

PRIME/SUBCONTRACT MANAGEMENT WORKING GROUP

PANEL DISCUSSION:

**HANDLING & REPORTING SUBCONTRACT MANAGEMENT
RESERVE (MR)**

- **Subcontract MR survey results**
- **Prime/Subcontract requirements & relationship**
- **Industry Q&A**

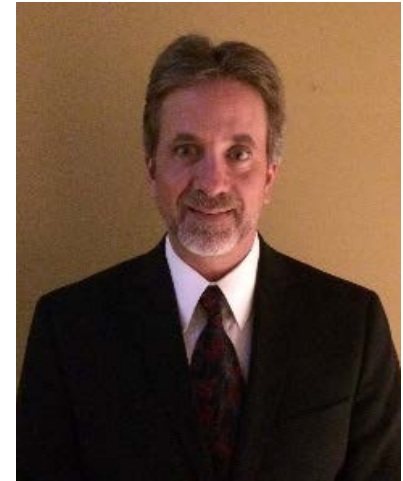
Panel: Gary Humphreys

- **Gary Humphreys has provided assistance in all phases of project management to over 800 clients in North America, Australia and Europe. Years of project management experience in government and commercial environments specializing in Earned Value Management System (EVMS) design, development, and implementation. Because an average of approximately 70% of Prime contractor work is subcontracted the topics of this panel are challenges he has faced many times.**



Panel: Dan Bellovary

- **Dan works for Rolls-Royce Corporation as an Earned Value Manager where his primary role is to keep his defense programs compliant with the 32 guidelines. In 2015, he helped lead his company to a successful DCMA Implementation Review which led to an approved and validated Earned Value Management System. Today, Dan manages a team of earned value analysts and he performs internal system surveillance reviews, CAM training as well as mock interviews to prepare CAMs for IBRs and DCMA surveillance reviews. In the past, Dan worked as an earned value analyst and a CAM as a subcontractor on a major development and LRIP contracts.**



Panel: Pam Cleavenger

- **Pam has many years of experience executing Earned Value for Ball Aerospace. Most of her experience comes from being a subcontractor to major primes although there have been several instances of Ball executing as the Prime. She has experience with both the government and industry partners. Her current role includes: Managing EVMS compliance across all EVM programs, providing all internal EVM training to include a CAM Certification program and is the lead for all JSR/IBR activity as well.**



Panel: Tej Sujlana

- **Tej has experience working for several defense contractors both in a prime and subcontractor role. He has extensive experience in EVMS and leading a team of EVM analysts. He has supported a company EV team that led to a successful DCMA and IC validation. He's also provided EVMS and IBR training to company personnel as well as subcontractors. His current role includes managing analysts across the southern region for General Dynamics Mission Systems.**



Subcontract MR Survey Background & Purpose **NDIA**

- **Background:**

The NDIA Integrated Program Management Division, Clearinghouse Working Group was asked by industry to address the handling and reporting of subcontract management reserve (MR).

- **Purpose:**

Provide recommendations for compliant methods in handling and reporting subcontract MR.

Subcontract MR survey results

- Thirty-nine (39) responses were received.
- Pattern emerged of two (2) primary methods, with reporting variations
 - 1) Subcontract MR in Prime's Performance Measurement Baseline (PMB)
 - 2) Subcontract MR in Prime's Management Reserve (MR), reported in Format 5
- However, both PMB and MR method had mixed results relative to Government assessments
 - Six of 39 responses indicated the Government had an issue with subcontract MR being included in Prime PMB
 - One of 39 responses indicated the Government had an issue with subcontract MR being reported in the Prime MR and explained in IPMR Format 5.
 - Both common approaches resulted in a Corrective Action Request (CAR) being issued – from over five years ago.
- Panel Discussion and engagement with Government will hopefully allow suppliers to select method best suited to their management styles
 - Survey indicative that could be an interpretation issue, more than an execution issue

Method Compare/Contrast:

	Description	Benefits	Potential Issues	Guideline(s) or Requirement Impact
1	Sub's MR is included in Prime's PMB as a planning package.	Allows the entire Sub value to easily align/reconcile to Prime's PMB.	Highest compliance risk. 10-15% response that is a customer or DCMA issue. MR has no scope, not time-phased, cannot claim performance.	G/L 10 – PP indicates work scope... so what is the scope? G/L 14 – MR doesn't have work scope...
2	Sub's MR included in Prime's MR value but not explained in Prime IPMR Format 5.	Provides traceability between Sub and Prime in Prime's Program Log. Minimizes risk of non-compliance. 3-5% response that is a customer or DCMA issue.	Does not provide customer with insight or understanding of this aspect of Prime/Sub relationship.	IPMR DID requires MR value be explained in Format 5 (DID section 3.6.1).
3	Sub's MR is included in Prime's MR value and is segregated and explained in the Prime Contractor's IPMR Format 5.	Low risk of non-compliance. Full awareness of MR for total program.	Requires extra tracking to ensure traceability in IPMR and Program Log(s). Subs can provide MR log to Primes. Risk Prime thinks they can control Subs use of MR.	IPMR DID requires MR value be explained in Format 5 (DID section 3.6.1).

NOTE: MUST follow company EVM System Description document. Consult company EVMS point of contact with issues.

Subcontract MR survey results

Several key responses listed below:

- “EIA 748 clearly states that MR is not part of the PMB. By its nature, it is not defined work. Some customers are wanting to see Sub MR reported as part of the baseline to reconcile to their total sub cost.”
- “The contract and/or subcontract SOW and IPMR CDRL can dictate how the customer would like to integrate the MR. EIA-748 should not dictate or be prescriptive in the handling of the Subcontractors MR.”

Note: All the survey responses are attached – see backup slides.

Recommendations:

As a result of the input from industry partners, the NDIA Integrated Program Management Division, Prime/Subcontract Management Working Group recommends two actions:

- 1) If Earned Value Management System Description document includes specific detail on how to establish Sub's MR, then follow that process for all applicable contracts
- 2) If Earned Value Management System Description document does not include specific details, program can select method best suited to nature of work and in a manner compliant with policies, procedures and other areas of System Description. Document selected process (e.g. Program Directive).

The company EVM System Description document should identify approaches to handling and reporting subcontract Management Reserve (MR) and company EVMS subject matter experts (SMEs) should provide guidance.

You can consult your DCMA EVMS point of contact with questions... but remember your customer.

These recommendation will:

- Give Prime flexibility to determine the best method for each specific contract and avoid a "one size fits all" requirement for handling and reporting subcontract MR.
- Opportunity to address potential issues with the Government/customer in the early stages of executing a contract.

Prime/Subcontract Management



- **What should be considered when entering into a Prime/Sub relationship? Both as the Prime and Subcontractor?**

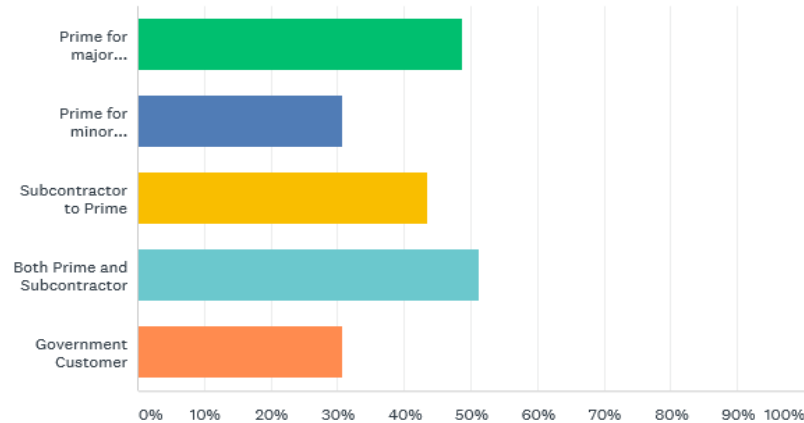
BACKUP

Q1

Customize Export

What describes your company? (select all that apply)

Answered: 39 Skipped: 6



ANSWER CHOICES	RESPONSES
Prime for major subcontracts (subcontracts \$20M and over)	48.72% 19
Prime for minor subcontracts (subcontracts less than \$20M)	30.77% 12
Subcontractor to Prime	43.59% 17
Both Prime and Subcontractor	51.28% 20
Government Customer	30.77% 12
Total Respondents: 39	

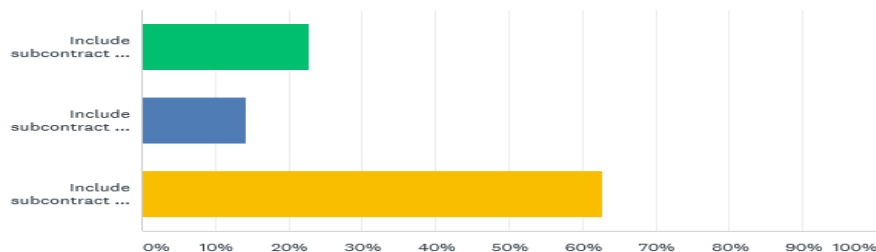
Comments (6)

Q2

Customize Export

What is your preferred method for handling and reporting subcontract Management Reserve (MR)?

Answered: 35 Skipped: 10



ANSWER CHOICES	RESPONSES
▼ Include subcontract MR in Prime Performance Measure Baseline (PMB) as a planning package.	22.86% 8
▼ Include subcontract MR in Prime MR.	14.29% 5
▼ Include subcontract MR in Prime MR and show breakout of MR in IPMR Format 5.	62.86% 22
TOTAL	35

[Comments \(11\)](#)

Showing 11 responses

Subcontractors MR is included on subcontractors CPR

12/6/2017 2:32 PM

[View respondent's answers](#)

As a Gov't analyst I have only observe the Sub. MR is part of the Prime PMB at many contracts

12/1/2017 5:57 PM

[View respondent's answers](#)

Include subcontract MR in PMB

11/28/2017 8:45 AM

[View respondent's answers](#)

Include subcontract MR in PMB

11/27/2017 4:54 PM

[View respondent's answers](#)

Include subcontract MR in total cost to Prime

11/27/2017 11:27 AM

[View respondent's answers](#)

Subcontractor to hold and manage its own MR

We do not have subcontractor MR

11/21/2017 3:32 PM

[View respondent's answers](#)

Our SD allows various methods for showing subcontractor MR in our IPMR report. I checked the one that we use most frequently. We allow the programs to decide which approach is best for their program based on the known situation.

11/21/2017 2:17 PM

[View respondent's answers](#)

We've done both 1 and 2 above, but I don't believe we've done #3.

11/21/2017 11:18 AM

[View respondent's answers](#)

incuded in subcontractor PMB

11/21/2017 10:32 AM

[View respondent's answers](#)

3rd bullet - where necessary

11/21/2017 10:16 AM

[View respondent's answers](#)

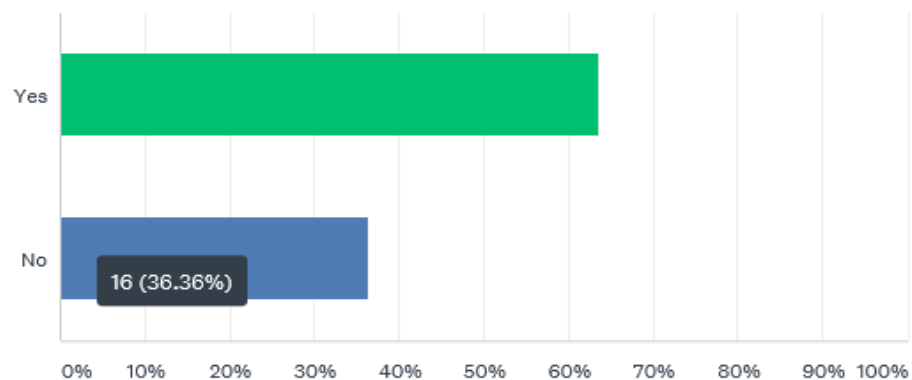
Q3

Customize

Export

Does your company EVM System Description document or other EVM Command Media address how subcontract MR is to be managed and reported?

Answered: 44 Skipped: 1



ANSWER CHOICES	RESPONSES	
▼ Yes	63.64%	28
▼ No	36.36%	16
TOTAL		44

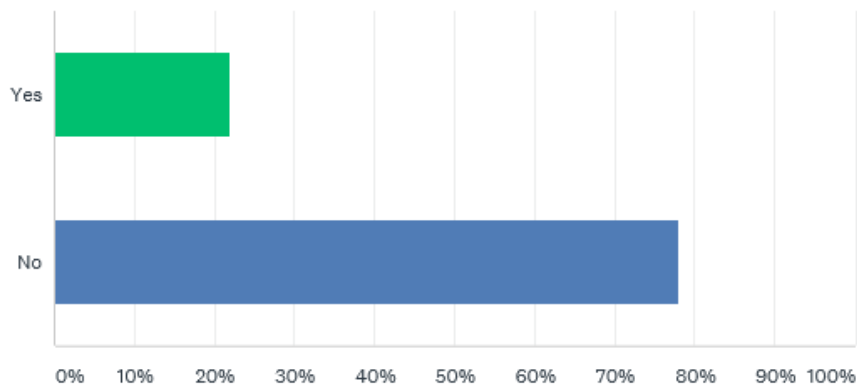
Q4

Customize

Export ▼

Do you think there is an EIA-748 guideline(s) compliance issue with handling and reporting subcontract MR?

Answered: 41 Skipped: 4



ANSWER CHOICES	RESPONSES
▼ Yes	21.95% 9
▼ No	78.05% 32
TOTAL	41

[Comments \(14\)](#)

Showing 14 responses

Gl 14; DCMA continues to issue CARs for handling of subcontractor MR whether it is in the Prime's MR or in the Prime's PMB. Received CARs for both approaches.

12/4/2017 2:19 PM

[View respondent's answers](#)

Limited guidance that is subject to interpretation by industry and DCMA

12/4/2017 8:44 AM

[View respondent's answers](#)

EIA 748 clearly states that MR isn't part of the PMB. By its nature, it is not defined work. Some customers are wanting to see Sub MR reported as part of the baseline to reconcile to their total sub cost.

11/29/2017 8:56 AM

[View respondent's answers](#)

Intent 2i doesn't even bring it into discussion.

11/28/2017 7:17 PM

[View respondent's answers](#)

It does not specify how a company should handle it so it is left to each company to decide.

11/27/2017 12:20 PM

[View respondent's answers](#)

I think EIA-748 is specific on MR regardless if it is handled by a subcontractor. The issue is reporting is so the customer can understand all MR.

11/27/2017 8:48 AM

[View respondent's answers](#)

If directed to include in prime's PMB where there is NO scope of work for that budget

11/22/2017 10:48 AM

[View respondent's answers](#)

GL 14 requires MR and UB to be separately identified and controlled. A FFPC is not required to identify their level of MR included in their price. Not a compliance issue.

11/21/2017 5:28 PM

[View respondent's answers](#)

Adequate options.

11/21/2017 2:31 PM

[View respondent's answers](#)

The contract and/or subcontract SOW and IPMR CDRL can dictate how the customer would like to integrate the MR. EIA-748 should not dictate or be prescriptive in the handling of the Subcontractors MR.

No specific discussion of subcontractor MR only that the subcontract plan must tie to prime plan

11/21/2017 1:01 PM

[View respondent's answers](#)

Guideline 14 doesn't provide enough guidance. It talks about traceability, but doesn't go far enough

11/21/2017 11:18 AM

[View respondent's answers](#)

The EIA-748 seems to be vague about the subcontract MR.

11/21/2017 10:32 AM

[View respondent's answers](#)

The guidelines are generic enough. It is an interpretation issue and NDIA can best address the issue in the Intent Guide, which would hopefully inform the PARCA Interpretive Guide.

11/21/2017 10:24 AM

[View respondent's answers](#)

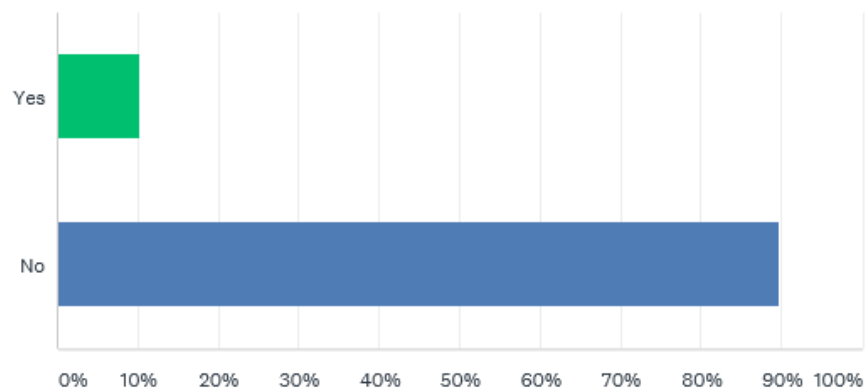
Q5

Customize

Export ▼

If subcontract MR is included in the Prime PMB, has the government customer raised an issue with this approach?

Answered: 39 Skipped: 6



ANSWER CHOICES	RESPONSES	
▼ Yes	10.26%	4
▼ No	89.74%	35
TOTAL		39

[Comments \(11\)](#)

Showing 11 responses

we don't include it that way

12/7/2017 3:23 PM

[View respondent's answers](#)

Not applicable

12/6/2017 2:32 PM

[View respondent's answers](#)

Yes, customer ended up demanding a Review for Cause

12/4/2017 2:19 PM

[View respondent's answers](#)

As a Gov't analyst I have always exepcted that Sub 's MR is part of the Prime PMB

12/1/2017 5:57 PM

[View respondent's answers](#)

Some have, some have not

11/29/2017 8:56 AM

[View respondent's answers](#)

Never had the situation. As long the contractor's processes are clear and visible. I'm not sure this would an issue.

No known raised issues

11/28/2017 8:45 AM

[View respondent's answers](#)

A program had subcontract MR in the PMB, which wasn't the issue. The issue was the program claimed performance (ie, BCWP) on subcontract MR.

11/27/2017 8:48 AM

[View respondent's answers](#)

yes...what is the scope associated with it

11/22/2017 10:48 AM

[View respondent's answers](#)

Speaking from the government contractor perspective, sometimes, depending on whether the sub MR is actually PMB or whether the MR has is essentially been flowed down to the sub.

11/22/2017 7:25 AM

[View respondent's answers](#)

Issue no - request for clarification/more information - yes

11/21/2017 10:16 AM

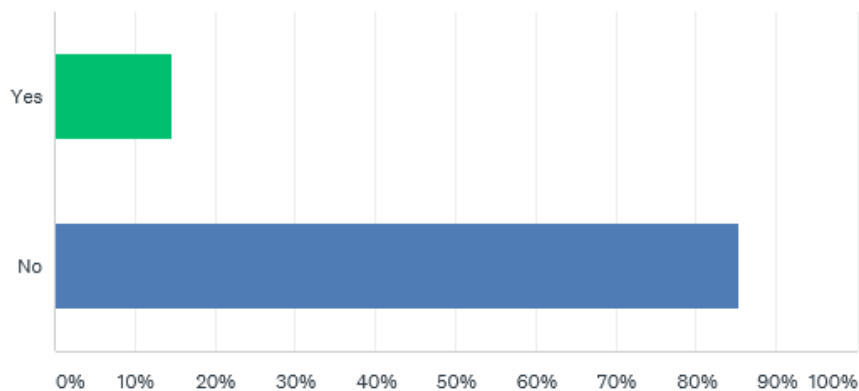
[View respondent's answers](#)

Q6

Customize Export

If subcontract MR is included in the Prime PMB, has there been an issue raised by DCMA?

Answered: 41 Skipped: 4



ANSWER CHOICES	RESPONSES
Yes	14.63% 6
No	85.37% 35
TOTAL	41

[Comments \(13\)](#)

Showing 13 responses

<p>we don't include it that way</p> <p>12/7/2017 3:23 PM</p>	<p>View respondent's answers</p>
<p>Subcontractor - do not know if issues have been raised</p> <p>12/6/2017 2:32 PM</p>	<p>View respondent's answers</p>
<p>Yes, received a CAR</p> <p>12/4/2017 2:19 PM</p>	<p>View respondent's answers</p>
<p>DCMA interpretations/guidance vary</p> <p>12/4/2017 8:44 AM</p>	<p>View respondent's answers</p>
<p>In my experiance DCMA ha no issue with Sub's MR be a part of the Prime PMB</p> <p>12/1/2017 5:57 PM</p>	<p>View respondent's answers</p>
<p>Some have. some have not</p>	
<p>Not sure.</p> <p>11/28/2017 7:17 PM</p>	<p>View respondent's answers</p>
<p>No known raised issues</p> <p>11/28/2017 8:45 AM</p>	<p>View respondent's answers</p>
<p>Yea not applicable as I am on a DOE Contract</p> <p>11/27/2017 2:46 PM</p>	<p>View respondent's answers</p>
<p>Same as in Question 5 - A program had subcontract MR in the PMB, which wasn't the issue. The issue was the program claimed performance (ie, BCWP) on subcontract MR, and DCMA issued a CAR.</p> <p>11/27/2017 8:48 AM</p>	<p>View respondent's answers</p>
<p>Same as in the response to item 5 above.</p> <p>11/22/2017 7:25 AM</p>	<p>View respondent's answers</p>
<p>Not with DCMA so this is N/A for me</p> <p>11/21/2017 5:28 PM</p>	<p>View respondent's answers</p>
<p>Issue was raised, but an explanation seemed to satisfy the issue. No CAR or deficiency was identified</p> <p>11/21/2017 11:18 AM</p>	<p>View respondent's answers</p>

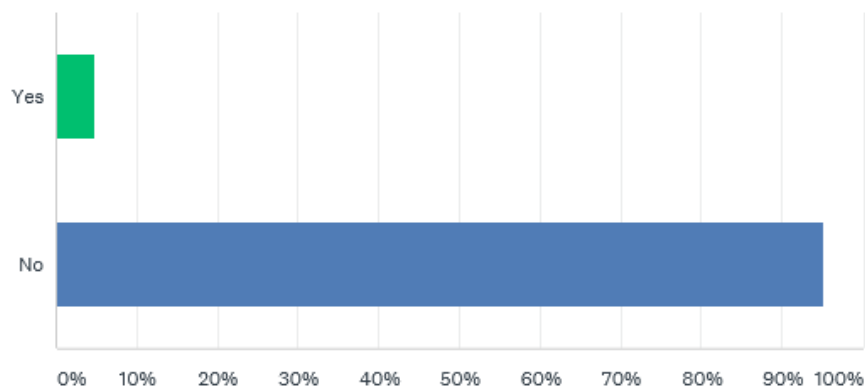
Q7

Customize

Export ▼

If subcontract MR is included in the Prime MR, has the government customer raised an issue with this approach?

Answered: 41 Skipped: 4



ANSWER CHOICES	RESPONSES
▼ Yes	4.88% 2
▼ No	95.12% 39
TOTAL	41

[Comments \(10\)](#)

we segregate it in Format 5	View respondent's answers
12/7/2017 3:23 PM	
Subcontractor - do not know if issues have been raised	View respondent's answers
12/6/2017 2:32 PM	
Yes, customer ended up demanding a Review for Cause	View respondent's answers
12/4/2017 2:19 PM	
N/A	View respondent's answers
12/4/2017 8:44 AM	
Some have, some have not. Same question as above?	View respondent's answers
11/29/2017 8:56 AM	
As long as it's reported within Format 5.	
NA	View respondent's answers
11/28/2017 8:45 AM	
rarely to they view the IPMR	View respondent's answers
11/22/2017 10:48 AM	
Not in the Prime MR.	View respondent's answers
11/21/2017 10:32 AM	
Only raised issue in the form of additional questions/information needed	View respondent's answers
11/21/2017 10:16 AM	

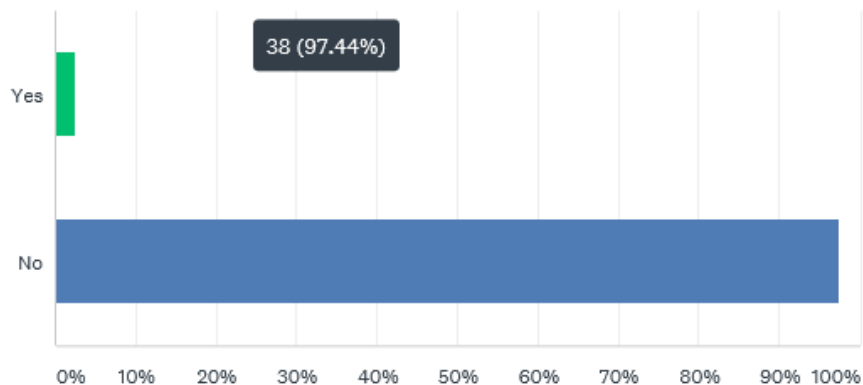
Q8

Customize

Export ▼

If subcontract MR is included in the Prime MR, has there been an issue raised by DCMA?

Answered: 39 Skipped: 6



ANSWER CHOICES	RESPONSES	
▼ Yes	2.56%	1
▼ No	97.44%	38
TOTAL		39

[Comments \(8\)](#)

Showing 8 responses

we segregate it in Format 5

12/7/2017 3:23 PM

[View respondent's answers](#)

Subcontractor - do not know if issues have been raised

12/6/2017 2:32 PM

[View respondent's answers](#)

Yes, a received CAR

12/4/2017 2:19 PM

[View respondent's answers](#)

DCMA interpretations/guidance vary

12/4/2017 8:44 AM

[View respondent's answers](#)

Some have, some have not. Same question as above?

11/29/2017 8:56 AM

[View respondent's answers](#)

Not sure.

NA

11/28/2017 8:45 AM

[View respondent's answers](#)

Not in the Prime MR.

11/21/2017 10:32 AM

[View respondent's answers](#)

Q9

Export ▼

If you could manage and report subcontract MR in the most effective manner, what would you do?

Answered: 31 Skipped: 14

Showing 31 responses

Follow guidelines - report subcontract MR in Format 5

12/6/2017 2:32 PM

[View respondent's answers](#)

Manage MR at the prime level - allocate it via contracts and manage distribution to an agreed WBS management control point accordingly.

12/6/2017 9:16 AM

[View respondent's answers](#)

Include subcontract 's MR in the Prime's MR as a line item in order to maintain traceability

12/4/2017 2:19 PM

[View respondent's answers](#)

In PMB, and if Prime is keeping aside additional MR, this should be transparent in Prime's MR reports (logs, etc.)

12/4/2017 8:44 AM

[View respondent's answers](#)

There is no issue to me if the Subs MR is part of the PMB of the Prime. However, subs MR shall be noted in the Prime reporting.

12/1/2017 5:57 PM

[View respondent's answers](#)

Include in Prime PMB, but provide breakout in /format 5

MR visibility within the sub IPMR is the best. If no sub IPMR, I believe the only option is addressing it with Format 5. At the end, we are all looking for a clean process that offers visibility.

11/28/2017 7:17 PM

[View respondent's answers](#)

E.The CPR/IPMR will be the document in which Subcontractor/IWTA reported Management Reserve (MR), UB, and Fee are included in Format 1. MR, UB and Fee should be time phased according to the Subcontractor's/IWTA's submittal in the same control account as the CPR/IPMR and contained in the Subcontractor/IWTA submitted data file to be loaded in the PPM Tool for inclusion into the prime contract's PMB. If the Subcontractor/IWTA CPR/IPMR is submitted without time phasing of MR and UB, they will be added to the PPM Tool in a lump sum at the end of the Subcontractor's/IWTA's contractual Period of Performance.

11/27/2017 4:54 PM

[View respondent's answers](#)

Continue to manage it with in our Risk and Opportunity Management Plan and through our MR. Continue to be fully transparent by addressing in both the MEAC Discussion, and the MR section of the IPMR Format 5

11/27/2017 2:46 PM

[View respondent's answers](#)

Include MR with prime MR and breakout the details in Format 5.

11/27/2017 12:20 PM

[View respondent's answers](#)

Let subcontractor manage their MR as part of the total cost to Prime.

11/27/2017 11:27 AM

[View respondent's answers](#)

All MR, including subcontract MR, should be reported on IPMR Format 1 with the breakout identified in Format 5. Would be good for industry to handle and report consistently.

11/27/2017 8:48 AM

[View respondent's answers](#)

earmarked as part of prime's MR

11/22/2017 10:48 AM

[View respondent's answers](#)

Property identify program level MR (not part of the PMB) and identify which proportion flows to the sub.

11/22/2017 7:25 AM

[View respondent's answers](#)

Separate log for each, Prime and subcontractors

11/21/2017 5:28 PM

[View respondent's answers](#)

Subcontractor reports on how they are managing MR.

11/21/2017 5:28 PM

[View respondent's answers](#)

Have it in prime MR, broken out

11/21/2017 4:05 PM

[View respondent's answers](#)

It would reside as a Planning Package within the established PMB.

11/21/2017 3:32 PM

[View respondent's answers](#)

Discuss in IPMR format 5 how it's done and the values. This way it's transparent. Don't think there should be a one size fits all solution / approach.

11/21/2017 2:31 PM

[View respondent's answers](#)

Exclude it from the Primes MR box. Put it into a separate stand-alone row on Format 1 below the FCCOM line.

11/21/2017 2:17 PM

[View respondent's answers](#)

Continue to break it out in the IPMR Format 5.

11/21/2017 1:42 PM

[View respondent's answers](#)

No change

11/21/2017 1:25 PM

[View respondent's answers](#)

Include it in the prime PMB

11/21/2017 1:01 PM

[View respondent's answers](#)

Both methodologies have pros and cons and since we've used both methodologies, depending on Program Manager decisions, I don't have a preference either way. Pros for having the subcontract MR in a PPKG in the Primes PMB include having the entire subcontract value in the PMB making reconciliation and Format 2 easier. Cons for having the subcontract MR in the Primes PMB include it not having specific scope tied to it in the PPKG and needing to make additional BCR changes for the PPKG when the subcontractor changes its PMB in order to reflect the correct time phasing of the overall subcontract in the Primes PMB. Pros for including the subcontract MR in the Primes MR include knowing what the overall MR picture is for the program as a whole and fewer BCR changes to the Primes PMB. Cons for having the subcontract MR in the Primes MR include the additional tracking necessary to hedge or fence the subcontract MR and track it, as well as the Primes Program Manager sometimes believing he has the right to tell the subcontractor what they can use their MR for. Also, if the MR is not tracked appropriately, there is the chance the Prime could issue subcontractor MR to the Prime causing discrepancies in the total Primes PMB to contract value.

11/21/2017 11:10 AM

[View respondent's answers](#)

1) Separate entry on IPMR or 2) Include in Prime's MR value

11/21/2017 10:57 AM

[View respondent's answers](#)

Include it as part of the cost of the Subcontract effort which is reported by the Subcontract IPMR.

11/21/2017 10:32 AM

[View respondent's answers](#)

Including subcontractor MR in the prime PMB doesn't work simply because it is budget that cannot be earned, and if the sub doesn't use it all, there will be a discrepancy where the sub reported BCWP at completion does not equal the prime's BAC for the subcontractor control account. I think this is an obvious problem for most EV experts to see, and a reason why this is such an issue. I may be oversimplifying this, but to me, subcontractor data should be a simple roll-up. The prime creates a planning package or SLPP with an estimate of the subcontractor's costs. Once the subcontract is issued and the sub completes the planning of their PMB, the prime converts the sub's planning package to a control account/work package and sets the BAC to the sub's BAC and places the sub's MR into the Prime's MR (segregating it in the budget log so the prime knows not to use it). Any difference between the sub's CBB and the original estimate can be reconciled with the prime's MR when the contract is awarded. From this point forward, everything is a simple roll-up. The sub should submit a budget log monthly along with the IPMR reports so that adjustments to the sub's MR can be reflected in the prime's reporting.

11/21/2017 10:24 AM

[View respondent's answers](#)

Bullet 3 from Q 2 Providing additional breakout information when/where necessary or as requested

11/21/2017 10:16 AM

[View respondent's answers](#)

Leave it as is.

11/21/2017 10:15 AM

[View respondent's answers](#)

have a separate line in the WBS Format 1 of IPMR

11/21/2017 10:14 AM

[View respondent's answers](#)

Include it in the Prime MR

11/21/2017 10:13 AM

[View respondent's answers](#)