

COST ESTIMATING

As I mentioned earlier Mr. Chairman, we initiated, at your request, a study of DOD's cost estimating and reporting procedures for major weapon systems. We have selected seven weapon systems in different stages of the acquisition cycle to serve as case studies for this review. We are looking at the entire cost estimating process from the development of the estimate, through the use of the estimate, to the final reporting of the estimate to the Congress. The target date for our report to you is about mid-summer.

At this time, we have a number of issues that we are attempting to develop but have not yet reached a final conclusion. For example, preliminary indications are:

--Program cost estimates are not used as a tool to establish cost discipline on major weapon system programs.

--Estimates are force fitted to conform to the President's budget or what is considered the "official program" cost.