



ACQUISITION
AND SUSTAINMENT

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Accounting for Program Costs When Acquisition Framework Pathways Are Used
Sequentially or in Combination

The Acquisition Framework as described in Department of Defense (DoD) Instruction (DoDI) 5000.02, is designed to deliver effective, suitable, survivable, sustainable, and affordable solutions to the end user in a timely manner. To that end, Decision Authorities (DAs) and Program Managers have been given authority to leverage a combination of acquisition pathways to provide value not otherwise available when using a single pathway. The objective of this memo is to describe how program costs will be accounted for when different pathways are used in sequence or in combination.

The following policies will apply:

- **Determining the Acquisition Category (ACAT) for a program transitioning to, or using the Major Capability Acquisition (MCA) pathway:** The principle to be applied is that the eventual total expenditures for the envisioned capability (i.e., including prototype capabilities or minimally viable products) are included in the determination of ACAT level. DAs shall use the combined cost of the efforts under any pathway preceding or combining with the MCA program (e.g., Middle Tier of Acquisition (MTA) or Software Pathway) and the estimated cost of the planned MCA program as the basis for determining the acquisition category for the MCA program as detailed in Appendix 3A of DoDI 5000.85. This is consistent with DODI 5000.02, paragraph 4.1.a, which provides that the use of multiple pathways does not affect the application of statutory thresholds otherwise applicable to the program as a whole, such as the major defense acquisition program (MDAP) or major system (ACAT II) thresholds, unless a statute permits.

- **Addressing Costs in the Acquisition Program Baseline (APB):** DoDI 5000.85 requires the Milestone Decision Authority (MDA) to approve entry into the MCA pathway and formally initiate the program by approving the APB at entry into the engineering and manufacturing development phase, or later. The cost component of the MCA APB will include the costs for the program completed under any other pathway as well as the planned MCA program. Actual costs incurred for the prior part of the program should be included to the maximum extent practicable to ensure visibility into the total cost of the capability.
- **Transitioning to the MCA pathway as an MDAP at Milestone B requires compliance with title 10, United States Code (U.S.C.), section 4252(a):** Title 10, U.S.C., 4252(a) requires the MDA to make a series of certifications and determinations prior to a Milestone B decision. The certifications and determinations must be satisfied unless waived in accordance with title 10, U.S.C., 4252(d), Waiver for National Security. A memorandum documenting the certification and determination elements is a Regulatory requirement at Milestone C if “C” is program initiation.
- **Transitioning to one or more MCA programs:** In the event a program conducted under any of the pathways transitions to one or more MCA programs, the costs of the prior pathway effort(s) may be allocated to the MCA program(s) as determined by the DA. The allocation rationale will be included in the approved APBs.
- **Combining MCA programs with other pathways:** MCA program costs are typically dominated by hardware costs, but the capabilities overall are increasingly dependent on software, or incremental enhancements which may emerge from other pathways. Using other pathways in combination with an MCA program will clearly identify these efforts and include the combined costs in the APB and any required reporting to Congress.
- **Determining Selected Acquisition Report (SAR) Content:** If a program exceeds the MDAP statutory threshold the program SAR will be submitted in accordance with applicable statute, and the scope of the program reported in the MCA SAR will aggregate program activity under all pathways as documented in the APB.

This policy is effective immediately and will be documented in the next update to related acquisition and functional policy.

My point of contact for this is Mr. David S. Cadman, Acting Deputy Assistant Secretary of Defense, Acquisition Enablers, 703-697-3733.



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