



# What Does the Government Want from Project Management?

DC PMI Chapter  
Executive Breakfast Series  
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# The Government Wants from Project Management

- A project management process and culture in both the Government and Industry that provides Agency Management, OMB, and Congress with accurate information on acquisition and life-cycle costs, schedules and performance of current and proposed major acquisition programs
- This information is required for management to make decisions on the best use of available funds to achieve strategic goals and objectives



# A Long Road to Success

- 1969 Commission on Government Procurement – deep concerns over management effectiveness of major systems
- April 1976 – First OMB Circular on program management – A-109, *Major Systems Acquisition*.
  - Requirement to “assess acquisition cost, schedule and performance experience against predictions, and provide such assessments to the agency head at key decision points.
- DOD adopted A-109 policies, continued to require CSCSC - other agencies did not.



# Statutory Requirements to Address the Problem

- Government Performance and Results Act, 1990
  - Establish Six Year Strategic Plans with clear Goals and Objectives
- FASA, 1994, Title V
  - Agency head, shall approve the Cost, Performance and Schedule goals for major acquisitions.
  - CFO must review cost goals.
  - Congress expects achievement of 90% of goals.
  - If not within 90% of Goals, Agency Head shall (1) determine if continuing need for the project, and (2) identify suitable actions to be taken, including termination.
  - OFPP Administrator and Secretary of Defense shall report annually on progress in achieving the above goals.
- Clinger-Cohen Act of 1996
  - OMB - Establish the processes for executive agencies to analyze, track, and evaluate the risks and results of major investments in IT
  - Projects should be broken into increments or modules with delivery of the product or service within 18 months of project start



# Regulatory Policy

- **OMB Circular A-11 - Preparation, Submission, and Execution of the Budget**
  - Eight (8) Parts – Issued annually
  - Part 7 – Planning, Budgeting, Acquisition and Management of Capital Assets
  - Supplement to Part 7 – Capital Programming Guide version 1, May1997, Version 2, June 2006
    - Specific program management guidance, **which is policy**, unless deviation is granted by OMB.
    - Original guidance – EVMS or Similar
    - 2002 – EVMS only to manage program and report status to management and OMB.
- **OMB Circular A-130 – Management of Federal Information Resources**
- **Federal Acquisition Regulation - 1996**
  - EVM required in major acquisitions IAW OMB Circular A-11



# Good Policy With No OMB Oversight Equals No Real Progress

- Executive Branch Management Scorecard Started 2002
  - Good intentions and good beginnings are not the measure of success. What matters in the end is completion: performance and results.
  - To ensure accountability, a “traffic light” grading system is used to track how well agencies are executing the President’s Management Initiatives and where they stand at any point in time.



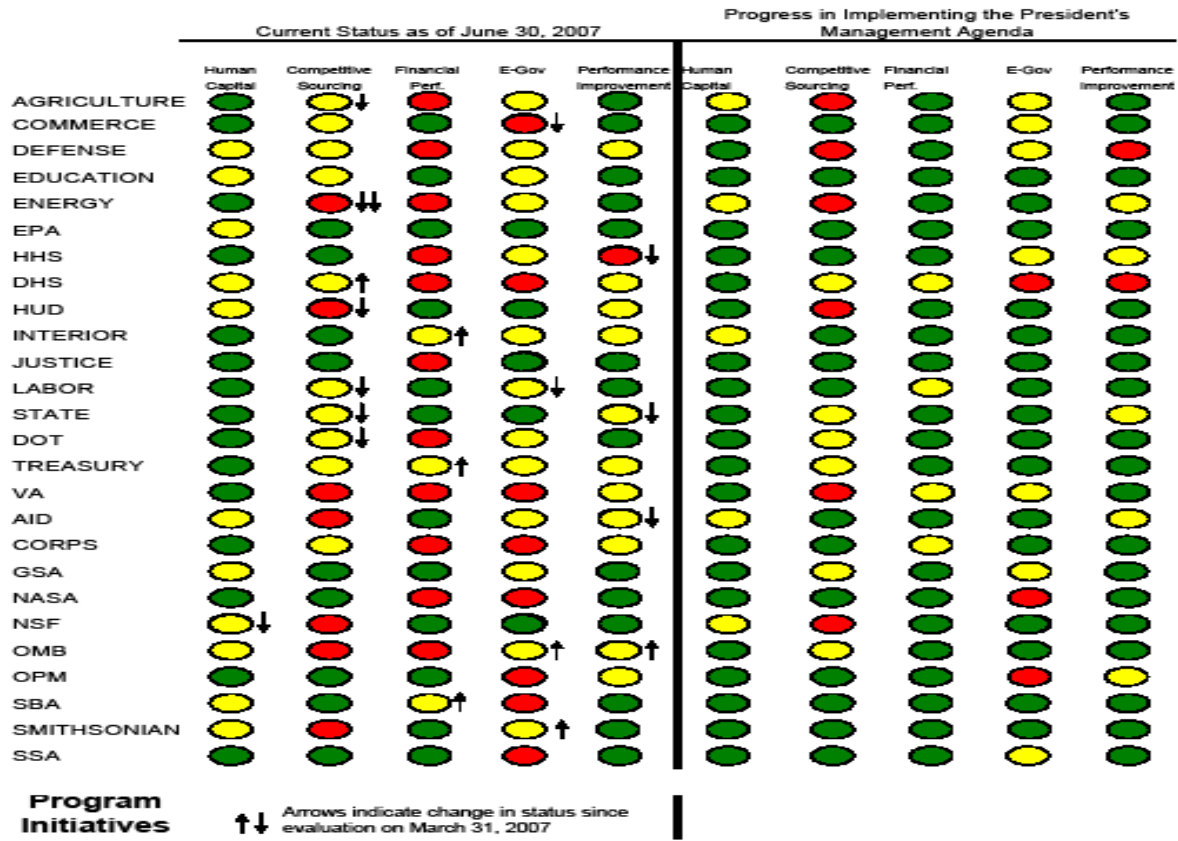
# OMB Circular A-11, Part 7

- **ALL** major capital investments must annually submit an exhibit 300 (business case) to Agency Management and OMB to justify budget requests, and obtain funding.
- The business case is the format for the IPT to demonstrate to management (Agency, OMB, Congress) that it has employed the disciplines of good acquisition (Project/Contract) management to define and manage the cost, schedule and performance goals of the project and therefore, should be trusted with large amounts of public funds. It is the Program Managers commitment to meet the cost, schedule and performance goals
- Business Case covers the following program management areas:
  - Justification for project based on need to accomplish an agency strategic goal or objective
  - Life-cycle cost estimates updated annually
  - Alternatives Analysis
  - Performance Goals
  - Acquisition/Contract Strategy
  - Risk Management
  - Earned Value Management
  - Enterprise Architecture



# June 30, 2007 Scorecard

## Executive Branch Management Scorecard





# Business Cases Do Tell The Program Management Story

- In 2005 EVMS Data Indicated EVM Not Being Implemented Properly
  - In 2005 many agencies submitted EVM data showing SPI and CPI close to 1
  - Agencies at same time asking for budget increase.
- For the 2006 Budget, OMB requested agencies to first self-evaluate their business cases against the criteria for each of 10 areas and provide the results of their review as part of their budget submission.
  - **Before obligating FY 2006 funds**
  - Independently validate for reasonableness, current cost, schedule and performance baselines, taking corrective actions as necessary. If proposed corrective actions include a new baseline (changing the performance measurement baseline), the proposal must be approved by OMB



# Requirements for Fully Implementing EVMS for IT Projects

1. Comprehensive agency policies
  - Use five NDIA EVM Guides
  - NDIA EVM Application Guide
2. EVMS requirements in contracts or agency in-house project charters;
3. Compliance Reviews of agency and contractor EVM systems
  - Use NDIA Intent and Systems Acceptance Guides



# Requirements for Fully Implementing EVMS for IT Projects

4. Periodic system surveillance reviews to ensure the EVMS continues to meet the guidelines in ANSI-748
  - Use NDIA Surveillance Guide
5. Integrated Baseline Reviews
  - Use NDIA Program Managers Guide to the Integrated Baseline Review.
6. FAR requires IBR's on all major acquisition programs either before or after award and before requests for major baseline changes.



# Other Changes From Business Case Reviews

- OMB required to review business cases from all types of major acquisitions, not just IT.
  - OFPP requested FASA V reporting on all major acquisitions.
- Two business cases required
- More emphasis on risk
- More emphasis on acquisition strategy
- Increased emphasis on performance standards
- Enhanced system of incentives for Govt. IPTs



# Two Business Cases Required

- 1. Exhibit 300 included in Circular A-11, Part 7
  - Must be submitted to OMB with annual budget and placed on agency web site after budget approval
  - The 300 is a “Trust Me” document
  - Largely a question and answer document with short yes/no and other fill-in answers
  - **However**, there are some very specific detail areas
  - Carefully read the document – **do not provide motherhood and apple pie answers as they indicate specific planning and analysis not done.**
- 2. Full backup business case that supports and expands on the information in the Exhibit 300 for Agency Management decisions
  - In-depth analysis to support answers on Exhibit 300
  - **A-11 Section 300.7** -- It is important to understand, all information necessary to complete an exhibit 300 already exists as part of the agency's overall Information Resources Management activities and within project specific documentation. The materials used to populate the exhibit 300 should be readily available to OMB upon request.



# Section B: Risk Management

- Expected to have performed a risk assessment during the early planning and initial concept phase, developed a risk adjusted life-cycle cost estimate and a plan to eliminate, mitigate or manage risk, and be actively managing risk throughout investment's life-cycle
- 1. Does the investment have a Risk Management Plan?
  - If yes, date
  - Has the plan been significantly changed since last year's submission to OMB?
  - If yes, describe significant changes.
- 2. If no plan – When will it be done?
- 3. Briefly, describe how investment risks are reflected in the life-cycle cost estimate and investment schedule. Be specific
- Use appendix 5, Risk Management, as the basis for your risk management process
- Use appendix 9, Cost Estimating, as the basis for your cost estimating process
- Agencies are expected to award contracts that have a high probability of achieving at least 90% of the cost, schedule and performance goals established in the planning phase.



# ABC Response

- ABC's baselines are risk adjusted in terms of both life cycle schedule and resource estimates. Factors considered in determining baseline risk adjustments include: identification of known and types of unknown program and technology risks, the likelihood of occurrence, the impact in the event the risk occurs, and the mitigation strategy adopted to manage each risk. The intent of adopting this strategy is for the program to be able to absorb inevitable risk occurrences and still achieve end cost and schedule objectives. This practice (along with our risk management policies and procedures) has to date been a successful one at ABC. Small management reserves are held at the Deputy Commissioner level in the event required.



# Better Answer

- The XXXX investment baseline costs and schedule estimates were risk adjusted by \$75M for F&E and \$35M for O&M, resulting in total risk-adjusted costs of \$549.8M for F&E and \$256.6M for O&M. The delivery schedule is risk adjusted by six months to include reserve with the program anticipating the last ORD in May 2011. The management reserve for schedule is reflected in table II.C.9. The primary risk is in the laser for to prevent intrusions, which adds \$50M and 4 months to the schedule. The other major risk is the innovative ground based sensors, which add \$25M and 2 months to the schedule. Both are at Technical Readiness Level 2 and require extensive development and testing.



# Risk Register

Risk Priority	Risk Category	Date Identified	Risk Description	Risk Rating	Response Strategy	Status
	Technology Schedule Resources Business Organizational					Milestones of actions taken and actions planned
	Change Mgt Strategic Security Integration Cost Requirements Project team Project Mgt					



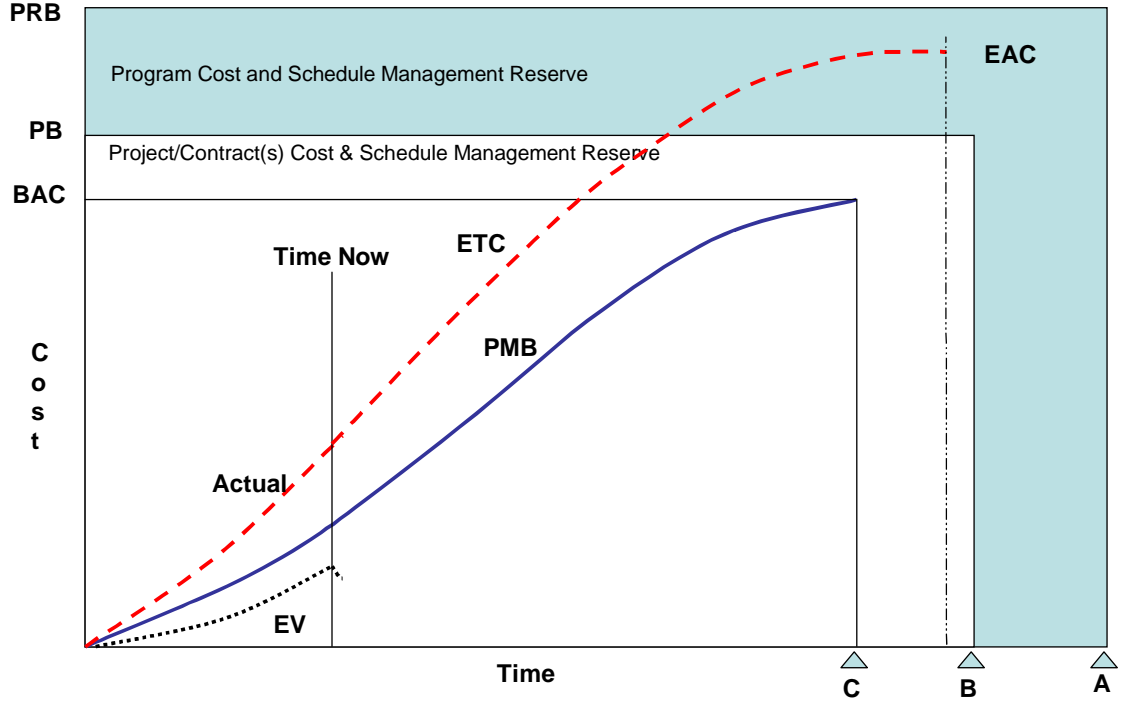
# Manage for Success

- Break the program into Phases and Modules
- Program Risk-Adjusted Budget (PRB)
  - The total budget that represents the amount of resources and schedule expected to be needed to cover the risk of cost and schedule overruns to meet a 90 percent probability of project/program success. It is an amount held at a level above the program level to be released to the program when needed to cover risk that was not identifiable through an IBR, but that history indicates will cause cost and schedule overruns from the PMB through no fault of the program management process.
  - It establishes the baseline for reporting to OMB on program performance.
- Use of the Government Accountability Offices (GAO) Cost Estimating Guide.



# Program Risk-Adjusted Budget

Program Risk-Adjusted Budget and EVM Performance Measurement





# Acquisition/Contract Strategy

- Must outline each acquisition vehicle and provide data on each, including date of award, start/end date, performance based, competitively awarded, EVMS, security and privacy.
- Should demonstrate that the strategy mitigates risk to the Government to the maximum extent.
- If EVMS is not used, you must explain why.
- Red flags are T&M/LOE, single award ID/IQ with un-priced follow-on Task Orders, No Performance Based SOW's and No EVMS.

Contracting Officer Certification Level	CO Contact information (phone/email)	Name of Contracting Officer	Does the contract include the required security and privacy clauses?	Is EVM in the contract?	What, if any, alternative financing option is being used?	Competitively awarded?	Is it performance based?	Is this an Interagency Acquisition?	Total Value of Contract/ Task Order	End date of Contract/ Task Order	Start date of Contract/ Task Order	If so what is the date of the award? If not, what is the planned award date?	Has the Contract been Awarded?	Type of Contract/Task Order	Contract or Task Order No.	Row Number
Level 3			Yes	No	NA	Yes	NO	No	525.124	9/29/11	11/15/04	11/15/04	Yes	T&M	ABC 00-05-60011	1
Level 3			Yes	No	NA	No	No	No	19	7/11/11	7/12/06	7/12/06	Yes	Labor Hour	ABC 00-06-40018	4





# Specific Performance Goals are Lacking

- Performance goals that link to the annual performance plan and map to the gap in the agency's strategic goals and objectives this investment is designed to fill. They are the internal and external performance benefits this investment is expected to deliver to the agency.
- Initially they are the goals in Section A, Question 8 – Brief summary and justification, including a description of how this closes in part or in whole an identified performance gap.
- The final goals are the acceptance criteria in the statement of work and the exit criteria for work packages on the critical path.



# Performance Information

Performance Information Table 2

Fiscal Year	Measurement Area	Measurement Grouping	Measurement Indicator	Baseline	Planned Improvements to the Baseline	Actual Results
2006	Mission and Business Results	Response Time	Response Time - Deliver high-quality, citizen-centered services	40% of XXXX functionality required to support the Customer Service Record (CSR)	Complete 60% of XXX functionality required to support the Customer Service Record (CSR)	Completed 60% of XXXX functionality required to support the Customer Service Record
Should	Be ---		Reduction in response time for citizen calls	30 Minutes	15 Minutes	18 Minutes



# Improving Government Program Performance

- Executive Order – signed November 13, 2007
- Policy of the Federal Government to spend taxpayer dollars effectively, and more effectively each year.
- Agency Head with respect to each program:
  - Approve clear annual and long-term goals defined by objectively measurable outcomes; and
  - Specific plans for achieving the goals, including:
  - Assignments to specified agency personnel the duties necessary to achieve the goals;



# Executive Order

- Means to measure progress in achieving the goals
  - Progress toward achievement of the goals; and
  - Efficiency in use of resources in making that progress
- Mechanisms for ensuring continuous accountability of the specified agency personnel to the head of the agency
- **Agency Performance Improvement Officers**
  - Supervise the performance management activities of the agency
  - Determine whether goals are sufficiently aggressive to full achievement of the program;



# Executive Order

- Realistic in light of resources assigned to specified personnel
- Means for measurement of progress toward goals is sufficiently rigorous and accurate
- Convene the specified agency personnel periodically to
  - Assess performance of each program
  - Consider means to improve the performance and efficiency of each program
- Assist the HOA in the development and use of performance measures in personnel performance appraisals



# Appropriate Use of Incentive Contracts

- OFPP Memo – December 4, 2007
- Incentive fees must be linked to acquisition outcomes such as cost, schedule and performance results;
- Incentive fees are not earned if the contractor's performance is judged to be below satisfactory, or does not meet the basic requirements of the contract.
- Conduct Risk and Cost benefit analysis
- Incentive fees must be predetermined in writing



# OFPP Memo

- **Acquisition plan must state desired outcomes, performance requirements, milestones, risks and cost benefits**
- **Incentive fee plan**
  - Defines clearly the standards of performance for each rating category (e.g., satisfactory, above satisfactory, excellent)
  - Defines clearly the percentage of fee the contractor should be paid for each category
  - Provide detailed steps in the evaluation process
  - Establish a base fee
  - Rollover fees are limited



# DOD Configuration Steering Boards

- Memo From USD(AT&L) – 30 July 2007
- A number of programs have experienced significant growth over the original estimates.
- The result is later delivery of capability and a reduction in the quantity purchased.
- Military Departments will establish CSB's
- The CSB will review all requirements changes and any significant technical configuration changes
- Such changes will generally be rejected, deferred to future blocks



# CSB's

- Program managers will work on roughly an annual basis to identify a set of descoping options that reduce program cost or moderate requirements.
- The CSB will recommend which of these options should be implemented to reduce cost and to provide a reserve against emergent technical risks.
- DOD fundamental goal is to develop and procure systems at or below the approved current baseline cost estimate.



# Holding Managers Accountable

- FASA V provided for an enhanced system of incentives for IPT's to encourage achievement of the goals.
- The Capital Programming Guide implements that requirement:
  - Agencies should establish for the IPT, and others as appropriate, a system of incentives to encourage achievement of the projects baseline goals. These incentives should include rewards (including bonuses), recognition, and consideration in both personnel evaluations and promotion decisions, when performance of the IPT personnel contribute to achieving or exceeding the cost, schedule and performance goals of the acquisition.
  - **Incentives are not appropriate if the acquisition does not achieve its baseline goals.**



# Acquisition Professionals Certification

- Certification in Contracting Program - Civilian Agencies
  - January 2006 - Mirrors the DOD Program (DAWIA)
- Certification for Program and Project Managers - Civilian Agencies
  - April 2007
  - PM's assigned to major acquisitions must be senior-level certified unless a wavier is granted by the Agency. IT Program/project managers must also meet requirements in Federal IT Project Manager Guidance Matrix.



# Questions

- Agencies have flexibility in how they implement the key principles and concepts in the CPG.
- However, the key principles and importance of thorough planning, risk management, full funding, portfolio analysis, performance-based acquisition management, accountability for achieving the established goals will not change
- In General, OMB will only consider recommending for funding in the President's Budget priority capital asset investments that comply with good capital programming principles.