

IPMD Contracts Committee

**Overview of the forthcoming “Contracting with
EVM Requirements” Guide**

Contracts Committee



Overview/Mission:

Focused on aligning the Contract Management and Integrated Program Management (IPM) Practitioners, with an emphasis on EVM and project scheduling practices, and interpretation of requirements as it relates to Contractual Application of EVMS

Leadership:



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Objectives:

- Establish a Formal Channel of communication and collaboration between NDIA-IPMD and the National Contract Management Association (NCMA)
- Create a guide for the project management and contracts communities, “Contracting with EVM Requirements.” The guide will align the Government and Industry roles and responsibilities with the phases from the EIA-748 and CMS.

Committee Members:

<u>Role</u>	<u>Knowledge Area(s)</u>	<u>Name</u>
Co-lead	Bus Sys & EVM	Schloer, Elizabeth
Sub-lead	EVMS	Driscoll, Jeannette
Sub-lead	EVM	Hawryluk, Selena
Sub-lead	Contracts, EVM	Shannon, Donald
IPMD Board Liaison		Sujlana, Tej

<u>Role</u>	<u>Knowledge Area(s)</u>	<u>Name</u>
Co-lead	Contracts	Stanzione, Allie
Sub-lead	Contracts	Graves, Christina
Sub-lead	EVM, PM, Agile	Kranz, Gordon
Member	EVM	Kusick, Joe



Contracting with EVM Requirements

GUIDE CONTENTS

Guide Overview



The “Contracting with EVM Requirements Guide”...

- Includes sections for
 - Contract Fundamentals
 - Project Management Fundamentals
 - EVM Fundamentals
 - Pre-Award and Award – Solicitation and Project Start-up
 - Post Award – Execution and Closeout
- Roles and Responsibilities (with RACI for Buyer and Seller)
- Is aligned with NCMA ANSI Contract Management Standard 2.0
- Is aligned with the Project Management best practices
- Applicability of EVMS (and other EVM-related) requirements on Government contracts
- Discusses how the project management and contract management lifecycles interact with EVM and effect the contract



Audience

- The intended audience of this guide are Buyer and Seller...
 - Contracts professionals (especially those in the government contracting sector)
 - Program/Project Managers and program control/finance specialists
- It is intended to highlight and explain the unique requirements associated with contracts where the EIA-748 Earned Value Management System (EVMS) Standard has been imposed as a contract requirement

Key Concept – Role Based Guidance

- Contracting may be viewed from either of two perspectives (roles)
 - Buyer – the agency or entity that will receive goods or services
 - Seller – the organization or entity that provides the requested goods or services
 - Sometimes an entity fills both roles e.g., as a prime contractor (seller) and through lower tier subcontracts (buyer)
- The Guide is written to distinguish actions and responsibilities according to role as opposed to organization
- This approach is consistent with the NCMA CMS

Key Concept – Responsible, Accountable, Consult, Inform (RACI)

- Actions required to implement EVMS requirements in a Government Contract are discussed in the Guide based on the generic/common positions for the buyer and seller roles
- Each responsibility or action is then assigned to a position with respect to:
 - Responsible
 - Accountable
 - Consulted
 - Inform
- Result is a matrix supporting rapid identification of who does what

R	Responsible – The person assigned to do the work
A	Accountable – The one who makes the final decision and has ultimate ownership
C	Consulted - those who provide input before action is taken
I	Informed - those who are made aware of the actions being taken



FUNDAMENTAL SECTIONS

Contract Fundamentals

- **The duality of the government as both a customer and the sovereign**
 - Only a contracting officer has the authority to bind the government
 - Responsibility to see all laws, regulations and policies are observed
- **The Federal Acquisition Regulation System**
- **Contract risk management**
- **Selection of contract type**
- **Privity of contract**
- **Contract changes**

Project Management Fundamentals



- Project Management Fundamentals section includes project guidance based on the five major categories of the EIA-748
- These are logical groupings of organization and project management processes to achieve specific project objectives
- Groups are independent of project phases



Organization



Planning, Scheduling, and Budgeting



Accounting Considerations



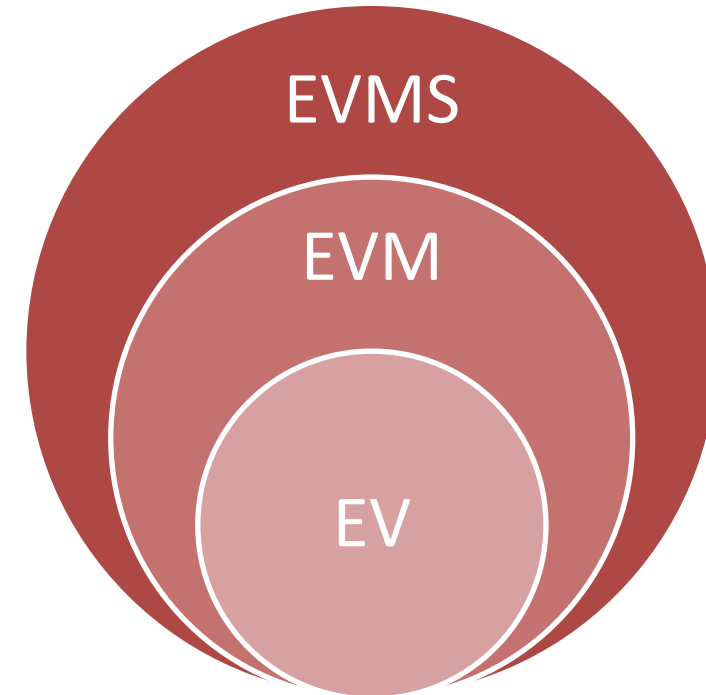
Analysis and Management Reports



Revisions and Data Maintenance

EVM Fundamentals

- **What is Earned Value Management (EVM)**
- **What is EVM versus an Earned Value Management System (EVMS)**
- **What are the standard calculations and performance implications**





RACI-aligned Sections

PRE-AWARD, AWARD, AND POST AWARD

Contract Lifecycle



Pre-Award

Acquisition Planning
Develop Solicitation
Develop Offer
Determine EVM
Requirements



Award

Determine Responsibility
Discussions or Negotiation
EVM System Compliance



Post Award

Perform Contract
Integrated Baseline Review
System Surveillance
Close Contract

Note: Text in Red denotes added activities when EVMS is required.

Pre-Award and Award – Solicitation and Project Start-up

PRE-AWARD

Pre-Award RACI Matrix and Section Write-up (Buyer)

Phase 2 - Solicitation Preparation and Release (Buyer Activities) ^{xxviii}	Responsible	Accountable	Consulted	Informed			
Determine EVMS Applicability							
<ul style="list-style-type: none"> Determine applicable EVM Clause(s) to include 	PCO/CO	PCO/CO	EVMA, PM	COR, CS			
<ul style="list-style-type: none"> Determine Reporting Requirements and Frequency <ul style="list-style-type: none"> Prepare Draft CDRLs or data submittal requirements 	PCO/CO	PCO/CO	EVMA, PM, ENG/TL, BFA	COR, CS			
<ul style="list-style-type: none"> Identify IPMDAR Format(s), WBS, IMP, CFSSR, CSDR and other CDRL requirements 	PCO/CO	<p>5.2.1 Determine EVMS Applicability (Buyer)</p> <p>The decision to impose EVMS requirements on a particular contract action is driven by a Contracting Officer's determination concerning the legal and regulatory requirements balanced against the countering administrative requirements associated with that action. Contracting officers, while guided by the regulatory and policy guidance provided in the FAR and various agency supplements, remain the ultimate authority and use their business judgment and advice from other team members in formulating their decision. This consultation is prescribed in the FAR at 1.602-2 ... <i>Contracting Officers shall ... (a) Request and consider the advice of specialists in audit, law, engineering, information security, transportation, and other fields, as appropriate.</i> Recommendations concerning those who should be consulted are provided in the Roles and Responsibilities Section.</p> <p>The Technical Program Manager and their analysis team should be integral in the decision-making process concerning imposing Earned Value requirements on a particular contract. <i>"The cost of implementing EVMS is considered part of normal management costs. However, improper implementation and maintenance create an unnecessary financial burden on both the contractor and the government. ... Typical areas where costs could be mitigated include selection of the proper levels for management and reporting, the requirements for variance analysis, and the implementation of effective surveillance activities"</i>⁴</p> <p>As stated in the above guidance from the Department of Defense, Earned Value has a cost and whether it should be implemented, or a waiver sought from the appropriate authority, is a business decision to be made by the Contracting Officer in concert with the program management team based on a cost/benefit analysis similar to that described in the DoD PGI 234.201 specific to the contract. This decision should be made prior to the solicitation release.</p>					
Prepare Program Management Documents							
<ul style="list-style-type: none"> Contract WBS 	ENG/TL						
<ul style="list-style-type: none"> Integrated Master Plan (IMP) 	ENG/TL						
<ul style="list-style-type: none"> Integrated Master Schedule 	ENG/TL						
Release Draft Solicitation(s) and Final Solicitation							
<ul style="list-style-type: none"> Prepare Draft Solicitation 	PCO/CO						
<ul style="list-style-type: none"> Obtain Industry Feedback (e.g. Conduct Industry Day) 	PCO/CO						
<ul style="list-style-type: none"> Prepare Final Solicitation 	PCO/CO						

Pre-Award RACI Matrix and Section Write-up (Seller)

Phase 2 – Solicitation Preparation and Release (Seller Activities) ^{xxxiv}	Responsible	Accountable	Consulted	Informed
<u>Monitor and Prepare for Potential Contract Opportunities</u>				
• Monitor Government Site(s) for Solicitation Related Information	BD	MGT	CM/D	PM, MGT
• Identify Potential teammates	BD, PM	MGT	CA/SA, PM	CM/D, MGT
• Attend Industry Day and Provide Feedback	BD, PM	MGT	CM/D, PM, BD	PM, MGT
• Review Draft Solicitation Documents and Submit Questions/Comments	CM/D, PM	MGT	EVMS	MGT, PCT

5.2.4 Monitor and Prepare for Potential Contract Opportunities (Seller)^{ix}

The Seller will use the time leading up to the release of the solicitation to prepare a sales (capture) strategy to perform preparatory activities including forming a capture/proposal team and gathering basic information from events like the bidder's conference, industry day, or that information publicly available in government releases, websites, or industry publications. The intent is to build a competitive intelligence capability to assist in structuring a responsive and competitive proposal. This database will be updated throughout the life of the acquisition and the data passed on to the Seller's capture team.

Concurrent with these activities, the seller will also begin defining their proposed offering and examining the best/most competitive means of executing the solicitation (contract) requirements. This may include such activities as a preliminary design review, make vs. buy determinations for components, and identifying strategic alliances or teaming agreements to provide enhanced capabilities.

Frequently the government will release a draft solicitation for industry feedback. If that is the case, the seller will conduct a thorough review of all the draft documents noting those areas where they have questions or may wish to seek clarification or changes. This feedback will be provided to the Buyer in writing so as to improve the solicitation.

It is important to note that such communications prior to the actual publication/release of the solicitation are permitted – and generally encouraged. However, once the solicitation is published the rules change. Communications between buyer and seller then become much more formal.



Pre-Award and Award – Solicitation and Project Start-up

AWARD

Award RACI Matrix and Section Write-up (Buyer)

Phase 4 - Source Selection and Contract Award (Buyer Activities) ^{xxx}	Responsible	Accountable	Consulted	Informed
<u>Review and Evaluate Proposals</u>				
• Review and evaluate technical approach	PM	PM	ENG/TL, CAM	PCO/CO, COR, CS
• Review and evaluate management approach and description of EVMS	PM	PM	EVMA, ENG/TL, EVMS Reviewers	PCO/CO, COR, CS
• Review and analyze cost and schedule information	PM	PM	EVMA, ENG/TL, CAM	PCO/CO, COR, CS
• Review and evaluate Cost or Pricing Data	PCO/CO	PCO/CO	PM, CAM, ENG/TL, BFA	COR, CS
<u>Conduct Down-Selection (per the Acquisition Strategy)</u>				
• Determine Competitive Range	PCO/CO			
• Conduct Discussions/Final Proposal Revisions	PCO/CO			
<u>Conduct Source Selection and Conduct Due Diligence</u>				
• Determination of Responsibility of Seller(s) (i.e., Suppliers)	PCO/CO, PM			
• Discuss and Evaluate Proposal(s) and Select Source(s)	PCO/CO, PM			
<u>Prepare Draft Contract Documents</u>				
• Include applicable EVM Clause(s)	PCO/CO			
• Include CDRLs or data submittal requirements	PCO/CO	PCO/CO	PM	PM
• Identify Reporting Format(s) required	PM	PM	EVMA, PCO/CO	PCO/CO, COR, CS
<u>Determine if Contractor's EVMS Status/Plan is Acceptable</u>	PCO/CO, PM	PCO/CO	EVMS Reviewers, ACO/CFAO	COR, CS

5.4.6 Determine if Contractor's EVMS Status/Plan is Acceptable (Buyer)

The FAR (at Provision 52.234-2 and 52.234-3) requires that offerors responding to the solicitation "shall provide documentation that the CFA has determined that the proposed earned value management system (EVMS) complies with the EVMS guidelines in Electronic Industries Alliance Standard 748 (EIA-748)" i.e., they must have an "Approved" system.

The DFARS requires similar compliance for contracts valued at over \$20 Million but offers a less strenuous requirement for contracts below that threshold of "submit(ing) a written description of the management procedures it will use and maintain in the performance of any resultant contract to comply with the requirements of the Earned Value Management System clause of the contract." i.e., requiring only a "Compliant" system.

Award RACI Matrix and Section Write-up (Seller)



Phase 4 - Source Selection and Contract Award (Seller Activities) ^{xxvii}	Responsible	Accountable	Consulted	Informed
Review and Comment on Draft Contract Documents	PM, CA/SA, PIT or IPT, EPI	MGT	CM/D, PCM, Finance	MGT
Attend and Present at Pre-Award Integrated Baseline Review (when applicable)	PM or I			
Negotiate Contract	CM, Fin			

5.4.7 Review and Comment on Draft Contract Documents (Seller)

The Seller's response to a proposal containing EVMS requirements is largely the same as the response would be for any other solicitation except for certain EVMS peculiar requirements including:

Attestation of a compliant/approved EVMS. Based on the solicitation requirements and the Seller's management system, the Seller will need to provide either proof their existing system meets the solicitation requirements or produce a plan showing how they will achieve compliance if awarded the contract.

Draft/Preliminary Artifacts. Large or complex contracts likely to require EVMS may include solicitation requirements that preliminary or draft copies on key management documents be provided with the proposal. If this is the case the Seller should comply with the solicitation requirements and provide (consistent with the known requirements, design, and schedule) the requested documents.

Indirect Rate Analysis. If the Seller is not presently subject to EVMS requirements they may wish to evaluate the likely effects of standing up an EVMS and the revenue likely to be generated by the contract on their present indirect rates and discuss those potential impacts with their ACO.

5.4.7.1 Earned Value System Validation or Review

Sellers should adequately consider and plan for validation or review of their earned value management system during the pre-award phase. Such planning should include those activities needed to meet the contract requirements (including the system criteria) of an acceptable earned value management system including (if applicable) DFARS 252.234-7002. These include an EVMS that: "... complies with the EVMS guidelines in the Electronic Industries Alliance Standard 748, Earned Value Management Systems (EIA-748);" and includes management procedures that provide for generation of timely, reliable, and verifiable information for the reports [e.g., Integrated Program Management Report (IPMR), Integrated

Post Award – Execution and Closeout

POST AWARD

Post Award RACI Matrix and Section Write-up (Buyer)

Phase 5 - Contract Execution and Administration (Buyer Activities) ^{xxxxi}	Responsible	Accountable	Consulted	Informed
Post Award Orientation and Integrated Baseline Review				
<ul style="list-style-type: none"> Conduct Post Award Orientation Discussions (e.g., Kick-off Meeting, Review Transition-in Plan, etc.) (when applicable) 	PCO/CO, COR, PM	PCO/CO	COR, ENG/TL, BFA, CAM	COR, CS
<ul style="list-style-type: none"> Schedule and Conduct Post-Award Integrated Baseline Review (when applicable) 	PM, COR, PCO/CO	PCO/CO	ACO/CFAO, EVMA, COR, ENG/TL, BFA, CAM, EVMS Reviewers	ACO/CFAO, EVMS Reviewers, COR, CS

Review and Monitor Contract Reporting	
<ul style="list-style-type: none"> Conduct/Attend Integrated Product Team (IPT) Meetings 	ENG/TL
<ul style="list-style-type: none"> Monitor Contractor Performance <ul style="list-style-type: none"> Identify and Manage Risks, Issues, and Opportunities Monitor Contractor Cost, Schedule, and Technical Performance Review Cost and Schedule Variances and Narratives with Corrective Actions 	EVMA, ENG/TL, CAM

6.1.1 Post Award Orientation and Integrated Baseline Review (Buyer)

The FAR at section 42.500 requires a Post-Award Orientation. In common usage the "Orientation" is often called a "start of work meeting", "precon meeting", or "kick-off meeting". The FAR describes it as ... "A post award orientation aids both Government and contractor personnel to (1) achieve a clear and mutual understanding of all contract requirements, and (2) identify and resolve potential problems. However, it is not a substitute for the Contractor fully understanding the work requirements at the time offers are submitted, nor is it to be used to alter the final agreement arrived at in any negotiations leading to contract award."

The post award orientation is generally accomplished promptly after the contract award and consists of presentations and discussions that outline the Seller's responsibilities and provide pertinent information helpful to the Seller with respect to small business participation and subcontracting opportunities.

Per FAR 42.503-3, "The chairperson shall prepare and sign a report of the post award conference. The report shall cover all items discussed, including areas requiring resolution, controversial matters, the names of the participants assigned responsibility for further actions, and the due dates for the actions. The chairperson shall furnish copies of the report to the contracting office, the contract administration office, the contractor, and others who require the information."

Post Award RACI Matrix and Section Write-up (Seller)



Phase 5 - Contract Execution and Administration (Seller Activities) ^{xxxvii}	Responsible	Accountable	Consulted	Informed
Establish Baseline Project Plan				
<ul style="list-style-type: none"> Refine and Deliver Work Breakdown Structure (WBS) and Dictionary 	PM, PCT			
<ul style="list-style-type: none"> Identify Control Account Managers 	PM, PCT			
<ul style="list-style-type: none"> Conduct CAM Training 	PCM or EVMS Oversight			
<ul style="list-style-type: none"> Create CAM Schedules and Integrated Master Schedule (IMS) 	PM, CAM, PCT			
<ul style="list-style-type: none"> Establish Contract Budgets, Management Reserves, and Performance Measurement Baseline 	PM, CAM, PCT			
<ul style="list-style-type: none"> Perform Risk, Issue, and Opportunity Analysis and Update Risk Log 	PM, PCT			
Post Award Orientation and Integrated Baseline Review				
<ul style="list-style-type: none"> Conduct Post Award Orientation Discussions (e.g., Kick-off Meeting, Review Transition-in Plan, etc.) (when applicable) 	PM, CAM, PIT or IPT, PCT			
<ul style="list-style-type: none"> Attend and Present at Post-Award Integrated Baseline Review (when applicable) 	PM, CAM, PIT or IPT, PCT			
Monitor and Analyze Program Performance and Submit Contract Reporting				
<ul style="list-style-type: none"> Monitor and Analyze Program Performance <ul style="list-style-type: none"> Conduct/Attend Integrated Project Team meetings Analyze Risks, Issues, and Opportunities and Update Risk Log Monitor Cost, Schedule, and Technical Performance Review Cost and Schedule Variances and Conduct Root Cause Analysis Prepare or Update EACs and/or Comprehensive EACs 	PIT or IPT PIT or IPT, PCM, CAM, MS PIT or IPT, PCM, MS CAM, PIT or IPT, PCT PM, CAM			

6.1.6 Establish Baseline Project Plan (Seller)

It is imperative that the baseline is adequately established as it is what contract performance is measured against. The Seller should reconcile the proposed bid to the negotiated contract and communicate the negotiated position to the program execution team. Sellers should be cognizant of the Buyer's (e.g., the Government's) requirement to conduct a pre- or post-award IBR and should prepare for a Buyer's review. The Buyer's review will include the following per DoD's The Program Managers' Guide to the Integrated Baseline Review Process (current version):

- Technical scope of work is fully documented at the appropriate level of detail and is consistent with authorizing documents
- Key project schedule milestones are identified and supporting schedules reflect a logical flow to accomplish the work
- Resources (budgets, facilities, infrastructure, personnel, skills, etc.) are available and are adequate for the assigned tasks
- Tasks are planned and can be measured objectively relative to the technical progress.
- Rationales underlying the PMB are reasonable
- Management processes support successful execution of the project

The contract-required reports may include:

- Explanations for cost, schedule and at complete variances that tripped established thresholds
- Root cause analysis explaining the variance drivers and abnormalities creating variances.
- A task/project impact analysis explaining the impact to the control account, WBS, and/or overall project
- A corrective action plan (CAP) providing the recovery and risk mitigation plan. In instances of underperformance, the CAP identifies project errors, reasons for their occurrences, and their associated drawbacks; lists time-phased steps to achieve targeted outcomes; and provides metrics for measuring and monitoring progress

Summary of Guide

- The NDIA IPMD Guide “Contracting with Earned Value Management (EVM) Requirements” provides detailed guidance for buyers and sellers during:
 - Pre-award
 - Award
 - Post-award
- Additional information is included in the guide showing the connection between the FAR/DFARS and the EVMS and Project Management disciplines