

IPMD Clearinghouse Working Group Notes

August 28, 2018 IPMD Meeting

Key government and industry facilitators:

Joe Kusick, Gary Humphreys, Russ Rodewald, Dean Nifakos (DCMA), Daniel Goldsmith (DCMA), Kevin Carney (DCMA), and John McGregor (PARCA).

Major Topics:

- Material Price and Usage Variance Definition – COMPLETE.
- Harvesting Underruns in closed LOE accounts – COMPLETE.
- Planning in one element of cost and consuming it in a different element of cost – COMPLETE.
- Stop Work Orders – COMPLETE.
- IPMR/CPR Block 6 EAC reconciliation requirements, DID wording is unclear – PARCA and DCMA are still reviewing.
- Potential major issue with material and manufacturing planning in current EVMSIG. Companies are generally adding additional work content to open work packages for M/ERP driven control accounts for future effort. EVMSIG is unclear – PARCA, DCMA, and Industry are reviewing.

Material Price and Usage Variance Definition

Material price and usage variance definitions have been corrected in the latest EVMSIG issuance, however Glossary had not been updated with the correct definition. John McGregor, the deputy director of PARCA who owns EVMS Policy has agreed to correct the definition by September 30, 2018. For all intents and purposes this effort is complete on Industry's side. ITEM IS CLOSED.

Harvesting Underruns in closed LOE accounts

Harvesting underruns is not to be done for closed control accounts per PARCA. PARCA requested industry to please contact them should industry be forced to do this by the buying commands. This is continuing to occur. PARCA has stated this is not an allowable practice in the EVMSIG. This item has been taken as far as industry can take it. ITEM IS CLOSED.

Planning in one element of cost (in house labor) and consuming and reporting effort under another element of cost (job shop, contractor, purchased labor, ODC, consultants)

There was significant discussion on the topic of planning in one element of cost (in house labor) and executing the effort in a different element of cost (job shop, purchased labor, other direct cost, etc.). There are many different ways to handle this with the variance report discussing the reason "why". The control account could be replanned for future work using with the more appropriate element of cost, report on the variance for the current effort, and replan the future effort in the manner that you will be consuming resources to perform the effort. Each particular issue that deals with planning one way and consuming another way requires a specific assessment of the situation, with discussion in the VAR analysis that deals with the impact, if any, to schedule, cost and the ETC/EAC, and whether future effort would be replanned differently. No further discussion, ITEM IS CLOSED.

Stop Work Orders (SWO)

Industry continues to have issues with buying commands confusing funding versus EVMS budget. PARCA has stated in the new EVMSIG that the contract target cost should be adjusted for effort that was planned at the amount that the remaining effort was budgeted. Funding should be adjusted by the appropriate amount estimated for the remaining effort that is being descoped. In most cases the amounts will be different. PARCA has added language to the EVMSIG supporting that concept that adjustments to deleted scope must be the same budget as planned. ITEM IS CLOSED.

IPMR and CPR Block 6 EAC reconciliation requirements, DID wording is unclear

There was continued significant discussion regarding Block 6 a, b, and c of the IPMR/CPR. Of particular focus was what should be reported as best case, worst case, and most likely in the respective rows in Fixed Price Incentive environments where the point of total assumption has been reached and the contractor is responsible for any additional costs on the contract. In addition to this, there is confusion as to what the best case, worst case, and most likely EAC should be when reported in Block 6 a, b, c of the IPMR/CPR when the official EAC differs from what is being shown in Column 15 of the IPMR/CPR. Industry has provided PARCA recommended wording. PARCA took the action to revise the DID wording and put out a clarification letter. The estimated completion date for this action from PARCA is the fourth quarter of this year.

Please note the continued discussion on EACs is focused on Block 6 c of the IPMR/CPR. As it stands now, the IPMR DID describes Block 6 c as the "Official EAC" which in limited instances in industry is being interpreted by company attorneys and finance the EAC that is being reported is for Sarbanes Oxley purposes. There has always been an expectation that Block 6 c is the Program Managers EAC which may differ from what is being reported in Column 15 of the IPMR; in most cases these values differ based on other factors such as a knowledgeable estimation of all authorized work, known factored risks, and probable future conditions. At this point the recommendation from the Clearinghouse continues to be to clearly communicate and confirm understanding with your customer as to what will be communicated in Block 6 c and ensure that the differences are addressed in the IPMR/CPR Format 5. Column 15 is the beginning of the roll up where additional factors are assessed for the program manager to develop their best/worse/most likely EAC by considering performance to date, material changes, and the factored risks and opportunities of the program. This item continues to be open and is currently under review with PARCA and DCMA.

Material and Manufacturing Planning in an M/ERP environment

This item generated significant discussions because the current EVMSIG is very restrictive on the opening and closing of work packages in an M/ERP planning environment. In the past, guidance has been given that material and manufacturing labor can be added in the future to M/ERP driven work packages as long as it was for new scope and control milestones were not impacted. The current EVMSIG guidance implies that all open work packages must be closed and new ones opened for replanning efforts should they be for scope affecting an open work package. Most major company process descriptions deviate from this as guidance in the EVMSIG. A company should be allowed to describe their controls for MRP/ERP driven accounts. This is a major issue. DCMA and PARCA are looking into it along with all major companies. A revised set of guidance most likely will have to be developed. This is an open issue and will be discussed further.