



# **NDIA PMSC Update**

## **14 August 2012**

***Tracie Thompson***

## **Christopher Nicholson**

**January 31, 1949 - June 30, 2012**

Christopher Neil Nicholson passed away suddenly at the age of 63 on June 30th, 2012. Chris was born to Jerry Robert Nicholson and Wanda June Nicholson on January 31st, 1949 in Mindenmines, Missouri. Chris graduated from Southwest Missouri with a Bachelor of Fine Arts in Communications. He came to the Los Angeles area to pursue his talents and happily resided in the area for over 35 years. Chris retired early after 22 years with Northrop Grumman where he worked as a Project Manager in various departments such as Mission Tactical Systems and Boeing Satellite Systems. Chris did continue working after Northrop and his last position was with Raytheon Space and Airborne Systems for 2 years as an EVMS Manager. Chris was also an actor and an active member in AFTRA-SAG for many years.

- 2012 PMSC Objectives Review
- Working Group Review
- Current Environment – Highlight of Special Interest Areas
  - IPMR DID, Guide
  - Business Systems Rule
  - Collaboration Workshop Update
  - Stop Work Issues
  - CAS Harmonization Issues
- Customer Expectations
- Summary

# NDIA PMSC Objectives

- Continue to enhance the forum for building strong Government and Industry working relationships to promote and communicate Integrated Program Management processes, to fully achieve Industry Ownership and to provide management value for both Industry and Government, including the civilian agencies now implementing the EVMS as required by the Office of Management & Budget (OMB) – [Collaboration Meetings, CAIWG](#)
- Sponsor the use of Earned Value Management Systems as an integration tool for visibility into technical, schedule, cost and risk and opportunity management progress for the mutual benefit of Industry and Government, in both Government and Commercial environments – [Conferences, Government Meetings](#)
- Support maintenance of the ANSI/EIA Standard-748, Earned Value Management Systems, (current version), the PMSC Guides, and PMSC Agreements as common references for management, suitable for all projects and programs in both Government and Industry - [748-C Update in process, other updates as required](#)

## NDIA PMSC Objectives cont.

- Continue to work with Industry and Government as the Industry Subject Matter Expert (SME) for the implementation and use of EVM and for interpretation of the ANSI/EIA Standard-748 (current version) and its intent – [PARCA – IPMR DID, Business Systems DFARS](#)
- Participate with International counterparts, as opportunities permit, to jointly move toward common EVMS standards (including ANSI/EIA 748) to the extent practical – [Japanese Initiatives](#)
- Broaden the focus and membership of the PMSC to influence acquisition policy and share Program Management best practices among program management professionals – [PM Outreach Working Group Initiatives, CAIWG](#)
- Current areas of process focus include but are not limited to: Integrated Program Planning and Scheduling, Risk and Opportunity Management, Baseline Stability, Predictive Metrics, EVMS and Production Planning, Civilian Agency and Industry Working Group for EVMS applications and implementations, and Clearinghouse Activities

# PMSC Working Groups

Working Group	Lead	Comments
Civilian Agency Industry Working Group (CAIWG)	Jerald Kerby	Leader Change
Clearinghouse	Kathryn Flanigan, Bev Solomon	In addition to formal issues, this forum allows industry members to discuss concerns and best practices
Contracts	Nick Pisano	Various issues including Stop Work orders, Business Systems Rule impact on PBPs; CAS Harmonization

# PMSC Working Groups, continued

Working Group	Lead	Comments
Guides	Dan Butler, Joan Ugljesa	ANSI Update, Intent Guide Update, IBR Guide Update in 2013
Planning And Scheduling	Carla Guilhuys/ Yancy Qualls	NEW! This group will maintain the PASEG, and comment on Schedule related documents; Charter to be developed
Production	Scott Gring	Actively reviewing and responding to DCMA questions related to EVM in a Production environment

# PMSC Working Groups, continued

<b>Working Group</b>	<b>Lead</b>	<b>Comments</b>
Program Management Outreach	Bill Altman	Working to obtain PDUs for PMSC meetings; Linked in Site with 200 members; new member outreach
Risk and Opportunity	John Driessnack	Developing guidance on risk and opportunity management
XML Working Group	Joan Ugljesa	Recent activity related to IPMR DID



# Current Environment – IPMR DID, Guide

- The Integrated Program Management Report (IPMR) Data Item Description has been released and is on the PARCA website
  - Combines the Contract Performance Report (CPR) and the Integrated Master Schedule (IMS)
  - Industry worked extensively with PARCA to provide comments, many of which were accepted
- IPMR Implementation Guide has been released by PARCA for comment
  - Concern related to need for Guide (DID should be comprehensive)
  - Concern related to schedule margin guidance
  - PMSC will coordinate comments (although individual companies are free to comment as well)
  - Gordon Kranz of PARCA will discuss the IPMR on Wednesday, 8/15

# Current Environment – Business Systems Rule

- Final business systems DFAR Rule released - identifies 6 business systems, including EVMS
  - DCMA is now implementing an “automatic” Deficiency Report tool that is based on perceptions of data integrity
  - Industry on April 19th has requested from DCMA the capability to utilize this tool and understand the check points – **DCMA is still working this**
  - Tool is being used to substantiate “significant deficiencies” that trigger EVMS System Disapproval and progress payment and other financing withholds
  - Questions remain from industry as to “materiality” of findings
  - Current Environment is heavily focused on data integrity, tool integration and compliance to strict interpretation of the EVMS guidelines
  - PMSC Continues to question inconsistencies in implementation

# Current Environment – Collaboration Workshops – August 2, 2012

- DCMA continues to participate with Industry in Collaboration Sessions, hosted by Lockheed Martin
  - Focus is on understanding each others missions and expectations
- Morning Session: Industry/DCMA
  - Business System Rule Discussions continued
    - CAP Submittal and acceptance reduces withhold, but still defining what acceptance looks like
  - Discussion on reviews – should be seeing DRs real time
  - Engineering and Analysis Directorate – kicked off a Black Belt/Lean Supply Chain Predictability Project. Every Corporate Council DCMA meets with is doing this as well
- Afternoon Session included DCAA
  - DCAA would like to see better contractor coordination in providing data for audits
  - Recommend industry develop Point of Contact list for escalation
  - DCAA currently using DAU training

# Current Environment - Stop Work Order (SWO)

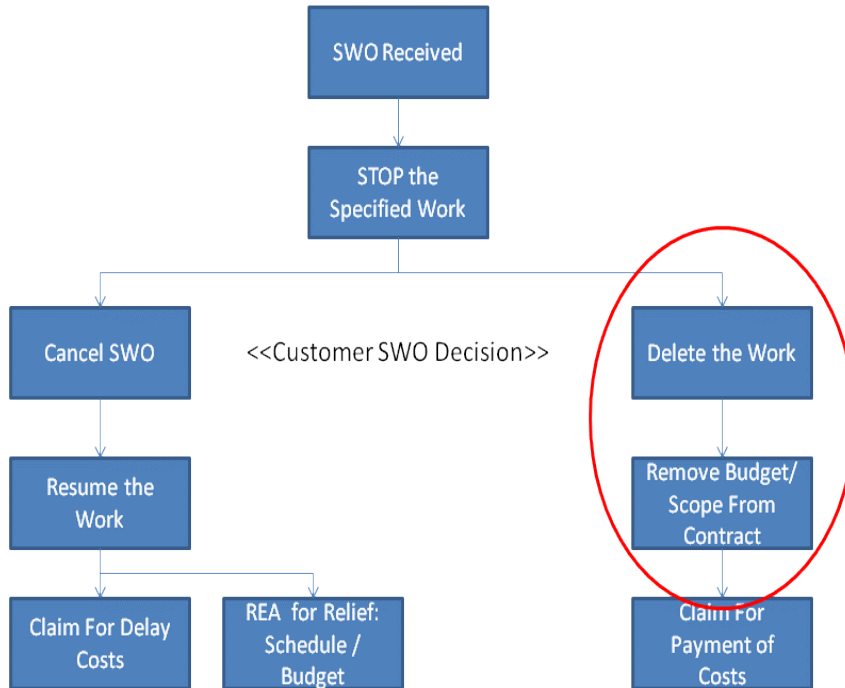
## ● Problem Statement

- Cost Type Contracts Not Always Properly Reflecting the Impact of a SWO on the Contract Target Cost (CTC) and resultant basis for Fee calculations
- There are no issues with Actual costs and associated payments calculations
- Tendency Is To Remove Actual Costs (or even Remaining Estimate) From the CTC Value Instead of Budgeted Values

## ● Background

- Genesis: We Contract for Original Budget Units (e.g.: “A Program for Five Aircraft”)
  - Problems Occur - the First 2 Aircraft overrun cost significantly with a forecast for even more significant total cost overrun at completion
- Stop Work/ Delete Work Should ALSO be at the Original Budget Units (Each Original Budget Unit [Aircraft] Budgeted at \$ XM)
  - Should Remove 3 times \$ XM for the SWO on the 3 Remaining Aircraft
  - Attempting to Remove Actuals (\$ XM PLUS \$ YM) or Remaining Estimate (\$ YM) would make the resultant CTC Go Negative

# Current Environment - SWO Tree Diagram



- Focus on the Delete Work Decision
- Delete Remaining Original Budget Units
- Program Actual Costs and SWO Costs Handled Via Claims Process
  - No Issue on Claims (This Is Covered In FAR)

# Stop/ Delete Work Order (SWO) Summary

## Keep Apples With Apples and Oranges with Oranges

1. When Adjusting the Contract Value, Use the Original Budgeted Units
2. When Processing Claims For Payments, Use The Actual Costs Incurred (includes Termination Costs) Again---There are no issues with Actual costs and associated payments calculations.
3. Action—Create clarifying language for contracting officers

# Current Environment – CAS Harmonization

- Government direction to update CAS Disclosures as related to treatment of pension costs affects Forward Pricing Rates
  - EACs updated
  - Internal profitability impacts calculated
  - Issue – how to handle in terms of budget

More Detailed Slides/Information to be provided by David Ricci. Will be referred to the Procurement Committee of NDIA.

# Customer Expectations

- DCMA Operations message focuses on Data Integrity
- DCMA Question to Industry: Think about how you can use technology to reduce cost.
  - Are you investing in technology/tools for EVMS?
  - How do you know you're being effective?





# Summary

- The PMSC Working Groups are active and producing value added feedback to government and industry
- The PMSC is actively influencing policy
- The PMSC is working collaboratively with government to help ensure effective implementation of EVM - Industry and Government will have to leverage off of each of our best practices
- Focus must be maintained on working through issues which affect the execution of our programs and maintain the compliance and acceptance of our program management systems
- NDIA PMSC remains the repository of corporate knowledge on the proper use, guidance and implementation of EVMS as an effective program management tool.