



STRENGTH THROUGH INDUSTRY & TECHNOLOGY

NDIA PMSC Update

03 May 2011

Mr. Joseph Kusick – NDIA PMSC Chair

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Agenda

- **NDIA Top Issues 2011**
- **NDIA PMSC 2011 Focus Areas**
- **Current Landscape**
- **Industry EVM Challenges**
- **DOD Affordability Initiative - Round 2**
- **Proposed DFARS Clause - Business Systems**
- **PARCA Update**
- **DCMA / DCAA Update**
- **Planning & Scheduling Excellence Guide (PASEG)**
- **Civilian Agency and Industry Working Group (CAIWG)**
- **NASA FAR Change**
- **NDIA EVMS Guides Update**
- **Summary**

2011 NDIA Top Issues

1. Ensure an Ethical, and Agile Acquisition System Responsive to the DoD's needs.
 - a) Focus of topics supporting this issue are Business Operations
 - b) Key areas of Alignment for PMSC include:
 - ❖ Improve the use of Earned Value Management Systems
 - ❖ Revise DoD Business Process Reform
 - ❖ Recognize and Encourage Industry Profit Driven Methodology to Reduce DoD Costs
 - ❖ Improve Education, Training, and Retention of the Federal Acquisition Workforce
 - ❖ Repeal the Three Percent Withholding on All Government Contracts (*Extend to include Business Systems DFARS*)
2. The Defense Industrial Base – Now and in the Future
 - a) Thrust of topics supporting this issue are Leadership and various Manufacturing areas
3. Increase Government Contract Usage of All Small Businesses
 - a) Thrust of topics supporting this issue are Subcontracting and Small Business barriers / needed support
 - b) Key areas of Alignment for PMSC include:
 - ❖ Impact of Regulatory Costs on Small Firms (*Extended to include all firms for PM & EVMS areas*)

2011 NDIA Top Issues - Cont'd

4. Sustaining Military Readiness while Providing for the Future
 - a) Focus of topics supporting this issue are Engineering and Security related
5. Support Efficient and Transparent International Access for the US Defense Industrial Base
 - a) Focus of topics supporting this issue are Internationally related

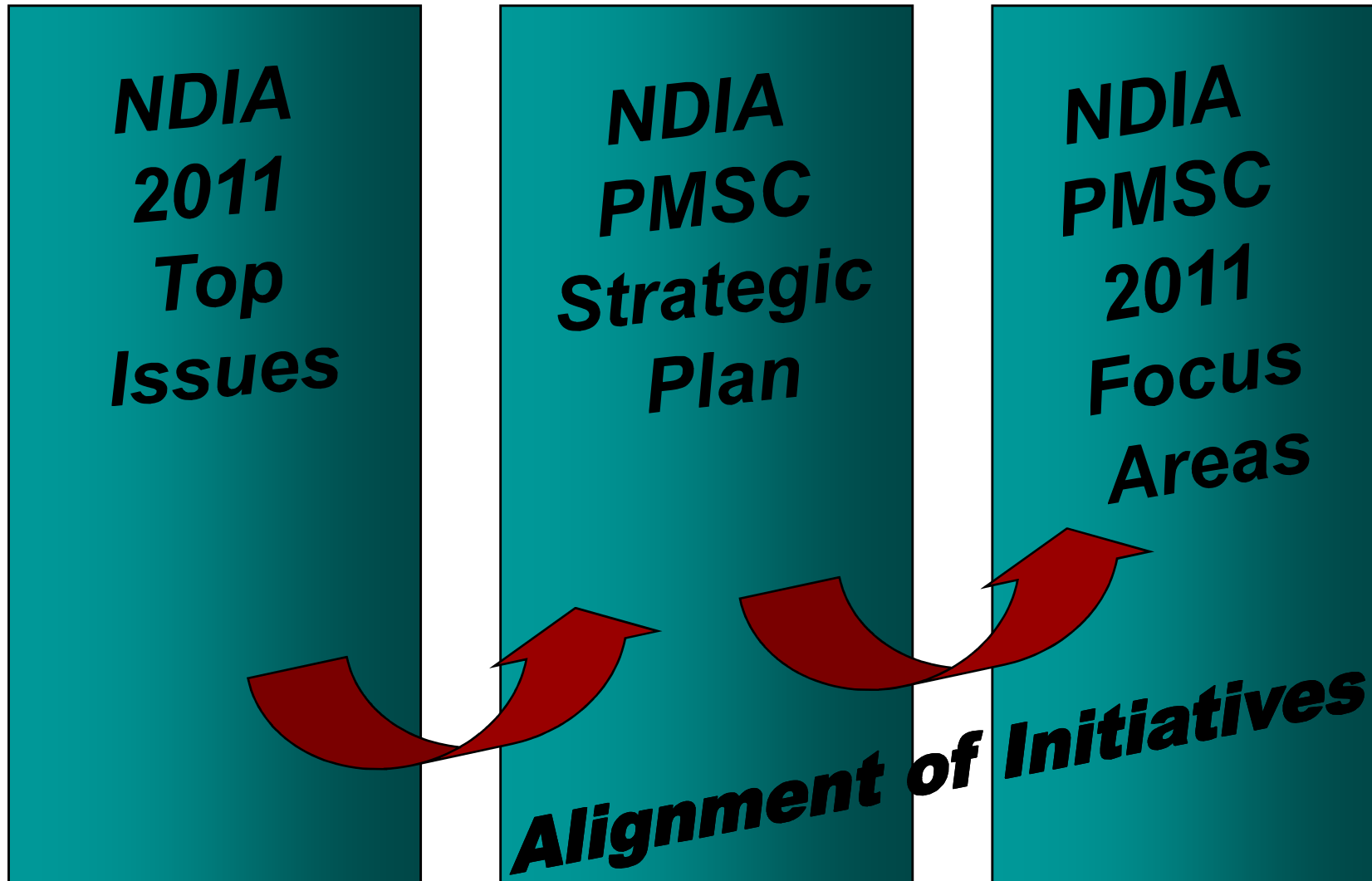
NDIA PMSC 2011 Focus Areas

1. Support the ombudsman process with OSD (PARCA). Assist in establishing the process to elevate and resolve issues within Industry and DOD components to final resolution.
2. Support the OSD office of Performance Assessment and Root Cause Analysis (PARCA) in the resolution of issues with Industry and DOD components.
3. Work with Civilian Agencies to utilize and deploy Program Management Best Practices, as well as improve the efficiency and management effectiveness of EVMS deployment.
4. Collaborate on the resolution of disparate EVM documentation emanating from multiple sources. Initiate an effort to streamline, consolidate, and strengthen EVMS guidance for use across Industry and Government.
5. Balance the operational approach of the DCMA EVM Center with the realities of the current contracting environment.
6. Work with OSD to find areas of consensus to improve the working relationship and communication between DCMA and DCAA.
7. Clarify that EVMS is a management process supporting program management and owned by individual companies.

NDIA PMSC 2011 Focus Areas - Cont'd

8. Engage at all levels of DOD and Industry to jointly improve the use of EVM by Program Managers.
9. Recommend revitalized EVMS training and certification processes, working through Industry and educational institutions.
10. Encourage more focus on the Integrated Baseline Review (IBR) process, including pre-award IBRs.
11. Recommend and encourage reciprocity of EVMS acceptance amongst all Government agencies.
12. Broaden the focus and membership of the PMSC to influence acquisition policy and share Best Practices among program management professionals.
13. Support the Industrial Committee for Program Management (ICPM) as requested. *(Example: the creation and deployment of the Planning and Scheduling Excellence Guide)*

NDIA to PMSC Alignment



Current Landscape

The Government Procurement Environment

- The Government / Industry procurement relationship is challenged in recent years. *(This applies to both OSD and the Civilian Agencies)*
- Many contributing factors:
 - Poorly defined contract requirements
 - Inadequately funded programs
 - Contractors assuming too much cost risk which leads to poor contract performance
 - Constructive changes by Government
 - Lack of consistent Government EVMS interpretations
 - Gaps in contractor self governance and compliance
 - Continuing Government criticism concerning contractor data quality
 - Lack of reciprocity between Government agencies (DCMA/DCAA/Intel, DOE etc)
 - DOD IG and Congressional (GAO) criticism of Government Oversight Agencies (DCMA & DCAA)
 - Drain on human capital due to the current wars has resulted in a lack of experienced Government procurement personnel
 - Pressure on Federal budgets due to recent financial downturn
 - Current administration expectations for full program data transparency
 - The significant increase in the Government's expectations regarding compliance

Current Landscape - Cont'd

The Government Procurement Environment

- DOD, DCMA and DCAA have recently reorganized. Industry is concerned about the transition.
- The office of Performance Assessment and Root Cause Analysis (PARCA) is now funded and just beginning to fulfill its statutory responsibilities.
- DCAA and DCMA are both in a state of organizational and process related change.
- (DCMA EVM Center Director) 26 August...“In almost every instance of contractor EVMS non-compliance, the Government Program Office is implicated”.
- Programs are in effect being driven to “constructive” changes on their contracts due to budget reductions and the Government Agencies’ inability to fund to the contractual or “letter contract” plan.
- DCMA is under pressure to “get tough” and has begun disapproving company EVM Systems for noncompliance.

Industry EVM Challenges

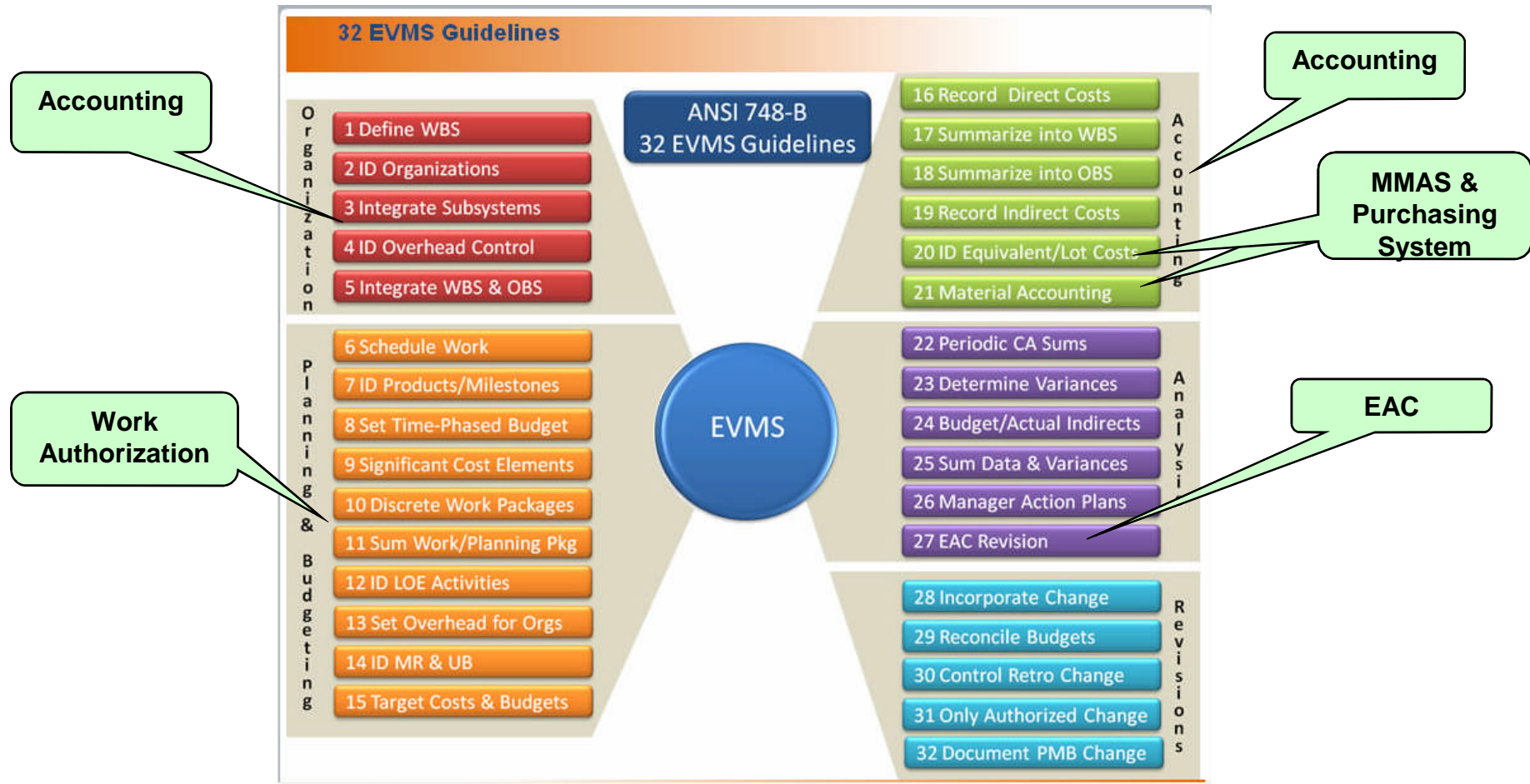
- Issue resolution (Communications)
 - PMSC believes greater communication is needed and evaluation of process improvement should be explored.
- Guidance documentation
 - Proliferation of guidance documents being developed are creating additional requirements and de-facto policy.
 - To date, limited effort undertaken to address the ever expanding issue of disparate interpretation.
- Materiality
 - Must thoroughly review and establish “Materiality Guidelines” within all surveillance and audit guidance documentation.
- UCA aging and impact on EVMS planning
 - Undefined requirements, both scope and schedule are having a negative impact on the contractors’ ability to adequately manage the baseline and provide credible data.

DOD Affordability Initiative - Round 2

- “Efficiency Initiative Effort to Reduce Non-Value-Added Costs Imposed on Industry by Department of Defense Acquisition Practices”, released February 17th. Industry responded before 31 March 2011.
- DoD requested information from the industrial base to identify the sources of these costs, backed by specific, credible, convincing data.
- The goal is to develop a DoD fact-based program to reform cost-inflating practices.
- Submissions specifically identified policies and practices that increase Industry's non-value-added costs.
- Supporting data provided an indication of the magnitude of the cost.
- NDIA EVMS response focused on continued undefinitized requirements, excessive cycle time in definitizing contracts, and the struggle to conform the contract to the effort being worked, as well as the loss of knowledge that has to be reinvigorated on both sides of the acquisition work force.
- Dep Sec Def Ashton Carter correspondence of 22 April 2011 outlines the Should Cost / Will Cost Process.
- Proposed rule requiring increased use of FPIF Contract Vehicles (DFARS Case 2011- D010) using ceiling prices for fixed-price incentive (firm target) contracts, with a 120 percent ceiling and a 50/50 share ratio as the default arrangement was released for comment 02 March 2011. CODSIA response in process.

Proposed DFARS Rule – Business Systems

EVMS is an Integrated Program Management Tool



EVMS is the “Canary in the Coal Mine”

Proposed DFARS Rule – Business Systems

Overview

- Genesis of the rule was from the Afghan / Iraq Commission on Wartime Contracting...Mr. Shay Assad (OSD DPAP) testimony.
- Applies to any contract >\$50M, of any type, with a requirement to maintain an approved system for Subcontracts, Government Property, Cost Estimating, EVMS, MMAS, or Accounting system.
- Implements a new Accounting System Administration clause and a new Contractor Purchasing System Administration clause.
- Provides the ACO with a regulatory vehicle to notify the Contractor of system deficiencies and to withhold an initial 5% for each deficient system until a corrective action plan is submitted. Once the plan is accepted, the withhold would be reduced to 2% until the corrective actions are complete.
- The withhold applies to all contracts with the specific business system requirement...not just the offending contract.
- NDIA PMSC provided its own response to the proposed rule and estimated the Industry wide annual impact on EVMS alone would be 1.78M hours or ~\$217M.

Proposed DFARS Rule – Business Systems

EVMS

- All 32 EVMS Guidelines will be considered for withhold actions.
- Guidelines 1,3,6,7,8,9,10,12,16,21,23,26,27,28,30,32 are considered High Risk and will be subject to “System Withdrawal”.
- 16 month mandatory time limit for initial system acceptance before ACO actions are initiated.
- NDIA PMSC issued a separate response to the DAR Council, 03 January 2011:
 - Addressed each pertinent comment separately to ensure EVMS issues are clearly communicated.
 - Included a incremental process for withholds and withdrawals based on the current DCMA CAR process.
 - Suggested the inclusion of the end user (Government PM, PEO, SAE) in the verification of “Risk of Harm” to Government.
 - Asked the DAR Council to review the EVMS system acceptance and CAR closure timeframes due to the contemplated mandatory limits within the proposed Business Systems DFARS.

Proposed DFARS Rule – Business Systems

EVMS - Cont'd

- NDIA PMSC Proposed Incremental Process for Withholds / Withdrawals:
 1. Use the existing CAR process to document issues.
 2. Level I CARs against any of the 32 ANSI/EIA 748 B Guidelines will not require CAPs as they are not systemic.
 3. Level II CARs against any of the 32 ANSI/EIA 748 B Guidelines will require CAPs but no withholds prior to a reasonable period of time – e.g. 120 days – to allow the contractor to present objective evidence to DCMA that the finding has been resolved.
 4. DCMA should invoke payment withholds only after issuance of a Level III CAR, as a result of the contractor's inability to successfully demonstrate resolution of a finding, as evidenced by repeat findings for the same issue, or for failure to demonstrate adequate progress on a Level II CAP within a reasonable timeframe.
 5. Level IV CARs will be issued following the contractor's failure to successfully resolve a Level III CAR within a mutually-agreed timeframe and DCMA will formally notify the contractor of immediate withdrawal of its EVM system acceptance.

PARCA Update

- Office of Performance Assessment and Root Cause Analysis (PARCA) has been established as a result of the Weapon Systems Acquisition Reform Act of 2009 (WSARA).
- Functions of PARCA office:
 - Performance Assessment; function in statute
 - Root Cause Analysis; function in statute
 - EVMS Policy (Ombudsman) and Focused Reviews
 - Owns the Central Data Repository (CPR's, IMS, CFSR, CSDR)
 - Responsible for updates to CCDR and EVMS Data Item Contract Requirements
 - Approval of all program data plans
- Resources - The budgetary “continuing resolution” had adversely affected this office in its charter and execution of it’s responsibility. As a result of the 2011 NDAA approval, the office is now adequately funded. Staffing an issue.
- PARCA’s institutional role:
 - Responsible for providing USD(AT&L) execution-phase situational awareness of programs for which it is responsible
 - Performs forensics for troubled programs
 - ***Annually reports to the four defense committees on activities***

PARCA Update – Cont'd

- EVMS Stakeholder Meetings Initiated with PMSC
 - Three topics under discussion with Industry team leads:
 1. EVM Proprietary Data: Non Disclosure Agreements (NDA's) for DoD Support contractors involved in the Central Repository maintenance (Joe Kusick and Wade Smith).
 2. CPR Reporting: Focus on Flexibility and Applicability in reporting (Sung Soon Stultz).
 3. Integrated Master Schedule (IMS) Development and Management (Carol Boser).
- Will not get EVM “Czar” in the short term.
- Working to develop the EVM Division within the current constraints.
- Working to transition the EVM Central Repository.
 - Transition Central Repository from CAPE to PARCA in FY2011

DCMA Update

- Annual System Surveillance transferred to the DCMA COO / CMO's.
- Monthly communication meeting was initiated between DCMA Engineering and Analysis Director Mr. Gordon Kranz and PMSC Chair Mr. Joe Kusick. Given Gordon Kranz's departure, we will need to realign with new DCMA leadership.
- EVM Center Director position filled 2/14/11: Mr. Robert M. Francis.
- Current DCMA guidance in process:
 - Standard Surveillance Instruction (SSI)
 - Compliance Review Instruction (CRI)
 - DCMA Interpretive Guide (DIG)
- DCMA reinstated CODSIA crosstalks with Industry August 2010.
- All CAR's will be processed IAW with internal DCMA process.
- The EOY Assessment Process was a surprise for everyone...including the CMO's.

Planning & Scheduling Excellence Guide (PASEG)

- Program Planning & Scheduling Subcommittee (PPSS) was established by the NDIA Industrial Committee for Program Management (ICPM).
- PPSS Purpose: Define, develop & implement solutions to improve program planning and execution practices throughout Industry and DoD.
- PASEG Objective: Develop a joint Industry & DoD Schedule Management Implementation Guide to standardize key elements of schedule planning, construction and use.
- PASEG is based on Generally Accepted Scheduling Principles (GASP)
 - Complete: Schedule captures entire discrete, authorized project effort from start through completion.
 - Traceable: Schedule logic is horizontally & vertically integrated with cross-references to key documents and tools.
 - Transparent: Schedule provides visibility to assure it is complete, traceable, has documented assumptions and provides full disclosure of program status and forecast.
 - Stated: Schedule has accurate progress through status date.
 - Predictive: Schedule provides meaningful critical paths and accurate forecasts for remaining work through program completion.
 - Usable: Schedule is indispensable tool for timely, effective management decisions & actions.
 - Resourced: Schedule aligns with actual and projected resource availability.
 - Controlled: Schedule is built, baselined and maintained using a stable, repeatable and documented process.

Planning & Scheduling Excellence Guide (PASEG) - Cont'd

Major Sections

- Purpose and Scope
 - GASP
 - Leadership, Buy-in, Commitment
 - Schedule Architecture
 - Schedule Modeling Techniques
 - Cost & Schedule Integration
 - External Schedule Integration
 - Horizontal & Vertical Traceability
 - Schedule Maintenance
 - Schedule Analysis
 - Business Rhythm & Submittal
 - Training
 - Program / Contract Phase Considerations
 - Appendices
- Sections broken down into 57 chapters
- PASEG has been released and is available on NDIA Website

Civilian Agency and Industry Working Group (CAIWG)

The CAIWG is being revived because...

- Government Agencies are all under intense pressure to produce within budget and cost and must show that they are good stewards of the Federal dollar.
- Industry must understand that this is a win-win or lose-lose: Good Government is Good Business and those contractors that can help their agencies succeed at project management will share in the increased dollars that are allocated; and vice versa!
- All of Us: Our country's fiscal crisis is real and real change to increase productivity is our responsibility.

Civilian Agency and Industry Working Group (CAIWG)

- Purpose: Promote Best Practices, sharing and common efforts that demonstrate real (measurable) value to Civilian Agencies and Industry.
- Goals: Pick concrete proposals and ideas, implement them and measure the value, and promote them widely.
- Process: Reach out widely to all segments of Project Management, Acquisition, and Best Practice community, share information and socialize results.
- How can you help: Join us; submit ideas and suggestions; offer to pilot; assist in publicizing efforts; socialize our results. We see this as a low effort, high return project.
- Co Chairs: Dr. Robert Rovinsky (FAA) and Mr. Joe Kusick (Raytheon).

NASA EVMS FAR Change

- On 10 February 2011 NASA proposed to revise the requirements in the NASA FAR Supplement (NFS) for contractors to establish and maintain an Earned Value Management System (EVMS) for firm-fixed-price (FFP) contracts.
- The proposal recognizes the reduction in risk associated with FFP contracts and intends to relieve contractors of an unnecessary reporting burden.
- NASA's purpose in making the change was to ensure consistency with current DoD practices and avoid any further confusion.
- The proposed rule does not change the requirements in the NASA NPR to apply EVM principles at the program / project level.
- If necessary NASA will still have the ability to obtain EVM information for an FFP contract via normal contractual change orders.

NDIA PMSC Guides Update

- **IBR Guide**
 - Revision 1 completed and published 1 September 2010.
- **Surveillance Guide**
 - Revision 1 completed and published 1 February 2011.
- **Application Guide**
 - Update in process under leadership of Neil Albert (Committee vote 5/3).
- **Acceptance Guide**
 - Update in process under leadership of Buddy Everage.
- **Intent Guide (last updated June 2009)**
 - Out-of-cycle update to the Intent Guide to address specific DCMA issues (Committee Vote 5/3). Recommended content reviewed and approved by PARCA on 4-19-11.

Summary

The new level of oversight and transparency is unprecedented

- The defense procurement environment has never been more challenging.
- The Governments expectations regarding compliance have been increased significantly.
- Mr. Charlie Williams – DCMA Director: “Industry and Government must work together to achieve consensus on common challenges. If we don’t ...Congress will.”
- EVMS Compliance can no longer be treated as a “passive requirement”.
- Industry must take proactive steps to ensure full compliance.

Save the Date: Next Meeting August 9th and 10th in Washington DC