

EVMS Training Snippet Library: Undistributed Budget (UB)



**Office of Acquisition and Project Management (APM) MA-60
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Achieving Management and Operational Excellence

This EVMS Training Snippet, sponsored by the Office of Acquisition and Project Management (OAPM) covers an Earned Value Management System budgeting concept: Undistributed Budget or UB.

Basic Purpose for Undistributed Budget



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- **Purpose:**
 - Temporary holding place for budget for assigned scope not yet authorized to a responsible manager
 - UB budget always has scope associated with it and can only be used for that purpose

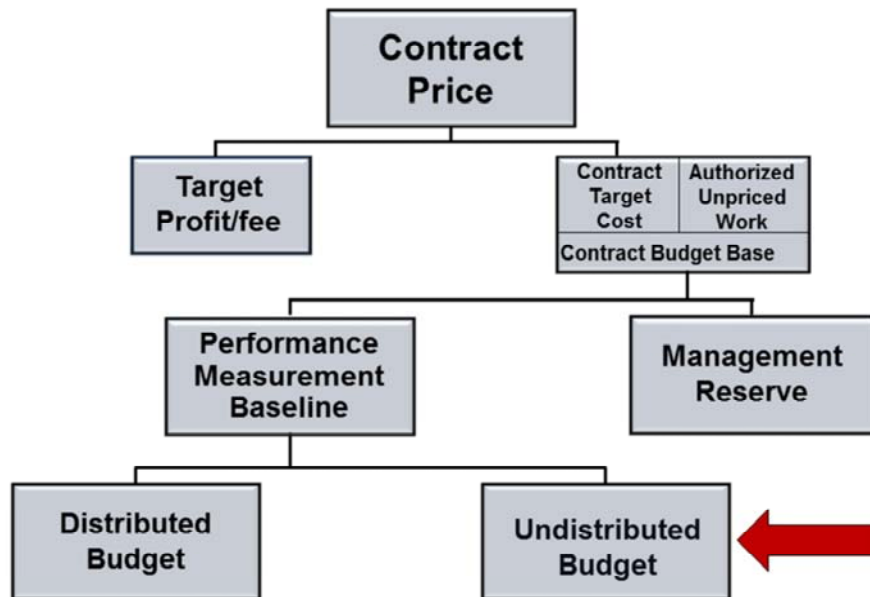


The basic purpose for Undistributed Budget is a temporary holding account for contract scope and associated budget that is not yet authorized to control accounts or to Summary Level Planning Packages (SLPPs). UB budget always has scope associated with it and the budget can only be used for that purpose.

Contract Level Terms



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This slide illustrates the various contract level terms to better understand the concept. The Performance Measurement Baseline is comprised of two types of budget -- Distributed and Undistributed. This is sometimes functionally referred to as time-phased versus non-time phased since UB is missing the schedule aspect of the scope/schedule/budget integration.

Contract Budget Base (CBB) Log



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Date	Description	Contract Target Cost (CTC)	Authorized Unpriced Work (AUW)	CBB	Mgmt Reserve (MR)	PMB	UB	Distributed Budget
1/4	ABC Contract	120	-	120	-	120	120	-
1/27	CAs 001, 002, 003 established					120	10	100
1/31	January Summary	120	-	120	10	110	10	100
2/5	Contract Change No. 001	-	45	45	-	45	10	35
2/15	P.O Letter-Additional Management Reports	-	30	30	-	30	-	30
2/23	SWO Generator XX7	-	-	-	-	-	30	(30)
2/28	February Summary	120	75	195	10	185	50	135

Initially the entire Contract Budget Base value of a negotiated contract is placed in Undistributed Budget, and is indicated in this example Contract Budget Base (CBB) Log. It shows that the entire \$120 Million dollar negotiated contract is in the Undistributed Budget on the award date of 4 January.

On January 27, the program manager distributed all but \$10 Million of the UB to the control accounts. The scope and budget were allocated to begin planning and development of the Performance Measurement Baseline. This is an example of the purpose for Undistributed Budget; as a holding account until budget and scope are allocated. This recognizes that it is not possible to always plan the work in the same month as the contract is awarded or a change is authorized.

Undistributed Budget Parameters



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- **Should be distributed within two accounting periods after negotiations are complete**
- **Serves as a temporary holding place for scope that is either being added, deleted, or changed**
- **Must never be used as a Management Reserve**
 - UB already has scope associated with it so must be used for that specific scope only, regardless of whether that scope is being added or removed
 - Contracting Officer must ensure clear contractual direction regarding adding, deleting, or changing scope

These are the basic parameters involving UB. The first one is essentially the time limit for allowing Undistributed Budget to merely sit in the UB and CBB logs. The reason for allocating budgets within two accounting periods is to limit the period for which a time phased PMB does not exist. The PMB always has scope, schedule, and budget integration so UB cannot be used to offset variances.

One of the primary reasons why all UB receipts and allocations should be logged and discussed in the CPR or IPMR Format 5 is to show the scope, schedule and budget movements in and out of the time phased PMB.

UB cannot be used for purposes other than the scope associated with it. UB serves as a temporary holding account for scope that is being added, deleted, or changed from the contractual statement of work. The contractor must have clear direction from the Contracting Officer to support the basis for UB transactions.

Undistributed Budget Parameters



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- **Used in conjunction with stop work orders**
- **Credits and debits should be distinctly and clearly identified**
- **Is a portion of the contract budget for authorized scope set aside until contract definitized**
- **Reported to DOE via the CPR/IPMR**

The UB Log is very important not only for tracking the UB receipts and allocations, but for traceability to and within the CPR or IPMR Format reports. The amount of Undistributed Budget is reported in the monthly CPR or IPMR in Formats 1, 2, and 3; with receipts, allocations and scope for existing UB balances discussed in Format 5.

More detailed discussion of UB transactions in relation to a Stop Work Order (SWO) or Authorized Unpriced Work (AUW) is provided in later slides.

Sample UB Log



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UNDISTRIBUTED BUDGET (UB) LOG						
PROJECT: AXLE						
CONTRACT NO. 5678-1234			W.E.SMITH			
DATE	AUTHORITY	TO	DISTRIBUTION/REASON FOR TRANSACTION	RECEIVED	ISSUED	BALANCE
1-Sep			Contract Award - Initial Balance	\$ 50,000,000		\$ 50,000,000
2-Sep	PD-001	MR	Establish MR		\$ 4,500,000	\$ 45,500,000
2-Sep	PWA 678-550	CAWA B5-400	Project Planning CAP		\$ 460,000	\$ 45,040,000
10-Sep	PWA 678-300	CAWA A2100	Operations Effort		\$ 14,200,000	\$ 30,840,000
15-Sep	PWA 678-400	CAWA A3600	Engineering Effort		\$ 21,600,000	\$ 9,240,000
22-Sep	PWA 678-200	CAWA A3900	QA Support		\$ 9,240,000	\$ -
15-Oct	CC-001	UB	Contract change for Tech Pubs	\$ 20,000		\$ 20,000
15-Oct	CC-001	MR	Contract change for Tech Pubs		\$ 2,000	\$ 18,000
15-Oct	PWA 678-700	CAWA A8800	Tech Pubs/Data Effort		\$ 18,000	\$ -
5-Nov	BCR-003	UB	Transfer work scope/budget (CA 5701)	\$ 15,200		\$ 15,200
5-Nov	BCR-003	CA 5742	Transfer work scope/budget		\$ 15,200	\$ -

This is an example of an Undistributed Budget Log detailing various transactions when maintained outside the CBB log. Capturing these multiple monthly transactions in the UB Log provides the contractor with detailed traceability to the CBB Log's monthly updates, as well as back-ups for the CPR or IPMR Formats 1, 2, 3 and 5 requirements.

UB in Conjunction with AUW



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- **Contracting Officer may authorize the contractor to proceed with new work, pending definitization**
 - The contractor's proposal amount serves as the estimated budget and is added to UB
 - Near term effort (based on NTE) is detail planned into control accounts
 - Remaining effort remains in UB until proposal definitization (should be within 2 months)
 - Contractor must notify the Contracting Officer as work progresses, negotiations are incomplete, and funding limit is approaching for direction, e.g. stop work or NTE increase
 - Upon definitization, scope and budget distributed from UB

For more information, refer to OAPM's Snippet 4.5 Authorized Unpriced Work

Another reason for UB is to accommodate Authorized Unpriced Work or AUW, which is the estimated cost (excluding fee or profit) for contract changes that have been approved by the government contracting officer but have not yet been fully negotiated. A portion of the budget associated with the not yet negotiated work is distributed to control account managers to begin work on the near term effort. The remainder of the contractor's proposed budget is put in Undistributed Budget. This is necessary to ensure the full scope of the proposal is identified in the PMB. Recall the PMB represents all authorized project scope, even if not yet definitized.

As discussed in Snippet 4.5, Authorized Unpriced Work, the term NTE is used. From a **funding** perspective, the Contracting Officer will identify a not to exceed or NTE funding limit associated with the proposal, generally set at 50% of the scope. While the PMB reflects the contractor's proposal, the funding is limited to a portion of that amount until negotiations have been completed. At that point, the contractor will make any adjustments to the PMB, originally based on its proposal, to reflect what was ultimately negotiated. Therefore, the contractor typically detail plans budget up to the funding limit, leaving the rest of its proposed amount in UB to simplify the final negotiation adjustment process.

As budget is needed to detail plan near term effort while negotiations are underway, the contractor will transfer budget from UB and distribute it to the proper control accounts. Should the contractor reach a point where the NTE funding limit has been reached and negotiations are incomplete, the Contracting Officer must be notified to either provide additional funding, that is extend the not to exceed funding limit, or advise the contractor to stop work pending completion of negotiations.

The preferred practice is for Undistributed Budget to be distributed to the applicable Summary Level Planning Packages (SLPPs) or control accounts by the end of the ensuing reporting period after contract definitization takes place.

DOE-Directed Stop Work Orders (SWO)



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- **If work is to be done later, remaining SOW and associated BCWR to the UB Log**
 - No time limit while awaiting DOE FPD direction
 - Transfer to applicable control account(s) upon receipt of customer direction
- **If the work scope is to be deleted**
 - UB is reduced by the budget associated with that effort
 - CBB and CTC adjusted accordingly

When the contractor receives the Stop Work Order or SWO, the subsequent process involves the UB and CBB logs.

If the work is to be done later, then the contractor should transfer the applicable SOW and associated Budgeted Cost of Work Remaining (BCWR) to the Undistributed Budget Log where it is maintained until DOE direction is received. BCWR is defined as the Budget at Completion less the Budgeted Cost for Work Performed (BCWP) cumulative. The contractor continues to report the UB in the monthly CPR or IPMR, with an applicable Stop Work Order discussion in Format 5.

Upon direction from the DOE Contracting Officer to resume the work, the contractor allocates the UB to the control accounts according to its internal procedures.

If the DOE Contracting Officer directs work to be deleted, the contractor should:

- Delete the UB amount associated with the removed scope
- Update the contract target cost by the amount negotiated with DOE
- Update the contract budget base and the Contract Target Cost (CTC) to reflect the amount negotiated with DOE; this amount may not be the same as the amount of the deleted work in Undistributed Budget if the CTC included any profit or fee associated with the scope removed.

Again, these allocation and receipts transactions are noted in the CBB and UB logs.

Contract Budget Base (CBB) Log



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Date	Description	Contract Target Cost (CTC)	Authorized Unpriced Work (AUW)	CBB	Mgmt Reserve (MR)	PMB	UB	Distributed Budget
1/4	BC Contract	120	-	120	-	120	120	-
1/27	CAs 001, 002, 003 established					120	10	100
1/31	January Summary	120	-	120	10	110	10	100
2/5	Contract Change No. 001	-	45	45	-	45	10	35
2/15	P.O Letter-Additional Management Reports	-	30	30	-	30	-	30
2/23	SWO Generator XX7	-	-	-	-	-	30	(30)
2/28	February Summary	120	75	195	10	185	50	135

The CBB Log clearly shows a Stop Work Order transaction on February 23rd for \$30 Million. The Distributed Budget was debited and the UB credited accordingly. The contractor's UB Log would provide more specifics.

Replanning Between Control Accounts



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- **Example: Make or Buy**
 - Step 1: Transfer scope, budget, schedule from current Control Account to UB
 - Step 2: Distribute changed budget, scope, schedule to new Control Account
 - Step 3: If the change in strategy causes an excess of budget in UB, the excess is transferred to MR

When the contractor makes a decision to replan effort between control accounts, UB is also involved in the process. For example, a contractor may determine that scope that was originally planned for an item to be made by the prime now needs to be purchased from a vendor. The first step would be to transfer the scope, schedule, and budget associated with that effort to UB. The second step would be to distribute the replanned scope, schedule, and budget to the new control account based on the schedule and budget needs associated with the purchase.

The last step is to determine if there is any excess budget remaining in UB because of the replan. If so, that budget would be transferred to MR since there no longer is any scope associated with it. An example of this would be if the contractor determines that it would be cheaper to purchase the item instead of making it.

Conversely, if additional budget is needed, the CAM may need to request MR allocation to the control account. The example in this case would be that it was cheaper to make it in house, however, it takes longer. Because an urgent need, the PM decides to buy the item in order to receive it sooner. The budget required would be greater than the budget in UB. MR could be applied as this is an authorized use for MR.

Format 1, Section 8



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8. PERFORMANCE DATA													
ITEM (1)	CURRENT PERIOD						CUMULATIVE TO DATE				AT COMPLETION		
	BUDGETED COST		ACTUAL COST WORK PERFORMED (4)	VARIANCE		BUDGETED COST		ACTUAL COST WORK PERFORMED (9)	VARIANCE		BUDGETED (14)	ESTIMATED (15)	VARIANCE (16)
	WORK SCHEDULED (2)	WORK PERFORMED (3)		SCHEDULE (5)	COST (6)	WORK SCHEDULED (7)	WORK PERFORMED (8)		SCHEDULE (10)	COST (11)			
a. WORK BREAKDOWN STRUCTURE ELEMENT													
1.1 Faculty Site	6,400	7,200	9,750	800	-2,550	61,400	50,000	56,000	-11,400	-6,000	90,000	94,500	-4,500
1.2 Test/Inst. Equipment	1,000	1,150	1,250	150	-100	8,500	8,400	8,200	-100	200	23,000	24,000	-1,000
1.3 Instrumentation	1,250	1,550	2,350	300	-800	9,500	5,500	8,500	-4,000	-3,000	30,100	32,600	-2,500
1.4 Test/Evaluation	350	400	500	50	-100	2,900	2,000	2,200	-900	-200	18,000	18,300	-300
1.5 Operations	150	200	300	50	-100	1,500	1,300	1,600	-200	-300	7,000	7,150	-150
1.6 Project Support	50	100	50	50	50	330	400	470	70	-70	3,700	3,800	-100
b. COST OF MONEY											0	0	0
c. GENERAL AND ADMINISTRATIVE													
d. UNDISTRIBUTED BUDGET											1,000	1,000	0
e. SUB TOTAL (PERFORMANCE MEASUREMENT BASELINE)	9,200	10,600	14,200	1,400	-3,600	84,130	67,600	76,970	-16,530	-9,370	172,800	181,350	-8,550
f. MANAGEMENT RE SERVE											22,500		
g. TOTAL	9,200	10,600	14,200	1,400	-3,600	84,130	67,600	76,970	-16,530	-9,370	195,300		

This is an example of the Contract Performance Report, Format 1. The project has \$1 Million in Undistributed Budget, which is in Block 8.d, Column 14.

Format 3, Sections 6 - 8



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CONTRACT PERFORMANCE REPORT FORMAT 3 - BASELINE											K	FORM APPROVED OMB No. 0704-0188				
6. PERFORMANCE DATA																
ITEM (1)	BCWS CUMULA- TIVE TO DATE (2)	BCWS FOR REPORT PERIOD Mar (3)	BUDGETED COST FOR WORK SCHEDULED (BCWS) (Non-Cumulative)												UNDIS- TRIBUTED BUDGET (15)	TOTAL BUDGET (16)
			SIX MONTH FORECAST						ENTER SPECIFIED PERIODS							
			+1 Apr (4)	+2 May (5)	+3 Jun (6)	+4 July (7)	+5 Aug (8)	+6 Sep (9)	O-N (10)	D-F (11)	(12)	(13)	(14)			
a. PMB (Beginning of Period)	74,930	9,200	10,600	11,200	10,650	9,750	10,300	8,900	15,600	10,170				1,500	172,800	
b. BASELINE CHANGES AUTHORIZED DURING REPORT PERIOD ECP 02																
c. PMB (End of Period)	84,130		10,600	11,200	10,800	9,900	10,400	8,950	15,650	10,170				1,000	172,800	
7. MANAGEMENT RESERVE															22,500	
8. TOTAL															195,300	
FREEZE PERIOD																

CPR and IPMR Format 3 shows the same \$1 Million of Undistributed Budget at the end of the period in Block 6.c, Column 15. At the beginning of the period, the UB amount in Block 6.a, Column 15 was \$1.5 Million. Apparently, during the period, half a million dollars was distributed for ECP 02, increasing the PMB in the periods June, July, August, September, and October/November. Note that the contractor honored the PMB Freeze Period change restrictions, assumed to be two months, with the distribution beginning in the third month from Time Now.

Format 5, Section 5



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CONTRACT PERFORMANCE REPORT FORMAT 5 - EXPLANATIONS AND PROBLEM ANALYSES

5. EVALUATION

Discussion should include but is not limited to:

Summary Analysis

Summary of Overall Contract Variances

Differences between EAC's (Blocks 6.a, 6.b, 6.c, or Block 8.15)

Changes in Undistributed Budget

Changes in Management Reserve

Significant timephasing shifts in Baseline (BCWS) (Format 3)

Significant timephasing shifts or Overall Changes in Forecasted Staffing (Format 4)

Discussion of Over Target Baseline and/or Over Target Schedule incorporation

Analysis of Significant Variances: (identify and describe each)

Type and Magnitude of Variance

Explanation of Significant Reasons

Effect on Immediate Task

Effect on Total Contract

Corrective Actions Taken or Planned

This is the CPR Format 5, which contains a brief statement regarding the requirement to discuss changes in the Undistributed Budget.

CPR/IPMR Format 5 - UB Discussion Requirements



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- **Identify components [SWOs, AUW, etc.]**
- **Explain content by BCP or other basis**
- **Explain any EAC differences in Formats 1 and 2**

The CPR and IPMR DID Instructions also stipulate other discussion requirements involving Undistributed Budget.

Identify the components of the UB. For example, the \$1 Million of UB remaining as seen in Formats 1 and 3 could involve two Stop Work Orders; one, \$250 Thousand; another \$300 Thousand; and \$450 Thousand of Authorized Unpriced Work received during the reporting period.

Occasionally, a contractor will advise the DOE Federal Project Director that it believes remaining Undistributed Budget resulting from recent negotiations of Authorized Unpriced Work is insufficient. Accordingly, the Estimate at Completion for the work and associated budget, not yet distributed, reflects the contractor's position.

DOE OAPM EVM Home Page



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Earned Value Management (EVM) is a systematic approach to the integration and measurement of cost, schedule, and technical (scope) accomplishments on a project or task. It provides both the government and contractors the ability to examine detailed schedule information, critical program and technical milestones, and cost data.

- EVMS Surveillance Standard Operating Procedure (ESSOP) - 26 Sep 2011 (pdf)
- EV Guideline Assessment Templates - (MS Word)
- DOE EVMS Cross Reference Checklist - (pdf)
- DOE EVMS Risk Assessment Matrix - (MS Word)
- Formulas and Terminology "Gold Card" - Sep 2011 (pdf)
- Slides from the OECM Road Show: Earned Value (EV) Analysis and Project Assessment & Reporting System (PARS II) - May 2012 (pdf)
- DOE EVM Guidance

EVM TUTORIALS

Module 1 - Introduction to Earned Value (pdf 446.86 kb) July 17, 2003

This module is the introduction to a series of online tutorials designed to enhance your understanding of Earned Value Management. This module's objective is to introduce you to Earned Value and outline the blueprint for the succeeding modules. This module defines Earned Value management. It looks at the differences between Traditional management and Earned Value management, examines how Earned Value management fits into a program and project environment, and defines the framework necessary for proper Earned Value management implementation.

http://energy.gov/management/office-management/operational-management/project-management/earned-value-management

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History

For information relative to EVMS procedures, templates, helpful references, and training materials, please refer to OAPM's EVM Home page. Check back periodically for updated or new information.

Thank you

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