

# NDIA Integrated Program Management Division

*Clearinghouse Working Group*

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# Integrated Program Management Division (IPMD) - Clearinghouse

## IPMD Purpose: Leading the Advancement of Integrated Program Management Through Industry and Government Partnership

- **Clearinghouse Mission:** This committee provides a forum for industry's EVMS practitioners to raise and discuss EVMS or related issues. The goal is to identify common issues, gather facts and supporting data, formulate industry positions, and develop recommendations for issue resolution. This committee handles the process steps necessary to capture the facts and data and to develop mutually acceptable resolutions along with specific recommendations that can be presented to the IPMD board for further action.

**Clearinghouse Committee Page – issue input forms & past briefings**

<http://www.ndia.org/divisions/ipmd/working-groups/clearinghouse>

- FAR 15.408, Table 2
  - Certified cost proposal for a change order
  - Potential conflict with EVMS descope guidance
- **PERT Usage White Paper**
  - Allowance to use PERT for LOE Labor (GL12)
  - Apportioned / LOE planning
- **DCMA Manual 2303-01 rev. 12/22/22**
  - Deficiencies identified at Subcontractor



- Issue submitted

- A program has a situation where customer wants to de-scope work remaining in a CLIN, moving it off contract.
- BCWR is \$700K (at 2019 baseline rates)
- Proposal for removed work is \$850K (@FPRP)
- FAR 15.408 states that contract should be reduced by “estimated cost to complete the remaining work.”
  - How do they pull out additional \$150K; even if they wanted to use MR?

- **FAR 15.408 Solicitation provisions & contract clauses**
  - (I) *Requirements for Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data.*
    - Table 15-2—Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data Are Required
      - Estimated Cost (EAC) of deleted work; incurred cost (ACWP) of deleted work; cost of new work added; and net cost of change (ETC new – ETC removed)

- **Example**

- Customer de-scoping the remaining effort for CLIN 7
- CLIN 7:
  - BCWP \$450K; ACWP \$1,100K
  - BAC \$3,000K; EAC \$9,300K
  - BCWR \$2,550K; ETC \$8,200K
- How do they pull out additional \$5,650K?
  - It cannot be done.



- **FAR 15.408 Solicitation provisions & contract clauses**
- Issue Restated -
  - Under a Stop Work Order (SWO) where remaining scope will be deleted and not resumed, the contract value must be adjusted to reflect value for scope completed and remove value for scope not completed
  - FAR requirement says to reduce the contract value by an “estimated” cost of the deleted scope. This is being misinterpreted.
  - The intent is for the contract value to be reduced by the negotiated cost of the deleted work scope but is commonly misinterpreted to mean reducing the contract value by the current estimated cost (ETC) to complete the work, which may vary from the negotiated cost.
  - This is a contracts issue, not an EVM issue

- Industry / Government Point Paper
  - Impact
    - Adjusting contract value by an ETC amount effectively imputes an over- or underrun to the contractor on work *not* performed.
    - Example: If ETC > Remaining Budget then more dollars will be removed from contract than were allocated to begin with; results in negative budget
- 2012 – PARCA/NDIA PMSC
  - DCMA created proposed PGI for DFARS 215.408
  - Language provided to DPAP but never formally placed into DAR council
- 2013 – PARCA creates draft language for DPAP & DAR council
  - Language reworked and coordinated with stakeholders
- 2014 – PARCA meets with DAR council on language
  - Language revised and coordinated through DPAP with stakeholders
- 20\*\* - DFARS PGI adjusted with language coordinated through DPAP
  - PGI 215.408



# FAR 15.408 and de-scope budget



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

JUN 13 2013

MEMORANDUM FOR DIRECTOR, DEFENSE ACQUISITION REGULATIONS COUNCIL

SUBJECT: Proposed Federal Acquisition Regulation (FAR) Case – Contracting by Negotiations: Change Orders, Modification, and Claims

## I. PROBLEM:

Currently the amount of contract value reduced by a change order is based on the estimate of what the cost would have been to complete the deleted work. This has caused issues in contractor integrated program management systems, and has led to an over-target-baseline (OTB) condition. Once a contract is negotiated, the contractor establishes budgets for program management purposes and executes the contract. Actual costs incurred in performing the work may be greater or less than the negotiated cost for that work. In addition, estimates for the remaining work to be performed during the contract period of performance may also vary from the negotiated cost for that work. These variances are useful for program management purposes. However, the negotiated contract cost remains the basis for budget values and the baseline by which the contractor is measured in a program management system. If a change order is issued, the negotiated cost (or remaining budget) for that work should be used to determine the amount of the contract value reduction in an Earned Value Management System (EVMS). If an estimated value is used, then the contract value may be reduced by an amount greater than the negotiated value for that scope of work.

## II. RECOMMENDATION:

We recommend that a PGI section be created for DFARS 215.408.

- **Policy Guidance PGI 215.404**

[PGI 215.4 — Contract Pricing \(osd.mil\)](#)

Contract Pricing Reference Guide (Revised January 31, 2023)

PGI 215.404 Proposal analysis.

PGI 215.404-1 Proposal analysis techniques

(D) Analysis of termination proposals, including termination of any contract scope, should not rely solely on earned value management budgets or estimates for estimating the costs of all work deleted, or the cost of deleted work already performed (reference FAR subpart 15.4, Table 15-2—Instructions for Submitting Cost/Price Proposals When Certified Cost or Pricing Data are Required, columns (2) and (3) of section III.B., Change Orders, Modifications, and Claims).



## Issue Closure

- For scope removal impacting Contract Value, use original Budgeted units
- When processing claims for Payments, use the Actual Costs incurred
- The following documents will be posted to the NDIA Clearinghouse website:
  1. 2013 PARCA Signed Memo - SWO
  2. SWO Point Paper - unofficial
  3. SWO Process example - unofficial



- Draft White Paper proposing expansion of use of PERT to LOE Labor work packages
  - Proposal raised & discussed last meeting
  - Inconsistent compliance feedback from contractors who are expanding use of PERT
  - DCMA response at last NDIA meeting was to follow your EVMSD
  - Additional guidance on acceptable application and/or documentation would assist industry

- **Benefits from using PERT on LOE labor**
  - Provides more accurate assessment of BCWP
  - Allows for a schedule variance when work performance is behind schedule
  - Eliminates need for Baseline changes to prevent false variances (proactive management)
- **Added requirements when using PERT for LOE**
  - Requires a monthly evaluation and update of EAC
    - CPI – TCPI validity check is invalid

## EVMSIG Guideline references to EVT

- **GL 10 Determine Discrete Work and Objective Measures**  
[EVTs] provides program management with accurate status and situational awareness of program execution...

For the PM to effectively manage execution of the program within budget and schedule constraints, **discrete** work packages must be established and **objectively measured**. ...

**[Apportioned effort]** is work that is ... directly proportional to other discretely planned work. ... if the contractor chooses to use this technique, the EVMS documentation must cover the requirements for the use ...

**[LOE]** is defined as being of a general or supportive nature, ...



## EVMSIG Guideline references to EVT

- **GL 12 Level of Effort Planning & Control**

LOE is defined as those authorized work activities that, by their nature, are either not measurable ... or for which measurement is impracticable. LOE activities are typically administrative or supportive in nature ...

## EVMSIG Guideline references to EVT

- **GL 21 Track and Report Material Cost/Quantities**  
For some low value material items, BCWP may be calculated using ... Program Evaluation and Review Technique (PERT). ... The use of PERT requires the EAC be evaluated and updated every month. This method is only appropriate for high quantity, low-value and low-risk material items (e.g., material that is consumable such as bolts, fasteners, welding rods, etc.).
- **No language specifically precluding use of PERT outside of low value material – EVMSIG mostly silent**

- **Path Forward**

- White paper provided to government requesting:
  - Feedback on acceptability of PERT use for LOE Labor
  - Requirements for documentation in EVMSD (CRC type guidance)
  - If needed: Update EVMSIG GL 12 language addressing PERT usage [sim-to apportioned guidance in GL 10]



- **Revision to DCMA CAR policy instruction**
  - *Corrective Action Process for Subcontract Level Deficiency (Guidebook) – GB2303-1*
  - *1.1 Purpose: “... This Guidebook and its companion document the Corrective Action Request (CAR) Process Map .... For condition-based exceptions that apply to EVMS or Canadian Commercial Contracts, etc., refer to DCMA MAN 2303-01, paragraph 8.6.c, d and e.”*

- **Revisions to MAN-2303-01**

***MAN-2303-01: PRE-EXISTING TEXT (2020)***

- *8.6. SUBCONTRACT LEVEL DEFICIENCY. When deficiencies are identified at the subcontract level, the CAR(s) will be issued to the prime contractor and contain notification that a draft CAR was provided to the subcontractor. Additional place of performance contractors identified in a prime contract, other than those identified in Paragraph 8.6.c., will be treated as subcontractors.*
- *c. ...There is no privity of contract when the EVMS requirement is required at the subcontractor level. **In cases of EVMS non-compliant deficiencies at the subcontractor, the CARs of whatever level are issued directly to the subcontractor.***



- **Updated Text MAN-2303-01**

*MAN-2303-01 REVISED TEXT (2022)*

*8.6 (2) When deficiencies are identified at the subcontract level, the FS/ACO delegated surveillance oversight will send a notification of the to the delegator FS/ACO administrating the prime contract. The delegator (prime) FS/ACO will ... determine the appropriate level of CAR (Level I, II, III or IV) to be issued to the prime contractor.*

*c) If the deficiency is found at an entity that is part of the same company as the prime, but the work is performed by a different division or business unit of the prime contractor (for example, through an Inter/Intra-Divisional Work Transfer), the CAR will be issued by the FS/ACO with cognizance over the business unit where the deficiency occurred.*

***Paragraph D revised to address Canadian Commercial Contracts, paragraph E deleted.***



- **Prime – will the change in policy impact how you contract with Subcontractors?**
  - Requirement to facilitate Prime reviews of subcontractor EVMS
  - How will you manage lower levels of the supply
- **Subcontractors -**
  - What data is the Prime contractor allowed to review
  - DFARS provides the CFA is the authority for EVM compliance – how do you resolve conflicting guidance