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Financial Management

**PREPARING AND COORDINATING COST AND
ECONOMIC ANALYSIS AND RELEASING
COST INFORMATION**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFD 65-5, *Cost and Economics*. It establishes responsibilities and procedures for releasing information and preparing and coordinating cost and economic analyses and cost factors and estimates. It explains the functional role of the AETC Comptroller (HQ AETC/FM) and base-level comptrollers (FM) in relation to other staff offices. This instruction applies to all HQ AETC directors and chiefs of special staff and their wing counterparts.

SUMMARY OF REVISIONS

Updates paragraphs **2.1.2.** and **3.3.** and **Table 1.** A “|” indicates revised material since the last edition.

1. Terms Explained:

1.1. Cost Analysis. A term sometimes used to describe the functions of cost and economic analysis. Specifically, a study that identifies the relevant costs of proposed alternative courses of action. Such a study may also be called an alternative cost analysis or alternative costing. As contrasted with an economic analysis, an alternative cost analysis is often less formal in structure and may deal only with specific management-directed alternatives. This type of analysis works well when the study alternatives contain equal or well-defined differences in benefits and have similar time-configured cost flows. Such a study would probably use constant price levels, but may not employ discounting for the time value of money. An alternative costing is no less professional than an economic analysis; it is just a simpler approach.

1.2. Cost Information. May be a cost analysis, economic analysis, cost factor, or some compilation, arrangement, or extraction of costs related to a past or future event or proposed management action. Routine data that do not affect command positions and are extracted from internal records by func-

tional managers solely for internal use are not considered cost information for the purpose of this instruction.

1.3. Economic Analysis. A systematic approach to the problem of choosing how to use scarce resources and an investigation of the full implications of achieving a given objective in the most efficient and effective manner. An economic analysis is more formal in structure and evaluates a broader range of alternatives than a cost analysis. It uses discounting to measure the time value of money in varying cost flows. It also provides a way to deal with alternatives having unequal costs but equal benefits, equal costs but unequal benefits, or unequal costs with unequal benefits.

2. General Responsibilities and Procedures--All Levels:

2.1. Cost and Economic Analysis:

2.1.1. The comptroller is responsible for providing cost analysis support to other staff functions. AFPD 65-5 and AFI 65-501, *Economic Analysis*, direct the comptroller to review and approve all cost and economic analyses for technical propriety and sufficiency before they are used to make decisions, either within or outside of the organizational level at which they were prepared or reviewed. These responsibilities do not encompass end-item construction or modification, equipment, or computer systems hardware costs. These items are normally developed by functional experts with special training and experience not duplicated in the comptroller's cost activity. Studies incorporating such end-item costs as a component of a more comprehensive program estimate should be reviewed and approved by the comptroller. The services directorate is OPR for preparing NAF economic analyses.

2.1.2. With the technical assistance of the local financial analysis office or equivalent (FMA), the functional OPR will conduct economic analyses according to AFI 65-501. OPRs will submit all economic analyses to FMA for review and certification before using the analyses to make decisions or submitting them to higher headquarters.

2.2. Cost Studies:

2.2.1. A functional area may produce other kinds of cost studies, such as alternative cost analyses. However, FMA is staffed with financial analysts who routinely produce such studies, and functional areas are encouraged to employ their expertise.

2.2.2. Regardless of who does the cost study, FMA must review the study before is used. An OPR who develops a cost analyses must coordinate the analyses with FMA to ensure the cost analysis principles and procedures in AFPD 65-5 and related directives are being followed.

2.2.3. Whether the FMA or functional OPR produces the cost study, a financial analyst should be involved in the very early stages--certainly before options are formulated and data gathering begins.

2.3. Documentation of Cost and Economic Analyses. Documentation of cost and economic analyses should be sufficient to provide information concerning the items costs, units or quantities, factors, price levels, etc., to enable a reviewer to assess the validity of the estimate. Also, the analyses should provide enough sources of information and other details to permit reviewers to reproduce the analyses. All costs identified must have a documented source attached or a statement within the analysis validating the identified cost.

2.4. Requests for Cost or Economic Analysis Assistance. When assistance is required from FMA on cost or economic analyses, the functional OPR sends a written request to FMA, including a general statement of the problem and the name and telephone number of the point of contact (POC). If time permits, an oral request will be accepted, but written confirmation should be submitted as soon as practical. The POC will provide the overall objectives, scope, significant factors, assumptions, and available alternatives involved in the total study. The chairperson will document taskings that result from meetings of a formal working group in a written statement detailing the objective and any assumptions and limitations. The POC or chairperson will assign responsibilities for obtaining required data as indicated in [Table 1](#). Give the FMA enough time and information to ensure a thorough study can be done.

2.5. Releasing Cost Information:

2.5.1. The comptroller is responsible for releasing all cost information within government channels; the public affairs office is responsible for releasing information to the public. When cost data is part of a separate proposal or report requiring a decision at any level or is prepared for release outside the base or headquarters, the OPR coordinates the proposal or report with FMA. Coordinate proposed responses to requests for cost information from oversight and inspection agencies with the Financial Analysis Division (HQ AETC/FMA).

2.5.2. Cost data related to any phase of the AETC mission, plans, or programs will be fully coordinated and released to an appropriate user in writing only. Exceptions may be granted by specific approval of HQ AETC/FMA or the base comptroller when circumstances warrant. Studies that include any type of government estimate of contractors' costs will not be released outside DoD unless so directed or authorized in writing by higher authority. Direct all requests for such cost studies to HQ AETC/FMA.

2.5.3. Cost analysis requirements received through functional channels from higher headquarters require special attention. Instructions to another organizational level or same-level organizations about such cost analysis taskings must be coordinated with the appropriate FMA office.

2.6. Cost Factors. In addition to performing and reviewing cost studies, FMA is the official source for cost factors such as cost per flying hour by type of aircraft, cost per graduate, cost per student week, etc. FMA can also provide factors and rationale to meet specific requirements.

3. HQ AETC/FMA Responsibilities. HQ AETC/FMA or designee:

3.1. Certifies as to the adequacy of economic analyses after review and approval.

3.2. Evaluates all requests for training costs, including requests from HQ AETC functions, other MAJCOMs, HQ USAF activities, other military services and their members, contractors, and citizens. Office personnel determine the data most suited for the intended use and provide the data unless its release would jeopardize the confidentiality of a contract negotiation or provide an advantage to a specific contractor.

3.3. Coordinates on proposed responses to requests for any type of cost information by oversight or inspection agencies such as the General Accounting Office, Air Force Audit Agency, DoD Inspector General, Congressional Budget Office, Office of Management and Budget, and congressional committees (see paragraphs [2.5](#). and [4.3](#).).

4. Wing Responsibilities:

- 4.1. FMA reviews economic analyses and makes recommendations as to their acceptability for certification to the base comptroller (the certifying official at base level).
- 4.2. To ensure the release of training cost data is appropriate for the intended use, FMA may supply requests that originate at and are to be used within the wing. Refer questions concerning this type of data, factors, or requests for training cost information to HQ AETC/FMA.
- 4.3. FMA will relay requests received from staff functions for any kind of cost information from oversight and inspection agencies unrelated to previously approved audits, surveys, inspections, etc., to HQ AETC/FMA (see paragraph [3.3](#)).

Table 1. Obtaining Required Data From Staff Agencies.

I T E M	A	B
	Data Requirements	Responsibility of (see note)
1	Alternative courses of action.	Requesting organization
2	Manpower requirements.	Directorate of Plans and Programs
3	Proposed syllabus and operational changes to flying training courses; for example, systems requirements, flying hours, and student load requirements.	Directorate of Operations
4	Proposed changes to operations training courses, student loads, and training equipment.	
5	Equipment, supply, maintenance, and transportation requirements.	Directorate of Logistics
6	Military construction, military family housing, minor construction, and real property modifications requirements.	The Civil Engineer
7	Communication and electronic systems requirement.	Directorate of Communications and Information
8	Medical and dental support requirements.	Directorate of Medical Services and Training
9	Other data as required.	Responsible functional organization
10	Proposed changes to education courses, student loads, new courses, and student cost requirements.	Directorate of Education

NOTE: Organizational titles used are for HQ AETC. Counterpart organizations have those responsibilities at base level.

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