

NDIA PMSC Joint Government/Industry Day

January 25, 2012

Welcome, call to meeting – Joe Kusick. Joe thanked the Boeing Company and Nan Bouchard and reviewed the agenda for the day. Joe introduced Nan Bouchard, VP of Program Management for Boeing Defense, Space and Security.

Nan Bouchard – VP of Program Management for Boeing Defense, Space and Security

Nan welcomed everyone to Boeing at Huntington Beach. She then showed a video depicting Boeing's products and business.

Keynote Address – Joseph Sweeney, DCMA Executive Director Portfolio Management & Integration

Mr. Sweeney stressed working as a team to execute the programs. We are all in this business to support the war fighter. He reviewed the DCMA structure, DAES process and indicators, DAMIR information and ratings, EVMS changes at DCMA, and Shipbuilding EVMS customization. Mr. Sweeney additionally reviewed the DFARS Business System rule implementation, sharing determination information and the corrective action process. Mr. Sweeney's slides are available on the website.

Joe Kusick thanked Mr. Sweeney and each person in the room introduced themselves.

Panel Discussion on Uncertainty in Government Contracting, Moderated by Gary Humphreys
Panel: Glen Alleman, Consultant; Nanette Bouchard, VP of Program Management for Boeing Defense, Space & Security; William Kasting, Vice President and General Manager of ATK Defense Electronic Systems; David Ricci, Corporate Director Pricing, Estimating and Program Control for Northrop Grumman Corporation; Dr. Robert Rovinsky, Director of IT Services (AES-1) for the Office of the Chief Information Officer for the Federal Aviation Administration (FAA); Joy White, Senior Executive Service Director of Contracting, Space and Missile Systems Center, Los Angeles Air Force Base, California.

Gary asked each panelist to introduce themselves and speak to the topic of the impact of uncertainty in government contracting.

Bouchard: Uncertainty is the enemy of Program Managers. Affordability is important. Team work and up front coordination is important.

Kasting: The focus is on how to put together a business plan that I can execute. A plan has to be put together for corporate leadership. A lot of money is wasted as a result of government delays. The delays put a lot of pressure on industry. So how do we get more with less? We have to work with our government counterparts. Also, a change in contract types (to FFP) forces changes in how aggressively we as industry have to manage change. Industry invests heavily in programs in the development phase in anticipation of a return in the production phase. But now that government wants data rights and to compete production phases the investment has to be heavily considered.

Ricci: Uncertainty is costly. Now industry pays for PBPs. Now we negotiate twice - the contract and then the PBPs. Uncertainty in initiatives, lack of guidance are issues. Even worse than uncertainty is surprises. A lot of the interim rules were surprises. The OFPP Director stepped down and referenced abuse of the interim rules. Interestingly, DCAA and DCMA don't have to follow their own rules.

Dr. Rovinsky: We tend to think of these kind of issues as a system problem. There are two kinds of risk - the kind you can't control and the kind you can control. In the book, *If We Can Put a Man on the Moon: Getting Big Things Done in Government* (Eggers and O'Leary), they discuss: attention to risk, and breaking through silos. We tend to put up silos between acquisition and program management and oversight. This dilutes accountability and efficiency. Contractors have to help make government smarter. DOE and DHS are beginning to bring acquisition and program management together. The FAA has worked out labor issues which is good news. The FAA has freedom from the FAR, so things go much faster.

White: The Air Force focus is to keep things moving and keep them moving forward. So many haven't learned the basics of managing to a tight baseline. Some direction is no shoulder to shoulder contracting. Interns don't have the seasoning to use the FAR only. Everyone is motivated to achieve the mission.

There is a move from cost reimbursable contracts to Firm Fixed Price. You have to talk to the contractor and look for ways to reduce. For example: how many people really need to come to a program review? What about the length of the proposal -5, 6, 9 months? We really need to work together to reduce this. Many RFPs have to go up through Senior leadership review and to OSD.

Question from Gary Bliss: *What about the decline in the investment budget? What does that do? How do we do that? Do we cut across the board, or do we cut specific programs?*

Bouchard: Obviously peanut butter cuts don't help anyone. You have to look across the portfolio and cut duplicates and make hard decisions. We have to try to reduce the non-value added effort.

Kasting: We have to continue to execute flawlessly because a wounded program is a killed program. Our investment decisions are also on hold while we wait to see where the government goes. Peanut butter cuts just push problems down the road. The government needs to look at duplicate programs.

Ricci: Any decision is better than none.

Dr. Rovinsky: Government has a problem with cost-benefit ratios. We need to identify where the break point is where a program is cut too much to even add value. Reprogramming is expensive and the cost is hidden.

White: With looming cuts, the speed with which we have to move to FFP negotiations is critical to do quickly to save programs.

Question: *What about depots? Is there any opportunity there?*

Bouchard: It is important for the government to recognize the cost of depot. We need to look at other depots. I highly encourage PBLs. Different approaches apply for different platforms.

Question: As we move to FPIF contracts, we have to define requirements up front, faster or we will overrun.

White: That is a tough area, it's an educational process. We have to recognize that changes are more costly. I encourage industry to ask questions on industry days for proposals.

Bouchard: Government reduction of requirements makes a big difference. Partnering workshops have helped. On a recent program, Boeing sat down and went through requirement by requirement and talked about what they were looking for. It's easier to have creep on small programs with less senior leadership oversight. The creep is more of an interpretation creep.

Kasting: Proposals will be more detailed - the government will have to do a more detailed job of reviewing proposals.

The panel was thanked.

Gary Humphreys announced that Joe Kusick had won the Howard Cork award and thanked Joe for all his hard work with NDIA.

Gary Bliss, PARCA Director

See Presentation Slides for details.

Mr. Bliss discussed how DoD programs fail from a root cause perspective, on the government side: 1) Establishment of poor cost/schedule budgets. 2) Management of programs on open loop control. 3) Poor systems engineering. The government gets cost/schedule estimates wrong because of bad program assumptions about how the program will execute. Mr. Bliss indicated that changes are to come in EVM emphasis and systems engineering.

Gordon Kranz, Deputy Director of PARCA, Responsible for EVMS Policy for PARCA and Director of Government IPT for EVMS.

See Presentation Slides for details.

Mr. Kranz indicated that we need to come better prepared. Execution of EV doesn't mean you have to define the whole five year program - it's a discovery process. In regards to the Intent Guide, PARCA legal is advising different behavior. PARCA will be performing EVM data requirements review at the RFP stage. They are starting this on a case by case basis now. Mr. Kranz reviewed the PARCA competency model. He discussed Subcontractor data going through prime contractor in the Central Repository. Mr. Kranz discussed Mil Std 881-C and who owns it. PARCA is working with CAPE, but 881-C should not be driven

by the financial community and the WBS cannot be distorted to accommodate reporting. Systems engineering owns the WBS.

Nadim Kneizeh, DCMA Headquarters EVMS Update

Mr. Kneizeh reviewed the DCMA organization structure with a focus on the Engineering & Analysis Executive Directorate (EA) led by Mr. John Cuddy. He focused on the EVM portion of this directorate which includes policy, training, and tools. Mr. Kneizeh indicated that the new Standard Surveillance Instruction (SSI) had been signed by Charlie Williams and will likely go into effect in September of this year. A few of the changes include the move from monthly to quarterly surveillance and addressing the 32 Guidelines in three years instead of one year, with a focus on the 16 critical guidelines. Additional templates and checklists are included. Mr. Kneizeh also addressed the Compliance Review Instruction updates and noted planned updates to the Earned Value Management Implementation Guide (EVMIG). He noted that the document will be divided with PARCA sections and DCMA sections. He reviewed the Program Analysis Handbook and the EVM Specialist Certification Program. Mr. Kneizeh's slides are available on the website.

David Kester, DCMA EVM Center and EVMOD Update

Mr. Kester noted that General Order FY12-06 transfers EVMS compliance responsibilities to Operations. He reviewed the Mission and Vision for Operations. He discussed the updated structure for Operations, dissolving the EV Center and moving to a Geographical Hub Alignment structure. Mr. Kester emphasized the minimum allowable EVMS success conditions and provided key tips for success. Mr. Kester reviewed the DFARS EVMS responsibilities and discussed the Business Systems Rule and the 16 high risk EVMS guidelines. He provided guidelines for Business System Rule enforcement timeframes. Mr. Kester discussed deficiencies and the impact and addressed determination of non-compliance. Mr. Kester wrapped up by reviewing plans for 2012 including staffing and continued definition and refinement of methods and processes. He discussed reciprocity and development of a smarter compliance process. Mr. Kester provided a draft chart listing the reviews scheduled for 2012. Mr. Kester's slides are available on the website.

Neil Albert, PMSC Survey Update

Mr. Albert presented a summary of the PMSC survey results related to government and industry attendee responses. Survey results included general agreement with PMSC meeting frequency, location and attendees. The PMSC has implemented some of the commonly requested changes such as panel discussions at the meetings. Mr. Albert's slides are available on the website for detailed results.

Ken Poole, NASA Update

Mr. Poole provided an update on EVMS activities at NASA. He reviewed responsibilities and focal points. He addressed the updates to policy including requirement for compliance with ANSI/EIA 748 and the introduction of the concept of Unallocated Future Expense (UFE). Mr. Poole reviewed the requirement to ensure that EVM metrics (CPI and SPI) do not influence award fee. He reviewed NASA's plans for developing EVM Capability. Mr. Poole concluded with top five lessons learned. Slides are posted on the website for additional detail and information.

Dr. Robert Rovinsky, Director of IT for the FAA, CAIWG Update

Dr. Rovinsky provided an update on FAA activities and indicated that Ms. Matoka Forbes is the new EV focal. Dr. Rovinsky also provided a CAIWG update. He reviewed the organizations that the CAIWG is working with including Department of Homeland Security (DHS), Department of Energy (DOE), Federal Aviation Administration (FAA) and NASA. Dr. Rovinsky reviewed key accomplishments including certification of DOE contractors and the continued development of EVM maturity and training. Dr. Rovinsky's slides are posted on the website for additional information.

David Melton, Missile Defense Agency

Mr. Melton provided an update on MDA EVM activities. He reviewed the MDA Director's emphasis on EVM, including the use of regular IBRs and PM responsibility for EVM. Mr. Melton discussed current MDA events including improved training, Central Repository initiatives, and improved processes. Mr. Melton introduced a discussion topic on the possibility of authorizing the equivalent of an Over Target Baseline

(OTB) for underruns, thus freeing up budget for additional tasks. See Mr. Melton's MDA Presentation Slides for additional information.

Shannon House, USAF EVM Update

Ms. House provided an update on USAF EVM activities. Highlights include the creation of a "150" level course related to what people need to know to do their jobs, and the acquisition of the scheduling function. See Ms. House's USAF Presentation Slides on the website for details.

Laura Mraz, US Army

Ms. Mraz provided an update on EVM activities for the Army. Army is reinvigorating EVMS processes. They have a long way to go. Her discussion focused on getting back to the basics of contracting, scheduling and budgeting.

Joe Houser, Test and Evaluation Guidance

Mr. Houser provided information related to the October 2011 release of the Incorporating Test and Evaluation into DoD Acquisition Contracts Guide. He reviewed the references to EVM in the Guide and proposed the establishment of a working group to ensure coordination. See Mr. Houser's slide presentation on the website for additional details.

Working Group Outbriefs: The Working Group Out Brief Summary Slides are available on the PMSC website.

Bill Altman – PM Outreach Working Group

See Presentation Slides

Nick Pisano – Contracts Working Group

See Presentation Slides

In need of Government representation – contact Nick if you are interested.

Kathryn Flannigan – Clearinghouse Working Group

See Presentation Slides

Earned Value for Production Working Group

A white paper was published and the group will continue to determine next steps related to EVM guidance for production efforts.

Wrap up for the day – Joe Kusick

Joe thanked Boeing for hosting and thanked the Government attendees for their strong presence and participation. He thanked the Board of Directors as well.

The Next PMSC meeting is planned for May 8-9, 2012 in the Washington, DC area. Details will follow.