

Performance Based Contracts-DOE Order Review

January 14, 2002

Directive Number and Title:

Order 413.3

Program & Project Management for the Acquisition of Capital Assets.

Originating Office:

Office of Management Budget and Evaluation

Team Members:

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Background:

The Order and CRD were approved on 10-13-00 with the primary purpose to establish a formalized project management approach with respect to the acquisition of capital assets. The Office of Engineering and Construction Management (OECM) developed the Order and CRD. Although there have been no major modifications or updates to the order to date, OECM is currently developing a manual that will provide further details with respect to the application of project management systems referenced in the Order and CRD.

Overview of Requirements:

The primary purpose of this Order is to assure that the acquisition of capital assets is accomplished through the application of a project management system that will provide a product fully capable of meeting mission performance and ES&H requirements. To this end, the project management system is a method and means to optimize schedule and cost, thus providing maximum benefit to the government.

From a procedural aspect, the decision points, approval authorities and administrative requirements defined in the Order establish an effective feedback mechanism to DOE management. The level of management approval is a direct function of Total Project Cost. While the required acquisition strategy describes the relationship of the essential program/project elements.

The CRD requires contractors to develop a project management system based upon national consensus standards (Element 1 Reference: ANSI/EIA -748-1998 Earned Value Management Systems; Element 9 Reference: ANSI/EIA- 649-1998 National Consensus Standard for Configuration Management). By design, the standards are a source document rather than a means to evaluate the performance of the contractor. From this perspective the standards provide the contractor a degree of freedom to tailor the project management system to meet the intent of a performance based contract with the end goal consistent with the intentions of the Order to get the best technical and cost value for the government.

Analysis:

It was the consensus opinion of the team to maintain the CRD as a contract requirements document. This recommendation is further supported by the lack of direct comments by the Field and Contractors on the CRD. The team does recognize that the project management system requirements (i.e. the level of detail or formality of the study) by the CRD should be commensurate with the degree of technical, schedule, and cost risk or uncertainty associated with the project. A comment from the field indicated that a graded approach to the CRD requirements is not common practice within all DOE Organizations.

In the absence of field comments, the team took a critical look at the CRD and came to the conclusion that useful changes could be made to the CRD. When applied at an appropriate dollar threshold many of the elements of the CRD prescribe a consensus national standards based approach to the development of performance requirements, standards and indicators to manage and evaluate the acquisition of capital assets. Many of the elements are, however, too prescriptive tending to duplicate the concepts contained within the standards. This is viewed as a weakness in the CRD. Detracting from flexibility, consistency and synergism benefits provided by the applicable standards.

To correct this weakness, the team recommends the elimination of CRD elements 5, 7, and 8. The content of each is specifically contained within the standards referenced in elements 1 and 9. To achieve optimum cost benefit, it is recommended that elements 1 and 9 be modified to require formal application of the principals and practices within these standards at a total projects cost (TPC) threshold of \$20M.

It is recommended that Elements 11 and 12 be deleted because their sole purpose is to reference other DOE Orders and DEAR requirements. This is considered to be unnecessary duplication.

It is recommended that Element 13 also be deleted. The Element, as written, does not state an enforceable requirement. This Element is covered by the standards referenced in Elements 1 and 9.

It is recommended that Element 4 be modified to specify that the requirement is to be reported on a monthly basis. The other option is to combine Elements 2 and 4.

OECM will soon publish a manual to be used as a supplement to DOE Order 413.3 that will specifically cover Elements 6 and 10 that deal with cost estimation and value engineering. It is recommended that the CRD be reviewed with respect to these recommendations upon its issuance.

Summary Recommendations:

1. Maintain the requirement for the use of project management systems consistent with ANSI/EIA -748-1998 Earned Value Management Systems (Element 1 Reference) and ANSI/EIA- 649-1998 National Consensus Standard for Configuration Management (Element 9 Reference).
2. Delete Elements 5, 6, 7, 8, 11, 12 and 13.
3. Modify Element 4 to specify a monthly reporting requirement.