DOE FPD + Acquisition Workforce News

Acquiring Minds Want to Know

Office of Acquisition and Project Management

Independent Government Cost Estimate and Independent Cost Estimate — The Same or Different?

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A DOE project may require either an independent government cost estimate or an independent cost estimate based on events that occur during the project or at certain stages of project development. Sometimes, both are required. DOE Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*, provides the following definitions:

Independent Government Cost Estimate (IGCE) - The government's estimate of the resources and [the] projected costs that a contractor would incur in the performance of a contract. These costs include direct costs such as labor, supplies, equipment, or transportation, and indirect costs such as labor overhead, material overhead, general and administrative expenses, profit, or fee (refer to Federal Acquisition Regulation (FAR) 36.203 and FAR 15.406-1).

Independent Cost Estimate (ICE) – A cost estimate, prepared by an organization independent of the project sponsor, using the same detailed technical and procurement information to make the project estimate. It is used to validate the project estimate to determine whether it is accurate and reasonable.

The distinction between an ICE and an IGCE begs the questions: Who uses the estimate and for what specific purpose? The IGCE is used by a contracting officer to evaluate a proposal before entering into contract negotiations. The scope of work covered by the IGCE is restricted to the work that will be performed under a particular contract modification or new contract award. An IGCE is typically prepared either by DOE staff or by a contractor who is independent of the contractor proposal being evaluated. The requirement to perform an IGCE stems from the FAR.

An ICE is typically used by the Office of Acquisition and Project Management (APM) to determine the sufficiency and reasonableness of the proposed total project cost (TPC) for a capital asset project. DOE Order 413.3B requires that APM perform an ICE to support its validation of the performance baseline for any project with a TPC over $100 million. In addition, the Consolidated Appropriations Act, 2012 (Public Law 112-74) requires APM to develop an ICE in support of critical decisions 2 and 3 for all projects with a TPC greater

than or equal to $100 million. The scope of an ICE is not restricted to costs that will be incurred under a particular contract, and must include everything contained within the TPC. DOE Order 413.3B details the costs included in the TPC.

In summary, an IGCE is used by a contracting officer to support proposal evaluation and contract negotiations. It should include only those costs expected to be incurred under the particular contract and must be prepared by someone who is independent of the prospective contractor. An ICE is used by APM to evaluate the TPC for a particular capital asset project and must be prepared by someone who is independent of the project sponsor.

Got COR Experience?

Lorri Wilkins, MA-661, Professional Development Division

In January 2012, changes to the contracting officer's representative (COR) certification program, established by the Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget (OMB), took effect. The program was restructured along the lines of an apprenticeship with experience requirements for Level II (journeyman) and Level III (senior/expert). OFPP reserves Level III for "the most experienced CORs within an agency . . . assigned to the most complex and mission critical contracts. [I]n order to be certified at Level III, it is strongly recommended that CORs have prior certification at Level II." - *OFPP Administrator Daniel Gordon's memorandum to Senior Procurement Executives dated September 26, 2011*.

Consistent with its stated intent for the program, OFPP imposed an experience standard for first-time Level II and III certification applicants. To advance from Level I to II, the applicant must have at least 1 year of experience as an appointed COR. To advance from Level II to III, at least 2 years of experience are required. Experience in specified COR competencies for the same lengths of time can be substituted if applicants have not been appointed as CORs to contracts.

The COR Functional Advisory Board convened by the Federal Acquisition Institute has recently revised the list of COR competencies. Applicants who have never been appointed as a COR to a contract must be able to demonstrate experience in these competencies. Candidate CORs who do not meet the experience standard for the certification level sought should consult their contracting officer to determine if a lower level of certification would still meet the needs of the contract, while allowing the candidate time to gain the necessary COR skills and experience.

To more clearly communicate and fulfill OFPP's objectives, our office revised the COR experience form that is attached to new applications for Level II or III COR certification. The new form has been streamlined and modeled after forms used by other federal agencies.

In the same memorandum cited above, OFPP requires initial applicants for Level II and III certification to "validate to the agency Acquisition Career Manager . . . that (s)he has gained the required experience." Unlike a training course, COR experience cannot be supported by a certificate of completion. A copy of the COR appointment/delegation memorandum covering the requisite years of experience serves this purpose. Those without a prior appointment will

need to identify contracts in which they gained experience in the listed competencies, and obtain the cognizant CO or COR's concurrence as validation. Experience gained outside DOE is more difficult to validate and should be discussed with the Site Acquisition Career Manager (SACM) before submitting an application.

This does not mean that every COR is expected to advance from Level I to Level III. The contracting officer, with input from the program office, will decide the level needed based on risk factors specific to the contract such as performance history, complexity, contract type, and other factors. For the life of the contract, the COR must then meet the training, experience, and continuous learning standards for the level designated by the contracting officer.

If you have questions about the COR certification policy changes, please contact your SACM .

PARS II Helpful Hints—Over Target Baseline (OTB) and PARS II Reporting

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Have you wondered about the difference between an over target baseline (OTB) and baseline change proposal (BCP)? In simplified terms, an OTB can be established within approved funding, while a BCP is associated with either a request for an increase in project funding (total project cost or TPC) or a reduction in project scope to limit cost overruns. Both, however, should result in a baseline for remaining work that is better aligned with project realities.

The primary reason for an OTB is to improve management control and visibility in performance of the remaining work. Implementation of an OTB involves a detailed cost/benefit analysis that should be jointly completed by the contractor and the government to determine if an OTB is warranted. While many factors should be considered in the analysis, two stand above all others: contractor-performance-to-date and continued compliance with earned value management system (EVMS) guidelines.

- Evaluation of contractor-performance-to-date is important for understanding the reasons that lead to an OTB and determining if the current project team is capable of completing the project after an OTB is implemented. When considering the contractor performance, understand that an OTB will not change the actual amount spent on the project to date, prevent future overruns, improve the contractor performance, or change the scope of the remaining work. The process of implementing an OTB should, however, help to better identify project risks and align the baseline for remaining work within the realities of the project environment.

- Review of contractor adherence to the approved contractor's EVMS description processes, EVMS standards, and timely correction of any deviations from the standard (prior to OTB implementation), will help reach the main long term objective of an OTB – the increase of management control.

When the need for an OTB is justified and an OTB is approved for implementation, the contractor and the government should determine the course of action regarding any cost and schedule variances accumulated against a pre-OTB baseline. There are four options that are available and selection of one over another will depend entirely on the specifics of the project. These options are:

- <u>Eliminate all cost and schedule variances</u>. This is accomplished by making a single-point adjustment to cumulative budgeted cost of work scheduled (BCWS) and budgeted cost of work performed (BCWP) to make both equal to cumulative actual cost of work performed (ACWP).

- <u>Retain all cost and schedule variances</u>. This is an unusual circumstance for an OTB and indicates that to-date performance is satisfactory, but anticipated future events will require additional budget to complete remaining work; without additional budget, cost, and/or schedule, overruns will fall outside of the tolerable variance threshold.

- <u>Eliminate only schedule variance</u>. This is accomplished by making a single-point adjustment to cumulative BCWS to make it equal to cumulative BCWP.

- <u>Eliminate select variances</u>. This is accomplished by applying different options from above to different control accounts, thus eliminating variances on some work breakdown structure (WBS) elements while retaining them on others.

After an OTB is implemented in the contractor system, this data must be reported in the DOE Project Reporting and Assessment System (PARS II). Key elements of an OTB to report are:

- Reprogramming Adjustments to Cost and/or Schedule Variances

- Reprogramming Adjustments to Project Budget

- Date when OTB was implemented

- Contract Budget Base (CBB)

- Total Allocated Budget (TAB)

The OTB Date, CBB, and TAB should be populated in the contractor PARS II Upload Template file and included with the automated contractor project performance (CPP) data upload. Existing PARS II data extraction utility, which was developed and is currently being utilized by the contractors, has the capability of extracting these data elements directly from the contractor cost management system. However, contractors should ensure that this information is correct prior to submitting the populated Upload Template file for processing in PARS II.

Currently, the Department of Energy is not looking to have any reprogramming adjustments at the control account level to be available for PARS II reporting or automated analysis. Reprogramming adjustments to variances and budget should be submitted as an attachment to the contract performance report format 1 generated by the contractor with the reprogramming adjustment fields populated. PARS II system administrators will handle entering

this information into PARS II at the project level. PARS II reports will be available to validate and display this information at the project level. Project analysts can gather the details of the reprogramming adjustments at the control account level from the contract performance report format 1 included as an attachment by the contractor when performing the monthly upload.

For technical details regarding specific data elements, field names, and database tables required to be populated, please see the PARS II OTB Reporting Process Document available on the DOE PARS II web page (http://energy.gov/management/downloads/pars-ii-process-document-over-target-baseline-otb-reporting).

Did You Know? PARS II Has a New "On Hold" Project Designation

Brian Huizenga, MA-63, Project Assessments Division

There is a very useful capital asset project designation we can use in PARS II when money becomes tight, missions change, or the Acquisition Executive simply has other priorities and the future of a current project is questionable. That designation is "On Hold." On Hold is just that, the project remains in PARS II; however, no additional upkeep is required.

Recently the CRB clarified the rules for placing a pre CD-2 project "On Hold." These rules are:

- A formal memorandum signed by the Acquisition Executive (AE) must be submitted to DOE-APM to place a project "On Hold." For major systems projects with the Deputy Secretary as the Secretarial Acquisition Executive (SAE), the applicable Under Secretary will sign the memorandum and notify the SAE of the "On Hold" status. "On Hold" only applies to pre CD-2 projects. Only DOE-APM will change the Project Activity Status in PARS II.

- A new Project Activity Status "On Hold Pre CD-2" has been added in PARS II (i.e. only one field with all project status options will be enabled; the prior On Hold field has been deleted from PARS II).

- The "FPD" key role designation in PARS II will be unassigned as of the date of the "On Hold" memo; as such, FPD credit cannot be earned.

- Monthly assessments will not be required for "On Hold Pre CD-2" projects.

- The Deputy Secretary monthly project status report has been modified to identify "On Hold Pre CD-2" projects.

- "On Hold Pre CD-2" projects will be excluded from the GAO "Certified FPD's at CD-1" metric.

- A new report has been created in PARS II under Enterprise Reports (Portfolio) named "Projects On Hold" that lists all "On Hold Pre CD-2" projects.

- Once per year, the respective Project Management Support Office (PMSO) is required to re-confirm the project is still "On Hold." These annual updates may be sent to the DOE APM via e-mail, letter, or memorandum.

- A project "On Hold" more than four years should be cancelled. Formal cancellation memos must still be signed by the AE, or Secretarial Acquisition Executive (SAE) for major system projects.

- A formal memorandum signed by the Acquisition Executive (AE) must be submitted to DOE-APM to change an "On Hold" project back to "Active." For major systems projects with the Deputy Secretary as the Secretarial Acquisition Executive (SAE), the applicable Under Secretary will sign the memorandum and notify the SAE of the change back to "Active" status.   Only DOE-APM will change the Project Activity Status in PARS II.

- Monthly assessments will be required to be entered in PARS II as soon as the AE memo is signed.

An AE memo is required to designate an FPD on a newly reactivated project. The blank "FPD" key role in PARS II will be edited with the name and assigned date of the memo. This can be a separate memo or can be included in the above memo changing a projects activity status from "On Hold" to "Active." Note: An AE designated FPD is not required until CD-1.

Questions of the Month

Question: My PMCDP program point of contact (POC) noted there are templates available for certification applicants to use when developing responses to the competency requirements. What are these templates and where are they located?

Answer: To make it easier for FPD candidates to prepare a certification package before inputting the information into the Employee Self Service (ESS) System, PMCDP, in conjunction with the programs, developed templates for each level of certification. These templates are in Microsoft Word form, and contain the competency requirements listed in the Certification and Equivalency Guidelines (CEG). The templates allow candidates to develop editable responses to the competencies. Candidates can also save time because they no longer have to flip back and forth between their applications and the CEG to reference requirements, especially those that pertain to demonstrating equivalency in lieu of PMCDP training. Once responses are developed, the candidates can simply copy and paste their responses into the ESS version of the application.

The templates are available for download on the PMCDP's website.

Question: I recently taught a three-credit course at a local university and I want to claim that experience towards my continuous learning point (CLP) requirement. Will this experience count? If so, how many CLPs may I claim?

Answer: For all certifications managed by the Acquisition Career Management Program (ACMP), this type of experience would count for CLP credit up to 10 per semester. Please note, however, the university must be accredited and the course's subject matter must be relevant to the certification you currently hold. For more information regarding CLPs and to see what other experiences can be used to gain CLP credit, please reference the CLP section in the Acquisition Certifications Program Handbook.

Recently Certified FPD

The Certification Review Board certified the following individual:

National Nuclear Security Administration:

- Jessy Innocent, Level I

Congratulations to our newly certified FPD!

Full Course Schedule

For a full list of DOE acquisition certification training, please visit the Acquisition Career Management Program (ACMP) Powerpedia Page:

https://powerpedia.energy.gov/wiki/ACMP

Questions or Comments?

The Professional Development Division values your feedback and input. Please email questions and comments to:

For ACMP ACMP@hq.doe.gov.

For PMCDP PMCDP.Administration@hq.doe.gov.

For specific information, contact members of the Professional Development Division directly:

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