



Observations from the Road . . . Management Reserve vs. Contingency

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The Project Assessment & Reporting System (PARS II)/Earned Value Management Systems (EVMS) Road Show, sponsored by DOE’s Office of Acquisition and Project Management (APM), has been visiting our sites across the country. One of the most popular agenda items is the segment on “Budget vs. Funds.” As one of the instructors, I can always count on lively and passionate participation, particularly with respect to discussion of management reserve (MR) and contingency. What exactly is the difference? Why are they important? Who controls them? How and when are they applied? Let’s walk through each of these.

The “What”: Simply put, MR is budget held by the contractor for management control purposes, is used for scope within the contractual statement of work, and is outside any existing control account. The standard for EVMS, ANSI/EIA-748B, states: “Management reserve is held for unexpected growth within the currently authorized work scope, rate changes, risk handling, and other program unknowns. Generally MR is held for current and future needs and is not used to offset accumulated overruns or under runs.” The amount of MR the contractor’s project manager sets aside from the contract budget base is determined through a risk process, where identified risks are listed in a risk register. The contractor also sets aside some MR for future situations that are impossible to predict.

Contingency, as identified in DOE Order 413.3B, is the portion of the project budget that is available for risk uncertainty within the project scope, but outside the scope of the contract. The confusing part of understanding contingency is that it is applied to a contract in one of two ways: it can be applied as budget associated with new project scope, or it can be applied as funds to cover overruns on existing scope.

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Still on the Road:

Upcoming PARS II/EVMS Road Show Dates

Pantex, October 17-18

Brookhaven, October 24

Germantown, December 12-13



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The “Why”: The fundamental purpose of EVM is to measure progress against a time-phased baseline and collect costs associated with the progress. However, as events occur, the future portion of the baseline is expected to change. ANSI/EIA-748B states: “The performance measurement baseline is a working management tool. It is a representation of current program plans which will and must change as program plans are refined and revised. Proper maintenance of the baseline will prevent performance measurement against an outdated or unauthorized plan.” MR and contingency are necessary to provide budget when scope is added to the performance measurement baseline, thus ensuring realistic cost and schedule performance measurement. As many of these contracts are cost-reimbursable types, contingency funding is necessary to protect the Government as overruns occur.

The “Who”: In the EVM vernacular, MR is established and controlled by the contractor. Contingency is controlled by Federal personnel as delineated in the project execution plan.

The “How”: Whether the contractor is applying MR based on in-scope unplanned events, or applying contingency based on contractually authorized new scope, the baseline is modified through a documented and disciplined process in compliance with ANSI/EIA-748B. The contractor must maintain logs so that all transactions are traceable (Guideline 32).

The “When”: The scope, budget, and schedule associated with the event must be defined, planned, and authorized before adding it to the baseline in a timely manner (Guideline 28). The ANSI/EIA-478B standard also states, “Work authorizations should be issued before work is due to begin for improved control and advance planning.” In keeping with the intent of the disciplined EVM approach, the change should be authorized and baselined before commencing work. It is important that a contractor has a system in place that controls changes yet defines a streamlined process for any time-sensitive events.



Don't Forget to Register!

DOE/NNSA Acquisition Workshop

December 4 - 5, 2012

The open registration period has been extended until October 31, 2012, and at this time we would like to open up our invitation to all Acquisition Professionals, including the Contracting Officer Representative (COR) Community.

For additional Workshop and registration information, visit: https://powerpedia.energy.gov/wiki/Acquisition_Workshop.

Have You Heard About the New PARS II Folder?

As a result of feedback from the PARS II/EVMS Road Show, held across the complex over the past several months to enhance earned value (EV) analysis using PARS II, a new Analysis folder within the Sort, Select, and Summarize (SSS) Reports was created to contain the reports designed for analysis of project performance. The Analysis folder contains reports that show visible trends, enable data validity checks, and provide a quick indicator of potential data issues on a project specific basis using the Contractor's Project Performance (CPP) upload of EV and schedule information. These reports, in conjunction with the reports found in the Cost Performance and Dynamic Drilldown Report (DDR) folders, should be used to ensure that timely, accurate, reliable and actionable project data is provided to inform the Acquisition Executive and other Departmental management of project status and expected outcomes, such as estimated cost and schedule at completion.

The following are the reports available in the Analysis Reports folder:

- Baseline Volatility (PMB Level)
- CPI vs. TCPI (PMB Level)
- EV Data Validity (WBS Level)
- EV Project Summary (6-Month; PMB Level)
- Funding Status (Monthly at Project Level)
- IEAC Analysis (WBS Level)
- MR Balance v. CV, VAC, & EAC Trends
- MR Log
- Performance Analysis (WBS Level)
- Performance Index Trends (WBS Level)
- Retroactive Change Indicator (6-Month; PMB Level)
- Schedule Missing Logic (Activity Level)
- Schedule Relationship Types (Activity Level)
- Variance Analysis Cumulative (WBS Level)

Key

PMB = Performance measurement baseline
 CPI = Cost Performance Index
 TCPI = To Complete Performance Index
 WBS = Work Breakdown Structure
 IEAC = Independent Estimate at Completion
 MR = Management Reserve
 CV = Cost Variance
 VAC = Variance at Completion
 EAC = Estimate at Completion

Recently Certified FPD

The Certification Review Board certified the following individual:

Office of Energy Efficiency and Renewable Energy

- Matt E. Graham, Level III

**Congratulations to our
newly certified FPD!**



Course Available Online	PMCDP Info	Course Code
Contracting Officer Representative Training	Level I Core	CLC222
To register through the Federal Acquisition Institute's Training Application System (FAITAS): Ctrl + Click Here		
For a Tutorial on using FAITAS: Ctrl + Click Here		

Start	End	Course	CLPs	Location	Instructor	PMCDP Info	CHRIS Code/ Session	Registration Restrictions
October 2012								
10/16/12	10/18/12	Value Management	21	Aiken, SC	Morrell	Level 2 Elective	001037/0012	None
10/22/12	10/25/12	Managing Contract Changes	28*	Richland, WA	Bibler	Level 1 Core	002102/0025	None
10/22/12	10/25/12	Project Risk Analysis & Management	25*	Washington, DC	Holmlin	Level 1 Core	001033/0042	NNSA Intern Program
10/22/12	10/26/12	Acquisition Management for Technical Personnel	32*	Albuquerque, NM	Morrell	Level 1 Core	000145/0036	None
10/23/12	10/25/12	Executive Communications	21	Idaho Falls, ID	Sims	Level 3 Core	001031/0028	None
10/29/12	11/2/12	Cost & Schedule Estimation & Analysis	35*	Grand Junction, CO	Morrell	Level 2 Core	001044/0021	None
10/30/12	10/31/12	Capital Planning for DOE O 413.3B Capital Asset Projects	14*	Albuquerque, NM	Benchmark: TBA	Level 1 Elective	002152/0006	None
10/30/12	11/2/12	Federal Budgeting Process in DOE	28*	Washington, DC	Murphy Olsen	Level 2 Elective	001034/0018	None
November 2012								
11/6/12	11/8/12	Scope Management Baseline Development	21*	Albuquerque, NM	Casey Daughtry	Level 2 Core	001036/0016	None
11/6/12	11/9/12	Managing Contract Changes	28*	Germantown, MD	Bibler	Level 1 Core	002102/0032	EM Employees Only
11/6/12	11/9/12	Project Risk Analysis & Management	25*	Pittsburgh, PA	Holmlin	Level 1 Core	001033/0019	None
11/13/12	11/16/12	Managing Contract Changes	28*	Oak Ridge, TN	Bibler	Level 1 Core	002102/0035	None
11/27/12	11/29/12	Earned Value Management Systems	21*	Richland, WA	Daughtry	Level 1 Core	001026/0080	None
December 2012								
12/3/12	12/7/12	Project Management Simulation	35*	Albuquerque, NM	Suda	Level 2 Core	001029/0029	None
12/4/12	12/7/12	Project Risk Analysis & Management	25*	Albuquerque, NM	Daughtry	Level 1 Core	001033/0041	None
12/4/12	12/6/12	Strategic Planning	21	Oak Ridge, TN	GRA: TBD	Level 3 Elective	001043/0010	None
12/11/12	12/13/12	Real Property Asset Management	21*	Richland, WA	M. Cook	Level 2 Elective	001183/0022	None
12/11/12	12/14/12	Managing Contract Changes	28*	Washington, DC	Bibler	Level 1 Core	002102/	None

Note: Asterisked courses are PMI approved.

For a step-by-step guide to register for PMCDP courses in CHRIS/ESS, please visit the PMCDP website:

<http://energy.gov/management/downloads/pmcdp-course-registration-process>

Construction Industry Institute (CII)

DOE is a member of [CII](#)ⁱ that provides valuable resources, many at no cost. Several other federal agencies and many of our contractor partners are CII members. If you forgot or would like to request a CII login, contact Brian Kong (brian.kong@hq.doe.gov, 202-586-3151), and check out the [CII PowerPedia page](#)ⁱⁱ.

CII is a consortium of 100+ leading public and private sectors owner, engineering-contractor, and supplier organizations that are enhancing the business effectiveness and sustainability of the capital facility life cycle.

Their [body of knowledge library](#)ⁱⁱⁱ is a categorized listing of their vast array of resources. Access via the [project life cycle matrix](#)^{iv} provides a crosswalk of these resources to the project stage, and is a time saver in identifying specific tools and best practices.

CII provides their list of 14 best practices in literature [IR166-3](#)^v with notable cost savings. Their project definition rating index (PDRI) is one best practice DOE has formally incorporated ([DOE G 413.3-12](#)).

Our membership in CII is one way the Department is supporting your hard efforts. Look for additional CII information to help ensure project success in future editions of the newsletter and by visiting the URLs below.

ⁱ <https://www.construction-institute.org>

ⁱⁱ https://powerpedia.energy.gov/wiki/Construction_Industry_Institute

ⁱⁱⁱ <https://www.construction-institute.org/scriptcontent/know.cfm?section=know>

^{iv} https://www.construction-institute.org/source/Orders/CII_ProjectLifeCycle.cfm

^v https://www.construction-institute.org/source/Orders/index.cfm?section=orders&task=3&CATEGORY=KA08&PRODUCT_TYPE=SALES&SKU=IR166%5F3&DESCRIPTION=&FindSpec=8%2E02&CFOKEN=70943389&continue=1&SEARCH_TYPE=find&FindIn=4. Free download with CII login.

Newsletter Name Change

We hope that you noticed the newsletter name change from *Pathways to Project Success* to *DOE Acquisition Workforce News*. The name and format were changed to announce expanded news from the Office of Acquisition and Project Management of relevance to the broader DOE acquisition community. We have also expanded readership to the broader DOE acquisition workforce community. *DOE Acquisition Workforce News* premiered in September with a resounding: "What happened to project management?" Although it is important to remember that project management is part of the big "A" acquisition, to make sure everyone feels included, the name is now *FPD + Acquisition Workforce News*.

PMCDP Curriculum Change for FY2013

The Certification Review Board approved the removal of the Level II core courses, *Effective Program and Project Communication* (2 days) and *Project Leadership* (3 days), and the addition of a new three-day course that combines these subjects, *Leadership through Effective Communication*.

Leadership through Effective Communication is a highly interactive course that tackles three key communication areas not addressed in the current courses: communication preferences, negotiation styles, and neutral questioning. To facilitate effective communication in a project environment, participants should understand these three crucial areas. Additionally, what truly makes the new course distinct is the inclusion of emotional intelligence—a key topic of successful leadership and communication not covered in either current course. Emotional intelligence includes self-awareness, self-regulation, motivation, empathy, and social skill (*Harvard Business Review*, January 2004).

Groundbreaking research by Daniel Goleman, who studied 188 companies, found that almost 90% of the differences between star performers and average performers in senior leadership roles were attributable to emotional intelligence factors, not cognitive ability (*Harvard Business Review*, January 2004). The addition of this topic will allow participants to understand their impact on others, and ultimately, their projects.

The course will be piloted during the first quarter of FY2013, and will become a Level II certification requirement effective January 1, 2013. To be certified based on the current PMCDP requirements, all Level II certification applications must be submitted to the PMCDP for processing no later than December 31, 2012.

FPD Questions of the Month

Question 1: I recently had a continuous learning point (CLP) request placed on hold because the CLP administrator wanted more information to validate the request. I had already provided the course title and delivery dates, and my first-line supervisor approved the request. What more do I need to do?

Answer 1: To validate your CLP request, you must demonstrate that the training is relevant to the responsibilities and duties of an FPD. Your response does not need to be lengthy; however, you must provide a description of the course and the topics addressed, the course duration, and type of training that occurred (i.e., classroom, on-line, etc.). Without this information, CLP requests cannot be validated.

Question 2: I recently had a CLP request denied for a training course that focused on fraud awareness. Since this training is mandatory for all DOE employees, why wasn't CLP credit granted?

Answer 2: The PMCDP approves CLP requests for training that is relevant to the responsibilities and duties of an FPD. These subjects may include such topics as project management, accounting, applied mathematics and statistics, engineering, physical sciences, hazardous material management, environmental management, safety, maintenance management and logistics, etc. Although fraud awareness is certainly an FPD responsibility, this is generic, mandatory training for all DOE employees. The training FPDs submit for CLP credit should be something that is done above and beyond normal job duties. As such, no annual, mandatory training (i.e., annual security refreshers, ethics training, etc.), will be approved for CLP credit (**Note:** This is the case for all ACMP certifications).

Course Schedules



For the full listing of FY2013 classes, visit the PMCDP website:

<http://energy.gov/management/downloads/pmcdp-course-schedule>

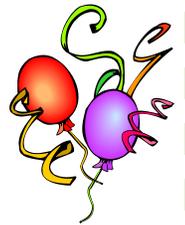
For a list of Contracting Officer and Contracting Officer's Representative training classes offered through the Federal Acquisition Institute, visit the ACMP Powerpedia page: <https://powerpedia.energy.gov/wiki/ACMP>



The Office of Acquisition and Project Management Wishes You a

Happy New Fiscal Year!

May this year bring great success to the Department.



Questions or Comments?

For PMCDP, please email general questions and comments to PMCDP.Administration@hq.doe.gov, or visit our website: <http://energy.gov/management/office-management/operational-management/project-management-career-development-program>.

For ACMP, please email questions and comments to ACMP@hq.doe.gov.

For specific information, please contact one of the following individuals:

- Linda Ott, PMP, MA Adult Ed - Chief, Professional Development Division, Acquisition Career Manager, PMCDP CRB Secretariat, Linda.Ott@hq.doe.gov
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- Lorri Wilkins - Professional Development Division, COR Certification Program Manager, Lorri.Wilkins@hq.doe.gov