VAMOSC data systems should provide a wide variety of choices for O&S cost displays and extracts. There should be options for displays in constant dollars, derived from appropriate inflation indices. VAMOSC reporting should be timely, in order to support the program and budget process and required annual O&S reporting such as SARs.

(a) When appropriate, O&S cost data should be provided separately for Active, Reserve, and Guard branches, as well as by Military Services' major operational commands. In addition, when appropriate, the data should be provided separately for operational units and dedicated training units (e.g., Naval aviation fleet readiness squadrons).

(b) When feasible, the data systems should provide users with system (i.e., end-item) level data, as well as lower levels of data (major subsystems and components). The data systems also should provide O&S-related non-cost data, such as system quantities and operating tempos.

(4) The VAMOSC systems must support the use of a documented and well-defined cost element structure. The purpose of a cost element structure is to categorize and define specific cost elements that, in total, comprise the full range of O&S costs that could occur for any defense

system. To the greatest extent feasible, the VAMOSC systems will support the CA cost element structure provided in the CAPE Operating and Support Cost Estimate Guide.

GLOSSARY

G.1. ACRONYMS.

ACRONYM	MEANING
ACAT	acquisition category
ADM	acquisition decision memorandum
CA	Office of Cost Assessment
CADE	Cost Assessment Data Enterprise
CAPE	Cost Assessment and Program Evaluation
CARD	cost analysis requirements description
CCE	DoD Component cost estimate
CCP	DoD Component cost position
CRB	cost review board
CSDR	Cost and Software Data Reporting
DAB	defense acquisition board
DAFA	Defense Agency and Defense Field Activity
DBS	defense business system
DCAPE	Director of Cost Assessment and Program Evaluation
DDCA	Deputy Director of Cost Assessment, CAPE
DFARS	Defense Federal Acquisition Regulation Supplement
EOQ	economic order quantity
EP	execution phase
FMS	foreign military sales
FRP	full-rate production
FYDP	Future Years Defense Program
ICE	independent cost estimate
IOC	initial operational capability
IS	information system
LRIP	low-rate initial production
MDA	milestone decision authority
MDAP	major defense acquisition program
MTA	middle tier of acquisition
MYP	multiyear procurement
O&S	operating and support

ACRONYM	MEANING
PMO	program management office
POE	program office estimate
POR	program of record
RFP	request for proposal
SAR	selected acquisition report
SCA	Service cost agency or Defense Agency equivalent
U.S.C.	United States Code
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
VAMOSC	visibility and management of operating and support costs

G.2. DEFINITIONS.

These terms and their definitions are for the purpose of this issuance.

TERM	DEFINITION
average procurement unite cost.	The program procurement cost divided by the procurement quantity. The procurement quantity includes any engineering and manufacturing development quantities that have been refurbished using procurement dollars. Average procurement unit cost is displayed in constant dollars of a base year fixed for each program.
CARD.	A detailed description of the acquisition program that is used to prepare the ICE, POE, CCE, CCP, and other cost estimates, as required. The CARD must be signed by the program executive officer and program manager. The CARD is initially prepared to support the first milestone review after the Materiel Development Decision or the first program decision requiring a cost estimate. The CARD must be prepared and submitted by the PMO in accordance with the guidance issued by DCAPE.
CCE.	Documents the cost analysis conducted by the DoD Component in cases where the SCA is not developing an ICE. This cost analysis may range from an SCA non-advocate estimate, independent SCA assessment of another government estimate, or other DoD Component cost analysis, as determined by the SCA and reflected in DoD Component policy.

TERM	DEFINITION
CCP.	The cost position established by the DoD Component. It is derived from the CCE and POE per DoD Component policy before Milestones A, B, and C and the FRP decision. The CCP must be signed by the DoD Component Deputy Assistant Secretary for Cost and Economics (or Defense Agency equivalent) and include a date of record.
CRB.	A meeting chaired by the director of the SCA during which the DoD Component reconciles the POE, CCE, and any other DoD Component cost estimates in order establish a CCP.
days.	Calendar days, as opposed to business days.
ICE.	An independent cost estimate that covers the entire life-cycle of the program, including the development, production, operations and support, and disposal phases, regardless of funding source or management control. The estimate must include analysis to support decision making that identifies and evaluates alternative courses of action that may reduce cost and risk and result in more affordable programs and less costly systems. The term “independent” refers to organizational and analytic independence. Organizational independence means that the cost estimate is prepared by an entity that is outside of any organization that would provide undue influence over the estimate. Analytic independence means that the cost estimate is free of any bias or preconceived notions about the program’s most likely cost.
program acquisition unit cost.	The sum of all appropriations used to acquire a system (research, development, test, and evaluation; procurement; military construction; and acquisition operations and maintenance) divided by the total quantity of fully configured end items from both the engineering and manufacturing development and production and deployment phases. Program acquisition unit cost is displayed in constant dollars of a base year fixed for each program.
POE.	A cost estimate developed by the PMO or by a government cost estimating organization on behalf of the PMO. Each DoD Component will establish policy to determine how its POEs are developed and what role the POE plays in the establishment of a CCP.
SCA.	A cost agency independent of and unaffiliated with the DoD Component acquisition chains of command.

REFERENCES

Defense Federal Acquisition Regulation Supplement, Part 217

DoD 5000.04-M-1, “Cost and Software Data Reporting (CSDR) Manual,” November 4, 2011

DoD Directive 5105.84, “Director of Cost Assessment and Program Evaluation (DCAPE),”
May 11, 2012

Office of the Secretary of Defense Cost Assessment and Program Evaluation, “Inflation and
Escalation Best Practices for Cost Analysis,” April 2016¹

United States Code, Title 10

¹ Available on the Internet at:

<https://www.cape.osd.mil/files/InflationandEscalationBestPracticesforCostAnalysisforWebsiteForPubRelReview.pdf>