EVMS Training Snippet Library:
FFP Subcontracting and Prime EVM

Office of Acquisition and Project Management (OAPM) MA-60

U. S. Department of Energy

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FFP Subcontractor Effort in the Prime's EVMS and Data

- **Is the FFP work integrated into Prime's EVMS**
  - Schedules
  - PMB
  - Invoices / Payments
- **Does the CPR / IPMR include**
  - FFP payments without booking lag
  - FFP subcontractor schedule variance

Organizing Subcontracted Effort

- **Work Breakdown Structure**
- **Prime/subcontractor WBS integration**
- **Organization breakdown structure**
- **Authorizing identified work**

Firm Fixed Price Planning

- **With progress payments**
  - Expenditure/Billing plan, if realistic for accomplishment
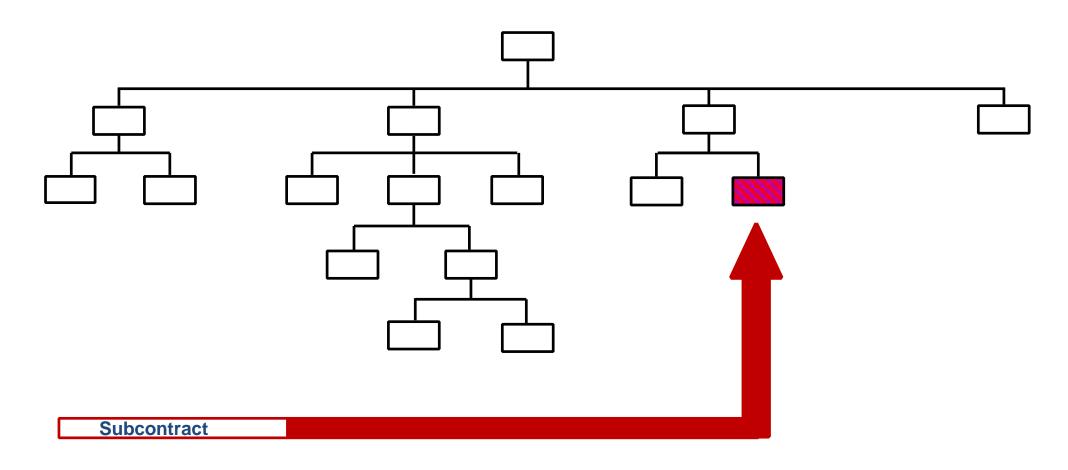 - Milestones identified in contractual schedules

- **Without progress payments**
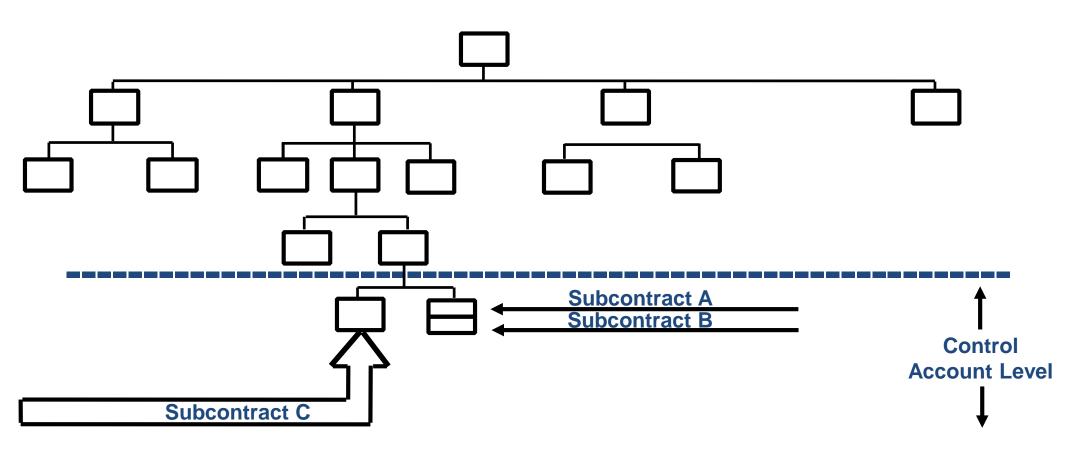 - Dollarized milestones tied to deliveries

Subcontract effort in single WBS element

Subcontract as single Control Account or one of several work packages within a Control Account

Subcontract A
Subcontract B

Subcontract C

Control Account Level

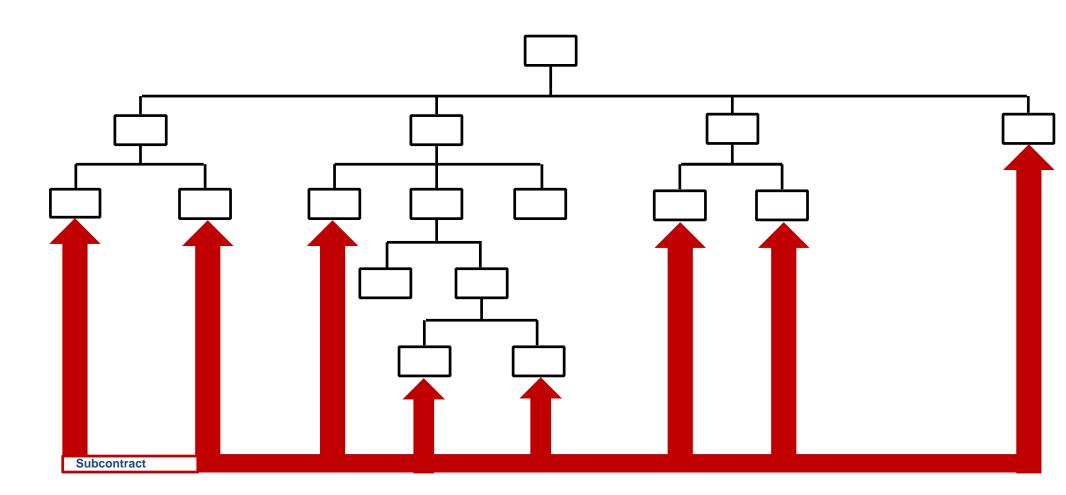# Subcontract as One of Several WPs Within a Control Account

- **Variance Analysis may be cumbersome depending on data accumulation subsystem**

- **Internal performance measurement system must be capable of accumulating actual costs at work package level or lower**

Subcontract effort allocated to multiple WBS elements
(Least desirable)

Subcontract

Subcontractor's Schedule

- **Should be in a format that allows ready integration into prime's internal scheduling system**

    - For example WBS => WBS

- **Should be directly relatable to Prime's Control Account structure**

Baseline Establishment Phases for the Subcontract

- Initial baseline establishment prior to negotiations

- Definitized baseline establishment after subcontract negotiations

- **If negotiated subcontractor firm fixed price is more than Prime's subcontract control account BAC**

  – Management Reserve

    - Only if the subcontract has NOT incurred actual charges against the negotiated effort

    - Applies only to original negotiation differences; MR will not be used for future scope changes

  – Factoring

Factoring

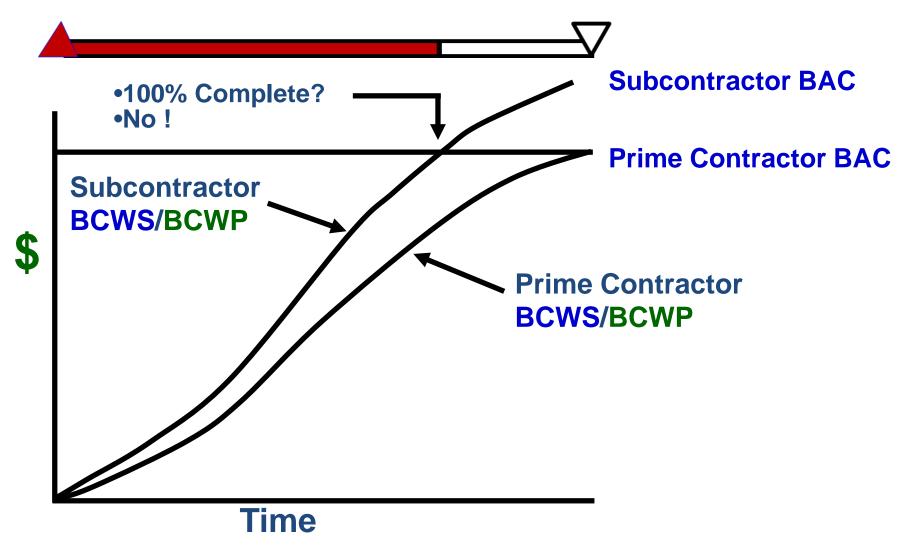$$\frac{\text{Prime's BAC}}{\text{Subcontractor's BAC}} = \frac{\$190M}{\$200M} = .95$$

- Factor is applied to **Budget** and **Earned Value**

- **Actuals** and **EAC** are not factored

- The factoring may be determined at the total contract level or it may be done for specific WBS/ CLINS/ Control Accounts, as appropriate

Factoring Objectives

- To ensure subcontract factored **BCWS** equals prime contractor's **available budget**

- To ensure prime contractor's factored **BCWP** is consistent with the subcontract factored **BCWS**

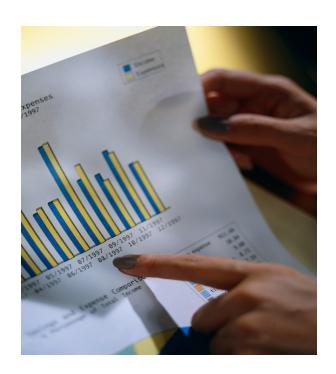- To ensure prime contractor percent complete equals subcontractor percent complete

Subcontractor BAC

Prime Contractor BAC

•100% Complete?
•No !

Subcontractor BCWS/BCWP

Prime Contractor BCWS/BCWP

$

Time

NOTE: Actuals AND EAC are not factored.

CAM Responsibilities

- **Review subcontractor's schedules, reports and milestone payments**
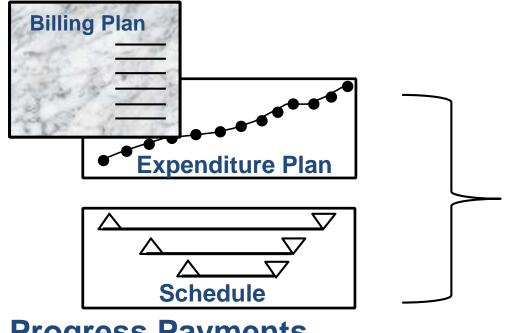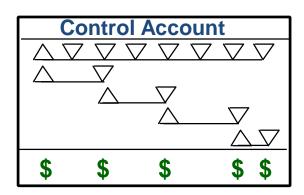
- **Attend subcontractor project status reviews**

- **Earned Value Techniques**

  – Interim Milestones

  – 50/50

  – 0/100

- **ACWP = BCWP and must be accrued together by the subcontractor**

With Progress Payments

Billing Plan

Expenditure Plan

Schedule

Control Account

$ $ $ $ $

Without Progress Payments

Delivery Schedule

Control Account

$ $ $ $ $ $ $ $

- **Subcontract changes or approved Requests for Equitable Adjustment (REA)**

  – Prime requests effort done differently

  – Prime requests new scope

- **Prime updates control account WADs and CAPs**

- **Prime provides budget for new scope or scope changes to the subcontractor either via**

  - MR if available and if an internal change

  - UB if scope change was the result of a contract modification to the prime

Subcontractor EAC – Special Topic

- **Although FFP – Schedule Performance and REAs can cause significant concern**

- **The prime contractor's CAM must status the schedule consistent with the work completed**

- **The prime contractor must have a method of updating the prime EAC for the subcontractor**

Summary

- **Prime's EVM System must have FFP subcontract schedule, budget, performance, and ACWP integration**

- **Prime's CPR/IPMR includes FFP subcontract EV data and applicable SV analysis**

- **FFP changes are incorporated in Prime's Change Control subsystem**

DOE OAPM EVM Home Page

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EARNED VALUE MANAGEMENT

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History

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