NDIA PMSC– August 2010 Government / Industry Meeting Minutes

Host: Deltek

Location: Sheraton Crystal City – Arlington VA

Date: August 26, 2010

- **Call to Order, Welcome, Introductions, and Meeting Agenda Review**
  Mr. Joe Kusick, NDIA PMSC Chairman (Raytheon) opened the meeting by asking the attendees to introduce themselves and provided housekeeping instructions regarding restroom facilities and emergency exit locations.

- **Deltek Welcome**
  Mr. Jason Kinder presented a welcome from Deltek and provided a summary of results from their recently conducted survey, Clarity for Program Management.

- **NAVAIR scheduling and data consolidation**
  Mr. David Burgess, NAVAIR 4.2 Cost Analysis Director gave a presentation regarding status of his program performance team's efforts over the last 3 years of analyzing data from the top 26 companies that have contracts with NAVAIR. Mr. Burgess heads the world's largest cost analysis department (~400 individuals). One third is involved in EVMS. The analysis revealed that the NAVAIR Contract Budget Base for all programs have experienced an increase of 46%, which over time equates to a reduction of 618 (22%) aircraft for the war fighter. His team also looked at all the financial data related to each company. The analysis of the data indicates that financially unstable companies do irrational things.

  At the core of the issue are the divergent centers of gravity concerning Industry and Government. Industry is mainly concerned with financial performance goals (Sales / Profit / Cash Flow) which are vital in a capitalist economy. The government is primarily concerned with program performance goals (Cost / Schedule / Technical). There must be a proactive approach by all stakeholders to manage programs. The Government and Industry accepting the acquisition communities uncertainty regarding requirements leads to poor performance. After milestone B we have created a bilateral monopoly.

  Half of all cost growth starts up front in the beginning of the program. Of all the cost growth; 26% of the 44% DOD wide cost growth is due to unrealistic scheduling assumptions. Of all the NAVAIR programs 20% are rated yellow, 40% are red and 40% are green. NAVAIR performs an independent "bottoms up" Latest Revised Estimate (LRE) on all programs annually. Due to recent events, the Service Acquisition Executive will no longer accept the Government program managers' program cost and schedule estimates. They will be independently validated prior to approval and program initiation. All programs perform a 5x5 risk assessment. The typical NAVAIR program is funded at 20%.

  The Government program managers' time in the assignment is limited and so is the EV knowledge. Mr. Burgess stated they needed to find a way of turning data into actionable information to help the Government PM's in managing the programs. It demands both transparency and integration of data. Part of the standard work which has been accepted by all Program Executive Officers (PEO's) is the use of a "Cockpit" chart. Also used is a visual "Heat Matrix" chart which measures program volatility. In use for the JSF Program is a Command Information Center (CIC) which transforms data into information, information to knowledge and knowledge to actions which improve program performance. The goal is to reduce analysis cycle time from days to hours.

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Visualization has a positive effect on the users. Mr. Burgess invited any contractor program management personnel to review the facility which is located at PAX River. A smaller version of the facility is located in the D.C. area. The review typically takes 2 hours.

Take Aways:
- o Transform data into actionable information. Program managers cannot fix what they don't know or can't see.
- o Commit to improve program performance. Tell programs what they <u>need</u> to hear; which is not always what they want to hear.

Mr. Kusick asked if we could change the data deliverables to make them more real time.

Mr. Burgess replied that managing to the delivered CPR is too late. We need complete transparency between government and the contractor. He further said that collaborative programs succeed. Mr. Burgess also stated that he believes that program compliance reviews should include the government as those who are being reviewed.

- **PARCA Presentation**
  Mr. Gary Bliss, PARCA Director made the following comments on Mr. Burgess' presentation.
  - o We are in the business of dealing with poor data systems.
  - o Government data which isn't used and consumed is a data system which will atrophy.
  - o There is a solid realization that much of the problem is on the government side.
  - o The consequences are as follows:
    - Just hand it in…fire and forget
    - Decline in Program Management Competence
    - We have staffs that have been at War. The primary goal was to prioritize the War fighter. In many commands this had led to a decline in process discipline.
    - CPR's are old news. It is thought that EVMS structure and discipline is not critical to success.

  Recent activities:
  - o DCMA relationship: It is our intention not to become a redundant organization.
  - o Root Cause: 6 Nunn McCurdy Reviews complete this year. 4 other program root cause analysis reviews underway.
  - o Staffing is underway. Much of it will depend on the upcoming Defense Authorization Bill. If not passed, the subsequent Continuing Resolution will not provide enough funding for additional staff.

Mr. Bliss discussed the changes to his organizational charter which are currently under consideration in the house bill H.R. 5013 – Performance Management of the Defense Acquisition System. It dramatically increases the scope of PARCA. If the bill is passed with the current language, he will argue for a new political appointee to be head of the department. Considering the language in the bill, it is evident that "the hill" is serious about PARCA. The new requirements mandate that any project to be determined to be in real trouble will have to be reported to congress within 30 days. The bill is currently in the Senate for consideration.

PARCA is involved in all Defense Acquisition Executive Summary (DAES) meetings held at the Deputy Secretary level.

DOD Efficiency Initiative - PARCA has been requested to establish new efficiency metrics to measure the initiatives. The first metric will be the triggers used for performance assessments. PARCA has committed to perform in-depth assessments on each Major Defense Acquisition Program (MDAP) annually.

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Mr. Bliss responded to questions from the audience; Yes PARCA does own the updates to the EVMS Data Item Descriptions and he is the EVMS Ombudsman.

The presentation ended with a brief overview of the organizational chart.

- **DCMA Presentation**
  Mr. Dave Kester, DCMA Earned Value Management Center Director opened the presentation by discussing the centers organizational mission and stated that the players and how they interact has not been entirely thought through. The organization change went from a product orientation to a process structure. Mr. Kester is moving on to a new assignment by the end of September and Deputy Director Dennis Chapman is retiring, creating vacancies in both positions. The Center Directorship will be filled temporarily by Ms. Donna Holden (EVM Center training) for ~60 days. Other individuals who report to the Director will rotate in to fill the position until the new Director is on board. The center is currently staffed at 38, with authorizations for 62. Future plans are for 80 heads. The center is utilizing reservists on a temporary basis to help with the workload.

  Jim Henderson is the Compliance and EVM Center Policy lead. All contractor review reports are reviewed by Jim Henderson before being finalized to ensure consistency. All Corrective Action Request (CAR) disputes should go to Jim Henderson for adjudication. Jim Henderson is working on the Compliance Review Instruction (CRI) which gives the EVM Center Review Teams guidance on all types of reviews by the center. It is targeted to be released by the end of the fiscal year 2010.

  Surveillance is being transferred to the DCMA CMO function under Ms. Marie Greening. Mr. Bob Keysar and 8 people are transferring. They will ensure consistency of all CMO EVMS Surveillance throughout the agency. Mr. Keysar's group and the CMO's will be responsible for Level I and II CARs. Mr. Kester mentioned that the Standard Surveillance Instruction will have to be rewritten to accommodate the organizational change. The center is working on an automated Deficiency Report. Jim Henderson is working on a DCMA Guideline Intent Guide. The target date for release is FY 2011.

  Supplier Self Assessments have not been as successful as initially thought. There is a resistance by the contractors to fail and then share the results with the DCMA EVM Center.

  Mr. Charlie Williams, DCMA Director is going to respond to the DOD IG report on allegations of unsatisfactory conditions in the EVM Center by Friday August 27th.

  There is a backlog of 120 reviews to be conducted. 60% of the 42 contractors reviewed as of July 2010 were non-compliant in all 5 process areas. Highest non-compliance process areas were Planning, Scheduling and Budgeting (82%), Analysis and Management (80%), and Accounting (77%). Lowest noncompliance process areas were Revisions and Data Maintenance (75%) and Organization (73%). Compliance Reviews will have to be completed sooner than in the past. The new Business Systems DFARS will place deadlines on the Government and Industry for completion. We need to think outside the box to ensure timely completion as it may have legal consequences for the Government.

  Mr. Ivan Bembers – NGA EV Lead commented that there is a lack of commitment by Industry to implement the system properly. Lack of partnership with Government and ownership by the Industry are the main impediments.

  Mr. Kester commented that almost every instance of contractor noncompliance implicates the Government program offices.

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Mr. Kester commented on the DFARS Business Rule rewrite and the current thinking within the center to respond to this requirement. All 32 EVMS guidelines will be considered for compliance with Corrective Action Plans (CAPs) and mandatory withholds of progress payments required. 16 of the 32 EVMS guidelines will be considered foundational and will be tied to EVMS system disapproval. They are challenged by how they can disapprove contractor systems consistently.

The center is executing Memorandums of Agreement (MOA's) with all the services for EVMS oversight.

There is some discussion currently underway concerning the use of EV for progress payment determination.

One of the action items for the EVM Center is to reinvigorate the DOD EVM Council.

Mr. Kester closed with a discussion on the successful joint effort between Industry and the EVM Center to rewrite Standard Surveillance Instruction (SSI).

- **DOD Cost Reporting**
  Mr. Mike Augustus, Cost Assessment and Program Evaluation (CAPE) Director in OSD began the presentation by reviewing the IT infrastructure within the organization. Mr. Augustus gave an overview of the department metrics:
  - CSDR-SR Only (since July 2009): 1025
  - Average Monthly New Submissions: 64
  - DACIMS Documents: >30,000
  - Number of Users CSDR-SR: 1098
  - Average Downloads Per Month: 3600

The status of industry CSDR compliance was reviewed
  - Green – 85
  - Yellow – 22
  - Red – 5
  - Not Rated – 22.

CSDR System Improvements include; 2010 DID and CSDR Manual to be released Fall 2010. The updates include minor updates and improvement to existing formats, introduces 1921-S for sustainment and CLS activity reporting and updates to address organizational changes within DOD.

The new CSDR web based Planning & Execution Tool (cPET) was reviewed. The tool performs the following functions:
  - Creation of Resource Distribution Tables (RDTs)
  - Validation of 1921 and 1921-1 cost reports (requires a copy of CSDR plan in Excel)
  - Side-by-side comparison of 1921 or 1921-1 reports across two reporting periods

The schedule for the implementation is Fall 2010: cPET-Web release; support for 2010 DIDs (plans, 1921, 1921-1). Spring 2011: 1921-2 & 1921-S support; single XML file schema update.

The Current CSDR Library folder contains actively reporting programs which are organized in accordance with Mil Std 881.

The DFARS is being changed to add CSDR as a mandatory reporting requirement.

A CSDR Plan Implementation Guide is being developed. It provides instruction on "how to" apply Mil Std 881 to the plans, examples of issue resolutions and discussion on level of reporting.

EVM Central Repository (CR) Overview - Mr. Augustus is now responsible for the storage of all EVMS data submittals within the CR (CPR, CFSR and IMS). The CR provides for centralized reporting, collection, and distribution for Key Acquisition Data; Complete, accurate, timely, and secure transfer of electronic data from the contractor to the CR; Secure and controlled warehousing of data in the CR; Controlled, timely, and secure access to data by authorized users; business rules that govern reporting, access, and availability of data. Currently the system contains only Level I program data. They are investigating the inclusion of providing reporting level data (Level I & II) as well.

- Total number of submissions (since October 2006): 9849
- Total Number of Users: 1720
- Downloads Per Months: >3000

The CR supports the monthly DAES assessments. Dashboards are used to provide real-time aggregation of summary EV data to the program level or service.

- **UN/CEFACT XML Schema Status and Data Exchange Update**
  Ms. Joan Ugljesa presented an overview of the work being accomplished to ensure the timely and efficient electronic transfer of data between disparate IT systems. This was a DCMA / Industry collaborative effort which started in 2006 with the goal of replacing the existing (and limiting) ANSI X12 Electronic Data Interchange (EDI) transaction sets (806 and 839) with an XML equivalent. The solution is a common (software neutral) XML Schema. It is a library of schedule, cost, and auxiliary XML data components (data model and schemas) that can be used by the project management community worldwide regardless of Industry.

  There is a formal, published international standard; United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) that can be cited in contracts and requirements. The first set was published March 2009 and an update was recently published in August 2010. Current events include updated guidelines which are DID specific, CPR (DI-MGMT-81466A), CFSR (DI-MGMT-81468), IMS (DI-MGMT-81650) and CWBS (DI-MGMT-81334C) and including Time Phased Cost, Network Schedule and Cost (broader use guideline that can be used for data calls to exchange detail level data), Reporting Structures (WBS, OBS, IMP, etc.), Common Industry Code List for use with schedule related guidelines. Future actions include updating the Data Item Descriptions to reflect UN/CEFACT Standard and obtaining broader support from software providers.

- **Navy Update**
  Mr. Beau Willis, Navy EVM Center of Excellence Director gave a brief summary of Navy EVMS activities by stating that the Navy Service Acquisition Executive (SAE) is requiring EVMS information on a monthly basis. The Naval Audit Service is going to perform an audit of EVMS effectiveness in the near future (FY2011). They realize that coupling EVM metrics to award fee is not the optimal way to incentivize the contractor and are discussing alternatives to this type of incentive. They are developing a course which is EVMS for Executives which is about 2 hours in length. The focus for next year is teaming with DCMA EVM Center to review NAVSEA (Shipyards).

- **Air Force Update**
  Mr. Bob Loop, Air Force EV Focal Point gave a brief presentation concerning the departments EVMS initiatives. The AF EVM IPT is currently conducting a comprehensive EVM Query utilizing live interviews in August / September 2010 timeframe. A total of 74 programs are being included for the purpose of assessing expertise and use of Earned Value across the service. The goal of the study is to guide future EVM improvements. The effort will be complete by December 2010. Initial targeted areas for future improvements include certification, training improvements, and trip wire standardization. The prioritization and kickoff will depend on the query results.

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- **NASA Update**
  Mr. Ken Poole, MSFC Senior Project Controls Specialist gave an informative update to the agencies EVM initiatives. NPR 7120.5 E is still on track for a fourth quarter 2010 completion date. The document will provide additional guidance and clarity to project planning and control requirements for all NASA programs. Specifically:
  - o Applicability of ANSI/EIA Industry guidelines vs. EVM principles for NASA in-house projects with a LFC estimate of >$20M
  - o IBR requirements for NASA in-house projects
  - o Ensure consistency between new "Management Agreement" definition and PBB (includes PMB and reserves)
  - o Initiate EVM internal NASA planning during Phases A & B with formal application and reporting from the contractor in Phase C
  - o Acknowledges and requires adequate cost and schedule margin to be incorporated into the baseline

  NASA has completed version 4 of the agency wide EVM System Description.

  In the future NASA will recognize Management Reserve as a an amount of the total allocated budget withheld for management control purposes rather than designated for the accomplishment of a specific scope of work.

  First EVM project pilot was brought to a premature completion due to the impacts and changes resulting from the cancellation of the Constellation Program. Insights and benefits were gained even though the pilot testing was shortened. The second of two EVM pilot projects was started this month in which NASA will further test and validate their proposed Agency EVM processes and products. The training material will be updated following the pilots in the October 2010 timeframe. NASA is working to release its own EVM Implementation Handbook and CAM Handbook for EVM in the September 2010 timeframe.

- **MDA Update**
  Mr. Dave Melton, Earned Value Management Director - Missile Defense Agency gave the committee a briefing on the agencies EVM initiatives. The agency has ~$35 in the Contract Budget Base.

  Lt. General O'Reilly relies so heavily on the IMS and cost baseline that he wants to ensure the data is correct. To ensure the accuracy of the data, he has directed all programs to undergo an annual IBR. The IBR's will focus on unaccomplished work and will be led by the technical IPT Leads. They are currently working the language in the individual contractors Statement of Work to account for this additional work scope. GAO audits the agency every year; they are currently wrapping up the 2010 review.

- **WBS Handbook update**
  Mr. Neil Albert, President MCR LLC gave an update on the effort to revise Mil Std 881 Work Breakdown Structure. A final draft will be made available for the review cycle in the September – October 2010 timeframe. The review cycle is 45 days in length. The final release will be in January 2011.

  Changes from Current Handbook
  - o Most appendices have been restructured to account for technology changes and integration changes
  - o Most appendices have been defined to level 4 or 5 of the WBS vs. level 3
  - o Reporting to level will be determined on a contract to contract basis – could be 3, 4, or 5
  - o CSDR reporting vs. CPR reporting level may be different but needs to be consistent at the level reported (i.e., level 4 of the CPR should be the same as level 4 on the CSDR)

- o If elements are considered high cost, high risk, or high technology in nature reporting will go to that level for those items only
- o Added "other" elements to account for changes in configuration or new technology that is not defined within the MIL-STD
- o Eliminated Application and System Software – only Software
- o Changed definitions for embedded Software in Appendix B
- o Added discussion of WBS use with system of systems and family of systems (i.e., take into consideration of common vs. unique WBS elements)
- o Added common elements for sustainment activities – Interim Contractor Support or Contractor Logistics support
- o Added Logistics Management element
- o Expanded discussion on development of WBS to include:
  - – Numbering of a WBS
  - – Prime/Sub relationship
  - – Elements to include vs. not include
- o Added pre-acquisition framework discussion
- o Updated Common elements for unique commodity areas (Space, Aircraft, Missiles, etc)

- **Program Management Outreach Working Group**
  Ms. Jane Spriggs, Lockheed Martin Program Manager and Mr. Bill Altman, Battelle VP Program Management Office jointly gave the presentation on this working group effort who's stated mission is to "broaden the focus and membership of the PMSC to influence acquisition policy and share best practices among program management professionals". To date, this working group has completed their suggested changes to the PMSC Charter which reflects a broader program management focus. A Risk and Opportunity Working Management Group was also initiated as a result of this group's activity. Additionally the group successfully implemented an online registration system for all PMSC meetings. This was a welcome process improvement that saves time and provides for the collection of attendee information. This new group has 26 participants; 9 of which are new to the PMSC.

  For the February 2011 PMSC meeting to be held in Ft. Worth Texas, this group is actively engaged in arranging for PEO's from 3 program areas (JSF, MDA and SMC) to participate in a joint Government/Industry panel discussion on the Integrated Baseline Review (IBR) process. Ideas for Future Topics (and Potential Working Groups) include:
  - o Probability of Program Success (POPS)
  - o Subcontractor Flow-Downs and Government Skip-Level Involvement
  - o Cross Training of Program Performance Team
  - o What Constitutes a Good Program Management Office?
  - o Affordability

- **PMSC Guides Update Working Group**
  Ms. Gay Infanti, Cost Estimating & EVM Corporate Manager Northrop Grumman gave the overview to the working groups progress to date.

  i. The IBR Guide, Revision 1, dated 9/1/2010, was approved for publication on August 25, 2010.
  ii. Surveillance Guide team formed and update began in April with Mr. Dave Roberts as the lead. The draft Surveillance Guide, Revision 1 (7/28/10) was distributed to PMSC members for review and comment on August 3, 2010. The target date for completion is October 1st. A vote to approve for publication is tentatively scheduled for November 10th.
  iii. Acceptance Guide update started; Buddy Everage MCR is the lead. Completion date is TBD. Tentatively planning a reciprocity workshop for the fall IPM Conference. Currently accepting members; if interested, please notify Mr. Everage.

   iv.   Application Guide update started; Currently seeking team lead and members. Targeting year-
          end for completion of first draft for review and comment.
   v.   Intent Guide was updated last spring to incorporate corrections and align with EIA 748-B and
          is currently awaiting feedback from the DCMA EVM Center.

Ms. Infanti then reviewed the details of the changes to the IBR guide and Mr. Roberts gave a detailed
update on the Surveillance Guide.

- **Production EVM Working Group**
  Mr. Kim Herrington, Bell Helicopter VP Cost Management Integration gave the update of this
  working group which was recently formed to address the EVMS challenges in a production
  environment. The groups' charter is to analyze EVM practices and processes on production contracts
  and provide a common understanding of terminology, processes and Earned Value application used in
  a production environment. The planned output is; Documenting production EVM issues, typical
  company practices, difference in production process versus typical development program process
  (and/or outputs), and perceived expectations of production EVM process and to consolidate
  individual issue documentation into a white paper summarizing production EVM issues.

  The team identified approximately 120 various issues encountered when executing and/or reviewing
  production contracts with EVM and then formed 11 sub groups to take lead in documenting the
  identified issues:

  1. Change Management
  2. EVM Application in Production
  3. Level of WBS/Detail
  4. Material
  5. Manufacturing Labor
  6. Organization
  7. Part Movement
  8. Scheduling
  9. Scrap/Rework
  10. Support Labor
  11. Work Authorization

  It is anticipated that approximately 30 to 40 documents will be needed to discuss all issues identified.
  There is significant amount of work ahead for the team before the final product can be made available
  for review and comment.

  Mr. Herrington mentioned that not all subgroups are adequately staffed and more participation from
  existing working group members or new members is needed. If you are interested please contact Mr.
  Herrington.

- **Contracts Working Group**
  Mr. Michael Martin, NDIA PMSC Vice Chair (Pratt & Whitney) gave an update of this working
  group which is focused on resolving contract related EVMS issues. The team is currently
  reenergizing its efforts but still awaiting some key Government participants (PARCA, EVM Center,
  OSD PSA). The following issues remain open and require Government participation and input to
  achieve closure.
  o Contract vs. EVM system order of precedence
  o Subcontractor validation
  o Subcontractor Surveillance compliance and surveillance
  o EVM implementation challenges
  o Use of a supplier's previously-validated process at a new supplier site
  o DCMA EV Standard Surveillance Instruction (SSI)
  o Ownership and Control of Management Reserve
  o Undefinitized Contractual Actions (UCAs) / Unpriced Change Orders (UCOs)
  o Treatment of existing CAR's when Business Systems DFARS is implemented.

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The team decided to forward the policy related issues to Mr. Gary Bliss for consideration at the EVMS PARCA EVMS Stakeholders Meetings.

Once new Government participants are established, a face-to-face kickoff will be held in the D.C. area to reenergize the team.

- **Risk and Opportunity Management Working Group**
  Ms. Mary Ann Hale, General Dynamics Director of Program Planning & Control gave the status of this newly formed working group. This new working group has 26 participants; 9 of which are new to the PMSC.

  The proposed charter is to "Review, document, and communicate Government and Industry "successful practices" for effective Risk and Opportunity (R/O) Management throughout the acquisition life cycle of any Government program. Includes quantitative and qualitative processes for planning, identifying, assessing, handling, and monitoring events that could have a potential for causing a positive (Opportunity) or negative (Risk) impact to program objectives. Consider and recommend changes to applicable Government policies, practices and processes which, if implemented, would enable or enhance the implementation of effective R/O Management. Define the approach for effective integration of R/O Management with other program management processes including, but not limited to, Planning, Scheduling, EAC development, and Cost Estimation".

  The proposed objectives are to "Provide Industry and Government Subject Matter Experts on Risk & Opportunity Management to give presentations on "successful practices". Develop and recommend integrating techniques, guidance, successful practices, and training that supports the integration of Risk & Opportunity Management with other Program Management functions."

  The output of the team will be an update to the existing whitepaper, a potential new whitepaper, and successful practices on this subject.

- **Summary/ Discussions & Adjourn**
  Mr. Joe Kusick NDIA PMSC Chairman thanked everyone for their time and participation in this meeting and reminded everyone that the next NDIA PMSC Meeting will be held at the Lockheed Martin facility in Ft. Worth, Texas on January 31st, with the Officers Meeting, February 1st - Industry Only, and February 2nd - Government / Industry Session.