

NDIA Clearinghouse Inbrief

28 August 2018

- **Material Price and Usage Variance definitions will be fixed by PARCA in Glossary by June 15 . Are these corrected & published? What is new ECD?**
- **PARCA clarified that MRP/ERP is not to be repeated in the schedule and graphic will be redone to show that the task in the schedule is the summary of the MRP/ERP material planning runs (Guideline 6). Are these corrected & published? What is new ECD?**
- **Harvesting Underruns is NOT to be done per PARCA. PARCA has stated please contact them if industry being forced to do this by buying commands**

NDIA Clearinghouse Issues

28 August 2018

- **Work Authorization Documents (WAD)s for initial planning effort and Long Lead Items or a process to authorize long lead effort or initial planning but it must be described in Process description**

If described in the Process Description, an initial work authorization document (WAD), can be to support initial planning of the work and the initiation of long lead purchases.

- **Planning in one Element of Cost (EOC) (like in house labor) yet consuming in a different EOC, such as purchased labor/job shoppers/consultants, can be handled in multiple ways including addressing the change in variance analysis. A lot of discussion on how to handle execution, however “it depends” on the situation and expectations.**
- **Stop Work Order (SWO)--value to reduce Contract Target Cost (CTC), SIG has been updated to provide direction on how to handle this type of effort**
- **Quantifiable Back Up Data (QBD)s.**

NDIA Clearinghouse Issues

August 28, 2018

- **Continued discussion on Block 6 of IPMR. DID wording is unclear. PARCA update had not occurred as expected. DID wording appears to state that the worse case is the maximum cost to the government NOT the projected cost at completion to the program.**
- **How the reporting of the EAC is resolved will affect reporting on the other CSDR's and the CFSR**
- **There needs to be additional clarity on block 6C as currently it is supposed to tie to the "Official EAC" which in many cases is interpreted to have to tie to what is being reported for SARBANES OXLEY. Whatever is reported must be discussed in the Format 5 if it differs from Column 15 in the IPMR or CPR**

B/W/M EAC

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

IPMR Format 1

| 6. ESTIMATED COST AT COMPLETION | | | |
|---------------------------------|---------------------|-----------------|-------------|
| | MANAGEMENT ESTIMATE | CONTRACT BUDGET | VARIANCE |
| | AT COMPLETION | BASE | |
| | (1) | (2) | (3) |
| a. BEST CASE | 84,000,000 | | |
| b. WORST CASE | 94,000,000 | | |
| c. MOST LIKELY | 90,000,000 | 70,779,985 | -19,220,015 |

- Fixed Price Incentive contract – how should EACs be handled given significant overruns?

IPMR DID

Proposed line-outs/corrected wording.

- EACs shall be reported without limitation of the contract ceiling value.
- 3.2.2.1. Management Estimate at Completion - Best Case. Enter in Block 6.a.1 the ~~contractor~~ program manager's best case EAC. The best case EAC reflects the lowest potential cost to ~~the Government~~ complete the authorized scope of work. This estimate shall be based on the outcome of the most favorable set of circumstances. If this estimate is different from the most likely management EAC (Block 6.c.1), the assumptions, conditions, and methodology underlying the estimate shall be explained in Format 5. This estimate is for informational purposes only; it is not an official company estimate.
- 3.2.2.2. Management Estimate at Completion - Worst Case. Enter in Block 6.b.1 the ~~contractor~~ program manager's worst case EAC. The worst case EAC reflects the highest expected cost to ~~the Government~~ complete the authorized scope of work. This estimate shall be based on the outcome of the least favorable set of circumstances. If this estimate is different from the most likely EAC (Block 6.c.1), the assumptions, conditions, and methodology underlying the estimate shall be explained in Format 5. This estimate is for informational purposes only; it is not an official company estimate.
- 3.2.2.3. Management Estimate at Completion - Most Likely. Enter in Block 6.c.1 the contractor's most likely EAC. This EAC is the ~~contractor's-program managers~~ official estimate of the cost to complete the authorized scope of work-EAC and takes precedence over the estimates presented in Column (15) of Formats 1 and 2, and Blocks 6.a.1 and 6.b.1. The most likely EAC is the value that the ~~contractor's-program manager management~~ believes is the most possible outcome based on a knowledgeable estimation of all authorized work, known factored risks, and probable future conditions.