

**Advance Questions for Jamie M. Morin, Nominee to be
Director of Cost Assessment and Program Evaluation**

Defense Reforms

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 and the Special Operations reforms have strengthened the warfighting readiness of our Armed Forces. They have enhanced civilian control and clearly delineated the operational chain of command and the responsibilities and authorities of the combatant commanders, and the role of the Chairman of the Joint Chiefs of Staff. They have also clarified the responsibility of the Military Departments to recruit, organize, train, equip, and maintain forces for assignment to the combatant commanders.

Do you see the need for modifications of any Goldwater-Nichols Act provisions?

I am familiar with the history of the Goldwater-Nichols Act and believe it has been extremely successful to date. The Act has benefitted over the years from periodic incremental changes to reflect lessons learned and the changing world situation. It is possible that pending analysis of potential process changes to increase headquarters efficiency and allow reductions in headquarters staff and budgets will depend on legislative changes, but those initial analyses are still underway and I have not been briefed on any recommendations.

If so, what areas do you believe might be appropriate to address in these modifications?

At present, I do not have any concrete proposals for modifications. If I am confirmed and I identify areas that I believe merit changes, I will propose those changes through the established process. I believe it is important that the Director of CAPE be a trusted independent advisor to the Secretary and Deputy.

Duties and Responsibilities

The Weapon Systems Acquisition Reform Act of 2009 established the position of Director of Cost Assessment and Program Evaluation and makes that official “responsible for ensuring that cost estimates are fair, reliable, and unbiased, and for performing program analysis and evaluation functions currently performed by the Director of Program Analysis and Evaluation.” The duties and responsibilities of this position are set forth in section 139c of title 10, United States Code and in section 2334 of such title (addressing independent cost estimation and cost analysis).

What is your understanding of the primary duties and responsibilities of the Director of Cost Assessment and Program Evaluation?

I have read the Weapons Systems Acquisition Reform Act, and in my past role as a Senate staffer closely observed the floor debate where it was adopted. Based on the law and practice

in the DoD over the last 4 years, I understand that CAPE is responsible for providing unbiased, independent cost estimates for all major acquisition programs; ensuring that program cost and schedule estimates are properly prepared and considered in the Department's deliberations on major acquisition programs; providing guidance and oversight for Analyses of Alternatives (AoA) to ensure that the Department considers the full range of program and non-materiel solutions. Additionally, the Director of CAPE is responsible for leading the development of improved analytical skills and competencies within the cost assessment and program evaluation workforce of the Department of Defense. Finally, the Director has served as a key advisor to the Secretary and Deputy Secretary of Defense especially for the programmatic development of the Department's Future Years Defense Program.

Do you believe that the Director of Cost Assessment and Program Evaluation has the authority needed to carry out the duties and responsibilities assigned by statute?
Yes.

Do you see any need for modifications in the duties and responsibilities of the Director of Cost Assessment and Program Evaluation?

Not at this time. If confirmed, I will evaluate any need for modifications to the duties and responsibilities in the law.

Assuming you are confirmed, what additional duties, if any, do you expect the Secretary of Defense to assign to you in accordance with sections 113 and 139c(b)(1)(B) of title 10, United States Code?

If confirmed, I expect the Secretary to assign me the duties and functions commensurate with the position, and any others he may deem appropriate.

Qualifications

If confirmed as Director of Cost Assessment and Program Evaluation, you will be the principal official in the Department of Defense responsible for cost estimation and cost analysis for acquisition programs; for review, analysis and evaluation of acquisition programs; and for related matters.

What background and experience do you have that you believe qualifies you for this position?

I have over ten years of experience in government as a defense analyst and executive, with particular focus on budgetary and programmatic issues. This hands-on experience built on my academic research, focused on the challenges of defense budgeting during times of budgetary decline and included significant training in quantitative and qualitative methods.

For the last four years, I have served as the Assistant Secretary of the Air Force for Financial Management and Comptroller, and in this role I oversee the operation of the

Air Force Cost Analysis Agency (AFCAA). With my support and advocacy, the AFCAA team was able to expand their analytical agenda, enhance their workforce, and thereby produce rigorous cost estimates of a much wider range of Air Force programs. Additionally, AFCAA's work became much more central to the Air Force's corporate decision making, resulting in much narrowed gaps between the authoritative cost estimates (whether they were done by CAPE or AFCAA) and the actual amounts funded in the Air Force budget request. This gap was \$11.9B in FY11 PB and has dropped to \$1.3B in the FY14 PB. We also expanded AFCAA's capability to estimate the full life-cycle costs of major weapons systems by including operating and support costs, and helped to inform an Air Force-wide effort to contain cost growth in weapons systems sustainment. Finally, during ten months as the acting Under Secretary of the Air Force, I was deeply immersed in the development of the Air Force program and in DOD-wide debates on efficiency efforts.

Earlier in my career, I worked as an economist and strategy consultant. I have also held fellowships from various public policy and defense think tanks and spent four months during graduate school in the Office of the Under Secretary of Defense for Policy working on requirements and planning issues.

What background and experience do you have in the acquisition of major weapon systems?

I have been a part of major acquisition decisions in both my Air Force roles, including my comptroller role as the co-signer (with SAF/AQ) of Air Force full-funding certifications for acquisition programs meeting milestone decisions. In this capacity, I have closely reviewed numerous acquisition program cost estimates and discussed their details with both cost estimators and program management. As acting Under Secretary, I was deeply exposed to space acquisition efforts in my role as the Headquarters Air Force "focal point" for space programs. I have served as a member and a co-chair of the Air Force Council, which is the Air Force's senior-most corporate decision making body, as well as a member of the Special Programs Oversight Council that reviews classified Air Force acquisition programs. As part of earning the Certified Defense Financial Manager designation, I studied the acquisition process with particular focus on financial management responsibilities. However, I have not served in a direct program management or line acquisition position.

Major Challenges and Problems

In your view, what are the major challenges that will confront the Director of Cost Assessment and Program Evaluation?

The Weapons System Acquisition Reform Act of 2009 is intended to reform defense acquisition processes and to bring cost growth under control. The CAPE organization continues to mature in response to this legislation and Department management's need for rigorous, unbiased advice on where the DOD can find necessary savings in a difficult budget environment. I have seen the organization perform exceptionally good work for

the Secretary on a wide range of difficult issues, but given the scale of the budget challenges even better analytical support will be essential. I believe the primary challenge for the Director of CAPE, given the current reality of sequestration and the stark choices that the sequester compels us to make, will be to ensure independent, thorough, and insightful analysis is used to develop a comprehensive set of options for informed leadership decisions.

Assuming you are confirmed, what plans do you have for addressing these challenges?

If confirmed, I expect to immediately undertake a review of the organization and its ability to fully meet statutory requirements, with the goal to provide clear recommendations regarding changes to organizational structure and additional resource demands. I believe I will need to review the size, shape, and organization of the CAPE workforce in detail to ensure the organization is aligned to meet current and future needs. Given the significant statutory responsibilities under WSARA and the relatively limited growth of CAPE staffing since its enactment, I plan to be both an active manager of organizational resources and a strong advocate for the organization's mission. In supporting the Secretary and Deputy Secretary of Defense in their decision making on very tough resource allocation issues, I will intend to build on my relationships with the DOD senior leadership team to help form consensus on priorities and acceptable risks, informed by the best possible analysis from CAPE, the Joint Staff, the military services, and other stakeholders across the Department.

Relationships

If confirmed, what would be your working relationship with:

The Secretary of Defense

The Director of CAPE provides the Secretary and Deputy Secretary of Defense unbiased advice, supported by strong analysis, on how to make rational trade-offs in a resource constrained environment. The Director is the principal advisor to the Secretary for cost assessment and program evaluation. If confirmed, I will closely interact with the Secretary to ensure his directives, goals, and themes are reflected in the programs of the Department of Defense.

The Deputy Secretary of Defense

If confirmed, I will expect to interact with the Deputy Secretary to provide unbiased recommendations concerning resource allocation, programmatic alternatives, and cost assessments.

The Under Secretary of Defense for Acquisition, Technology, and Logistics

If confirmed, I will work closely with the Under Secretary of Defense (Acquisition, Technology, and Logistics) to ensure that acquisition plans and decisions are appropriately supported with accurate and unbiased estimates of the costs to develop and

procure weapon systems. The CAPE director must also provide the USD (AT&L) frequent input about the viability, execution ability, and affordability of programs that support the national military strategy.

The Under Secretary of Defense (Comptroller)

If confirmed, I will work closely with the Under Secretary of Defense (Comptroller) to ensure the necessary integration of developing the Future Years Defense Program with budget plans.

The Under Secretary of Defense for Intelligence

If confirmed, I will work closely with the Under Secretary of Defense (Intelligence) to coordinate assessments of special access and compartmented intelligence programs since the CAPE Director has oversight of all DoD resource allocation, including intelligence programs. The central importance and complexity of intelligence to our tactical, operational, and strategic operations requires regular interactions with the primary intelligence official, and his staff.

The Joint Requirements Oversight Council

If confirmed, I will work as an advisor to the Joint Requirements Oversight Council for assessing the resource requirements and programmatic risk of desired capabilities. I will not be a member of the JROC, however I will attend meetings and provide assessments of programs if invited. The importance of requirements to the acquisition process makes interaction with the JROC members a key imperative for the Director of CAPE.

The Defense Business Systems Management Committee

If confirmed, I will ensure regular interaction with the DBSMC, providing assessments and advice.

The Director of Operational Test and Evaluation

If confirmed, I will ensure a close working relationship with the Director of DOT&E, and ensure that CAPE and DOT&E freely share information and data. I believe that operational testing is critical to ensuring that weapon systems developed within DoD meet requirements, are reliable, and are cost effective. Careful consideration of operational testing results often point to weaknesses inherent in programs that impact costs, as well as pointing to considerations important for later programs.

The Service Secretaries

Service Secretaries provide critical oversight of their departments, particularly regarding plans, programs, and policies. Based on more than four years of experience as part of Service-level leadership, I have a good understanding of the critical role that the Services and Military Departments play in the efficient and effective functioning of the defense establishment. If confirmed, I will endeavor to establish close working relationships with service Secretaries, working together to solve key problems relating to each service.

The Chiefs of Staff of the military services

Service chiefs have responsibilities to organize, man, train, and equip their services to meet war-fighting requirements and support combatant commanders. Their Title 10 responsibilities for planning and programming of resources, as well as to develop acquisition programs, ensure regular interaction between the Director of CAPE and Chiefs of Staff of the military services. If confirmed, I will ensure that I quickly develop close working relationships with service chiefs in order to jointly meet the many challenges within DoD.

The combatant commanders

The combatant commanders are the key consumers of the “products” developed in the Pentagon – the forces, programs, and other capabilities necessary to implement the National Security Strategy. If confirmed, I will endeavor to understand the needs of the combatant commanders and to advocate for the programs that support their requirements most efficiently and effectively. I will ensure that I know and react to their needs.

The heads of the Defense agencies

The Defense agencies have responsibilities to develop programs and budget to meet their requirements. If confirmed, I will be sensitive to the needs of the Defense agencies and be available to help address their challenges.

The service acquisition executives

If confirmed, I will work closely with service acquisition executives to provide analysis, to meet the challenges of troubled programs and if required, develop alternatives to meet Defense needs.

The program executive officers and program managers of major defense acquisition programs

If confirmed, I will work closely with program executive officers and program managers to provide analysis to help meet the challenges of troubled programs and if required, develop alternatives to meet Defense needs.

The cost estimating offices of the military departments

If confirmed, I will ensure a close working relationship with the cost estimating offices of the military departments, ensuring that independent cost estimates fully represent the service acquisition plans. The cost estimating offices of the Military Departments provide the baseline data and plans that form the basis for cost estimates for acquisition programs, and I believe that close collaboration between CAPE and the service cost estimating agencies is especially helpful when it comes to sharing analytic best practices, building robust data sets necessary for developing good cost estimating relationships, and testing critical assumptions that underpin program cost estimates.

Organization and Staffing

What steps do you believe you will need to take, if confirmed, to ensure that the office of the Director of Cost Assessment and Program Evaluation is fully functional and organized in a manner consistent with statutory requirements?

If confirmed, I will continue to implement and refine the strategic plan to transition the organization into fulfilling its expanded roles and responsibilities in a way that both meets the intent of WSARA and the needs of the Department. I will review the organization to determine whether or not additional staff will be needed along with organizational changes to fulfill the expanded CAPE responsibilities and fully comply with the statutory requirements of WSARA.

Do you see the need for any changes in the structure, organization, or reporting relationships of the office of the Director of Cost Assessment and Program Evaluation?

Not at this time. If confirmed, I will evaluate the current structure, organization, and reporting relationships of the office of the Director of Cost Assessment and Program Evaluation and recommend adjustments, if needed. If confirmed, I will assess these issues and recommend changes as necessary.

Section 139c(d)(8) of title 10, United States Code, requires the Director of Cost Assessment and Program Evaluation to lead “the development of improved analytical skills and competencies within the cost assessment and program evaluation workforce of the Department of Defense.” Section 2334(f) of title 10, United States Code, requires the Secretary of Defense to ensure that the Director of Cost Assessment and Program Evaluation has sufficient staff of military and civilian personnel to enable the Director to carry out the duties and responsibilities of the Director under this section.”

Do you believe that the office of the Director of Cost Assessment and Program Evaluation currently has sufficient staff of appropriately qualified and trained personnel to carry out its duties and responsibilities?

It is my understanding that along with the reorganization, when Program Analysis and Evaluation transformed into CAPE as mandated by WSARA, there was a transformation of the managerial style. The goal of this managerial shift was to move to a more agile and flexible organizational structure and enable CAPE to provide the capability to carry out its duties and responsibilities without the growth in personnel that was initially expected. If confirmed, I will move rapidly to evaluate the management and staffing of CAPE and take appropriate steps to ensure that CAPE will continue to help the Department realize the program performance goals established by the President and Congress.

What steps do you plan to take, if confirmed, to assess the staffing needs of your office and ensure that you have sufficient staff of appropriately qualified and trained personnel to carry out your duties and responsibilities?

If confirmed, I will review the assessments and planning done to date, and will provide further guidance as required to ensure continued adherence to WSARA.

What is your view of the current staffing of cost assessment and cost estimating functions of the military departments and defense agencies?

The cost estimating workforce is distributed among several organizations throughout the Department. Consequently, identifying and remedying issues with the size, education experience and organization of the DoD cost estimating workforce requires an integrated and collaborative effort, with the Director, CAPE as the leader and primary advocate for the entire DoD cost community. Efforts toward that end began last year with activities to gather data on the workforce size, grade, and demographics, as well as experience and education levels. Beyond that, there is interest in measuring projected workload volume and content (i.e., what the cost assessment community is actually doing), to help assess whether scarce resources are properly focused on strategic priorities. However, these efforts are currently suspended, due to the tremendous uncertainty in the projected DoD budget and personnel levels. OSD and the military departments are for the most part currently operating under a hiring freeze, and face the possibility of civilian furloughs or reductions. I intend to resume these activities next year if there is more stability in the budget environment. From my Air Force experience, the Air Force is currently short approximately 200 cost estimating billets based on an Air Force manpower study.

If confirmed, what role if any do you expect to play in ensuring that the cost assessment and cost estimating functions of the military departments and defense agencies have sufficient staff of appropriately qualified and trained personnel to carry out their duties and responsibilities?

In my view, the CAPE has made appropriate use of the expertise and resources of the military departments, especially in the area of data collection. The Military Departments have undertaken a long term initiative to collect actual operating and support cost information through the VAMOS systems. This has resulted in better quality cost estimates throughout the Department. For Milestone reviews, CAPE instituted a policy that a signed, dated service cost estimate must be delivered to the CAPE prior to delivery of an ICE which gives CAPE a point of departure and cross-check. This increased rigor has resulted in overall better cost estimates prepared by the military departments. Also, during the Department's Program Budget Review, CAPE teams with the military departments to ensure MDAP/MAIS programs are funded to the appropriate, defendable, and realistic cost estimate.

In your view, has the office of the Director of Cost Assessment and Program Evaluation been making appropriate use of the expertise and resources of the cost assessment and cost estimating offices of the military departments and defense agencies?

I am aware of the coordination between CAPE and the other DoD offices. I believe that close collaboration between CAPE and the service cost estimating agencies is especially helpful when it comes to sharing analytic best practices, building robust data sets necessary for developing good cost estimating relationships, and testing critical assumptions that underpin program cost estimates. If confirmed, I will ensure that CAPE maintains the statutorily required independence in its cost estimates, while partnering to

the fullest extent possible with the cost estimating offices of the military departments, so that the Department receives the best possible cost estimates.

Impact of Sequestration

What impact do you expect sequestration (and the Secretary's directive to reduce staffing by twenty percent) to have on the organization and staffing of the office of the Director of Cost Assessment and Program Evaluation?

I understand that the process for addressing the directive within CAPE is ongoing, and at this time, I do not have sufficient knowledge to offer a complete assessment of the impact. However, if confirmed, I will quickly evaluate the organization and staffing and take appropriate steps to ensure that CAPE's staff will remain able to meet the performance goals established by the President and Congress.

What impact do you expect these measures to have on the office's ability to carry out its statutory duties, including the requirement to provide cost estimates for all major defense acquisition programs?

I do not have sufficient knowledge to offer a complete assessment of the impact at this time. However, if confirmed, I will quickly evaluate the staffing and take appropriate steps to ensure that CAPE is resourced to carry out all statutory duties.

What impact do you expect sequestration to have on the costs of major defense acquisition programs (including multi-year contracts for such programs)?

Impacts will vary from program to program and will depend on many variables. It is reasonable, though, to assume some program unit costs will increase as orders are reduced to meet the funding levels mandated by sequestration. Budget instability makes it difficult to take advantage of the cost savings gained in multi-year procurement strategies. It is my understanding that CAPE and the Services are already working to identify the risks posed by sequester-level reductions. If confirmed, I will work to proactively address and mitigate issues that may arise.

Do you foresee a need for new or revised cost estimates for such programs to take into account the impact of sequestration?

Yes. Cost estimates are regularly revised as programs pass through milestone events or experience significant changes. It is my understanding that sequestration impacts are currently being (and will continue to be) captured in updates to existing cost estimates.

Acquisition Process

What is your understanding of the role of the Director of Cost Assessment and Program Evaluation in the acquisition process?

It is my understanding that the Director of Cost Assessment and Program Evaluation plays multiple key roles in the acquisition process. The Director is responsible for

providing guidance and oversight for Analyses of Alternatives to ensure that the Department considers the full range of program and non-materiel alternatives that could provide the needed military capabilities, as quickly as possible, at the lowest possible cost. The Director is also responsible, throughout the entire acquisition process, for ensuring that program cost and schedule estimates are properly prepared and considered in the Department's deliberations on major acquisition programs. The Director also is responsible for assessing whether a program is likely to achieve the desired capabilities.

What is your view of the significance of sound, unbiased cost estimating throughout the acquisition process?

It is my personal view and clearly the view of the authors of WSARA, that independent, rigorous, unbiased cost and schedule estimates, paired with thorough risk assessments, are essential for effective acquisition decision-making and oversight. Achieving the goal of reducing cost and schedule growth in the Department's portfolio of acquisition programs requires that good cost estimates be available and considered throughout the acquisition process.

What is your understanding of the role of the Director of Cost Assessment and Program Evaluation in the requirements and resource-allocation processes?

The Director is an advisor to the Joint Requirements Oversight Council for assessing the resource requirements and programmatic risk of a desired capability. The Director is primarily responsible for executing the planning and programming phases of the Department's planning, programming, budgeting, and execution system (PPBES), and coordinates closely with the Under Secretary of Defense Comptroller throughout the budget and execution stages of that process.

Do you see the need for any additional processes or mechanisms to ensure coordination between the budget, acquisition, and requirements systems of the Department of Defense and ensure that appropriate trade-offs are made between cost, schedule, and performance requirements early in the acquisition process?

If confirmed, I intend to use the authorities granted by WSARA to ensure that programs are properly initiated and are postured for success. I will evaluate and recommend adjustments, as needed, to facilitate informed discussion of trade-offs.

Do you see the need to review the existing processes and mechanisms to determine those parts of the process which do not contribute significant or, on balance, create adequate value to the system?

I understand that CAPE is an important participant in the acquisition process and also believe that achieving significant efficiencies in headquarters operations will require redesigning processes to be less labor intensive and time consuming. For many acquisition programs in development or production lengthening schedules can drive significant cost increases. If confirmed, I will evaluate and look to improve CAPE's role in the DoD 5000 processes while adhering to the requirements of WSARA.

Do you believe that the current investment budget for major systems is affordable given increasing historic cost growth in major systems, costs of current operations, the need for asset recapitalization, and the impact of sequestration?

Given the current reality of sequestration, all major systems budgets will need to be re-evaluated. While there are some preliminary indications that recent reforms may have helped slow weapons system cost growth, much work remains to be done. Additionally, the slow process of reducing costs for personnel and infrastructure, as laid out by the Strategic Choices and Management Review, means that investment and readiness may have to significantly decrease in the next several years in order to achieve the reduced funding levels mandated by the sequester. If confirmed, I would intend to focus attention on analyzing trade-offs between the current investment budget and the other pressures on resources across the entire Department.

If not, what role do you see for the Director of Cost Assessment and Program Evaluation in addressing this issue?

If confirmed, I will evaluate these trade-offs and recommend adjustments, if needed, and provide management direction as necessary to ensure that we have an affordable, long-term investment strategy.

Many acquisition experts attribute the failure of DoD acquisition programs to a cultural bias that routinely produces overly optimistic cost and schedule estimates and unrealistic performance expectations. As Senator Levin explained at a June 2008 hearing, “contractors and program offices have every reason to produce optimistic cost estimates and unrealistic performance expectations, because programs that promise revolutionary change and project lower costs are more likely to be approved and funded by senior Administration officials and by Congress.”

Do you agree with the assessment that overly optimistic cost and schedule estimates and unrealistic performance expectations contribute to the failure of major defense acquisition programs?

Yes.

What steps if any would you take, if confirmed, to ensure that the Department’s cost, schedule and performance estimates are realistic?

To ensure the Department’s cost, schedule and performance estimates are realistic, it is important to have a systematic and institutionalized cost data collection throughout the DoD to support estimates for current and future acquisition programs. The Defense Cost and Resource Center (DCARC) is the OSD office responsible for administering the CSDR system, used for acquisition cost data. I understand from my AFCAA staff that this year, the DCARC continued to update and strengthen the procedures, report formats, and detailed implementation guidance for CSDR. Additionally, CAPE’s annual report has found that the quality of the cost estimates for MDAPs provided by the military departments continued to improve this year due to the increase quality of data.

In addition, as part of the Department's program and budget review process, CAPE—in conjunction with USD(AT&L)—reviewed each acquisition program with significant funding changes from the latest baseline or prior year's President's Budget to determine the source of the cost estimate supporting the revised program and to ensure that the program remained fully funded. This process of tracking to the approved estimate will be even more important in the future, as the Department faces significant funding constraints, resulting in more reductions to program quantities and annual procurement rates, and more pressures to budget programs at less than full funding.

Do you believe that early communication between the acquisition, budget and requirements communities in the Department of Defense can help ensure more realistic cost, schedule and performance expectations?

Yes.

If so, what steps if any would you take, if confirmed, to assist in such communication?

I do not yet have a detailed plan for changes to the early-stage acquisition communication and decision process. If confirmed, I would consult with relevant stakeholders to understand the full range of considerations. I understand that CAPE has played an important role in facilitating joint deliberations between the acquisition, requirements, and PPBE processes and remain committed to improved sharing of information between these communities to enhance transparency within the Department.

In the Budget Blueprint that supported the FY2010 Presidential Budget Request, the Administration committed to “set[ting] realistic requirements and stick[ing] to them and incorporat[ing] ‘best practices’ by not allowing programs to proceed from one stage of the acquisition cycle to the next until they have achieved the maturity to clearly lower the risk of cost growth and schedule slippage.”

What role do you see for the Director of Cost Assessment and Program Evaluation in helping to ensure that the Department makes good on this commitment?

The Director is the principal official in the Department of Defense responsible for cost and schedule estimation and for assessing expected program effectiveness.

Over the last several years, the Government Accountability Office (GAO) has prepared a series of reports for this Committee comparing the DoD approach to the acquisition of major systems with the approach taken by best performers in the private sector. GAO concluded that private sector programs are more successful because they consistently require a high level of maturity for new technologies before such technologies are incorporated into product development programs. The Department has responded to these findings by adopting technological maturity goals in its acquisition policies.

How important is it, in your view, for the Department to mature its technologies with research and development funds before these technologies are incorporated into product development programs?

In my view it is critical for programs to reach the appropriate level of maturity before proceeding to the next acquisition stage.

What role do you see for the Director of Cost Assessment and Program Evaluation in helping to ensure that the key components and technologies to be incorporated into major acquisition programs meet the Department's technological maturity goals?

If confirmed, I will ensure that technology risks and maturity levels are fully incorporated in the cost and schedule assessments, including Independent Cost Estimates, prepared for all major programs.

The Department of Defense has increasingly turned to incremental acquisition and spiral development approaches in an effort to make cost, schedule, and performance expectations more realistic and achievable.

Do you believe that incremental acquisition and spiral development can help improve the performance of the Department's major acquisition programs?

Yes, I believe that incremental acquisition and spiral development can be one effective way to reduce acquisition risk and should be considered when appropriate across DoD's portfolio of acquisition programs.

In your view, has the Department's approach to incremental acquisition and spiral development been successful? Why or why not?

I believe that the use of this approach must be considered, on a case-by-case basis, with all factors assessed and weighed in the decision. If confirmed, I will advocate for the consideration and evaluation of spiral development and incremental acquisition strategies in applicable situations. There have been improvements in the Department's acquisition performance after the enactment of WSARA. For example, the number of Nunn-McCurdy breaches has steadily decreased since FY 2010, with only three significant breaches and no critical breaches in FY 2013. Also, since passage of WSARA, the AoAs appear to have improved due to improvements in AoA guidance, study plans, and compliance.

What steps if any do you believe are needed to ensure that the requirements process, budget process, and testing regime can accommodate incremental acquisition and spiral development approaches?

I do not have sufficient knowledge to offer a detailed assessment at this time; however, I believe that these areas need to be flexible enough to support incremental acquisition and spiral development approaches.

How should the Department ensure that the incremental acquisition and spiral development programs have appropriate baselines against which to measure performance?

The Department is required to prepare and measure performance against rigorous acquisition program baselines for major acquisition programs, including acquisition

programs that employ these concepts. If confirmed, I will ensure realistic independent cost and schedule estimates are prepared for all major acquisition programs, including the programs that employ these concepts.

The poor performance of major defense acquisition programs has also been attributed to instability in funding and requirements. In the past, the Department of Defense has attempted to provide greater funding stability through the use of multi-year contracts. More recently, the Department has sought greater requirements stability by instituting Configuration Steering Boards to exercise control over any changes to requirements that would increase program costs.

What are your views on multiyear procurements? Under what circumstances do you believe they should be used?

In general, I believe that multiyear procurement strategies can result in savings. I recognize that multiyear contracts offer the possibility of cost savings from economic order quantities. If confirmed, I will ensure the CAPE organization prepares unbiased analyses to quantify the resultant savings from the use of multiyear procurement strategies, and to assess the impact on the Department of reductions in acquisition and budget flexibilities.

What is your opinion on the level of cost savings that constitute “substantial savings” for purposes of the defense multiyear procurement statute, 10 U.S.C. § 2306b?

It is my understanding that CAPE provides the estimates of the savings to be achieved by multiyear procurements, and that the Under Secretary of Defense for Acquisition Technology and Logistics determines if the savings are substantial. I understand that past practice and Congressional guidance has often focused on 10% as a cost savings threshold for justifying multiyear procurements. While 10% is often a reasonable standard the merits of the multiyear procurements should be considered on a case-by-case basis. I believe that such consideration should include the potential trade-off between cost savings and reductions in acquisition and budget flexibilities. Sometimes less than 10% savings may suffice for a program, while at other times retaining budgetary flexibility may argue for foregoing a multiyear that could generate more than 10% cost savings.

Under what circumstances, if any, do you believe that a multiyear contract should be used for procuring weapons systems that have unsatisfactory program histories, e.g., displaying poor cost, scheduling, or performance outcomes but which might otherwise comply with the requirements of the defense multiyear procurement statute, 10 U.S.C. § 2306b?

I believe multiyear strategies should be evaluated on a case-by-case basis, and past program performance is one key factor in deliberations on possible employment of multiyear procurement strategies.

How would you analyze and evaluate proposals for multiyear procurement for such programs?

If confirmed, I will ensure that proposals for multiyear procurement will be carefully and fairly assessed and then compared with acquisition strategies that do not employ multiyear procurement. In evaluating those projections, I will also ensure that multiyear savings projections are compared with actual savings achieved from historical programs.

If confirmed, what criteria would you apply in assessing whether procuring such a system under a multiyear contract, is appropriate and should be proposed to Congress?

Among other issues, I would recommend including a review of all statutory and regulatory requirements and an assessment of the trade-offs between cost savings and reductions in acquisition and budget flexibilities. The specific implementation would likely vary from program to program.

Under what circumstances, if any, should DoD ever break a multiyear procurement?

In my view, exceptional circumstances that lead to the break of a multiyear procurement should be carefully considered case by case. Some factors that would warrant this consideration could include dramatic changes to the national security situation, significant changes to the fiscal environment facing DoD, or significant changes in the acquisition program itself.

What other steps, if any, would you recommend taking to increase the funding and requirements stability of major defense acquisition programs?

If confirmed, I will take actions in concert with USD (AT&L) to ensure that independent cost estimates developed or approved by the Director are fully funded in the Future Years Defense Program, that changes to programs and cost estimates are properly tracked over time, that program cost performance is tracked consistent with the metrics specified in WSARA, and that proposed changes to programs that influence costs are fully evaluated and considered prior to implementation of changes to programs.

If confirmed, I will also recommend a careful examination of the Operations and Support costs for the Department. Optimistic forecasts of these costs sometimes contribute to instability in acquisition programs by demanding a greater percentage of available resources than originally expected, thereby undermining acquisition plans. Realistically funding these accounts, and controlling cost growth where possible, may help stabilize mid- and long-term acquisition plans.

The Joint Requirements Oversight Council (“JROC”) recently issued guidance which “encourages Program Managers, Program Executive Officers and Component Acquisition Executives, in coordination with the requirements sponsor, to officially request requirements relief, through the appropriate requirements validation authority, where Key Performance Parameters appear out of line with the appropriate cost-benefit analysis.” The JROC stated “[w]hile there are no limitations for requesting requirement

relief, KPP relief should be considered especially appropriate in cases where significant cost savings may be achieved with marginal impact on operational capability (i.e., spending 15 percent of a program's budget to get the last three percent of KPP performance)."

Do you support the new JROC guidance?

Yes. I believe that if a Key Performance Parameter of a program is out of line with an appropriate cost-benefit analysis, it is proper to consider granting relief to correctly align the cost to the capability. Refining requirements can be highly beneficial to achieving balance between cost, schedule, and performance. Despite the benefit of reduced costs, we must ensure that we are not placing unacceptable risk on the warfighter in order to relax requirements.

Are there additional changes the JROC should consider, in your view?

I am not aware of the need to make any additional changes or improvements to the JROC guidance at this time.

The current acquisition system is intended to avoid fragmentation by providing that program managers report only to program executive officers, who report only to service acquisition executives, who are subject to the management and supervision of the Under Secretary of Defense for Acquisition, Technology, and Logistics.

Do you support the chain of command for the acquisition system, as currently structured?

I believe the current structure of the acquisition system has helped to reduce fragmentation in the process. If confirmed, I will work with the service acquisition executives and the Under Secretary of Defense for Acquisition, Technology, and Logistics to seek out ways to further reduce fragmentation and other inefficiencies in the acquisition system.

The Independent Panel charged with reviewing the 2010 Quadrennial Defense Review recommended increasing the role of the respective services in the management of acquisition programs through a system called "In-Line Management." Specifically, the recommendation called for increasing the role of the Service Secretaries in the acquisition process. In addition, the Defense Business Board's FY20132 report titled: Linking and Streamlining the Defense Requirements, Acquisition and Budget Process also advocated for the "Military Service Chief" to have a greater role in the acquisition process.

What are your thoughts about value of increasing the management responsibilities of service secretaries and service chiefs in the acquisition process?

Do you believe adding the service secretaries and chiefs of staff to the acquisition chain of command would help address the underlying causes of cost, schedule and performance problems in the acquisition system?

Do you believe that such a change would increase, or decrease, fragmentation of authority in the acquisition system?

To ensure optimal use of funds provided to the Department, it is critical to minimize cost, schedule and performance problems. I believe the key to minimizing these problems is identifying the correct requirements early in the process, influenced by an unbiased, realistic assessment of their viability. The experience and insights of the Service Chiefs and Secretaries would be very helpful in discussions of requirement trade-offs and continued relevance. Based on a preliminary assessment, I support the Department's response to the DBB recommendation and I would welcome an increased role for the Service Chiefs and Secretaries in the process. If confirmed, I would expect to have more firsthand experience and develop a more fully informed view.

This would require close, early alignment between CAPE, the Services, the JROC, and the Under Secretary of Defense for Acquisition and Technology.

Cost Assessment

Section 2334 of title 10, United States Code, requires the Director of Cost Assessment and Program Evaluation to prescribe policies and procedures for the conduct of cost estimation and cost analysis for the acquisition programs of the Department of Defense.

What are the major issues that you believe should be addressed in policies and procedures for the conduct of cost estimation and cost analysis for DoD acquisition programs?

CAPE policy should enforce consistent methodologies, improve education and training, define process timelines, enhance risk analysis, and identify roles and responsibilities for cost estimating across the weapon system life cycle. Consistent cost estimating methods across departments, coupled with a trained workforce employing those methods, reduces review time, reconciliation, and associated rework which can save schedule time for acquisition programs and reduce costs.

What is your view of the Department of Defense policies and procedures currently in place for the conduct of cost estimation and cost analysis for DoD acquisition programs? Are there any significant gaps that you would like to fill or significant changes that you would like to make?

The current DoD policies and procedures are being updated to codify the requirements of WSARA. CAPE is now working to complete DoD Manual 5000.04-M, Cost Analysis Guidance and Procedures. This Manual will be the primary vehicle for implementing the cost assessment provisions of WSARA. In particular, it will provide guidance to the military departments and defense agencies concerning the preparation, presentation and documentation of life-cycle cost estimates for defense acquisition programs

Section 2334(a)(6) requires the Director to conduct independent cost estimates and cost analyses for certain major defense acquisition programs and major automated information system programs at key points in the acquisition process and "at any other

time considered appropriate by the Director or upon the request of the Under Secretary of Defense for Acquisition, Technology, and Logistics.”

In your view, does the office of the Director currently have the staffing and resources necessary to perform this function, or will additional resources be required?

If confirmed, I will quickly evaluate the staffing and resource levels and take appropriate steps to ensure that CAPE’s cost assessment staff will be fully able to continue to help the Department realize the aggressive program performance goals established by the President and Congress.

What is your view of the extent to which it would be appropriate to use Federally Funded Research and Development Centers or other contractors to assist in this function?

It is my understanding that the Department is still working to reestablish the capabilities of the government acquisition workforce, though the fiscal environment has curtailed much planned growth in acquisition workforce capabilities. Even with this trend, however, there are numerous functions, such as cost analysis research, that an FFRDC or a support contractor could provide to assist the Department in meeting its cost estimating requirements provided we remain compliant with the 2013 NDAA that requires each MDAP/MAIS lead cost estimator be a member of the armed forces or a full time employee of the DoD.

Are there particular points in the acquisition process, other than those required by statute, at which you think that independent cost estimates and cost analyses would be appropriate?

The current acquisition process in the Department is event-driven and episodic in nature, and is driven primarily by the key milestones identified in statute. In my view, the WSARA requirements drive the Department to a model involving more continuous involvement of the cost analysis community, and this is the approach I have sought to follow with AFCAA. If confirmed, I will support a more continuous involvement of CAPE in following and tracking program performance, updating cost and schedule estimates, and in evaluating new program risks as they are identified, though I recognize that resource constraints will limit my ability to fully achieve this vision.

The Director is required to “[r]eview all cost estimates and cost analyses” conducted by the military departments and defense agencies for major defense acquisition programs and major automated information system programs other than those covered by section 2334(a)(6). At certain points in the acquisition process, the Director is required to determine whether such estimates are reasonable.

In your view, does the office of the Director currently have the staffing and resources necessary to perform this function, or will additional resources be required?

If confirmed, I will quickly evaluate the staffing and resource levels and take appropriate steps to ensure CAPE's cost assessment personnel will be fully able to continue to help the Department realize the aggressive program performance goals established by the President and Congress. I recognize that all headquarters functions across the Department of Defense are under pressure to reduce staffing and resources and do not expect that CAPE will be exempt from this pressure.

What is your view of the extent to which it would be appropriate to use Federally Funded Research and Development Centers or other contractors to assist in this function?

There are numerous functions, such as cost analysis research, that an FFRDC or a support contractor could provide to assist the Department in meeting its cost estimating requirements. All the Department's cost analysis agencies use contract/FFRDC support to some degree. In general, I support the current effort to enhance the government's organic cost estimating capability. However, the current fiscal pressures will likely result in reductions to both the CAPE staff and funding for the contract/FFRDC support.

What action would you expect to take, if confirmed, if you were to determine that a cost estimate or cost analysis conducted by one of the military departments or defense agencies in connection with a major defense acquisition program or major automated system program was *not* reasonable?

If confirmed, in this situation I would direct the Deputy Director for Cost Assessment in CAPE to prepare a separate independent cost estimate and would recommend that the program not be permitted to proceed until the new independent cost estimate was completed, considered, and properly funded in the Future Years Defense Program. In my experience overseeing AFCAA, I found that situations where Program Office Estimates and independent cost estimates were likely to diverge greatly could generally be identified in advance and issues avoided by bringing analysts together to examine assumptions and models – saving time and avoiding unnecessary costs without sacrificing analytic independence.

Program Evaluation

Section 139a (d)(5) of Title 10, United States Code, makes the Director of Cost Assessment and Program Evaluation responsible for “[r]eview, analysis, and evaluation of programs for executing approved strategies and policies, ensuring that information on programs is presented accurately and completely.” Section 139a(d)(7) makes the Director responsible for “[a]ssessments of alternative plans, programs, and policies with respect to the acquisition programs of the Department of Defense.”

What is your view of the significance of independent review, analysis, and evaluation of programs, and assessments of alternative programs, to the effective management of the Department of Defense?

Independent analyses and evaluation of programs help identify underlying risk in programs sometimes not seen in the service position—whether cost, schedule or performance risk. I believe that identifying these risks and offering the means to mitigate them will position the Department leadership to make informed decisions for acquiring and resourcing program plans.

Do you see the need for any changes or improvements to the organization, process, or methodology used by the Department for such review, analysis, and assessments?

I am not aware of the need to make any changes or improvements to the process or methodology at this time. It is possible that additional decision support will be necessary to fulfill this, either via new staff or a reorganization of missions within existing staff. However, if confirmed, I will review the process and methodology and make recommendations for improvements, as appropriate.

Does the Director of Cost Assessment and Program Evaluation have the staffing and resources needed to carry out this function?

If confirmed, I plan to evaluate the need for the organizational changes necessary to fully comply with the intent of the legislation and the resulting impact on resources.

How do you believe that the Director of Cost Assessment and Program Evaluation should interact with service acquisition executives, program executive officers, program managers, and other program officials in preparing independent evaluations of major defense acquisition programs?

Preparation of independent evaluations of major defense acquisition programs is highly dependent on gaining unfettered access to information about the programs. I believe that it is incumbent upon the Director of Cost Assessment and Program Evaluation to create strong relationships across the Department with service acquisition executives and other program subordinates to ensure continued access to this information. At the same time, I believe that the Director must make clear that the analyses done by the Cost Assessment and Program Evaluation organization maintain the required independence and continue to be unbiased and reliable in developing recommendations based on the analyses.

Planning, Programming, Budgeting and Execution System

What role do you expect to play, if confirmed, on matters relating to the planning and programming phases of the Planning, Programming, Budgeting and Execution (PPBE) system?

I expect that I will be one of Secretary Hagel's closest advisors on all program evaluation matters. Further, I expect that I will coordinate the performance of the Program Review and ensure a close working relationship with the Under Secretary of Defense (Comptroller) as he coordinates the performance of the Budget Review. In my role I expect to analyze, evaluate, and provide alternative plans and programs for U.S. defense objectives and evaluate programs to ensure execution of approved strategies and policies. I anticipate performing critical reviews of requirements, capabilities, and life-cycle costs

of current and proposed defense programs, with an eye toward making recommendations and identifying options for the Secretary of Defense.

What role do you expect to play, if confirmed, in the preparation of materials and guidance for the PPBE system?

If confirmed, I will direct preparation for overarching guidance for the programming phase of PPBE. I also expect that I will prepare and coordinate closely with the Under Secretary of Defense (Comptroller) in the preparation of Fiscal Guidance to the Defense components. Further, I will expect to coordinate with the Under Secretary of Defense (Policy) in implementation of strategic policy decisions reached through processes such as the Quadrennial Defense Review. I expect that I will continue to prepare and deliver to Congress the Future Years Defense Program for the Department of Defense.

Do you see the need for any changes or improvements to the PPBE system?

The PPBE system has seen virtually constant, incremental change throughout much of its recent history, but I do not have any concrete recommendations to make at this time. If confirmed I will work with other stakeholders to ensure that the PPBE system best supports the efficient and effective allocation of taxpayer dollars to the highest national security priorities of the Department of Defense.

Analyses of Alternatives

The Director of Cost Assessment and Program Evaluation is responsible for the formulation of study guidance for analyses of alternatives for major defense acquisition programs and the performance of such analyses, as directed by the Secretary of Defense.

Do you believe that the Department of Defense has been making appropriate use of analyses of alternatives in connection with major defense acquisition programs?

While at this time I do not have sufficient knowledge to offer an assessment of the Department's use of analysis of alternatives, I believe analyses of alternatives can identify areas where trade-offs can be made to reduce cost, schedule, and performance risk.

Do you see the need for any change in the timing, content, or approach that the Department takes to analyses of alternatives in connection with major defense acquisition programs?

No. The analysis of alternatives is usually done prior to Milestone A, thereby offering the earliest opportunity to influence the acquisition strategy and program content. If confirmed, I will ensure that the analysis of alternatives continues to be updated, as appropriate, as the program proceeds to a full-rate production decision.

Do you believe that the office of the Director of Cost Assessment and Program Evaluation and other relevant components of the Department are appropriately

organized and staffed to carry out effective analyses of alternatives in connection with major defense acquisition programs?

Properly organized, yes. If confirmed, I will quickly evaluate and take appropriate steps to ensure that CAPE is properly organized to fulfill the responsibilities and fully comply with the statutory requirements of WSARA.

Operating and Support Costs

Section 2334(e) of title 10, United States Code, requires the Director to review and report on existing systems and methods of the Department of Defense for tracking and assessing operating and support costs on major defense acquisition programs.

Do you think that the Department is currently doing an adequate job of estimating operating and support costs for major defense acquisition programs?

I appreciate the challenges of estimating operating and support costs of increasingly complex weapon systems with ever-changing operational missions. The Weapon System Acquisition Reform Act of 2009 requires a review of systems and methods used for developing estimates of operating and support costs. It is my understanding that a division has been established in CAPE to analyze the adequacy of systems and methods used for developing estimates of operating and support costs. If confirmed, I will review their analyses and recommend adjustments, if needed.

Do you think that the Department is currently doing an adequate job of tracking and assessing operating and support costs for major defense acquisition programs?

I recognize that effective systems and methods must be in place to ensure that budgets and programs reflect the most current experience in operating and support costs. The Weapon System Acquisition Reform Act of 2009 requires a review of systems and methods used for tracking and assessing operating and support costs. In my role as the Assistant Secretary of the Air Force for Financial Management and Comptroller, an Operating and Support estimating division was created in AFCAA to perform independent assessments of the operating and support costs of AF major defense acquisition programs. It is my understanding that a new division has been established in CAPE that will track and assess operating and support costs for major defense acquisition programs. If confirmed, I will review their analyses and recommend adjustments, if needed.

What would be your view of a “Nunn-McCurdy”-type system for programs that substantially exceed estimates for operating and support costs?

I understand the importance of controlling the operating and support costs of our major weapon systems. I also know that this is a complicated problem – many factors contribute to increases in operating and support cost growth. I am advised that the Cost Assessment and Program Evaluation directorate has worked to assess the feasibility and advisability of establishing some form of baseline for operating and support costs, as required in the

Weapon System Acquisition and Reform Act of 2009. Increased visibility of operations and support costs is very important to enable management action to contain costs, regardless of whether a formal breach process is established. If confirmed, I will make a review of the team's progress on this question a near-term priority.

What is your view on the role that the office of the Director of Cost Assessment and Program Evaluation does and should play in assessing operating and support costs on major defense acquisition programs?

I recognize that operating and support costs are a significant driver to both major defense acquisition program costs and the department's budget. The Weapon System Acquisition and Reform Act of 2009 requires CAPE to ensure that the cost estimation and cost analysis processes of the department provide accurate information and realistic estimates of costs for acquisition programs. I understand a new division in CAPE has been established that will track and assess operating and support costs for major defense acquisition programs. I am also aware that an operating and support cost estimating guide has been written and that the Department maintains operating and support cost databases. If confirmed, I will review their analyses and activities and recommend adjustments, if needed while partnering with USD (AT&L) to make operating and support costs more visible in the milestone decision process.

Congressional Oversight

In order to exercise its legislative and oversight responsibilities, it is important that this Committee and other appropriate committees of the Congress are able to receive testimony, briefings, and other communications of information.

Do you agree, if confirmed for this high position, to appear before this Committee and other appropriate committees of the Congress?

Yes.

Do you agree, if confirmed, to appear before this Committee, or designated members of this Committee, and provide information, subject to appropriate and necessary security protection, with respect to your responsibilities as the Director of Cost Assessment and Program Evaluation?

Yes.

Do you agree to ensure that testimony, briefings and other communications of information are provided to this Committee and its staff and other appropriate Committees?

Yes.

Do you agree to provide documents, including copies of electronic forms of communication, in a timely manner when requested by a duly constituted

Committee, or to consult with the Committee regarding the basis for any good faith delay or denial in providing such documents?

Yes.