



U.S. DEPARTMENT OF
ENERGY



EFCOG Project Management Working Group Winter Meeting

Integrated Contract/Project Change Control

December 9, 2011

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Deputy Assistant Secretary

Acquisition and Contract Management



EM *Environmental Management*

safety ♦ performance ♦ cleanup ♦ closure

Outline

Baseline Terminology

- PB, CPB, PMB, EM PBSs, CPB Segments

Integrated Change Control Process

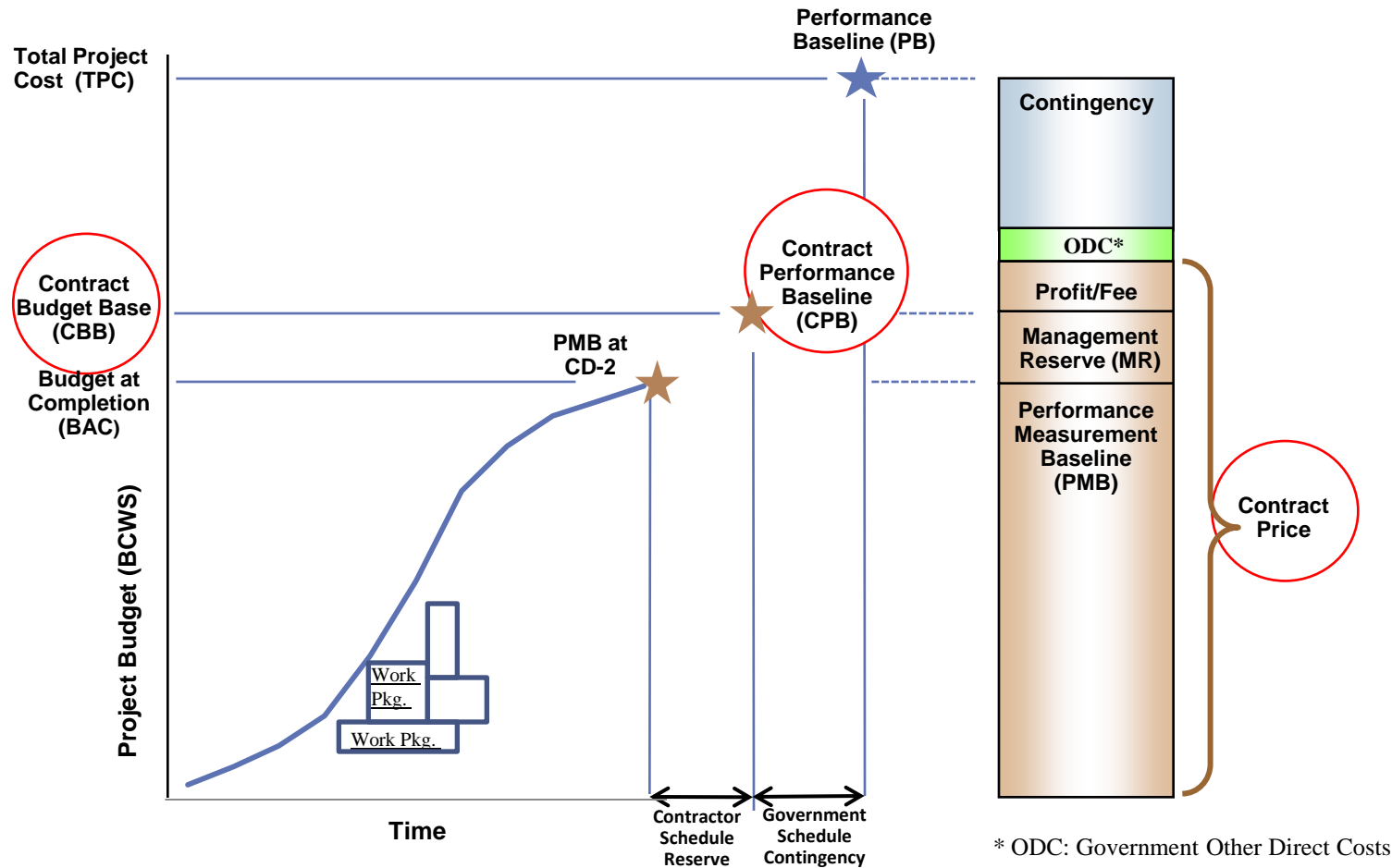
- Federal Acquisition Regulation Parts 15, 42, and 43
- DOE G 413.3-20
- Approval Authorities and Thresholds
- Change Control Boards

CM-PM Roles - Scenario

- Contract Award
- Transition
- Post Transition



Performance Baseline for Capital Asset Projects Cost and Schedule Components



Baseline Terms - Review

➤ **Performance Measurement Baseline (PMB):**

- Σ (Cost of all work packages & planning packages in the WBS)
- Provides the basis for performing Earned Value Measurement

➤ **Contract Performance Baseline (CPB):**

- CPB: Contract Scope, CBB, Completion Date
- CPB(Cost) = CBB
= PMB + Contractor's MR, and
= Contract Price – Fee (when Contract and Baseline are aligned)

➤ **Performance Baseline (PB) for Capital Assets:**

- Established at CD-2 by the Acquisition Executive
- CD-2 Approval Establishes:
 - KPPs based on Project Scope
 - TPC based on Project Costs and Budget Profile
 - Completion date (CD-4) based on Schedule
- DOE's commitment to Congress



Baseline Terms - EM Contracts

When EM Contracts Include both Capital Asset Projects and Operations Activities:

$$\underline{\text{Overall CPB}} = \text{CPB}_{X1} + \text{CPB}_{X2} + \dots + \text{CPB}_{Y1} + \text{CPB}_{Y2} + \dots$$

- **Capital Asset Projects (X):**

- ✓ $\text{CPB}_x = \text{PMB}_x + \text{MR}_x$
- ✓ Portion of Acquisition Executive Validated PB
- ✓ Budget Profile for PB Aligns with Cost Profile
- ✓ Planning and Execution – FAR, DEAR, DOE O 413.3B

- **Operations Activities (Y):**

- ✓ $\text{CPB}_y = \text{PMB}_y + \text{MR}_y$
- ✓ Scope, Corporate Metrics, Milestones, Contract Deliverables
- ✓ Budget based on Annual Appropriations
- ✓ Planning and Execution – EM Operations Protocol (Under Development)



Contract and Project Baseline Integrated Change Control Process

- “Six-Step” contract change order process – OPAM Memo dated April 1, 2008, “*Contract Change Order Administration of Department of Energy Contracts*”
- DOE G 413.3-20, Change Control Management Guide, July 2011
- Contract, Project and Funds Alignment
- Baseline Integrity:
 - Scope, Cost, Schedule
- Funds Availability
- Transparency and Traceability (Change Log)
- Accountability:
 - Change Control Board
 - FPD, CO, Budget Officer
 - Review and Approval Documentation



Contract and Project Baseline Integrated Change Control Process

Typical Actions for Integrated Change Control and Personnel

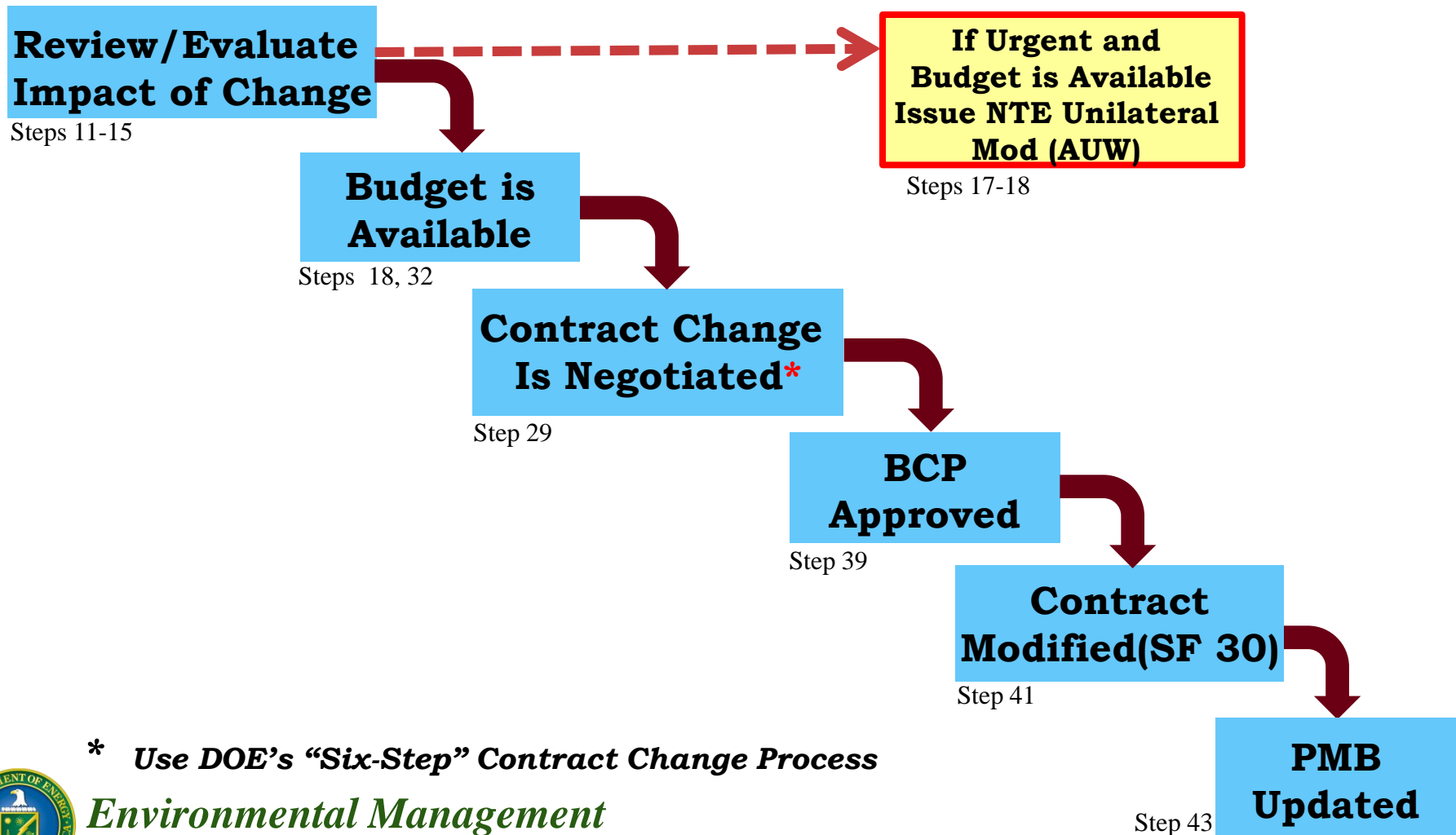
Contract Change	Project Change	Budget Change
<ul style="list-style-type: none"> - NTE Unilateral Modification - Request for Proposal (RFP) - Independent Government Cost Estimate (IGCE) - Technical Evaluation - Cost/Price Analysis - Audit Support - Pre-Negotiation Position - Business Clearance - Negotiation - Modification 	<ul style="list-style-type: none"> - Baseline Change Proposal (BCP) - External Independent Review (EIR) - EMAAB Briefs - ESAAB Briefs 	<ul style="list-style-type: none"> - Funding Source - Funding Authorization - CFO and OECM Notification - Congressional Notification
CCB, CO, HCA, APLD (OPAM)	CCB, FPD, AE, SAE (OECM)	CCB, BO, CFO, PSO



Integrated Change Control Process

DOE G 413.3-20

Contract, Budget and Project Alignment



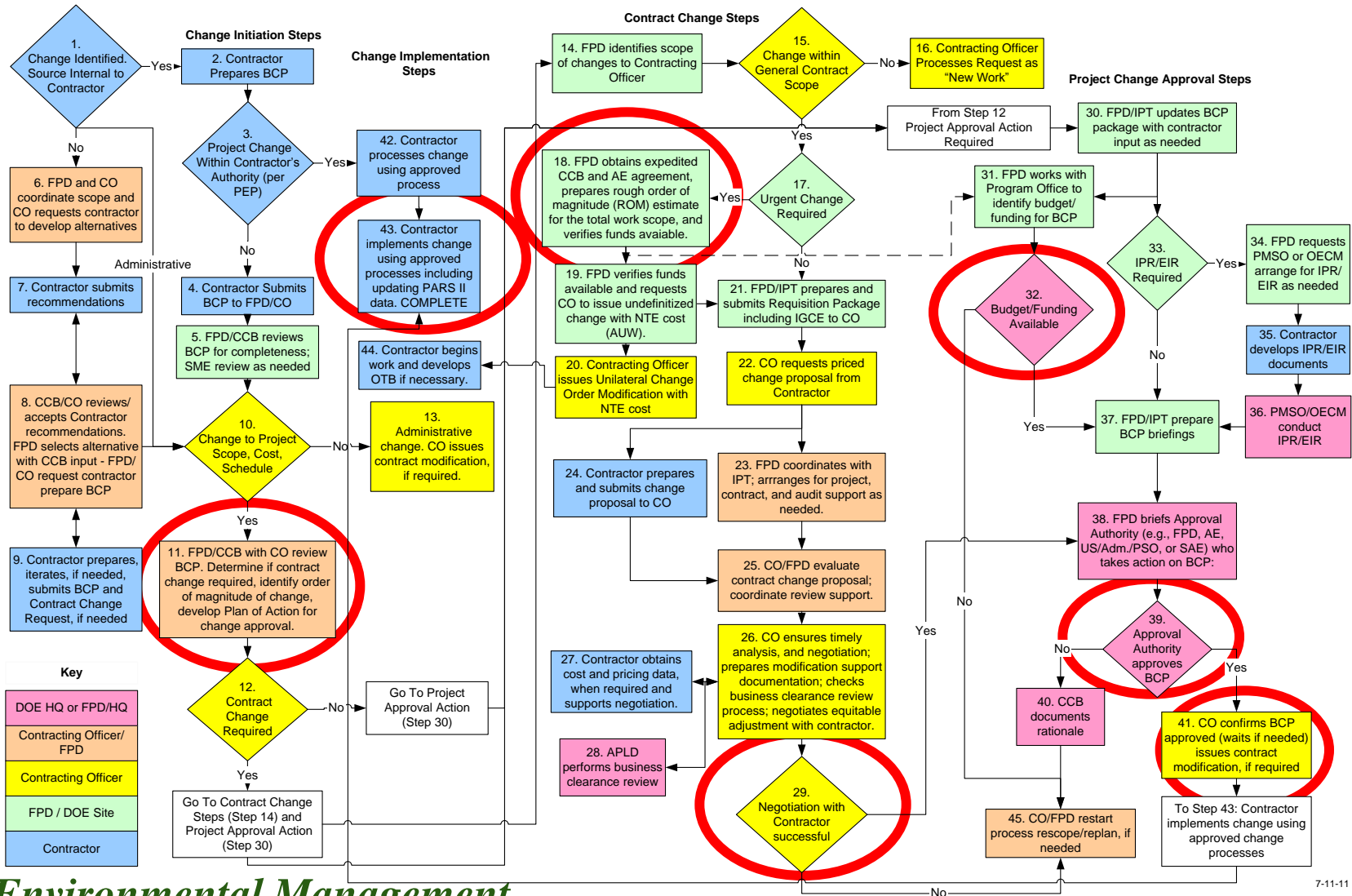
* Use DOE's "Six-Step" Contract Change Process

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Integrated Change Control Process

DOE G 413.3-20

Figure 4-1. Overall Contract and Project Change Control Process (Non-M&O)



7-11-11



Contract Modification Approval Authority

Approval Authority	Contract Modification Approval Thresholds
Senior Procurement Executive (SPE)	<p>The Acquisition Planning and Liaison Division (APLD) performs the Business Clearance Review (BCR) function for the SPE and reviews contract modifications that meet any of the following criteria (funding modifications are excluded):</p> <ol style="list-style-type: none"> a. Contract modifications that exceed the delegated authority for an HCA. This threshold is currently at \$50 million; b. Any contract modification for which the estimated value exceeds both 20% of the original contract value and \$10 million; or c. Any modification to a contract originally approved by Headquarters, regardless of the estimated value, that involves a significant restructuring of contract terms and conditions (e.g., contract type, deviations/modification of standard clauses).
Head of Contracting Activity (HCA)	<p>Through the established independent review function, the HCA may approve:</p> <ol style="list-style-type: none"> a. Contract modifications that are within the delegated authority of the HCA (currently at \$50 million) provided that the modification does NOT result in either <ul style="list-style-type: none"> •An increase in the estimated value exceeding both 20% of the original contract value and \$10 million) or •A significant restructuring of contract terms and conditions (e.g., contract type, deviations/modification of standard clauses). b. Contract modifications that have been waived for BCR by APLD.
Contracting Officer	Contract modifications that are within the delegated authority of the CO.



Project Change Approval Authority

Approval Authority	BCP Type	Project Change Thresholds
SAE—Deputy Secretary	Deviation (change to PB)	<ul style="list-style-type: none"> • Approve: <ul style="list-style-type: none"> ○ TPC increase in excess of the lesser of \$100M or 50% (cumulative) of the original CD-2 cost baseline. ○ Any change in scope and/or performance that affect the ability to satisfy the mission need or are not in conformance with the current approved PEP and PDS • Endorse: <ul style="list-style-type: none"> ○ Reduction in funding adversely affecting approved funding profile • Notify (SAE and OECM) of: <ul style="list-style-type: none"> ○ Any PB deviation (approved TPC, CD-4 date, or any performance and scope parameters that can not be met) ○ CD-4 schedule change of 12 months or more from original PB; post CD-2 projects terminated, or projects no longer meeting Department objectives.
Under Secretary/ NNSA Administrator <i>May be delegated to PSO</i>	Deviation (change to PB)	<ul style="list-style-type: none"> • Approve: <ul style="list-style-type: none"> ○ PB changes below the SAE level ○ Any slippage of the CD-4 date.
Acquisition Executive <i>May be delegated to Site Manager or FPD</i>	Contingency (change within PB)	<ul style="list-style-type: none"> • Approve: <ul style="list-style-type: none"> ○ Any change to the PEP ○ Use of Contingency up to the approved TPC or CD-4 date for managing DOE owned Risks
Contractor Project Manager (PM)	MR (change within CPB)	<ul style="list-style-type: none"> • Approve: <ul style="list-style-type: none"> ○ Use of MR for managing Contractor Risks ○ As specified in the Contract

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Contract and Project Baseline Integrated Change Control Process

Change Control Boards

The AE should ensure that the project team has established an integrated DOE contract and project CCB as specified in the PEP, including approval authority levels. A formal charter should be included in the PEP or as a separate, standalone document.

The CCB functions to support the project management and contract management decisions by the approval authority.

The CCB should conduct special board meetings to review specific project or contract change proposals. CCB members, as part of the IPT, may participate in regular project reviews.

The CCB should include a representative from all major internal stakeholder groups that could be affected by the project and play a role in the success of its implementation, such as CO, technical representatives, safety, quality assurance, program representative, contracting officer's representative (COR), and chief financial officer or representative.

Several stakeholders in one or more functional areas may be needed for additional analyses or reviews, in order to help provide the necessary information to the CCB to support decision making. The contractor is not a member of the DOE CCB.

At sites with multiple projects under the same contract a contract-level or site-level CCB may be more appropriate to support the FPD, CO, and site management in review of contract and project changes.

CO is the only person who can change the contract cost, schedule or performance requirements. Contract and program baseline must remain in sync. Changes should be priced in advance when ever possible (FAR 43.102(b))

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Scenario

CM-PM Interdependent Roles



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Contract Award

- Major Site Cleanup Contracts are Competitively Awarded
 - Total contract durations range from 5 to 10 years
 - Traditional multi-year cost-type (not budget-based) contracts with award and incentive fees (FAR 16.3 and 16.4)
 - Defined work scope based on projected completion status of incumbent at projected award date as defined in the RFP
 - Contract provision requires “True-up” – assess material differences between projected and actual work status at time of transition to new contractor – this includes a pricing submission in accordance with FAR Table 15-2 that tracks changes from the awarded price
- SCENARIO: Competitive contract - awarded at winning offeror’s proposed price of \$1.0B – cost and fee (incentive/award fee)



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Project Management

Transition
Period

Communicate the Contract

- At the appropriate time after contractor debriefs, it is critical for all parties to know the contractor's team and technical approach
 - Best Practice is to have a post award conference (see FAR 43.501)
 - The trueup should be the baseline that is on the contract
 - Any modifications must be directed by CO per FAR 43.104
 - Need to get the word out to federal staff, incumbent workforce, regulators, community, etc to develop shared expectations
- The Federal Project Director and the Integrated Project Team need to have copies of the contractor's technical and cost proposal, with business sensitive information appropriately handled
- Contractor should have a series of meetings with the workforce, regulators and community to introduce team and brief on approach



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Transition Period

Contract Changes - General

- Unilateral Modification (FAR 43.2 AKA Change Order)
 - For work which needs to start immediately
 - Contracting Officer (CO) issues signed SF-30 with:
 - The scope – red-line of affected contract sections
 - A not-to-exceed cost and time limit
 - Definitization Schedule (6-step Contract Change Process)
- Bilateral Modification (FAR 43.103(a))
 - For work to be started only after modification is finalized
 - CO issues Change Proposal Request:
 - The scope – red-line of affected contract sections
 - A date to submit a cost proposal
- CO is the **ONLY** person who can change the contract (FAR 43.201)

Prepare for Contract True-Up



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Transition
Period

WBS Realignment Modification

- Step #1: If the contract's defined scope specifies a WBS, and the WBS differs, then the first contract modification permits the contractor to realign WBS
 - Should only be done for a compelling rationale
 - There is no change to contract scope, cost, or schedule
 - Will be done for the full contract period
 - The integrity of the proposed cost needs to be maintained as well as the individual scope risks
 - The WBS revision must be completed to establish the revised basis for the contract costs and prior to the True-up Mod
- SCENARIO: Contract price remains at \$1.0B (cost + fee)



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Transition
Period

Contract True-up Modification

- Step #2: Contract True-up reconciles contract scope to actual progress made by incumbent
 - Quantity changes/revisions within general scope of contract as awarded
 - Definitizes “plugged” costs for the initial contract period
 - Cost, schedule, and scope can change “modestly”
- Modification issued per contract “True-up” and “Changes” clauses
 - Contractor prepares “proposal” (See FAR 15 Table 15-2) for only the “changes” and “map” to level of detail in the RFP cost proposal by WBS
 - Contractor can request revisions if “material differences” are determined in a timely manner and provided to CO
- SCENARIO: Modification increases contract price to \$1.1B (cost + fee)



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Transition
Period

Work Scope Modification

- Step #3: Reconciles contract scope and conditions with changes since final RFP was issued
 - Issues were not sufficient to trigger an RFP amendment prior to making award
 - Example issues: labor rate revisions, environmental regulatory milestone changes, adjusted pension payments, funding profile, etc.
 - Contractor prepares “proposal” for only the “changes”
 - Proposal must include pricing per FAR Table 15-2
 - Modification issued per authority of contract “Changes” clause
- SCENARIO: Modification increases contract price to \$1.2B (cost + fee)



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Transition
Period

Interim Baseline

- Defines/applies to work scope to be performed for first 12-15 months (includes the first full fiscal year)
 - Incorporates impact of contract modifications due to: WBS Realignment, Contract True-up and/or Contract Work-scope
 - Permits timely preparation by the contractor of the interim PMB
 - Permits the contractor's EVMS to be validated based on three months of performance using the interim PMB
 - Can probably utilize the baseline submitted as part of the proposal responding to the RFP
- SCENARIO: Contract unaffected by this Project Management event



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Project Management

Post - Transition
Period

Contract Baseline

- Defines/applies to work scope for the entire contract
 - Definitizes any “changes” which were addressed for the initial contract period
 - Definitizes “plugged” costs, plus “new” work
 - Executed within 12 months from the end of the transition period to maintain the validity of the cost and pricing from RFP proposals
 - Contractor prepares “proposal” for only the “changes”
 - Proposal must include pricing per FAR Table 15-2
- Modification issued per authority of contract “Changes” clause

- **SCENARIO:** Contract cost, fee, schedule, and project baseline elements revised IAW negotiation



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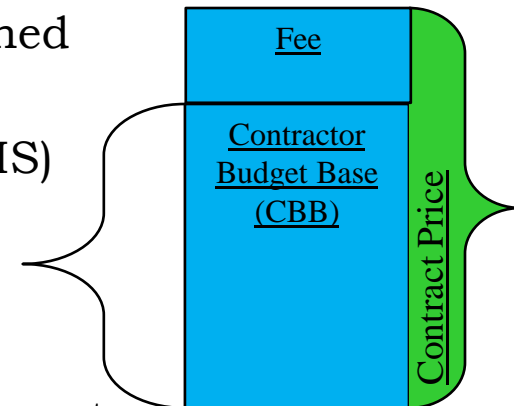


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Post - Transition
Period

Contract Baseline

- No change to overall contract scope, cost, schedule
- Contractor establishes Management Reserve (MR)
 - MR a company policy/practice
 - MR should be supported by analysis of contractor owned risks
 - MR is managed by contractor (tracked from their EVMS)
 - DOE will assess MR utilization & adequacy
 - Contract Budget Base (CBB) + fee = contract price
- SCENARIO: Contract unaffected by this Project Management event



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Contract and Project Baselines

