

DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC

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OFFICE - THE ASSISTANT SECRETARY

MEMORANDUM FOR DISTRIBUTION

ACQUISITION POLICY 94A-015

FROM: SAF/AQ  
1060 Air Force Pentagon  
Washington DC 20330-1060

SUBJECT: Improved Contract Cost and Schedule Performance Management

Effective program cost and schedule management depends on the establishment of reliable performance measurement baselines by our systems contractors. These baselines form the foundation of our program status reporting and are key to maintaining credibility within our systems acquisition. In order to be a valuable tool, early agreement must be reached between the Air Force and its contractors by means of the performance baseline. It is therefore essential that they accurately reflect the technical scope of the work to be performed, the contract schedule, and the resources required to complete the program. It is the Program Manager's responsibility to ensure the accuracy of these baselines.

The need for improved baseline evaluations was an accepted recommendation in DoD Inspector General Audit Report No. 93-067, "Use of Cost and Schedule System Data." The principal Under Secretary of Defense (Acquisition and Technology) has mandated program managers their technical staffs conduct a baseline review on those contracts requiring compliance with defense Cost/Schedule Control System Criteria (C/SCSC). The vehicle for complying with this requirement is the Integrated Baseline Review (IBR).

An IBR will be conducted, within six months after contract award, on all new contracts requiring compliance with C/SCSC. The review will be led by the program manager in close cooperation with the C/SCSC Field Command Focal Point (FCFP). The IBR will increase program office involvement in the C/SCSC process and will reduce the duration and/or need for readiness at subsequent application reviews. These latter reviews will now only be required if the IBR shows them to be necessary. In addition, the IBR provides an excellent vehicle for reevaluating programs that have undergone rebaselining.

As this new process is implemented, any additional policy and guidance developed by SAF will be coordinated with and issued by SAF/AQ.

  
**CLARK G. FIESTER**  
Assistant Secretary of the Air Force  
(Acquisition)

Attachment:  
Implementation Guidance

cc:  
**OUSD(A&T)API/PM**

# INTEGRATED BASELINE REVIEWS

## IMPLEMENTATION GUIDANCE

### FORWARD

The purpose of this policy memo is to implement a new OSD requirement for Integrated Baseline Reviews (IBRs). An index of topics discussed is presented below:

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Responsibility for the success of the IBR process is with each Program Manager. Responsibility for the C/SCSC process still belongs to SAF/FM and the local comptroller organization. The SAF focal point offices are SAHAQX (Col Kraus, DSN 223-3223) and SAF/FMM (Mr Fitzgerald, DSN 227-7832), respectively.

# INTEGRATED BASELINE REVIEWS

## IMPLEMENTATION GUIDANCE

### 1.0 INTRODUCTION

a. This implementation guidance discusses how Integrated Baseline Reviews (IBRs) shall be conducted by Program Managers, the Cost/Schedule Control System Criteria (C/SCS) Field Command Focal Points (FCFPs), and technical staffs (Functional or Integrated Product Team (IPT) representatives). An IBR is conducted within six months after contract award to review the performance measurement baseline to ensure that planning and budgeting are adequate at the cost account level. When properly implemented, the IBR is intended to result in a reduction in the duration and/or the need for C/SCS Subsequent Application Reviews (SARs) and Baseline Reviews by resolving baseline and discipline problems early in the contract. Program Manager "ownership" of the IBR will improve the use of cost/schedule performance data by government and contractor managers. The goals of the IBR are:

(1) To ensure the technical content of work packages and cost accounts are consistent with the scope of work defined in the Contract Work Breakdown Structure (CWBS) Dictionary and the Contract Statement of Work (SOW).

(2) To assess that there is a logical sequence of effort that supports the contract schedule.

(3) To assess the sufficiency of allocated cost account budgets, both in terms of work content, total resources, and time-phasing.

(4) To understand the earned value methods for measuring accomplishment and to ensure that objective and meaningful performance data is provided in terms of technical accomplishment.

(5) To verify that effective variance analysis processes are applied to identify, correct and report problems including cost and schedule impacts.

(6) To verify that proper accounting cross-checks are established so cost account data is accurately reflected in reports to the government.

(7) To verify that cost, schedule and technical systems are integrated.

b. The IBR is designed to be a means by which the Program Manager and the technical staff gain a sense of ownership in the cost/schedule management process. By understanding the contractor's internal cost/schedule control system, government and contractor counterparts can conduct focused reviews of planning and status down to the cost account/work package level throughout the term of the contract. The IBR is a part of the overall risk assessment process that the Program Manager is responsible for.

## 2.0 BACKGROUND

a. The application of the C/SCSC is the prescribed approach for performance management of major contracts required by DoD Instruction 5000.2. In the past few years, there has been increased attention in this area. Some of the more recent events that have contributed to continual process improvement in C/SCSC implementation include:

(1) 1990 - The Navy A-12 program cancellation resulted, in part, from the failure to use cost and schedule information whereby performance data showing negative trends appeared to have been ignored. Subsequent investigations into C/SCSC lessons learned from this incident resulted in improved Estimate At Completion (EAC) reporting by the Program Manager in the Defense Acquisition Executive Summary reports.

(2) 1992 - The Inspector General finished their audit of 9 different programs from all three services requiring C/SCSC compliance. Their report #93-067 concluded that SARS were not timely or consistently accomplished. Also, the sufficiency of performance measurement baselines was not adequately determined either before contract award or during the C/SC system review process after contract award.

(3) 1993 - The Under Secretary of Defense, (Acquisition), issued an Acquisition Decision Memorandum for the Upper Tier Theater Missile Defense System (UTTMD) Program which included the requirement for a baseline review of the cost/schedule control system within six months of contract award to assure that planning and budgeting are accurate and adequate at the cost account level. This was a new requirement that resulted in an aggressive response from the Program Executive Office, Missile Defense. The program managers for this program took "ownership" of the process, initiated a thorough earned value training program, and performed technical baseline review.

(4) 1994 - The "Memorandum for Component Acquisition Executives", regarding improved Cost and Schedule Performance Management was issued by R. Noel Longuemare, Principal Deputy Under Secretary of Defense (Acquisition and Technology) on 25 January 1994. This memorandum outlined the following guidelines:

(a) program Managers and their technical staff will review contracts or baselines for contracts requiring compliance with the Department of Defense C/SCSC within 6 months of contract award. Similar but less comprehensive reviews will be performed for contracts subject to Cost/Schedule Status Report (C/SSR) requirements.

(b) These IBRs are not a substitute for normal C/SCSC reviews and should be conducted in coordination with DoD Component C/SCSC specialists (FM C/SCSC FCFPS).

(c) Two objectives of the IBR are:

(1) Improve the use of cost/schedule performance data by contractor and government managers.

(2) Reduce the number of C/SCSC reviews necessary.

b. The implementation guidance contained herein satisfies the requirement for IBRs. This guidance is based on the successful implementation of the early technical baseline review conducted on the BMDO UTTMDS program.

### **3.0 INTEGRATED BASELINE REVIEW APPROACH**

#### **3.1 IBR Relationship to Other C/SCSC Reviews**

a. If a C/SCSC Baseline or C/SSR Review is to be accomplished the IBR should be designed to take the place of these reviews.

b. In the situation where a C/SCSC SAR is required the IBR may be structured to satisfy the SAR requirement. In this case, the Joint Implementation Guide, AFMCP 173-5 (latest revision) should be consulted for the definition of the review scope necessary. If, after completion of the IBR, there is confidence that C/S requirements have been properly implemented as determined by the Program Manager and field command Comptroller organization, the IBR can satisfy the requirement for the C/SCSC SAR. If significant problems are found during the IBR that require a follow-up SAR, the issues identified will be provided to the SAR Team Chief.

c. If the contractor requires a full C/SCSC Demonstration Review or an Extended SAR as determined by the HQ AFMC C/SCSC focal point, the IBR should be combined with the Readiness Assessment and occur before the Demonstration Review or Extended SAR.

(1) The IBR should be kept independent from the C/SCSC review (except in the case of a C/SCSC SAR, Baseline Review, and C/SSR Review) with information passed between both review teams. It is preferred to have the same program office technical personnel and C/SCSC focal point personnel on both the IBR and the C/SCSC review.

(2) Completion of the IBR does not constitute full compliance with the DFARS Clause 52.234-7001, "Cost/Schedule Control Systems" (except when a C/SCSC SAR or Baseline Review is determined unnecessary).

(3) The IBR benefits the Program Manager, technical staff, and IPT leaders in monitoring the contract, understanding the management system and developing confidence in the data.

#### **3.2 IBR Schedule**

a. The IBR shall occur as soon as the cost/schedule control system baseline is in place and two performance reports are available, but not later than six months after contract award. When an undefinitized contracting action (UCA), letter, contract or long lead effort is authorized prior to definitization, a small team should review the interim short-term baseline periodically until a full IBR can be conducted after contract definitization.

(1) If subcontractor baselines are not in place, a determination should be made to learn: what percentage of the prime contract is subcontracted out; if the prime contractor has laid in performance measurement baselines for the subcontractors; the prime contractor cost account managers' (CAMs) knowledge of the subcontracted effort; the criticality/risk of each subcontract to the program; the prime contractor's history in subcontract management; and how many of the subcontractors will the prime/subcontractor request the government to review.

(2) Based on this information, the team leaders should decide whether to interview subcontractor CAMs during the prime's IBR or conduct a separate visit to the subcontractors facility based on: the status of the subcontractor's baseline; the dollar value of the subcontract; the amount of documentation to be reviewed; and the number of subcontractor CAMs that need to be interviewed.

### 3.3 IBR Team Members

a. The primary team members for this review should come from the Program Manager's technical staff, with support from personnel with expertise in the C/SCSC within the field command Comptroller organization. In the past, cost/schedule reviews have been performed C/SCSC FCFP offices with less involvement from the Program Office technical staff. This new approach requires a cultural change in attitude from both the C/SCSC matrix support organization and the program office technical staff and necessitates a focused effort to provide the Program Manager's staff with essential training to prepare them for assuming the lead role. Emphasis must be placed on the technical effort planning versus a compliance inspection. The Team Chief for this review shall be the Program Manager or representative with co-leadership from the C/SCSC FCFP office in order to satisfy both technical and cost/schedule performance measurement baseline requirements. Program Manager leadership and technical staff/IPT participation are essential for the success of the IBR. Recommended team membership includes:

- (1) Program Manager (Team Chief) or their designated representative.
- (2) Comptroller C/SCSC FCFP office representative (Deputy Team Chief).
- (3) Program Office technical staff or IPT Members (various engineering, manufacturing, quality, logistics, and other disciplines that align with the contract tasks).
- (4) Program Office C/SCSC specialists.
- (5) Contractor representative(s) (Program Manager's discretion).

(6) Defense Plant Representative Office (DPRO)/Defense Contracting Management Administration Office (DCMAO) personnel.

b. Additional C/SCSC FCFP office personnel could be among the team members on the IBR, but to a lesser extent when compared to program office technical personnel. Consequently, some of the technical personnel who support the IBR should also be involved in the subsequent C/SCSC reviews as necessary, unless the C/SCSC review (SAR or Baseline Review) is eliminated by Program Manager and Comptroller mutual consent. This will be documented in a joint memorandum.

### 3.4 IBR Preparation

a. The IBR requires "up-front" involvement of the Program Manager and technical staff. A Work Breakdown Structure (WBS) Responsibility Assignment Matrix (RAM) should be requested as soon as possible to establish government leads for conducting the IBR and for designating the program office technical staff/IPT members who will be responsible for monitoring their respective WBS elements throughout the life of the contract.

b. Program office technical staff trained in C/SCSC is required to prepare for the IBR. The Program Manager should take full advantage of SPO and field command Comptroller organization C/SCSC specialists to provide this training and place high priority on technical staff attendance. If possible, these sessions should be video taped for future team members. This training should encompass the following:

(1) A short class on the basics of the C/SCSC with emphasis on the Organization and Planning and Budgeting sections. An introduction to the contractor's management control system should be included to show some examples of actual documentation.

(2) Another session covering the details of the contractor's management control system should be conducted to include the current implementation status on the contract to be reviewed. The contractor's Program Manager, other contractor personnel, appropriate DPRO personnel, the Government Program Manager, technical staff or IPT members and the C/SCSC field command focal point representative should be included in this session.

c. Just prior to the IBR visit to the contractor plant, the Team Chief or Deputy Team Chief should hold a workshop covering the mechanics of how the review will be conducted including the agenda, a dollarized RAM showing contractor CAMs and their cost accounts, an interview schedule of contractor CAMS, example work authorization documents, Cost Accounting Plans (CAPs), and schedules to be reviewed. If the contractor can provide live examples of work authorization documents, CAPS and schedules, it will help the team get familiar with what they will be looking for. The purpose of the review, specific objectives, techniques for conducting CAM interviews and expected benefits of conducting the review should be outlined.

### 3.5 Integrated Baseline Review Content

a. The contractual authority for the conduct of the review is the "access to data" provisions of the C/SCSC DFARS Clause 52.234-7001. Coordination with the contractor in advance to establish a clear understanding of the IBR process is essential. An initial briefing upon arrival to discuss the purpose of the review, specific objectives, techniques for conducting CAI interviews and expected benefits of conducting the review should be outlined.

b. The IBR team should try to review 80% of the allocated budget. A small team approach of two government team members broken into hardware subsystems or IPW function areas will produce good synergy for discussion. Special emphasis should be on high dollar or risk areas.

c. The documentation to be reviewed should include work authorization documents, CAPs and schedules. The team should look for evidence that:

(1) Work flowdown is consistent between the contract SOW, the CWBS Dictionary and work authorization documents. Work authorization documents should be used to facilitate discussion of work scope content and the adequacy of cost account budgets (both in terms of total resources and time phasing). Special care should be taken to avoid inadvertent direction to change contractual requirements.

(2) The technical content of the cost accounts and work packages is derived from the SOW, related to the program schedules, have sufficient time phased resources, and have appropriate measurement techniques.

(3) Discrete effort is planned naturally and level of effort tasks are really level of effort.

(4) EAC procedures are in place including how and when both monthly and annual grassroots estimates will be incorporated into the Cost Performance Report/Cost Schedule Status Report.

(5) Areas with cost schedule and technical risk are specifically analyzed and tracked.

(6) The process used for management of subcontractor cost, schedule and technical performance including how subcontractor data is flowed into prime contractor cost account plans.

(7) Vertical and horizontal schedule traceability exists and that there are no disconnects between the contractor's schedules and the time phasing of work efforts.

(8) Accounting procedures are in place to manage/allocate overhead properly and that cost account data reported to the government is accurate.

(9) Contractors are using the same data for internal management as reported to the government and that contract revisions are properly incorporated.

d. Daily informal outbriefs with contractor management personnel to discuss issues should be conducted to keep the contractor informed and create a cooperative team relationship.

e. Corrective actions should be monitored by the program office until resolution is made. A status of the progress in closing these actions as well as their final resolution should be provided to the FCFP. This information will be used by the FCFP in system surveillance activities to assess potential impact to other programs.

### 3.6 IBR Documentation

The IBR is less formal than a SAR with a Memorandum for Record (MFR) by the Team Chief (PM) and Deputy Team Chief (Comptroller FCFP representative) that documents the review scope, findings, recommendations, and conclusions. If one of the IBR conclusions is that a C/SCSC SAR is unnecessary, the MFR shall include a summary of the basis for such determination with copies provided to the C/SCSC Field Command and HQ AFMC Focal Point.

## 4.0 SUMMARY

The key to the success of the IBR is the enthusiastic involvement and support of the Program Manager from the outset. When properly implemented, the IBR should result in a reduction in the scope of C/SCSC reviews by involving baseline problems early in the contract. This early resolution of baseline problems could also eliminate the need for some C/SCSC reviews (SAR or Baseline Reviews only). Program Manager "ownership" of the IBR will improve the use of contract performance measurement data by government and contractor managers.