

IPMD Clearinghouse Working Group Notes

May 2, 2018 IPMD Meeting

Key government and industry facilitators:

Joe Kusick, Gary Humphreys, Russ Rodewald (DCMA), Danielle Bemis (DCMA), Kevin Carney (DCMA), and John McGregor (PARCA).

Major Topics:

- Material price and usage variance definitions
- Clarification as to whether MRP/ERP level data was necessary in the IMS
- Harvesting underruns in closed LOE accounts
- Planning in one element of cost and consuming it in a different element of cost
- Stop Work Orders
- Quantifiable Backup Data
- IPMR and CPR Block 6 EAC reconciliation requirements, DID wording is unclear

Material Price and Usage Variance Definitions

Material price and usage variance definitions have been corrected in the February 2018 edition of the DoD Earned Value Management System Interpretation Guide (EVMSIG), however the Glossary did not get updated with the correct definition. John McGregor, the Deputy Director of PARCA who owns EVMS Policy, has agreed to correct the definition by June 15, 2018.

Clarification as to whether MRP/ERP level data is required in the IMS for material

PARCA clarified that MRP/ERP detail is not to be repeated in the IMS and the graphic in the EVMSIG that applies to guideline 6 will be updated by June 15, 2018 to show that MRP/ERP level detail is not to be recreated in the IMS.

Harvesting underruns in closed LOE accounts

Harvesting underruns is not to be done for closed control accounts per PARCA. PARCA requested industry to please contact them should industry be forced to do this by the buying commands.

Planning in one element of cost and consuming it in a different element of cost

There was significant discussion on the topic of planning in one element of cost (in house labor) and executing the effort in a different element of cost (job shop, purchased labor, other direct cost, etc.). There are many different ways to handle this; the variance may need to be reported to state the reason why. The control account could be replanned for future work to reflect the more appropriate element of cost. Report on the variance for the current effort and replan the future effort in the manner that you will be consuming resources to perform the effort. Each particular issue that deals with planning one way and consuming another way will require a specific assessment of the situation, discussion on the VAR analysis that deals with impact if any to schedule, cost, and the EAC, and whether future effort would be replanned differently.

Stop Work Orders (SWO)

Industry continues to have issues with buying commands confusing funding versus EVMS budget where the Procuring Contracting Officers (PCOs) adjust the contract target cost to reflect the remaining Estimate to Complete (ETC) instead of the unearned BCWS for the work that is being removed/reduced. PARCA stated that the latest EVMSIG notes the contract target cost should be adjusted for effort that was planned at the amount that the remaining effort was budgeted. Funding should be adjusted by the appropriate amount that was estimated for the remaining effort that is being descope. In most cases the amounts will be different.

Quantifiable Backup Data

Should “QBD’s”, be put under configuration control? Can earned value techniques (EVTs) be set at the detailed task level below the work package?

The main thrust of the QBD presentation by Northrop Grumman (see the Clearinghouse presentation materials for the May meeting) was whether QBDs require baseline control when the scope, schedule, and budget are established at the work package level. There was significant discussion as to whether EVT’s can be assigned to the detailed task below the work package. The audience generally believes the QBDs are a set of tasks that are short in duration. While implementation might be different in shipbuilding, generally, this effort is of short duration and is not under strict baseline control. There continues to be discussion as it relates to using incremental milestones within the QBDs with start and finish dates, however this brings up the question if this effort has technical accomplishment, it can be measured and covers several periods, why is it not a work package? No immediate conclusion has been reached and appears to be it depends on the effort being measured. We expect more discussion on this at EVM World at the end of the month. DCMA did not participate in this discussion because they have an open issue but specified a QBD represents technical accomplishment supporting completion of the scope within the work package.

IPMR and CPR Block 6 EAC reconciliation requirements, DID wording is unclear

There was significant discussion regarding Block 6 a, b, and c of the IPMR and CPR format 1. Of particular focus was what should be reported as best case, worst case, and most likely in the respective rows in a Fixed Price Incentive environment where the point of total consumption has been reached and the contractor is responsible for any additional costs on the contract. Although not a widespread issue in implementation, some contractors are now reporting the cost at the point of total consumption, while other contractors are providing a range of EAC’s all greater than the point of total consumption. The IPMR or CPR is reconciled with the CFSR to show the maximum cost that the government is expected to be billed. PARCA stated the numbers should be reflective of the true cost of the contract in Block 6 and the best, worst, most likely costs irrespective of the contract type of dollars billed to the government. That said, when the IPMD general session looked at the wording of the DID for the IPMR, PARCA noted that the wording could be clarified. PARCA took the action to revise the DID wording and put out a clarification letter. We do not have an estimated completion date on this action.

There was also discussion on Block 6c of the IPMR and CPR. As it stands now the IPMR DID describes Block 6c as the “Official EAC”. In limited instances in industry, this is being interpreted by company attorneys and finance that the EAC being reported is for Sarbanes Oxley purposes. There has always been an expectation that Block 6 is the Program Managers EAC which may differ from what is being reported in Column 15 of the IPMR; in most cases these values differ based on other factors such as a knowledgeable estimation of all authorized work, known or factored risks, and probable future conditions. At this point the recommendation from the Clearinghouse is to clearly communicate and confirm understanding with your

customer as to what will be communicated in Block 6c and ensure that the differences are addressed in the IPMR and CPR format 5.