

Contingency is Being Burned

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Have you ever seen a project where the schedule performance index (SPI) and cost performance index (CPI) are both very good (both near 1.0), but the contingency and management reserve (MR) accounts are depleted? Have you ever heard someone confuse the terms management reserve (MR) and contingency? While we in the project and contract management community are familiar with these terms, we often see them used incorrectly and treated as if they were interchangeable during the execution of the work, creating confusion and potential improper accountability.

While MR is a form of contingency, its application is managed and controlled by the contractor, whereas contingency derivation and management are the responsibility of the Federal project team. Understanding the differences and managing each budgeting source accordingly is critical to sound project and contract management. This article focuses on proper definition and use of these terms.

DOE Order 413.3B defines these terms as follows:

Contingency - *the portion of the project budget that is available for risk uncertainty within the project scope, but outside the scope of the contract. Contingency is budget that is not placed on the contract and is included in the TPC. Contingency is controlled by Federal personnel as delineated in the project execution plan (PEP).*

Management Reserve - *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 (PMB). (continued on next page)*

OPEN!

Registration for the 2012 DOE Project Management Workshop is now OPEN!

Please see <http://tinyurl.com/2012workshop> for details. The workshop will be held on Tuesday and Wednesday, April 3 & 4, 2012, at the Hilton Alexandria Mark Center, 5000 Seminary Road, Alexandria, VA 22311.

Figure 1 below shows that while contingency is for scope within the project, MR is for unplanned scope within the contract as defined in the statement of work, but outside the scope of the PMB. It should be noted that contingency is not intended to cover major changes in scope or content of a project, but is intended to provide budget for new scope associated with impacts of realized DOE owned project risks and DOE estimating uncertainties and inaccuracies incurred in the execution of the project baseline.

Neither contingency nor MR should ever be burned to resolve negative variances resulting from poor contractor performance, nor should they be used to continuously revise the time-phased budget in an attempt to match the available funds. They do not need to match and forcing (re-planning) the baseline to match funding can distort the data used to make projections.

DOE has had several examples of the practice of incorrectly applying MR and contingency to resolve past variances. An Earned Value Management System (EVMS) is useful only when it is properly employed. Contingency should only be transferred to the project for new scope when a DOE owned risk has been realized and all the impacts are understood. The transfer of contingency to the contract for non-M&O contractors is done via both baseline change proposal (BCP) and contract modification. It is imperative that the Federal Project Director and the Contracting Officer use the project and contract change management processes to ensure the project baseline and the contract remain aligned. Refer to DOE G 413.3-10, *Earned Value Management System*, and DOE G 413.3-20, *Contract Control Management Guide*, for additional information.

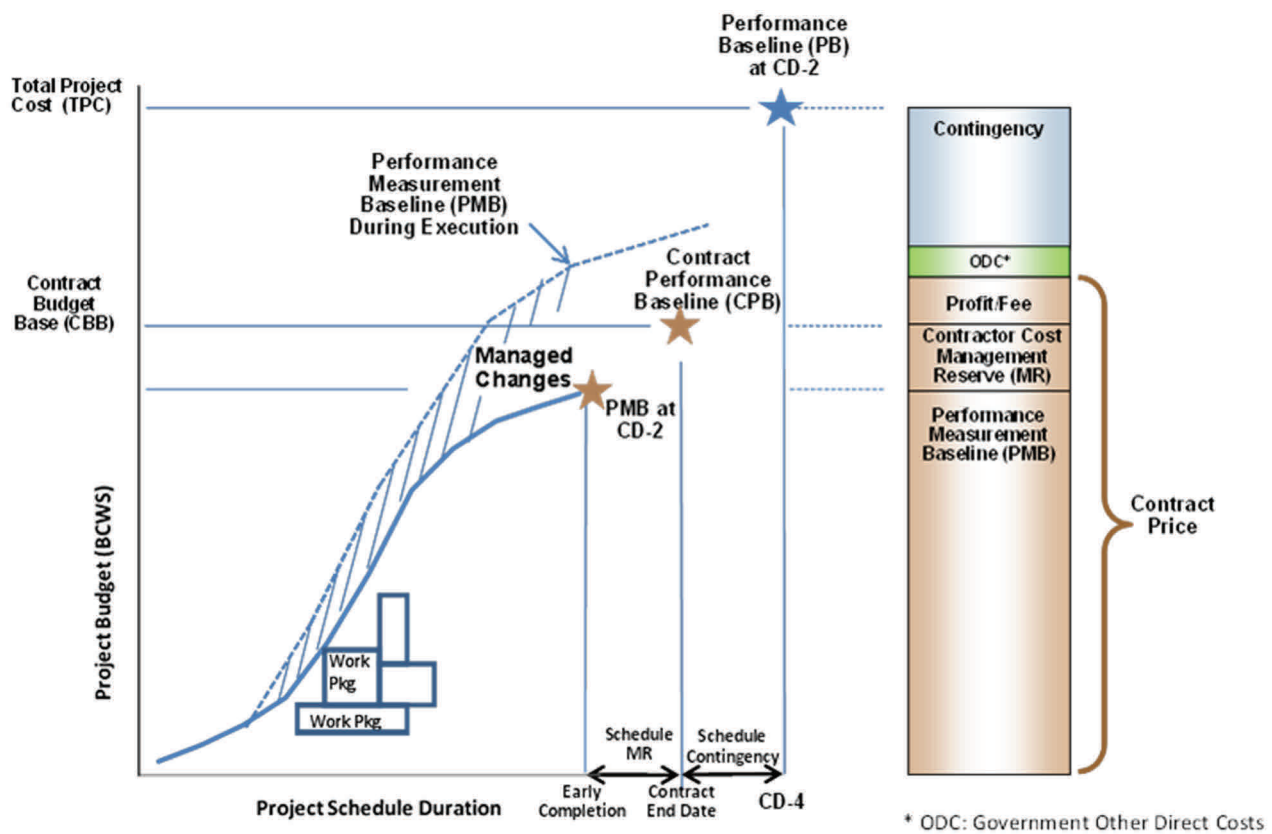


Figure 1. Project and Contract Performance Baselines—Key Terms and Relationships.

(Source: DOE G 413.3-20 July 29, 2011)

Question of the Month

Victoria Barth, MA ISD

Question: The competency requirements that appear in my certification profile in the Employee Self-Service (ESS) system do not match those found in the 2012 version of the PMCDP's Certification and Equivalency Guidelines (CEG) document. Why is that? Also, how can my application be modified so that I can view/respond to the correct requirements?

Answer: One of the constraints of the ESS system is that we are unable to import new competency changes into existing user accounts/profiles. Therefore, if you had a profile established prior to January 1, 2012, you will not be able to view all of the current competency requirements until your profile is reset.

We do not automatically reset profiles because doing so erases all of the existing data. PMCDP encourages you to save your information into a Word document before contacting us with a profile reset request. Once your profile is reset, you will be able to see the current competencies. For more information, please contact the PMCDP's administrative support contractor, David Rathbun (drathbun@colleagueconsulting.com, 301-277-0255, ext. 121).

Federal Project Director Corner

The Certification Review Board certified the following individuals:

Office of Environmental Management

- Jeffrey M. Bruggeman, Level I
- Paul C. Lucas, Level I
- Anthony W. Marshbank, Level I
- Ramoncita N. Massey, Level I
- Douglas M. Pruitt, Level I
- Glyn D. Trenchard, Level I
- Cidney B. Voth, Level I

National Nuclear Security Administration

- Kevin Jay Buchanan, Level I
- Timothy A. Cooper, Level I

Office of Science

- Jeffrey W. Day, Level I
- Ronald J. Lutha, Level IV

**Congratulations to our
newly certified FPDs!**



PMCDP Course Schedule

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	CEUs	Location	PMCDP Info	CHRIS Code/ Session	Registration Restrictions
February 2012							
2/14/12	2/17/12	Managing Contract Changes	28*	Golden, CO	Level 1 Core	002102/0016	None
2/27/12	3/1/12	Managing Contract Changes	28*	Oak Ridge, TN	Level 1 Core	002102/0019	None
2/27/12	3/2/12	Cost & Schedule Estimation & Analysis	35*	Germantown, MD	Level 2 Core	001044/0013	None
March 2012							
3/5/12	3/8/12	Managing Contract Changes	28*	Richland, WA	Level 1 Core	002102/0017	None
3/5/12	3/8/12	Project Risk Analysis & Management	25*	Morgantown, WV	Level 1 Core	001033/0032	None
3/5/12	3/9/12	Cost and Schedule Estimation	35*	Oakland, CA	Level 2 Core	001044/0017	None
3/6/12	3/8/12	Environmental Laws & Regulations	21	Idaho Falls, ID	Level 2 Elective	001046/0027	None
3/12/12	3/16/12	Project Management Simulation	35*	Richland, WA	Level 2 Core	001029/0026	None
3/19/12	3/22/12	Planning for Safety in Project Management	25*	Batavia, IL	Level 1 Core	001035/0051	None
3/20/12	3/22/12	Labor Management Relations	21	Los Alamos, NM	Level 3 Elective	001038/0007	None
3/20/12	3/23/12	Managing Contract Changes	28*	Chicago Operations Office	Level 1 Core	002102/0015	None
3/27/12	3/29/12	Scope Management Baseline Development	21*	Idaho Falls, ID	Level 2 Core	001036/0014	None
3/27/12	3/30/12	Managing Contract Changes	28*	Aiken, SC	Level 1 Core	002102/0014	None
April 2012							
4/2/12	6/1/12	Project Management Essentials	70*	Morgantown, WV	Level 1 Core	001022/0050	None
Onsite: 5/8-5/10							
4/10/12	4/12/12	Value Management	21*	Lexington, KY	Level 2 Elective	001037/0011	None
4/10/12	4/12/12	Executive Communications	21	Oak Ridge, TN	Level 3 Core	001031/0024	None
4/17/12	4/19/12	Earned Value Management Systems	21*	Idaho Falls, ID	Level 1 Core	001026/0075	None
4/17/12	4/19/12	Project Execution & Readiness Reviews	21*	Albuquerque, NM	Level 3 Elective	001039/0008	None
4/23/12	4/27/12	Cost & Schedule Estimation & Analysis	35*	Lexington, KY	Level 2 Core	001044/0014	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>

2012 Certification Changes and Competency Crosswalk

Victoria C. Barth, MA ISD

The January 2012 version of the PMCDP's Certification and Equivalency Guidelines (CEG) document is now available on our website: <http://energy.gov/management/downloads/certification-and-equivalency-guidelines>. PMCDP streamlined the 2012 CEG for easier navigation and moved excess information to the appendices. The 2012 CEG includes all of the certification requirement changes that took effect January 1st. PMCDP also updated the sample competency responses; they are now located in Appendix D.

For ease of reference, PMCDP has developed a crosswalk identifying the major changes between the April 2011 and the January 2012 CEGs. For your convenience, the changes are broken down by certification level and competency number.

Level I

Course Changes

- *Managing Contract Changes* has been added as a core course
- *Performance-Based Management Contracting*, formerly a Level I core course, is now an elective
- PMCDP now offers the Defense Acquisition University's online Contracting Officer Representative course, *CLC 222*

Competency Changes

- Competency 1.1.2: Candidates may now use alternative training to satisfy this competency
- Competency 1.3.2: Candidates only need to complete *Project Management Systems and Practices* to satisfy this competency (formerly required both *Project Management Systems and Practices* and *Project Management Essentials*); candidates may now use alternative training to satisfy this competency
- Competency 1.6.2: Candidates may now use alternative training to satisfy this competency
- Competency 1.9.2: Candidates must complete *Acquisition Management for Technical Personnel* to satisfy this competency (formerly satisfied by *Project Management Systems and Practices*)
- Competency 1.9.3: Candidates must complete *Managing Contract Changes* to satisfy this competency (this is a new competency)
- Competency 1.10.1: Candidates must complete *Managing Contract Changes* to satisfy this competency (formerly satisfied by *Project Management Essentials*)
- Competency 1.10.2: Applicants may no longer use a PMP certification to satisfy this competency

Level II

Course Changes

- None

Competency Changes

- Competency 2.1.1: Candidates may now use alternative training to satisfy this competency

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- Competency 2.1.2: Candidates need to show completion of *Project Management Simulation* to demonstrate working-level knowledge of pre-project planning (formerly required both *Project Management Simulation* and *Advanced Concepts in Project Management*)
- Competency 2.4.1: Candidates need to show completion of *Effective Program and Project Communication* to satisfy this competency (formerly required both *Effective Program and Project Communication* and *Advanced Concepts in Project Management*)
- Competency 2.13.5: Candidates must demonstrate working-level competence in building coalitions (this is a new competency)

Level III

Course Changes

- *Executive Communications* is now a core course (formerly at Level IV)
- *Strategic Planning* is now an elective (formerly at Level IV)

Competency Changes

- Competency 3.2.1: Candidates must demonstrate expert-level knowledge of OMB, GAO and Congressional processes, requirements, and relations (formerly expert-level knowledge of leadership/team building)
- Competency 3.4.1: Candidates must complete *Executive Communications* to satisfy this competency
- Competency 3.12.4: Candidates must demonstrate two years of project management experience serving as an FPD on a post CD-3 phase project; at least one of the two years must be on a Level II or higher project (this is a new competency)

Level IV

Course Changes

- No required core courses
- No required elective courses

Competency Changes

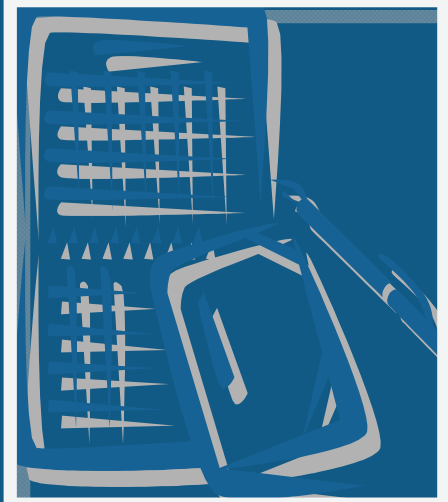
- Competencies 4.2.1 – 4.11.2 have been discontinued and are no longer required
- Competency 4.12.6: Candidates must participate as a member of a project peer review of another FPD's project (new requirement)
- Competency 4.12.7: Candidates must lead a project peer review of another FPD's project (new requirement)
- Competency 4.12.8: Candidates must take a course from the PMCDP curriculum not previously taken, not taken within the last five years or not taken since the course underwent a major revision (new requirement)
- Competency 4.12.9: Candidates must take a developmental course of their choosing (new requirement)

Please note all of these changes have been incorporated into the certification application found in the Employee Self-Service System (ESS).

Full PMCDP Course Schedule

For the full listing of FY2012 classes, visit the PMCDP website:

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



CORRECTION!

The Defense Acquisition University's online Contracting Officer Representative course, *CLC222*, earns 32 credit hours, not 22. We have updated our documents and website to reflect this correction.

Kudos to John Wood from EMCBC for bringing this to our attention.

If you find errors and/or discrepancies in our materials, please report them to the PMCDP team.

Questions or Comments?

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 specific information, please contact one of the following individuals:

- Linda Ott, PMP, MA Adult Ed - PMCDP Team Lead, Linda.Ott@hq.doe.gov
- Victoria C. Barth, MA ISD - Course Schedule, Certification Review Board information, Certification and Equivalency Guidelines, Newsletter, Victoria.Barth@hq.doe.gov