DOE FPD + Acquisition Workforce News

Acquiring Minds Want to Know

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Office of Acquisition and Project Management

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Management Reserve and Contingency: The Procurement Perspective

Ron Cone, MA-621, Field Assistance & Oversight Division
Melvin Frank, PMP, MA-632, Project Systems Division

Management reserve and contingency are sometimes misunderstood areas regarding estimating costs for a project and accounting for actual costs incurred under a project. Some of the confusion arises from the different perspectives of procurement professionals and project management professionals, who, while supporting the same mission and reaching for the same goals, serve in different roles and sometimes use different definitions. Many articles have been included in previous versions of this newsletter on management reserve and contingency from primarily a project management perspective. This article will try to eliminate some of the confusion by describing the construct and procedures underpinning the procurement perspective and putting the procurement definitions in terms that, hopefully, all professionals can understand.

Procurement Perspective on Management Reserve- When contractors are estimating the costs of the goods and services they propose to provide the government, they enjoy the benefit of few certainties regarding the actual costs they will incur. Certainty only arrives after the goods have been manufactured or the services have been performed. Consequently, both contractors and feds understand there are uncertainties in the contractors' cost estimates for labor, commodities, travel, supplies, materials, etc. When preparing proposals, contractors rightfully take these uncertainties into account, include what they deem an appropriate amount for them in their cost estimates, add proposed

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Updated ACMP Handbook Now Available Online!

The Acquisition Career Management Program (ACMP) recently published the newest edition of the Acquisition Certifications Program Handbook on Powerpedia. This handbook provides a road map for acquisition employees to acquire the training, education, and experience critical to career advancement, as well as information regarding applying for certification, maintaining and renewing certification, and requirements for certification. Any comments or questions should be directed to the ACMP mailbox.

profit, and submit a price proposal to the government. Contracting officers (COs) review the contractors' cost estimates and proposed profit and, using all of the applicable cost, price, and profit analysis techniques from FAR Part 15, determine fair and reasonable prices for the goods and services that contractors offer--prices that include consideration of both estimated costs and an amount for profit. Due to some difficulties DOE COs have encountered in the past regarding the appropriate consideration they should give to costs in contractors' proposals that were labeled "management reserve" but were unsatisfactorily supported by the contractor, DOE issued specific guidance. Acquisition Letter (AL) 2009-01 addresses contracting officers' consideration of costs labeled as management reserve in contractors' proposals when determining fair and reasonable prices for the goods and services that contractors offer. The AL states COs shall ensure that the contractor demonstrates that any proposed cost and estimating technique/system used to develop its proposed costs are reasonable (e.g. the proposed cost and estimating technique/system used is fully explained, reasonable, and appropriate to the circumstances of the acquisition). Additionally, the AL states COs shall not: (1) use either management reserve or contingency (as defined in the DOE 413 series of directives or similar project management concepts) in the pricing of contract actions, even if they have been validated as part of the project management process; (2) except as narrowly allowed by FAR 31.205-7(c)(1), price estimated costs for contingencies into DOE contract actions or pay any fee to compensate for excluding such contingencies from the contract price; (3) 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; or (4) relieve the contractor of its responsibility to demonstrate that its proposed costs are reasonable and its estimating techniques are sound.

An incomplete, yet helpful analogy, would be the process you might go through when you buy a custom home. The builder uses its estimating system to prepare its estimates for the costs of labor, lumber, concrete, kitchen cabinets, flooring, electrical, siding, etc., and adds an amount to the total estimated costs for profit. You review the builder's proposed estimated costs and profit, negotiate if appropriate, and, if you sign a contract, agree with the builder's estimate of how much the house will cost the contractor to build and how much profit the contractor should earn (that is, you determine for yourself what is a fair and reasonable price). The price of your contract would be the sum of those mutually agreed to cost estimates and profit. Subsequent to your agreement on price with the builder, he/she may, at his/her sole discretion, decide for management or other purposes to separate the amount you both agreed to for price into subcategories. They could be profit, cost estimates, and management reserve, or some other groupings. As construction proceeds, the builder might decide to track in great detail the actual costs incurred for labor, lumber, concrete, kitchen cabinets, flooring, electrical, siding, etc., versus the costs estimated and identify the variance between the estimates and the actual costs. Regardless of what the builder decides to separate or track for performance purposes within the agreed contract price, or uses to complete the contracted work within the agreed contract price, the contract price for your home remains the same.

<u>Procurement Perspective on Contingency</u>- The procurement perspective on contingency for contract pricing purposes is discussed in detail in Acquisition Letter 2009-01. Procurement has no perspective on the contingency in budget dollars held in reserve by a program office when it is managing a project. Procurement rarely sees or knows how much a program office holds in reserve, but understands a program office has an overall budget and reserve of funds to complete projects. Although not a procurement topic, we will use the building of a home as an analogy for the procurement perspective of the program office's use of its contingency. Contingency would be how much money

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you keep, in addition to the price you agreed to pay for the home, in reserve to cope with possible changes to the contract that you might agree to during construction. You might, for example, choose to set some money aside in case you change your mind about kitchen cabinets or flooring. This is your contingency or reserve budget. As you, the owner, decide to increase the contract scope for your home, you will apply this reserve budget to the contract in the form of a modification to increase the price. Once agreed to, the contractor may again decide to separate and track for performance purposes budget elements from within the new contract price.

Hopefully this article has made two terms that are often misunderstood clearer and more accessible. If you have questions, or would like other terms clarified in future newsletter articles, please contact ACMP.

PARS II Helpful Hints—Contacts

Catherine Mohar, PARS II Administrator, MA-632, Project Systems Division

The PARS II Project Attributes Contacts screen has recently added more role options to better communicate the actual approved assigned roles of individuals on a given project. To view the list of the assigned contacts and also the unassigned contacts (those previously assigned—maintained for historical purposes), do the following:

- Go to the Oversight & Assessment module
- Select Projects
- Pick your project
- Click View or Edit (depending on your rights) to go to the Attributes tabs
- Select the second tab - Project Contacts

The standard key role contacts on every project are: FPM, FPD, APM Analyst, and Prime Contractor. These four key roles work a bit differently than all other contacts who can be entered. When a new project is originated within PARS II, the four key roles appear within the Project Contacts tab. To add the correct name to any of the key roles, edit the blank key role and add the individuals name and assigned date. If no assigned date is added, the individual will not populate on reports and corresponding fields will be blank. When a new person is assigned to a key role, such as the FPD, first edit the currently assigned FPD and add the unassigned date. This automatically triggers the system to create a new blank FPD key role that should be edited to include the new FPD's name and assigned date. By following this procedure, it ensures that the Monthly Deputy Secretary and Project Overview reports display the data correctly and as intended. Use of the "Add a Contact" button to add a key role will not populate reports correctly and should only be used to add a role not designated as a key role. If you make this mistake, please email the Help Desk and they can correct the error so the key role contacts display and reports populate correctly. Lastly, you must attach the AE signed memo designating the FPD to a project. This designation may be in a separate memo or contained within the CD memo.

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Two new roles were recently added in Project Contacts to better communicate and track FPD designations: FPD Pre CD-1 and FPD – Pending AE Approval. In addition to alerting users of the individuals involved with a project either through reporting or the Project Contacts tab, PARS II is also being used to track and validate an FPD's tenure on a project. To ensure proper credit when applying for FPD certification, it is imperative that the project, individual's name, and assigned/unassigned dates are completed properly. Per DOE Order 413.3B, FPDs are not required prior to CD-1. However, if there is an acting FPD on a Pre CD-1 project who has not been designated as the FPD by the AE, the role "FPD Pre CD-1" has been added to the dropdown menu and should be used. The individual's name and assigned date should be completed, though this designation will not display on any standard report. Once the AE signed memo is received, the unassigned date to the "FPD Pre CD-1" Contact should be added so that the "FPD" key role can be edited with the name and assigned date. "FPD-Pending AE Approval" has also been added to the dropdown menu to accommodate transition periods that occur when one FPD leaves a project and a new FPD has not yet been formally assigned by the AE. Although typically a short duration, this new role tracks who will be transitioning to the FPD position. As soon as the AE memo is signed designating the FPD, the unassigned date to the "FPD-Pending AE Approval" Contact should be added so that the "FPD" key role can be edited with the name and assigned date.

Projects that have reached CD-1 and do not have an AE approved FPD will be designated as TBD in the name field with an assigned date of the CD-1 approval memo. This designation will appear on all reports until an AE approved FPD is assigned. Similarly, a project post CD-1 that has had an AE approved FPD unassigned will have TBD entered in the name field until an AE approved FPD is assigned to the project.

Below is a list of other Contact roles currently available. If any additional roles are needed, please let the Help Desk know and we can add them to the standard drop down menu.

- AE
- Contractor Analyst/Project Controls
- Contractor PM
- Deputy FPD
- Deputy FPM
- Mission Unit POC

Acronyms

AE–Acquisition Executive

APM–Acquisition and Project Management

CD–Critical Decision

FPD–Federal Project Director

FPM–Federal Project Manager (often referred to as the Program POC)

PM–Project Manager

POC–Point of Contact

TBD–To be Determined

Addressing PMCDP Competencies - A "How-To" Guide for Success

Dave Rathbun, PMCDP Support Contractor
Dana Krupa, PMCDP Independent Reviewer

One of the PMCDP's most commonly asked questions is "*How does someone address certification competencies using alternative training/experience in lieu of taking the requisite PMCDP course?*" To find the answer, turn to the PMCDP's Certification and Equivalency Guidelines (CEG).

Most of the PMCDP's competency requirements may be satisfied by completing PMCDP training classes or by demonstrating equivalent training and/or experience. Each competency description includes a list of core topics taught in the corresponding PMCDP course. To demonstrate equivalency, applicants must provide examples of prior experience/training and identify how it relates to each topic.

This may sound like a complicated and time consuming process. It is quite the opposite, especially if you can succinctly describe how your experience/training satisfies the competency. The responses need not be long – two to three sentences for each bulleted topic will suffice. To demonstrate how easy this can be, let's look at Level I competency 1.7.1 (pg. 4-8 of the CEG):

"The certification candidate must demonstrate **working-level** knowledge of project planning and resource loaded scheduling. Fulfillment of this competency may be achieved through the following: 1) the successful completion of the PMCDP core course *Project Management Essentials*; OR 2) the successful completion of an equivalent course or training; OR 3) demonstrated equivalent experience; OR 4) a current PMP certification.

The justification of fulfillment through equivalent training or experience requires candidates to demonstrate a majority of the following knowledge examples covered in the PMCDP course:

- Project schedule networks, including the definition of activity durations, and logic [1]
- Critical paths and other scheduling terms [2]
- Resource allocation [3]
- Methods for reporting and displaying schedule information [4]

The below example represents a "hybrid response" to this competency using a combination of experience and prior education to demonstrate equivalency. Although only a majority of bulleted topics need to be addressed for this competency, the narrative briefly touches on all themes and provides specific examples of the applicant's prior experience. Note: Bracketed numbers are used in this example only to clearly demonstrate cross-reference between bulleted topics and the responses.

In undergraduate school (XYZ University), I completed the three-credit course *Program and Project Management* (1/02 – 5/02). During this course, students were provided with a semester-long mock project and were required to develop network diagrams to properly sequence the project's schedule activities, to identify the project's critical path, as well as non-critical path activities, and to calculate project activity slack/float. [2] This aided in the development of the project's schedule baseline. The course also taught precedence diagramming methods that identified additional dependencies (other than "finish-to-start") that may occur among project activities and their predecessors/successors. [1]

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This helped students to identify and implement specific resource allocation techniques (i.e. resource loading/leveling) based on the priority rules that were identified (i.e. “as soon as possible,” “minimum slack first,” “most resources first,” etc.). [3]

In addition, when serving as the project director for the ABC project (1/20XX – 8/20XX), the team knew from the beginning that the project had a tight schedule and a firm deadline. To identify the critical activities/critical path for the project, the team relied heavily on the use of schedule network diagrams to sequence the project’s activities and to monitor and control the project schedule. [4] This method helped the team identify the resources needed to support the activities, and opportunities for schedule compression that could occur through the reallocation of resources further down the road.[3] As the project director, I was also responsible for all project reporting. The team and I frequently used GANTT charts to display project progress against its schedule baseline and associated milestones, and I held periodic team meetings and stakeholder briefings to discuss project progress and answer questions. The team also developed a central repository using SharePoint software so non-technical users could access real-time project data. [4]

Hopefully this example demonstrates that it can be quite easy to use your previous experience/training to satisfy PMCDP certification competencies. For more guidance, please refer to the CEG and enlist the help of your PMCDP program point of contact (POC).

Recently Certified FPDs

The Certification Review Board certified the following individuals:

Office of Environmental Management:

- Dabrisha M. Smith, Level I

Office of Nuclear Energy:

- Nancy Anne Elizondo, Level I

National Nuclear Security Administration:

- Mostafa Dayani, Level II
- Clifford H. Parr, Level I

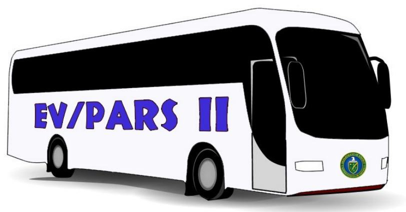
Office of Science:

- Scott J. Mallette, Level I

Congratulations to our newly certified FPDs!

Still on the Road:

Upcoming PARS II/EVMS Road Show Dates



Savannah River

February 25^{th}-26^{th}

&

February 27^{th}-28^{th}

Questions of the Month

Question 1: I am in the process of working toward my Level II certification and I learned the PMCDP course curriculum changed in 2013. Where can I find a list of the current Level II training courses and is there a training schedule available online?

Answer 1: The PMCDP's Curriculum Learning Map lists all of the different course requirements for each level of certification and is available on PMCDP's website: http://energy.gov/management/downloads/pmcdp-curriculum-map. The PMCDP also has a published training schedule that lists all of the course offerings for the remainder of the fiscal year. The link to the training schedule on Powerpedia (DOE internal link) is also on PMCDP's website: https://powerpedia.energy.gov/w/images/f/f9/Acquisition_Workforce_Master_Training_Schedule.xlsx.

Question 2: I recently obtained my Project Management Professional (PMP®) certification. Does this credential satisfy any PMCDP certification requirements?

Answer 2: Yes. The PMCDP accepts the PMP® credential as an equivalency for all competencies that require the successful completion of the PMCDP Level I core course, *Project Management Essentials* (competencies 1.2.1, 1.3.1, 1.4.1, 1.6.1 and 1.7.1). Depending on how recently the PMP® credential was obtained, it may also be used to satisfy all of the Level I "Work and Developmental Competencies" (competencies 1.12.1, 1.12.2 and 1.12.3). For additional information, please see Section 4 (*PMCDP Requirements by Certification Level*) of the PMCDP's Certification and Equivalency Guidelines (CEG) that is available on the PMCDP website: http://energy.gov/management/downloads/certification-and-equivalency-guidelines.

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?

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

For PMCDP, please email questions and comments to PMCDP.Administration@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
- Victoria C. Barth, MA ISD - Professional Development Division, PMCDP Course Schedule, CRB Information, CEG, Newsletter, Victoria.Barth@hq.doe.gov
- Lorri Wilkins - Professional Development Division, COR Certification Program Manager, Lorri.Wilkins@hq.doe.gov