

**Advance Questions for Christine H. Fox, Nominee to be
Director of Cost Assessment and Program Evaluation**

1. 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?

Currently, I have no changes to the Act that I would recommend.

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

N/A.

2. 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 new 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). If confirmed, you would be the first Director of Cost Assessment and Program Evaluation.

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

I have read the law signed by the President and I understand that D/CAPE is responsible for providing 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 to ensure that the Department considers the full range of program and non-materiel solutions. Additionally, D/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.

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 would 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 D/CAPE position, and any others he may deem appropriate.

3. 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 served as a defense analyst, leader, and manager for nearly 30 years. I have personally conducted analyses on a broad range of issues spanning the conduct of military operations, operational testing, and systems trade-offs. I have overseen the analysis of program evaluation, acquisition, and cost issues. As the leader of an FFRDC, I have been responsible for providing independent, objective analyses to military and civilian leaders across the Defense Department. I have hired, trained, and developed numerous analysts and have set the analytic standard that governed their performance.

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

I have considerable experience as a manager and leader of acquisition analysis in an FFRDC environment. I have analytic experience with all phases of the acquisition process from Analysis of Alternatives through operational testing and finally, to the introduction of a new system to fielded forces.

4. 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 additional responsibilities and requirements placed upon the new CAPE organization, and the need to tailor CAPE to meet these requirements will be a tremendous challenge. The size, shape, and organization of the CAPE workforce must be reviewed in detail, and the new organization tailored to satisfy the law, and to continue providing the Secretary of Defense with the necessary support that he needs.

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. Given the sweeping nature of the changes involved with the law, I fully expect that additional staff and resources are necessary to comply with the statutory requirements.

5. 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 would 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 would 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 would 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 would 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 would 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 would work as an advisor to the Joint Requirements Oversight Council for assessing the resource requirements and programmatic risk of desired capabilities. I would not be a member of the JROC, however I would 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 would ensure regular interaction with the DBSMC, providing assessments and advice.

The Director of Operational Test and Evaluation.

If confirmed, I would 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. If confirmed, I would 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 responsibility 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 would 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. It is imperative to meet the needs of the combatant commanders. If confirmed, I would endeavor to understand the needs of the combatant commanders and to advocate for programs that support their requirements. I would 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 would be sensitive to the needs of the Defense agencies and be available to help address their challenges.

The service acquisition executives.

If confirmed, I would 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 would 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 would 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.

6. Organization and Staffing

What is your understanding of the extent to which the Department has made the changes necessary to establish the office of the Director of Cost Assessment and Program Evaluation, in accordance with the statutory requirements?

My understanding is that the Department has taken preliminary steps to establish the office of the Director of Cost Assessment and Program Evaluation (CAPE) in accordance with the statutory requirements and some early planning has been accomplished. If confirmed, I would review these plans and move rapidly to transitioning the new CAPE organization to meet the goals of the WSARA.

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 would develop a 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. It is likely that 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 would 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 would 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?

No. I believe that the government staff of the legacy Cost Analysis Improvement Group, which has already transitioned to Cost Assessment within CAPE, will need to grow substantially to meet the expanded cost assessment responsibilities and requirements in WSARA. The government staff of Program Evaluation within CAPE is also likely to grow to fulfill new responsibilities within WSARA. If confirmed, I would move rapidly to develop, mature, and execute early transition and strategic plans so that CAPE will 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 would review the assessments and planning done to date, and would provide further guidance as required to fully implement the WSARA. I do foresee the need for additional staff given the requirements specified in the statutory regulations.

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

I do not have detailed knowledge of the staffing of cost assessment and cost estimating functions of the military departments and defense agencies. However, if confirmed, as I develop the strategic plan for CAPE, I intend to examine closely its relationships with the military department and defense agency counterparts to ensure the larger DoD cost community is well positioned to support the goals of WSARA.

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?

The WSARA establishes the Director, Cost Assessment and Program Evaluation in the role as the primary advocate for the entire DoD cost community. If confirmed, I would work to ensure that cost assessment and cost estimating functions for the entire Department have sufficient resources and are provided the necessary guidance and authorities that are essential to improve the performance of DoD programs.

7. Acquisition Process

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

My understanding is that the Director of Cost Assessment and Program Evaluation will play several key roles in the acquisition process. The D/CAPE is responsible for providing guidance and oversight for Analyses of Alternatives to ensure that the Department, at the earliest point possible, considers the full range of program and non-materiel alternatives that might provide the needed military capabilities, as quickly as possible, at the lowest possible cost. The D/CAPE 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 and that the program is likely to achieve the desired capabilities.

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

I believe that sound and unbiased cost and schedule estimates, including thorough risk assessments, are absolutely 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 will not be possible if good cost estimates are not 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?

On the requirements side, the Director is an advisor to the Joint Requirements Oversight Council for assessing the resource requirements and programmatic risk of a desired capability. On the resources side, the Director is responsible for executing the planning and programming phases of the Department's planning, programming, budgeting, and execution system (PPBES).

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?

The WSARA assigns greater authorities and responsibilities to the D/CAPE in the requirements and acquisition process for programs that have not achieved Milestone B approval. If confirmed, I intend to use these authorities to the fullest extent to ensure that programs are properly initiated and are postured for success. I would evaluate and recommend adjustments, if needed, in the current requirement, acquisition, and budget processes to facilitate trade-offs and to ensure program success.

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, projected increases in end strength, and asset recapitalization?

I do not have detailed knowledge of the trade-offs between the current investment budget and the other pressures on resources within the total provided to the Department.

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

If confirmed, I would 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?

I do not have sufficient knowledge to offer a complete assessment at this time; however, if confirmed, one key step I would take is to advocate use of Independent Cost Estimates, developed or approved by the D/CAPE, at acquisition milestones and other key decision points in the acquisition process.

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?

If confirmed, I would consider expanding the joint deliberations that have been developed between the acquisition, requirements, and PPBE processes.

I would also consider improvements in information systems in the acquisition, budget, and requirements community to enable improved sharing of information between these communities, and to enhance the transparency of the information both within and outside of the Department.

Nearly half of DOD's 95 largest acquisition programs have exceeded the so-called "Nunn-McCurdy" cost growth standards established in section 2433 of title 10, United States Code, to identify seriously troubled programs. The cost overruns on these major defense acquisition programs now total \$295 billion over the original program estimates, even though the Department has cut unit quantities and reduced performance expectations on many programs in an effort to hold costs down.

What role do you see for the Director of Cost Assessment and Program Evaluation in controlling the out-of-control cost growth on DOD's major defense acquisition programs?

I expect that the enhanced WSARA requirements for program certifications will help to place programs on a sound foundation at key decision points in the acquisition process. For new programs, the new 2366a requirements at Milestone A will be effective in helping to establish realistic program definition and cost and schedule targets, as early as possible, to help reduce future cost growth. For programs already underway, the 2366b certifications required for programs beyond Milestone B will be effective in putting troubled programs on a more stable footing and reducing further cost growth.

In the Budget Blueprint that supports 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?

D/CAPE 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 would 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 could be an effective way to reduce acquisition risk and should be considered whenever 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 do not have the detailed knowledge to make an informed assessment. 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 would advocate for the consideration and evaluation of spiral development and incremental acquisition strategies in all applicable situations.

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 would 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 multi-year procurement strategies can result in savings. I recognize that multi-year contracts offer the possibility of cost savings from economic order quantities. If confirmed, I would ensure the CAPE organization prepares unbiased analyses to quantify the resultant savings from the use of multi-year 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?

I do not have sufficient knowledge to offer a specific opinion at this time; however, determining substantial savings will likely require consideration on a case by case basis. I believe that consideration should include the potential trade-off between cost savings and reductions in acquisition and budget flexibilities.

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 it is likely that the employment of multi-year strategies should be evaluated on a case-by-case basis. If confirmed, I would consider all relevant factors, including past

program performance, in deliberations on possible employment of multi-year procurement strategies.

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

If confirmed, I would ensure that proposals for multi-year procurement would be carefully and fairly assessed, with consideration of the original savings projections for historical programs, and compared with acquisition strategies that do not employ multi-year procurement. I would also ensure that multi-year 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?

Although I do not have sufficient knowledge to recommend specific criteria at this time, some criteria to consider include a review of all statutory and regulatory requirements and, potentially, an assessment of the trade-offs between cost savings and reductions in acquisition and budget flexibilities.

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

I believe that the extraordinary circumstances that would lead to the break in a multiyear procurement should be carefully considered on a case by case basis. Some factors to consider could include a dramatic change in the national security situation, a change in the fiscal environment facing DoD, or a significant change 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 would take actions to ensure that independent cost estimates developed or approved by the D/CAPE 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 would also recommend a careful examination of the Operations and Support costs for the Department. These accounts 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.

8. 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?

I do not have enough detailed information to make an assessment. If confirmed, I would evaluate the current policies and procedures for the conduct of cost estimation and cost analysis for DOD acquisition programs and recommend adjustments, if needed.

What is your view or 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?

I do not have enough detailed information to make an assessment. If confirmed, I would evaluate the current policies and procedures for the conduct of cost estimation and cost analysis for DOD acquisition programs and recommend adjustments, if needed.

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?

I believe that in order to fully comply with the statutory requirements of WSARA significant additional staffing and resources will be needed, beyond those that had previously been provided to the Cost Analysis Improvement Group. If confirmed, I would move rapidly to develop, mature, and execute early transition and strategic plans so that CAPE will help the Department realize the 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 has underway a major initiative to reestablish the government acquisition workforce. 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.

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 new WSARA requirements will drive the Department to a model involving more continuous involvement of the cost analysis community. If confirmed, I would support a more continuous involvement of CAPE in following and tracking program performance, updating previous cost and schedule estimates, and in evaluating new program risks as they are identified.

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?

No. I believe that in order to fully comply with the statutory requirements of WSARA significant additional staffing and resources will be needed, beyond those that had previously been provided to the Cost Analysis Improvement Group. If confirmed, I would move rapidly to develop, mature, and execute early transition and strategic plans so that CAPE will 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?

The cost estimating community is currently involved in the DoD insourcing initiative since many of the functions performed in this community are inherently governmental in nature. 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.

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 Assessments in CAPE to prepare a separate independent cost estimate. I 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.

Section 2334(a) also requires the Director to issue guidance relating to the proper selection of confidence levels in cost estimates for major defense acquisition programs and major automated information system programs. Section 2334(d) requires the Director (and the head of the agency responsible for the estimate) to disclose the confidence level for the estimate, the rationale for selecting the confidence level, and “if such confidence level is less than 80 percent, the justification for selecting a confidence level of less than 80 percent.”

Do you support the disclosure requirement in section 2334(d)?

Yes.

What is your view of the appropriate confidence level for a cost estimate for a major defense acquisition program or major automated information system program?

If confirmed, I would ensure that a complete discussion of program risk, its assessment and quantification, and the extent to which risk mitigation measures are funded, would be a part of the preparation and documentation of every independent cost estimate conducted or overseen by CAPE. I believe that the confidence level or degree to which funding is provided to cover risks, both known and unknown, is best established on a case-by-case basis, in the context of the overall Departmental priorities and risk posture.

In your view, should the confidence level vary, depending on the stage of the acquisition process that the program has reached?

Yes.

What do you see as the possible consequences of selecting an inappropriate confidence level of a cost estimate?

The consequences of selecting an inappropriate confidence level for a cost estimate depend on many factors, including the size of the program, the extent to which the

specific program has already experienced cost growth, and the performance of other programs in the larger DoD acquisition portfolio. The consequences could range from having a significant effect on many programs within the larger DoD acquisition portfolio, as resources are moved to pay for large cost overruns, to having a relatively small effect on a single acquisition program.

Do you see the need for any change in the legislation regarding confidence levels for estimates?

I have no recommended changes at this time. If confirmed, I would evaluate the current statutory requirements, policies, and procedures for the development and setting of confidence levels for DoD acquisition programs and recommend adjustments, if needed.

9. Program Evaluation

Section 139c(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 139c(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—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?

It is highly likely that additional staff will be needed along with organizational changes to fulfill the expanded CAPE responsibilities and fully comply with the statutory requirements of WSARA. I am not aware of the need to make any changes or improvements to the process or methodology at this time. However, if confirmed I would 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?

Given the additional responsibilities spelled out in the WSARA law, I believe that the Director may need additional staff and resources to carry out this function. If confirmed, I plan to focus immediately on 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 the Director of Cost Assessment and Program Evaluation must create strong relationships with service acquisition executives and other program subordinates to ensure continued access to the 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 necessary independence and continue to be unbiased and reliable in developing recommendations based on the analyses.

10. 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?

If confirmed, I expect the Secretary of Defense would assign me all of the duties, functions, and responsibilities currently specified in the Department's directives for the former position of Director, Program Analysis and Evaluation. Specifically I expect that I would be one of the Secretary's primary advisors on all program evaluation matters. Further, I expect that I would 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. I expect that I would 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, including reviews of Analyses of Alternatives (AOAs) and to establish guidance for AOAs.

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

If confirmed, I would direct preparation for overarching guidance for the programming phase of PPBE. I also expect that I would prepare and coordinate closely with the Under Secretary of Defense (Comptroller) in the preparation of Fiscal Guidance to the Defense components. Further I would 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 would 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?

I do not have any recommendations at this time.

11. 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?

I do not have sufficient knowledge at this time to offer an assessment of the Department's use of analysis of alternatives. I believe analyses of alternatives can identify areas where tradeoffs 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 would 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. Properly staffed, no -- it is highly likely that additional staff will be needed along with organizational changes to fulfill the expanded CAPE responsibilities and fully comply with the statutory requirements of WSARA.

12. 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. I am advised that a team led by the Cost Assessment and Program Evaluation directorate is examining the adequacy of systems and methods used for developing estimates of these costs. If confirmed, I would review the study team's finding and conclusions 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. I am advised that a team led by the Cost Assessment and Program Evaluation directorate is examining these systems and methods. If confirmed, I would review the study team's finding and conclusions 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 begun assessing 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. If confirmed, I would make a review of the team's progress on this question a near-term priority.

13. 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.