

## **Maintaining Alignment of Project Management with Contract Management for Non-Management and Operating (M&O) Cost Reimbursement Contracts for Capital Asset Projects, Environmental Remediation, Decontamination and Decommissioning, Facility Operations, and Other Major Projects**



### **GUIDING PRINCIPLES**

- This chapter applies to contracts utilizing performance measurement baselines.
- The Government must have a process in place to ensure effective and timely management of contract modifications.
- To ensure that projects remain aligned with the contracts under which they are executed.

### **Purpose and Applicability**

This chapter provides guidance on how Contracting Officers (COs) should manage contract changes, and how COs and Federal Project Directors (FPDs) should maintain alignment between project and contract management under non-M&O cost reimbursement contracts for capital asset projects, environmental remediation, decontamination and decommissioning, facility operations, and other projects. This chapter has three sections. Section I provides pre-award guidance on the CO's role in planning for the management of contract changes. Section II provides post award guidance on the CO's role for managing contract changes to align with the project baseline. Section III has Definitions, Acronyms and References. When the contract supports a capital asset project, this chapter complements Department of Energy (DOE) Guide (DOE G) 413.3-20 - Change Control Management Guide. This chapter applies to contracts utilizing performance measurement baselines. M&O contracts and Advisory and Assistance Service contracts are excluded from this DOE Acquisition Guide (AG) Chapter.

In addition, this chapter references AG Chapters. The CO should be sure to consider and incorporate guidance from these related chapters.

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## SECTION I: PRE-AWARD

This section provides guidance for the planning, preparation and management of contract changes for a non-M&O cost reimbursement contract in support of either a capital asset project or a non-M&O major site and facility, environmental remediation, decontamination/decommissioning, or facility operations contract which has a defined scope, cost and schedule. Planning involves pre-award activity (e.g., acquisition strategy, acquisition planning, and solicitation preparation) and post award activity in anticipation of project changes and other situations which may require a contract change. There are other AG Chapters and DOE Directives that provide detailed guidance for overall planning and execution. See the references at the end of this chapter for a complete list. Some of the AG Chapters are:

- Chapter 7.0 - Integrating Acquisition Planning Processes – An Overview
- Chapter 7.1 - Acquisition Planning
- Chapter 15.4-3 - Negotiation Documentation: Pre-negotiation Plan & the Price Negotiation Memorandum
- Chapter 34.1 - Project Management and the Acquisition of Major Systems
- Chapter 42.5 - Contract Management Planning
- Chapter 70.11 - The Department of Energy Directives System
- Chapter 71.1 - Headquarters Business Clearance Process

### A. Acquisition Strategy

Effective contract management begins during acquisition planning, well before contract award. Before contract award, the CO must have a process in place to ensure, among other things, effective and timely management of contract modifications, as required, implementing baseline change proposals and cost overruns. Establishing the process during acquisition planning will ensure procedures are in place and proper clauses are incorporated into the contract to support future changes. It is the responsibility of the CO to ensure these procedures and clauses are in place. The acquisition strategy represents a high level plan which documents alternatives considered in selecting the best approach for approval through the critical decision (CD) review and approval process in accordance with DOE Order (DOE O) 413.3B. From the initially approved acquisition strategy document at CD-1, the acquisition plan is written.

### B. CO's Responsibilities on the IPT

The CO is the only member of the IPT with authority to enter into, administer, modify, change, and/or terminate contracts. Significant CO responsibilities include:

- Serve as the principal business advisor to the Project Acquisition Executive, the FPD and the IPT.

- Participate in the formulation of the acquisition strategy and acquisition plan.
- Work with the IPT to develop solicitations and evaluate and award mission-oriented contracts.
- Work with the IPT to ensure alignment between the Project Execution Plan (PEP) and the Contract Management Plan (CMP).
- Assist in the development of contract cost, schedule and performance incentives.
- Incorporate the applicable clauses, terms and conditions, and contractor requirement documents in the solicitation and the contract. Ensure that the prime contractor complies with the terms of the contract to include subcontractor flow down requirements of the contractor requirements document, FAR and DEAR clauses and earned value management system (EVMS)<sup>1</sup> related terms and conditions.

### **C. Acquisition Plan**

Acquisition planning should identify critical areas, potential issues and risks of contract performance, as well as identify Government obligations and responsibilities that may arise during contract performance. The acquisition plan should also consider ways to effectively eliminate or mitigate these potential issues and risks. If planning is done properly prior to contract award, the CO will have a process in place to ensure effective and timely execution of contract modifications. AG Chapter 7.1 provides more detailed guidance for acquisition planning.

### **D. Contract Management Plan**

An objective of an effective CMP is to ensure that the contract's products and services are delivered on time consistent with the contract's stated performance and quality standards at a reasonable cost while minimizing the Government's risk. Many of the documents (Quality Assurance Surveillance Plan, Performance Evaluation and Measurement Plan, Risk Management Plan, etc.) created or modified during the acquisition planning phase will be analyzed to determine an appropriate contract management strategy.

Chapter 42.5, Contract Management Planning, provides more detailed guidance on the requirement to create and update a formal CMP.

### **E. Solicitation Preparation**

To ensure effective management of contract modifications when preparing the solicitation, the solicitation should include the following FAR and DEAR clauses and provisions, as applicable, and incorporate the applicable DOE directive contractor requirements document in

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<sup>1</sup> DOE O 413.3B and DOE G 413.3-10A

the solicitation and contract.

**- FAR**

- 52.215-10 Price Reduction for Defective Certified Cost or Pricing Data clause, as applicable
- 52.215-11 Price Reduction for Defective Certified Cost or Pricing Data – Modifications clause, as applicable
- 52.215-12 Subcontractor Certified Cost or Pricing Data clause, as applicable
- 52.215-13 Subcontractor Certified Cost or Pricing Data – Modifications clause, as applicable
- 52.215-21 Requirements for Certified Cost or Pricing Data and Other Than Certified Cost or Pricing Data – Modifications clause, as applicable
- 52.216-24 Limitation of Government Liability, or a clause similar to it
- 52.232-20 Limitations of Cost clause, as applicable for fully funded cost reimbursement contract
- 52.232-22 Limitations of Funds clause, as applicable for incrementally funded cost reimbursement contract
- 52.234-2 Notice of Earned Value Management System – Pre-Award IBR provision, as applicable
- 52.234-3 Notice of Earned Value Management System – Post-Award IBR provision, as applicable
- 52.234-4 Earned Value Management System clause, as applicable
- 52.243-2 Changes - Cost-Reimbursement clause -- use basic clause or applicable alternate.
- 52.243-6 Change Order Accounting clause (*See section below for additional guidance.*)
- 52.243-7 Notification of Changes clause (*See section below for additional guidance.*)

**- DEAR**

- 952.242-70 Technical Direction clause (*See section below for additional guidance.*)

**- DOE Directive (Contractor Requirements Document)**

- DOE O 413.3B - Program and Project Management for the Acquisition of Capital Assets, Attachment 1 - Contractor Requirements Document
- Be certain to identify in Section J a list of the applicable DOE Directives. Remember to include in Section H a clause describing the contractor's requirement to comply with directives.

**Additional guidance for some FAR and DEAR provisions and clauses is as follows:**

➤ **Earned Value Management System (EVMS) provision FAR 52.234-2 and FAR clauses 52.234-3 or 52.234-4**

Consideration for using Earned Value Management (EVM) on a project begins in the acquisition planning phase. To ensure that EVM is adequately addressed, the IPT should plan for EVM and structure the solicitation to ensure that the requirement is addressed throughout every step of the acquisition process. This examination continues through the solicitation, source selection and post-award, and the execution phase (contract management). For additional guidance, see FAR 34.2 – Earned Value Management, AG Chapter 34.1 – Project management and the Acquisition of Major Systems, DOE Order 413.3B - Program and Project Management for the Acquisition of Capital Assets, and DOE Guide 413.3-10A – Earned Value Management System.

➤ **52.243-6 -- Change Order Accounting.**

The Contracting Officer shall include FAR 52.243-6, Change Order Accounting, in non-M&O contracts for capital asset projects, site and facility management, environmental remediation, decontamination/decommissioning, facility operation, and other contracts with significant technical complexity and for which changes are anticipated. When FAR 52.243-6, Change Order Accounting, is part of the contract, the CO shall require the contractor to segregate all costs associated with a change order and to retain records of those segregated costs.

The CO should include language in the solicitation advising offerors of the need to comply with the cost segregation requirements of the Change Order Accounting clause.

➤ **52.243-7 -- Notification of Changes.**

The CO should insert a clause substantially the same as the clause at 52.243-7, Notification of Changes, in solicitations and contracts. Per the FAR, the clause is available for use primarily in negotiated research and development or supply contracts for the acquisition of major weapon systems or principal subsystems. For DOE, the clause should also be used in contracts for which changes are anticipated, or the CO anticipates that situations will arise that may result in a contractor alleging that the Government has effected changes other than those identified as such in writing and signed by the CO. If the contract amount is expected to be less than \$1,000,000, the clause shall not be used, unless the CO anticipates that situations will arise that may result in a contractor alleging that the Government has effected changes other than those identified as such in writing and signed by the CO.

➤ **952.242-70 Technical Direction**

This clause, or a clause substantially the same, should be inserted in solicitations and contracts when an appointed Contracting Officer's Representative (COR) will issue technical

direction to the contractor under the contract. The COR designation must be made in writing by the CO. The designation shall identify the responsibilities and limitations of the designation.

The COR performs certain technical functions in administering a contract. These functions include, but are not limited to, technical monitoring, inspection, approval of shop drawings, testing, and approval of samples. The COR acts solely as a technical representative of the CO and is not authorized to perform any function that results in a change in the scope, price, terms or conditions of the contract.

Technical direction must be within the scope of work stated in the contract. All technical direction shall be issued in writing by the COR. The term "technical direction" is defined to include, without limitation:

- (1) Providing direction to the Contractor that redirects contract effort, shift work emphasis between work areas or tasks, require pursuit of certain lines of inquiry, fill in details, or otherwise serve to accomplish the contractual Statement of Work.
- (2) Providing written information to the Contractor that assists in interpreting drawings, specifications, or technical portions of the work description.
- (3) Reviewing and, where required by the contract, approving, technical reports, drawings, specifications, and technical information to be delivered by the Contractor to the Government.

## **F. Other Pre-Award and Post Award Issues**

### **➤ Analysis of Cost Proposals**

AG Chapter 15.4-4 – General Guide for Technical Analysis of Cost Proposals for Acquisition Contracts, provides guidance and information to enhance the quality of technical analyses of cost proposals.

### **➤ Contract Audit and Pricing Support**

It is important for the CO to obtain adequate audit and pricing support to:

- Provide scrutiny into the offeror's or contractor's cost or price proposal;
- Confirm that the offeror's or contractor's accounting system and practices are adequate for the contract type; and
- Ensure that the cost or price to be paid is fair and reasonable.

When the contract will be based on cost or pricing data submitted by the offeror/contractor, prior to contract negotiation or modification negotiation in excess of FAR threshold stated at FAR 15.403-4(a)(1), DEAR 915.404-2-70, Audit as an aid in proposal analysis, requires a cognizant Federal audit activity to review the offeror's/contractor's proposal. This requirement applies to preaward actions, post award actions such as modifications that include changes, definitization of unpriced change orders, request for equitable adjustments, overrun proposals, claims, etc.

➤ **Contractor Responsibility Determinations**

AG Chapter 9.4 – Contractor Responsibility Determinations provides a general overview of the CO responsibilities for making responsibility determinations of prospective contractors before awarding a contract. FAR 9.106 requires the CO to obtain information on the prospective contractor's responsibility to include any required preaward survey, when necessary. Standard forms 1403 through 1408 document the survey.

The CO shall ensure that the offeror/contractor has an approved accounting system and purchasing system for use under the contract. If the offeror/contractor does not have an approved accounting system and purchasing system, the CO shall request audit and pricing support. Standard Form 1408 – Preaward Survey of Prospective Contractor Accounting System documents the results of the contractor's accounting system preaward survey.



## **SECTION II: POST AWARD**

### **A. Contract Changes**

Contract changes become necessary for a variety of reasons. The Changes clause provides the Government with the unilateral right to make certain changes within the general scope of the contract to include changes in design, specifications, place of performance, and methods for packing and shipping. Changes in requirements may not be addressed by the Changes clause or other clauses that permit unilateral changes. However, these changes in requirements could be effected by bilateral agreement as long as these changes are within the general scope of the contract. In accordance with FAR clause 52.243-7, when the contractor notifies and submits required information to the CO of a change, the CO and the FPD must analyze the submission and make a determination that there was a change to the contract. The CO must modify the contract if a change occurred.

There are limits to what can be adjusted on the contract using the Changes clauses. The CO may make changes within the general scope of the contract to the plans and specifications or instructions incorporated in the contract. The general scope of the contract is defined in the contract and is bounded by the contract terms, conditions, and requirements. Changes that go beyond what was included in the contract (aside from unilateral changes as discussed above) must be agreed to by both the contractor and the Government. This includes additions and deletions to the scope of work. The project performance baseline can only be changed after either a unilateral contract modification is issued or a bilateral contract modification is negotiated and the Acquisition Executive is briefed on the negotiated modification and approves the baseline change proposal. See Section D The Contract Change Process for details.

Before changes to the general scope of any contract may occur, the CO must provide a scope determination to determine if the change falls within scope. If the answer is no, before new work can be added to the contract, the CO may need approval to do a sole source action per the Competition in Contracting Act of 1984 as implemented at FAR Subpart 6.3 – Other Than Full and Open Competition. Before scope can be removed, the CO must determine if the removal constitutes a partial termination. If it does, FAR Part 49 must be followed. Note that when new scope is added or removed, the cost associated with the scope moves as well as any related fee adjustment.

The contractor has made a contractual binding commitment about the cost, the timing of performance or deliveries, and the quality of the work that is to be performed or delivered. To allow the Government the opportunity to maintain its rights to obtain the benefits of the deal it agreed to at the time of contract award, the Government team should seek consideration (something of value) from the contractor each time the cost, schedule, and/or scope are adjusted.

Once the contract is awarded and the contract price is established, and the Performance Measurement Baseline (PMB) and Contract Budget Baseline (CBB) are established, changes may occur and the CO and FPD should anticipate them. Internal adjustments to plans for future actions are a normal management process as events happen, variances occur, and situations change.

If there will be a change to the contract terms, conditions, or requirements, a change cannot be made to the performance measurement baseline (PMB) or contract budget baseline (CBB) until a contract modification is issued. To ensure that the PMB remains aligned with the contract, the process for making project changes should be integrated with the contract change process. A contract modification must be negotiated prior to approving project baseline changes unless the baseline change is within the contractor's authority and there is no change to the contract. See Section E. Baseline Change Proposal Approval Process for details.

## **B. Federal Acquisition and Fiscal Laws Regarding Contract Award, Performance and Changes (Non-M&O)**

Given key Federal acquisition and fiscal laws, it is very important that the project align completely with the contract at all times. If Federal personnel violate certain rules and laws, they can be held personally and financially responsible for the cost of the changed work.

**Federal Employee Code of Conduct.** Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. Part 2635, state that Federal employees shall not make a commitment or promise relating to the award or performance of a contract, or any representation that could be considered as such a commitment [5 C.F.R. § 2635.101(b)(6)]. Violating this tenet is considered a serious breach of Federal ethics rules, with associated disciplinary penalties.

**Authorized versus Unauthorized Commitments.** COs are the only Federal employees authorized to make commitments regarding contracts because they have been given a written delegation of contracting authority, called a warrant, that gives them the express authority. FAR 43.102(a) states that only COs acting within the scope of their authority are empowered to execute contract modifications on behalf of the Government.

Other Government personnel shall not—

- Execute contract modifications;
- Act in such a manner as to cause the contractor to believe that they have authority to bind the Government; or
- Direct or encourage the contractor to perform work that is not within the scope of the contract.

If the appropriate DOE official authorizes the approval of an unauthorized commitment, the

CO may later ratify the unauthorized commitment. Ratification of an unauthorized commitment does not preclude disciplinary action against the Federal employee responsible for the action.

**Anti-Deficiency Act.** The Anti-Deficiency Act (ADA) [31 U.S.C. § 1341(a)] prohibits any Federal employee from obligating the Government, by contract or otherwise, in excess of or in advance of appropriations, unless authorized by some specific statute. A Federal employee who violates the ADA is subject to two types of sanctions: administrative and criminal. The Federal employee may be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office. In addition, the Federal employee may also be subject to fines, imprisonment, or both. Responsibility for ADA violations is usually fixed at the highest level of management that knew about or should have known about the violation, i.e., the Program Manager or Site Manager.

The ADA prohibits a Federal employee from the following:

- Making or authorizing expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law. (31 U.S.C. § 1341(a)(1)(A)).
- Involving the Government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law. (31 U.S.C. § 1341(a)(1)(B)).
- Accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property. (31 U.S.C. § 1342).
- Making obligations or expenditures in excess of an apportionment or reappropriation, or in excess of the amount permitted by agency regulations. (31 U.S.C. § 1517(a)).

## C. The Overarching Change Control Process

Once the contract has been awarded, there may be changes to the contract and project which result in changes to the contract price and contractor-controlled Performance Measurement Baseline (PMB) and, in some instances, changes to the Total Project Cost/Performance Baseline (PB). Figure 1 shows the relationship between the total project cost/total project baseline, contract cost and fee, contract budget base, and performance measurement baseline at the time of contract award. The total project cost/total project baseline includes the contract price, DOE contingency and other DOE project costs (referred to in project terms as DOE Other Direct Project Costs). Other DOE direct project costs is not the same as contractor other direct costs under the contract. DOE Other Direct Project Costs may include other DOE contracts required for total project execution such as contracts for external independent reviews, technical support service contracts, and other DOE prime contracts for other components of the overall project.

The contract price at award includes the contract total estimated cost (the contract budget base is the same as the total estimated cost at contract award) and contract profit/fee. The contract total estimated cost (at award, the contract budget base) includes the contractor's management reserve (the contractor controlled contingency) and the contractor's performance measurement baseline. Keep this in mind as you read through this section.

### Total Project Cost / Total Project Baseline

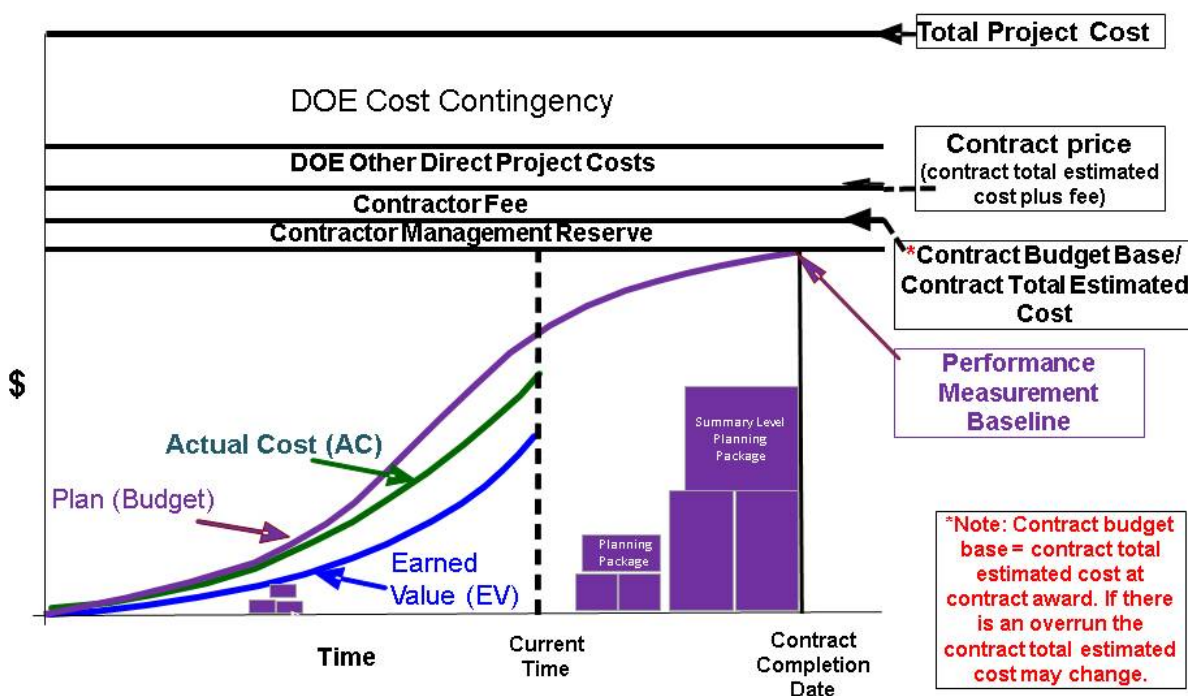


Figure 1. Total Project Cost / Total Project Baseline

The contract change control process is the most important element of DOE's contract management framework and activities. A change control process provides a mechanism to make timely and appropriate changes to the contract requirements. Formal change control includes not only the decision-making framework for assessing, negotiating, and implementing contract changes, but also includes project management and performance tracking systems, authorization and control levels, financial and funding management, and contract and project documentation. In accordance with 413.3B, Head of the Contracting Activities (HCA) are required to establish a formal CCB for major construction projects and environmental cleanup contracts.

As the sole individual with the authority to modify the contract, the CO must serve as a member of the CCB. Some of the CO's CCB responsibilities are:

- Participate as a standing member.
- Request cost estimates from the contractor.
- Request the contractor submit its baseline change proposal (BCP) for approval of contemplated changes.
- Request the contractor submit certified cost & pricing data, if required.
- Determine if changes are within contract scope.
- Issue modifications to the contract (i.e., cost, schedule, and scope) if approved by the approving authority and funding is available.
- Ensure changes for cost, schedule, and scope requirements are made in accordance with the contract.

When the Government requires a change to the contract, the FPD will work with the CO to describe the required changes. The CO will send the request for proposal to the contractor. The negotiation for such changes should be completed prior to the contractor performing the changed work. CO should not issue unpriced change orders unless absolutely necessary.

The CO should—

- Always be alert to potential change issues and circumstances;
- Insist on demonstration of entitlement for any adjustment to the cost, schedule or scope;
- Carefully trace changes to what the Government is entitled and has already paid for under the contract versus the work that is being added and/or deducted;
- Insist upon submission of clear, definitive, itemized details pertaining to any changes affecting cost, scope and/or schedule;
- Follow FAR and DEAR procedural requirements for cost analysis and negotiation, including obtaining cost proposals that comply with FAR 15.408, Table 15-2, Section III, Formats for Submission of Line Item Summaries, section B, Change Orders, Modifications and Claims, or specify a format for certified cost or pricing data other than the format required by Table 15-2 in accordance with FAR Clause 52.215-21 Alternate I;
- Ensure that contractor's cost proposal has a technical evaluation and cost analysis, including audit and field pricing support, when required, and document the results; and
- Include ceiling prices, definitization schedules, and limitations on the Government's liability when unpriced change orders are issued.

AG Chapter 43.2 – Change Order Template provides general guidance to expedite the contracting process by helping assure a consistent application of the contract terms for various change order modifications to contract for changes to existing work and associated requirements.

## D. The Contract Change Process

This section describes the steps in the typical process for making changes to the contract and the contractor-controlled PMB. In some instances, a contract change may result in changes to the Government's Total Project Performance Baseline, the performance baseline (PB) for the total project. The overall process and order of events that must be followed are summarized below. There are more detailed steps discussed later in this section.

- 1) The CO issues a contract modification (priced change order) or an unpriced change order. If it is an unpriced change order, the CO will request a cost proposal from the contractor after the change order is issued. The contractor shall submit a baseline change proposal (BCP) after the CO has issued an unpriced change order, or when the CO requests a cost proposal from the contractor for a priced change order. The FPD is responsible for developing an independent government cost estimate (IGCE).
- 2) After the CO receives the proposal from the contractor, the CO obtains an audit of the proposal, obtains a technical evaluation of the cost proposal, and analyzes the cost proposal. While the contractor's cost proposal is being analyzed, the contractor's BCP may be evaluated.
- 3) The CO prepares and obtains approval of the pre-negotiation memorandum. The CO negotiates the contract change as authorized in the pre-negotiation memorandum.
- 4) The results of the negotiation are documented in the post-negotiation memorandum.
- 5) The Acquisition Executive is briefed on the BCP and approval of the BCP is obtained. The CO then signs and issues the final contract definitization modification/supplemental agreement.

The contract changes can be initiated: (1) at the request of DOE when the DOE requirement changes; or (2) when the Government team, through the Change Control Board (CCB), agrees that a contractor-suggested improvement, request for equitable adjustment (REA), or efficiency has merit. The contractor cannot change the contract price, Contract Budget Base (CBB), schedule, or statement of work (SOW) that it agreed to in the contract by simply submitting a BCP or updating the PMB. The CO is the only person authorized to direct changes to the scope, schedule, or cost of the contract. The Secretarial Acquisition Executive/Acquisition Executive (SAE/AE) is the only person authorized to approve changes to the PB.

The Government must establish formal CCBs for contracts for major construction projects, environmental cleanup, facility operation, decontamination and decommissioning and other project contracts. Note that the CO should be a CCB member, regardless of the level at which the CCB is established (e.g., the DOE-HQ level, the site office level or the FPD level) and **MUST** be involved with the determination of whether the change will require modification of the contract terms, conditions, schedule, and/or cost/price. The CO is the only person that can change the contract terms and conditions, cost/price, technical requirements, and schedule per FAR 43.102(a).

The following five step process describes the change process for DOE prime contracts. The project baseline change process is implemented in parallel and coordinated with the contract change process. The CO issues a bilateral contract modification (priced change order) or an unpriced change order (unilateral) reflecting the Government's requirements. For a priced change order, the CO must follow the procedures described under Step 1 Priced change order. At the completion of negotiations, the Government/contractor mutually agreed upon cost, schedule, and scope. For an unpriced change order, the CO must include, at a minimum, the information described under Step 1 unpriced change order and AG Chapter 43.2. Unless the PMB change is within the contractor's authority, the CO must negotiate a contract change prior to the approval of the PMB change.

**Step 1** - If the Government needs to make a change in the scope of the contract that affects the estimated contract cost, fee (if any), performance/delivery schedule, or option periods, the CCB will review the change. If the change is approved by the CCB, the CO will modify the contract. The general areas a CO may direct a unilateral change are stated in the applicable Changes clause cited in the contract. Other changes are possible, but they require that both the contractor and the Government agree before the changes to the cost, schedule or scope can be executed. See below guidance for priced change order and for unpriced change order.

➤ **Priced change order – The preference is to issue a bilaterally priced change order.**

The proper procedure for implementing a contract change is for the CO, after ensuring all internal processes and procedures have been followed, to issue a request for proposal to the contractor with at least a 30 calendar day response time for submission of the proposal. Complex changes may require longer response times. The contractor must submit a proposal that complies with the format requirement at FAR 15.408 Table 15-2, Section III B, Instructions for Change Orders, Modifications, and Claims, or specify a format for certified cost or pricing data other than the format required by Table 15-2 in accordance with FAR Clause 52.215-21 Alternate I. This format tracks the estimated cost for the work already performed, the work to be deleted, the work to be added, and the net cost of the change, by cost element. The resulting information must be cross referenced to where the supporting rationale for the proposed amounts is in the proposal. This format should be used whether or not certified cost and pricing data is submitted, as it provides the structure required to adequately analyze the additive and deductive elements within complex contract changes.

**Unpriced change order - In exceptional circumstances, issuing an unpriced change order [the FPD may refer to this as authorized unpriced work (AUW)] may be necessary. (See AG Chapter 43.2 for additional information on issuing unpriced change orders.)**

➤ This method should be used when implementation of the change is urgent due to mission requirements or necessary to minimize implementation costs when delay in issuing the change could dramatically increase costs. DOE G 413.3-20 refers to change orders as AUW. An

unpriced change order that has been issued by a warranted CO acting within the limits of his or her authority is the only way that change orders may be added to the contract.

➤ All unpriced change orders/modification that are estimated to exceed the HCA's delegated procurement authority require the advance review and approval or waiver of MA-621 in accordance with AG Chapter 71.1 Headquarters Business Clearance Process. Also, the definitization of an unpriced change order/modification requires either a review and approval or a waiver of the definitization schedule beyond 180 calendar days.

The unpriced change order should:

- Have a not-to-exceed (NTE) ceiling. (When issuing a single modification with multiple changes the CO should consider whether a single NTE value should be used or individual values associated with each change.) Include the statement, that in performing this change order, the Contractor is not authorized to make expenditures or incur obligations exceeding (insert NTE ceiling) or include a clause similar to FAR 52.216-24 Limitation of Government Liability.
- Establish the NTE ceiling value(s) at the lesser of 50% of the IGCE for the subject action or funding for six (6) months of contractor performance.
- Contain a definitization schedule with dates for submission of the contractor's REA adjustment including required cost or pricing data, as applicable, a start date for negotiations and a date for definitization, which shall be the earliest practicable date. The schedule will provide for definitization of the change order within 180 calendar days after the date of the unpriced change order or before completion of 40 percent of the work to be performed, whichever occurs first.

**Step 2** - The impacts for each contract change should be individually evaluated and documented by the CO with the assistance of technical personnel. Changes having a cost impact require an IGCE. The IGCE should be completed prior to receipt of the contractor's proposal. After receipt of the contractor's proposal, the CO must ensure that a technical evaluation and cost analysis, including audit and field pricing support when required, are performed and documented. The CO coordinates with the Defense Contract Audit Agency (DCAA), or other selected auditor, the amount of audit support that will be required, based on the dollar amount and complexity of the proposed change.

**Step 3** - Before negotiating with the contractor, the CO must prepare a pre-negotiation plan (FAR 15.406.1 Pre-negotiation Objectives) and obtain the appropriate approvals including business clearance, as required. See AG Chapter 71.1 for Headquarters business clearance process. The CO shall not relieve the contractor of its responsibility to demonstrate that its proposed costs are reasonable and its estimating techniques are sound. After contract



negotiations are complete, but before executing the contract modification, the CO obtains a certificate of current cost or pricing data per FAR 15.403-4(b)(2) unless an exception applies per FAR 15.403-1(b) or the requirement for cost and pricing data has been waived by the HCA (FAR 15.403-1(c)(4)). Certified cost or pricing data is required where there is any pricing adjustment exceeding \$650,000.

**Step 4** - The results of the negotiations are documented in a post-negotiation memorandum (PNM) (FAR 15.406-3, Documenting the Negotiation and AG Chapter 15.4-3 - Negotiation Documentation: Pre-negotiation Plan & the Price Negotiation Memorandum).

**Step 5** – When changes are negotiated in advance of a contract modification being issued, bilateral modifications (supplemental agreements) are signed by the CO and the contractor. Contract changes should be negotiated prior to final approval of a BCP. Following definitization, the PMB should be adjusted through change control to reflect the final negotiated cost and schedule. The entire estimated budget for the new work scope should be included in the revised PMB. Contract modifications should not be signed until after the SAE/AE approves the BCP (if the applicable threshold has been reached). The FPD will inform the CO when the BCP is approved. The CO issues the modification.

## **E. The Baseline Change Proposal (BCP) Approval Process**

The contract terms and conditions and/or DOE O 413.3B requires contracts/projects to have formal CCB processes in place. The contract terms and conditions, DOE Order, as well as Department acquisition guidance, takes into consideration that each project will have nuances that differ from others based on contractor's business processes. This is fine so long as the project CCB process complies with contract terms and conditions and/or DOE O 413.3B. This Guide cannot cover all possible nuances but attempts to provide general rules of engagement when BCPs are processed.

The project change process is implemented in parallel and coordinated with the contract change process. A BCP does not change the contract. Only a contract modification issued by the CO changes the contract.

Depending upon the nature of change, the contractor must develop a detailed change proposal for review by the CCB. Each change must be supported by a justification, its impact on scope, cost and schedule, and identify who is responsible, i.e., the contractor or DOE. For changes that are noted as DOE responsibility, the contractor must affirmatively demonstrate that Government action caused the increased cost, schedule slip, or delay of meeting the contract requirements.

These steps are necessary but may not be sufficient when the change involves a contract modification. The process described above is generally applicable no matter the level of change

approval authority required. However, as the approval level moves up the chain of command, additional materials, briefings, etc. may be required. This is only a summary of the integrated process. For a description of all 45 steps in the BCP process, see DOE G 413.3-20 - Change Control Management Guide - Figure 4-1 and Table 4-1. Overall Change Control Process (Non-M&O Contract).

➤ **BCP Approval and Disposition:**

If the BCP approval is within the contractor's authority, the contractor notifies the FPD of the finalized BCP change. Government approval is not required. For example – the contractor realizes risk and identifies additional in-scope work and moves budget from contractor management reserve to the PMB to replan/add future work packages. A BCP is not within the contractor's authority if there is a change to a contract requirement or term, if there will be a change in the contract estimated cost and fee, or a change to the CBB.

When the project change involves a contract change, the steps for preparing and approving the contract change should proceed in parallel with project change control process. The BCP must not be approved until after negotiation of the contract change by the CO. Contract modifications should not be executed until after the SAE/AE has been briefed and approves the BCP (if the applicable threshold has been reached).<sup>2</sup>

Only changes to the contract that have been vetted through the CCB process should be implemented by contract modification. Not all changes approved by the CCB will result in a change to the contract. Likewise, not all changes to the contract will involve a change to the cost, schedule, requirements or a BCP, but the CCB must be aware of all changes being made to the contract. It is imperative that all IPT members understand that the contract modification by the CO and approval of a BCP if a contract change is required must be closely coordinated such that one does not significantly lag behind and create misalignment. Changes to project's performance baseline or the receipt of a revised PMB from a contractor do not constitute a contract change or a BCP.

DOE Order 413.3B discusses the requirements for proper baseline management under contract modifications for new performance baselines (see DOE O 413.3B, Appendix A, 6.e). The Order requires that prior to approval of a baseline change by the SAE/AE, the FPD should coordinate with the CO to identify the specific contract changes that may be required, develop an IGCE (refer to FAR 36.203 and FAR 15.406-1), establish a schedule for receipt of a contractor's proposal(s), obtain audit support, and ensure the timely analysis, negotiation, and execution of contract modification(s) that comply with regulatory, Departmental policy and statutory requirements.

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<sup>2</sup> DOE O 413.3B, Appendix A

## F. Contractor Management Reserve

Within the negotiated total estimated contract cost (at the time of contract award, in project terms, the CBB), the contractor may establish its management reserve (MR). In Section II.C., see figure 1. The amount of MR identified by the contractor is based on the contract in-scope risks, estimating uncertainties, and management/expert opinion. MR is not negotiated as a separate cost element as it is a form of contingency held by the contractor to manage its contract. The balance of the total estimated contract cost, or CBB, is the PMB.

- The CO shall not, except as narrowly allowed by FAR 31.205-7(c)(1), price estimated costs for Contractor Management Reserve into DOE contract actions and shall not pay any fee to compensate for excluding such contingencies from the contract price. FAR 31.205-7(c)(1) does not provide for Contractor Management Reserve/Contract Contingency to be priced as a separate element of cost or cost objective.
- The CO shall not include in the contract price any amount (for management reserve, contingency, etc.) to cover prospective requests for equitable adjustments, changes, or risks that might or might not occur during performance.

**Establishment of Management Reserve.** After contract award, or the negotiation of a contract change, the contractor establishes the amount of its MR under a contract. The contractor can use a variety of means to establish its initial MR balance, from the simplistic rescission across the board of a specified percentage of the negotiated total estimated contract cost (at contract award the CBB), or a more complex method such as determining what areas of risk exist in its plan for executing the project as informed by their own experience and the use of risk based cost estimating and scheduling tools.

**Adjustment to MR which does not require a contract change.** The contractor may distribute its MR budget from the contract MR it established to the contract PMB Work Breakdown Structure (WBS) to add scope for future work within the contract statement of work but unplanned in the PMB, or to replan existing future work packages for realized risks such as lower than planned craft production rates. The point being that the contractor can manage its MR and its budget for the contract work as long as it does not involve a change to a contract term or condition. Distribution of contractor MR to the contractor PMB entails the addition of contractor work planning packages and contractor budget. An example might be that the contractor experienced lower than expected costs for concrete and distributes the savings to higher than expected costs for a particular subcontract. This type of adjustment does not require a change to the contract. The total dollar value, schedule, and scope of the contract are not changed as a result of such adjustments.

**Impact of Underrun on Contract Performance Management Baseline.** When a project's

WBS control account under a contract completes as an underrun (contractor budget greater than actual costs on a particular control account), the PMB cannot be reduced to match the actual costs and the balance transferred to contractor MR. Such practice invalidates project level cost performance indicators.

## G. Overruns

An overrun is when the actual cost of contractor performance exceeds, or will exceed, the total estimated contract cost. A contract overrun occurs either, when the original contract cost estimate is exceeded, or when the total costs incurred exceed the estimated cost as adjusted in accordance with the contract clauses. Contract clauses provide that the contractor can stop work rather than incur overrun costs. ***When the contractor incurs costs in excess of the estimated costs specified in the contract, the Government is not required to fund an overrun.***

The Limitation of Costs (FAR 52.232-20) clause and the Limitation of Funds (FAR 52.232-22) clause require the contractor to give two types of notices to the CO. These notices are incurred cost notice and the estimated cost notice.

**Incurred cost notice.** The contractor is required to give notice when its incurred cost, plus cost to be incurred within a stated period will exceed a specified percentage of the estimated cost of the contract or the funds allotted. This notice warns the CO that actual costs will soon approach the estimated or allotted costs.

**Estimated cost notice.** The estimated cost notice is the “overrun” notice. Under the Limitations of Cost clause, the contract requires the contractor to notify the CO at any time the contractor has reason to believe that the costs at completion will be either greater or substantially less than previously estimated. Under the Limitations of Funds clause, the contract requires the contractor to notify the CO of the estimated amount of additional funds required and when the funds will be required. The contractor’s notice to the CO must indicate that the estimated cost of the contract is insufficient for contract performance.

For the contractor to comply with the notice requirements and avoid incurring an overrun, the contractor must maintain accurate records of incurred costs, present commitments, and current estimates of the cost at completion.

**DO NOT expect contractor notification requirements to replace effective contract surveillance!** You should be questioning significant variations long before contractor notification. By the time you receive contractor notification, it may be too late for the contractor to take corrective action. In fact, the contractor may fail to provide timely notice despite the contract requirement. There have been many contracts where the contractor did not provide notice until after all contract funds were expended.

## H. Contracting Officer Action to Assess Overrun

The CO may learn of an overrun through the Government's contract surveillance, the Government's monitoring of the contractor's monthly earned value management reports, or when the contractor notifies the CO of a potential overrun. Regardless of how the CO learns that there is a potential overrun, or in fact, an overrun, the CO needs to determine if the work has progressed appropriately and if not, then the CO needs to take action as prescribed at FAR 32.704, Limitation of cost or funds, which states:

"...[T]he contracting officer, upon learning that the contractor is approaching the estimated cost of the contract or the limit of the funds allotted, shall promptly obtain funding and programming information pertinent to the contract's continuation and notify the contractor in writing that—

(i) Additional funds have been allotted, or the estimated cost has been increased, in a specified amount;

(ii) The contract is not to be further funded and that the contractor should submit a proposal for an adjustment of fee, if any, based on the percentage of work completed in relation to the total work called for under the contract;

(iii) The contract is to be terminated; or

(iv) (A) The Government is considering whether to allot additional funds or increase the estimated cost—

(B) The contractor is entitled by the contract terms to stop work when the funding or cost limit is reached; and

(C) Any work beyond the funding or cost limit will be at the contractor's risk.

(2) Upon learning that a partially funded contract containing any of the clauses (Limitation of Costs or Limitation of Funds) will receive no further funds, the contracting officer shall promptly give the contractor written notice of the decision not to provide funds.

(b) Under a cost-reimbursement contract, the contracting officer may issue a change order, a direction to replace or repair defective items or work, or a termination notice without immediately increasing the funds available. Since a contractor is not obligated to incur costs in excess of the estimated cost in the contract, the contracting officer shall ensure availability of funds for directed actions. The contracting officer may direct that

any increase in the estimated cost or amount allotted to a contract be used for the sole purpose of funding termination or other specified expenses.

(c) Government personnel encouraging a contractor to continue work in the absence of funds will incur a violation of Revised Statutes section 3679 (31 U.S.C. 1341) that may subject the violator to civil or criminal penalties.” *[End of FAR excerpt]*

Options available to the CO depend upon whether the contractor gave prior notice of the overrun and, if not, whether the overrun was foreseeable. Just because the contractor gave notice, it does not automatically entitle the contractor to overrun funding. The contractor always has the option to stop work. If the contractor gave prior notice of an overrun, the options available to the CO are: provide additional funds, modify the statement of work to permit performance within the estimated cost of the contract, permit the work to continue until the funds are exhausted, or terminate the contract.

If the overrun was unforeseeable and the contractor did not give prior notice, the lack of notice is not a valid reason to automatically refuse funding the overrun. The facts leading to the overrun must be carefully reviewed by the CO.

When the Government identifies a contractor overrun of the estimated contract cost, the CO is responsible for determining whether or not the overrun will be funded and in what amount. For cost-reimbursement contracts<sup>3</sup>, the CO must determine the most appropriate action considering that the Government is responsible for reimbursing the contractor for all allowable costs up to the cost and funding limits established in the contract. The most common alternatives for action include:

- Provide additional funds/time to complete the contract as is;
- Redefine the contract effort to fit existing funds; or
- Terminate the contract.

As the CO determines the appropriate course of action, the CO should consider contract cost and other factors including—

- Contract schedule;
- Probable impact of not completing the contract;
- Alternatives to completing the contract (e.g., terminate and reprocure from another source);
- Availability and sources of funding; and
- Other factors.

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<sup>3</sup> DoD’s Contract Pricing Reference Guides - Volume 4 - Advanced Issues in Contract Pricing - Chapter 4 Forecasting Cost Overruns, Section 4.3 Resolving Potential Cost Overruns. The Guides are posted at the Defense Acquisition University’s Acquisition Community Connection (ACC), under the Contracting ACC Practice Center <https://acc.dau.mil/CommunityBrowser.aspx?id=406579>.

If the CO determines the overrun might be funded, the CO ensures the contractor adheres to FAR Part 15. Once the proposal is negotiated, the CO must change the contract to identify the increased estimated contract value and the amount of contractor overrun. For purposes of past performance evaluations, it's important that the CO clearly identify contractor-caused impacts in the post-negotiation memorandum (PNM). A summary from the PNM should be included in the Contractor Performance Assessment Report (FAR 42.15).

## **I. Examples**

The following are examples that result in a contract change to a cost reimbursement contract. The first bullet provides examples of Government directed changes. The second example describes when an overrun is identified and the Government establishes an over target baseline.

### **➤ Examples of Government Directed Changes**

1) Requirement to upgrade a facility that is in the design phase from Performance Category 2 (PC-2) to Performance Category 3 (PC-3) seismic criteria.

2) Requirement to increase planned waste processing throughput by addition of an Alpha Finishing Facility (AFF).

3) Change to the contract to include Nuclear Quality Assurance (NQA) NQA-1-2004 as primary quality standard.

The CO should issue a contract modification and request a proposal from the contractor as described at the Contract Change Process Step 1 of this chapter and follow the steps to issue a priced or unpriced modification to the contract to negotiate the contract change.

### **➤ Contract Cost and/or Schedule Overruns**

If the contractor overruns, or is anticipated to overrun, the estimated contract cost the CO, with input from the FPD and IPT, may issue a priced or unpriced contract modification for the overrun and authorize the establishment of an over target baseline (OTB) and/or an over target schedule (OTS) [when the planned schedule exceeds the contract costs and/or the completion date] pending negotiation of the contract overrun (if the modification was unpriced). An overrun PMB or OTB/OTS allows for planning, control, and performance measurement of authorized work to improve managerial control over the execution of the remaining work in a project. The CO should request a proposal from the contractor as described at the Contract Change Process Step 1 of this chapter and follow the steps to issue a priced or unpriced modification to the contract to negotiate the contract overrun.

All cost and/or schedule overruns do not require the contractor to process an OTB/OTS. If the FPD requests authorization of an OTB and/or OTS, the CO will need to issue a cost overrun modification to obligate additional funding without adjusting work scope. The cost overrun modification is for funding only. The contractor is not entitled to more fee under the contract for a cost overrun, and the contractor does not increase the CBB by the amount of the negotiated cost overrun modification.

OTB/OTS do not change the contract estimated cost, fee, and/or contract schedule. The OTB/OTS are implemented solely for planning, controlling, and measuring performance on already authorized work; however, in most cases the CO must authorize the contractor's use of OTB. If the new schedule results in an OTS situation, both parties must recognize that the existing contract milestone schedule still remains in effect for purposes of contract administration and execution. The new dates in the OTS are for performance measurement purposes only and do not represent an agreement to modify the contract fee, schedule, terms or conditions. The CO will only issue a modification for the cost overrun. The OTB is the sum of CBB and the recognized overrun.

When the contract is awarded, the CBB is the total estimated cost of the contract. If the CO issues a change to the contract that adds additional scope/requirements and associated costs, the CBB is increased to add the costs for contract change once the CO issues the modification to change the contract. If the CO issues an undefinitized contract modification (in project terms, authorized unpriced work), then the CBB is increased to include the costs associated with the contract change. The CBB is not increased by the amount of a cost overrun that has been negotiated by the CO. Figure 2, Contract Cost and Schedule Overrun, illustrates that once there is a contract overrun, the CBB is no longer the same as the total estimated cost of the contract.



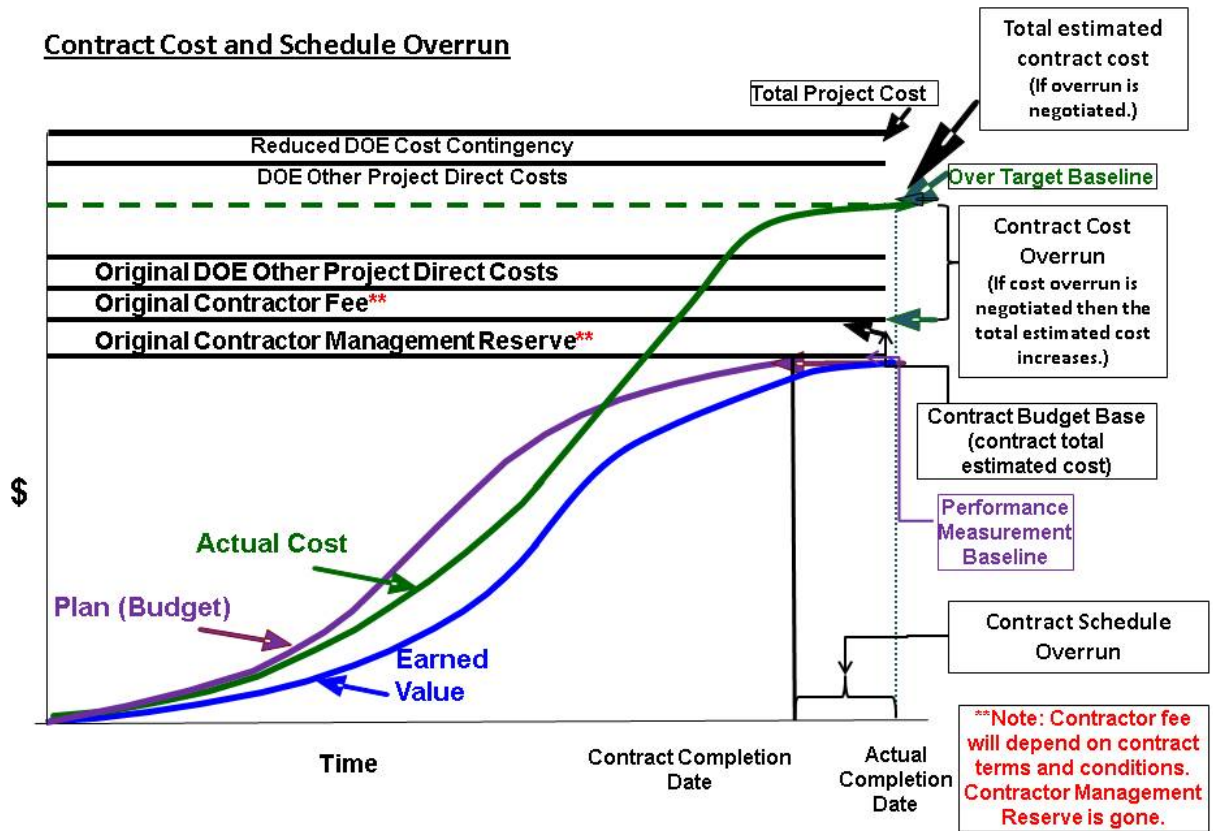


Figure 2. Contract Cost and Schedule Overrun

## SECTION III: DEFINITIONS, ACRONYMS AND REFERENCES

### A. Definitions

**Acquisition Plan.** An acquisition plan is developed in accordance with FAR Subpart 7.1, and related Department of Energy guidance. The plan details procurement strategies and supporting assumptions.

**Acquisition Strategy.** An acquisition strategy is a comprehensive high-level business and technical management approach designed to achieve project objectives within specified resource constraints; the plan for satisfying the mission need in the most effective, economical, and timely manner; the framework for the next phases of planning, organizing, staffing, controlling, and leading a project. It provides an acquisition approach for activities essential for project success and for formulating functional strategies and plans. (Source: DOE G 413.3-13)

**Authorized Unpriced Work (AUW).** An authorized unpriced work is contractually approved, but not yet negotiated; it is, the estimated cost (excluding fee or profit) for contract changes that have been approved by the government CO but have not yet been fully negotiated. This type of change is also called undefinitized change orders. AUW is the estimated cost approved by the CO for pending contract modifications that are still being negotiated. (Source: DOE G 413.3-20)

**Baseline.** A baseline is a quantitative definition of cost, schedule and technical performance that serves as a base or standard for measurement and control during the performance of an effort; the established plan against which the status of resources and the effort of the overall program, field program(s), project(s), task(s), or subtask(s) are measured, assessed and controlled. Once established, baselines are subject to change control discipline. (Source: DOE O 413.3B)

**Baseline Change Proposal (BCP).** The baseline change proposal is a document that provides a complete description of a proposed change to an approved performance baseline, including the resulting impacts on the project scope, schedule, design, methods, and cost baselines. (Source: DOE O 413.3B)

**Capital Asset Project.** A capital asset project is a project with defined start and end points required in the acquisition of capital assets. The project acquisition cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use. It is independent of funding type. It excludes operating expense funded activities such as repair, maintenance or alterations that are part of routine operations and maintenance functions. (Source: DOE O 413.3B)

**Change Control.** A change control process ensures changes to the approved baseline are properly identified, reviewed, approved, implemented and tested, coordinated within the IPT,

and documented. (Process refers to both contract and project changes.) (Source: DOE G 413.3-20)

**Change Control Board (CCB)**. The review body who has the authority for approving changes that are consistent with the project's baseline performance requirements, budgeted cost, and schedule. CCB membership should include the project management, contracts representative, Chief Finance Office representative, and Subject Matter Experts (SMEs) that support the project on technical matters. The CCB plays a critical role in managing change to the project's baseline and ensuring prospective changes are clearly defined, appropriate, and within the cost, schedule and performance parameters approved by the Acquisition Executive as specified in the Project Execution Plan (PEP). (Source: DOE G 413.3-20)

**Change Order**. A change order is a written order, signed by the CO, directing the contractor to make a change that the Changes clause authorizes the CO to order without the contractor's consent. (Source: FAR 2.101)

**Contract Budget Base (CBB)**. When the contract is awarded, the CBB is the total estimated cost of the contract. In project terms the contract budget base is performance measurement baseline plus contractor management reserve. If the Contracting Officer issues a change to the contract that adds additional scope/requirements and associated costs, the CBB is increased to add the costs for contract change once the Contracting Officer issues the modification to change the contract. If the Contracting Officer issues an undefinitized contract modification [authorized unpriced work], then the CBB is increased to include the costs associated with the contract change. The CBB is not increased by the amount of a cost overrun that has been negotiated by the Contracting Officer. The CBB is no longer the same as the total estimated cost of the contract once there is a contract overrun.

**Earned Value Management System (EVMS)**. EVMS is an integrated set of policies, procedures and practices to objectively track true performance on a project or program. EVMS represents an integration methodology that is able to provide an early warning of performance problems while enhancing leadership decisions for successful corrective action. (Source: DOE O 413.3B)

**EVMS Certification**. The EVMS certification determines that a Contractor's EVMS, on all applicable projects, is in full compliance with ANSI/EIA-748B, or as required by the contract, and in accordance with FAR 52.234-4, EVMS. (Source: DOE O 413.3B)

**EVMS Surveillance**. The EVMS surveillance is the process of reviewing a Contractor's certified EVMS, on all applicable projects, to establish continuing compliance with ANSI/EIA-748B, or as required by the contract, and in accordance with FAR Subpart 52.234-4, EVMS. Surveillance may also verify that EVMS use is properly implemented by the contractor. (Source: DOE O 413.3B)

**Government Total Project Contingency.** Government total project contingency is the portion of project budget and schedule that is available for uncertainty within the project scope but outside the scope of the contract. Contingency is budget and schedule that is not placed on contract and is included in total project cost. Contingency is controlled by Federal personnel as delineated in the project execution plan. (Source: DOE O 413.3B)

**Integrated Project Team (IPT).** An integrated project team is a cross-functional group of individuals organized for the specific purpose of delivering a project to an external or internal customer. It is led by a Federal Project Director. (Source: DOE O 413.3B)

**Management Reserve.** Management reserve is an amount of the total contract budget withheld for management control purposes by the contractor. Management reserve is not part of the Performance Measurement Baseline. (Source: DOE O 413.3B)

**Over Target Baseline (OTB).** An over target baseline is a project management tool that is implemented when there is a cost overrun under the contract. An OTB is implemented for planning, controlling, and measuring performance; there is no change to the contract requirements or schedule. The CBB does not change when an OTB is implemented. An OTB allows project managers to retain visibility into the original CBB while measuring performance when a contract experiences an overrun. OTB is the sum of CBB and the recognized overrun. (Note: It is utilized when the contractor has overrun the contract cost.)

**Over Target Schedule (OTS).** See OTB above. The schedule portion of an OTB. (Source: DOE G 413.3-20)

**Performance Baseline (PB).** The performance baseline is a collective key performance, scope, cost, and schedule parameters, which are defined for all projects at CD-2. The PB includes the entire project budget (total project cost including fee and contingency) and represents DOE's commitment to Congress. (Source: DOE O 413.3B)

**Performance Measurement Baseline (PMB).** The performance measurement baseline is the baseline cost that encompasses all contractor project work packages and planning packages, derived from summing all the costs from the WBS. The PMB is the benchmark used within EVMS to monitor project (and contract) execution performance. (Source: DOE O 413.3B)

**Project Execution Plan (PEP).** The project execution plan is DOE's core document for management of a project. It establishes the policies and procedures to be followed in order to manage and control project planning, initiation, definition, execution, and transition/closeout, and uses the outcomes and outputs from all project planning processes, integrating them into a formally approved document. A PEP includes an accurate reflection of how the project is to be

accomplished, resource requirements, technical considerations, risk management, configuration management, and roles and responsibilities. (Source: DOE O 413.3B)

**Project Management Plan (PMP)**. The PMP is the contractor-prepared document that sets forth the plans, organization and systems that the contractor will utilize to manage the project. Its content and the extent of detail of the PMP will vary in accordance with the size and type of project and state of project execution. (Source: DOE O 413.3B)

**Request for Equitable Adjustment (REA)**. A REA is a request by one of the contracting parties for an equitable adjustment under a contract clause providing for such adjustment. A contractor typically submits a request for equitable adjustment under the contract's changes clause

**Total Project Cost (TPC)**. The total project cost is all costs between CD-0 and CD-4 specific to a project incurred through the startup of a facility, but prior to the operation of the facility. Thus, TPC includes the total estimated cost and fee for all contracts included in the project and may include Government prime contracts for external independent review, technical support services, and other prime Government contracts for components of the projects [total estimated cost and fee for all contracts included in the project [referred to in project terminology as other direct project costs]. (Source: DOE O 413.3B)

**B. Acronyms**

AE	Acquisition Executive
ADA	Anti Deficiency Act
AG	Acquisition Guide
AUW	Authorized Unpriced Work
BCP	Baseline Change Proposal
CCB	Change Control Board
CBB	Contract Budget Base
CD	Critical Decision
CMP	Contract Management Plan
CO	Contracting Officer
COR	Contracting Officer's Representative
CRD	Contractor Requirements Document
DCAA	Defense Contract Audit Agency
DEAR	Department of Energy Acquisition Regulation
DOE	Department of Energy
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
FPD	Federal Project Director
HCA	Head of the Contracting Activity
IGCE	Independent Government Cost Estimate
IPR	Independent Project Review
IPT	Integrated Project Team
MR	Management Reserve
O	Order
OTB	Over Target Baseline
OTS	Over Target Schedule
PB	Performance Baseline
PEP	Project Execution Plan
PMB	Performance Measurement Baseline
PMP	Project Management Plan
REA	Request for Equitable Adjustment
SAE	Secretarial Acquisition Executive
SOW	Statement of Work
TPC	Total Project Cost
WBS	Work Breakdown Structure

## **C. References**

### **Federal Acquisition Regulation (FAR) Parts and Subparts**

- 6.3 – Competition Requirements
- 15.4 – Contract Pricing
- 31.2 – Contracts with Commercial Organizations
- 34.2 – Earned Value Management
- 36.2 – Special Aspects of Contracting for Construction
- 43 – Contract Modifications

### **Department of Energy Acquisition Regulation (DEAR) Parts and Subparts**

- 906 – Competition Requirements
- 915.4 – Contract Pricing

### **DOE Acquisition Guide (AG) Chapters**

- 6.1 - Competition Requirements
- 7.0 - Integrating Acquisition Planning Processes – An Overview
- 7.1 - Acquisition Planning
- 9.4 - Contractor Responsibility Determinations
- 15.4-3 - Negotiation Documentation: Pre-negotiation Plan & the Price Negotiation Memorandum
- 15.4-4 - General Guide for Technical Analysis of Cost Proposals for Acquisition Contracts
- 34.1 - Project Management and the Acquisition of Major Systems
- 42.5 - Contract Management Planning
- 42.15 - Contractor Past Performance Information
- 43.1 - Contract Modifications
- 43.2 - Change Order Template
- 70.11 - The Department of Energy Directives System
- 71.1 - Headquarters Business Clearance Process

### **DOE Directives**

- DOE Order 413.3B - Program and Project Management for the Acquisition of Capital Assets
- DOE Guide 413.3-10A - Earned Value Management System.
- DOE Guide 413.3-13 - Acquisition Strategy Guide for Capital Asset Projects
- DOE Guide 413.3-20 - Change Control Management Guide

