



EFCOG Report

Addressing Contractor Contingency in FAR- Based Proposals

Project Delivery Working Group

Risk Management Task Team

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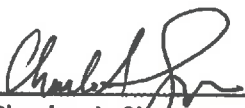
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Executive Summary

The Energy Facility Contractors Group (EFCOG) is a self-directed group of contractors of U.S. Department of Energy Facilities. The purpose of EFCOG is to promote excellence in all aspects of operation and management of DOE facilities in a safe, environmentally sound, secure, efficient, and cost-effective manner through the ongoing exchange of information and corresponding improvement initiatives.

The EFCOG Project Management Working Subgroup (PMWSG) established a Risk Management Task Team to promote, coordinate, and facilitate the active exchange of successful Risk Management programs, practices, procedures, lessons learned, and other pertinent information of common interest that have been effectively utilized by DOE contractors and can be adapted to enhance operational excellence and cost effectiveness for continual performance improvement by other DOE contractors.

As part of the EFCOG Risk Management Task Team activities initiatives are identified, prioritized and planned. The planned activities are established in advance of the fiscal year start as part of an EFCOG Project Delivery Working Group (PDWG) Annual Work Plan.

One such initiative is the investigation of methodologies and approaches to establishing contractor managed contingencies in a Federal Acquisition Regulation (FAR)-based contract environment during development and negotiations of initial contracts. Throughout the Department of Energy (DOE) Complex, differing methodologies to establish contractor managed contingencies have been implemented to account for DOE Contracting Officers approach to managing their specific contracts.

This report presents the roadmap used by the Risk Management Task Team for investigations and reviews of the differing methodologies used to establish contractor managed contingences with DOE FAR-based contracts, the results of the investigation and review, and provides recommendations.

This report is deliverable 2.5 of the EFCOG PDWG FY2019 Annual Work Plan.



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1.0 Purpose

The purpose of this report is to investigate, evaluate, and provide recommendations against the varying methodologies established by DOE contractors on FAR-based contracts to handle contractor managed contingency during proposal development and definitization. Hereon, since the FAR does not have a definition for “management reserve” nor does it define “contingency” the same as DOE Order 413.3, the term “contractor managed contingency” will be referenced as contractor reserves to account for a possible future event or condition arising from presently known or unknown causes, the outcome of which is indeterminable at the present time.

As contracts within the DOE complex migrate to the modified End State Contracting Model (ESCM), envisioned as a single award Indefinite Delivery/Indefinite Quantity (IDIQ) contract for each acquisition with the ability to issue both Cost-Reimbursement (CR) and Firm-Fixed-Price (FFP) Task Orders (TO), a consistent and agreed-upon best practice for contractor managed contingency will promote effective and efficient negotiations for both the DOE and contractors. Benefits of a consistent methodology that meets the relevant FAR requirements include:

- Increased alignment of project cost and schedule performance expectations between DOE, contractors, and other stakeholders, improving project outcomes;
- Fewer deviations in interpretations of acquisition letters, guides and memos;
- Increased confidence in establishing and evaluating point estimates;
- Transparency in the Risk Management process;
- Improved negotiations of risk ownership; and
- More effective establishment of appropriate contractual coverage for excluded risks.

The EFCOG FY 19 Work Plan item 2.5 is shown in Table 1-1:

Table 1-1 EFCOG FY19 Work Plan (Extract) Item 2.5

<p>2.5 Investigate and provide recommendations and best practices and methodologies for preparing FAR-Based proposals and definitizing upon award.</p>	<p>Under FAR-Based Contract rules, Management Reserve is not allowed to be documented in proposals. However, risks should be considered in the development of reasonable and foreseeable cost estimates. Typically, MR is carved out of the proposal price during definitization of the baseline. There are no guidelines or best practices as to how to consistently estimate the cost of foreseeable risk and subsequently populate MR, leading each contractor and/or DOE field element to satisfy this requirement in a different way. Identifying a methodology to do this would benefit contractors when preparing and DOE when evaluating these types of proposals.</p>	<p>2.5.1 Issue a report with recommendations and best practices and methodologies for first preparing FAR-Based proposals and then definitizing upon award.</p>
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This report satisfies the FY19 Work plan deliverable for 2.5.

2.0 Methodology

A roadmap was developed and utilized to plan the path forward developing recommendations to apply contractor managed contingencies in FAR-based proposals. The roadmap spans multiple fiscal years and is a living document, maintained current during execution in concert with the applicable EFCOG FY Work Plan.

The roadmap is presented in Attachment 1. Each Roadmap activity is described below.

2.1 Develop Roadmap

A roadmap was established by the Project Delivery Working Group Risk Management Task Team to assist in future activity development. The roadmap was a living document and was revised during the evaluation and recommendation phases.

2.2 Identify and Describe Preliminary Methodology Suite

This step was the initial identification of DOE contractors' methodologies to establish contractor managed contingencies during the proposal, negotiations, award, and implementation processes. This step was performed within the Risk Management Task Team and required several iterations before commencing with the next step.

2.3 Brainstorm with Risk and Estimating Task Teams to Gather Additional Methods

This step iterates step 2.2, but this time involved the EFCOG Estimating Task Teams. Where the Risk Management Task Team scope focused primarily on risks and their relationship to contractor managed contingencies, including the Estimating Task Team expanded the scope to ensure consistency with the estimating processes.

2.4 Distribute to EFCOG Community to Gather Additional Methods

After utilizing the subject matter expertise of both the Risk Management and Estimating Task Teams, the methodologies were presented to the broader EFCOG community (i.e., Acquisition, Project Management Working Subgroups) to collaborate and document recommendations for DOE.

2.5 Finalize Methodology Suite

After collaboration with the EFCOG community, the methodology suite was finalized. Detailed discussion of the methodologies can be found in section 3.0.

2.6 Develop Pros, Cons and Recommendations

Methodology pros and cons are discussed within section 3.0 along with recommendations outlined in section 5.0.

2.7 Review, Finalize and Issue Report

The final report was reviewed by the EFCOG Project Acquisition Team before final joint review by the Risk Management and Estimating Task Teams. Discussions were held, and comments were incorporated prior to EFCOG approval.

2.8 Publish as an EFCOG Best Practice (if applicable)

If the methodologies within the report meet the appropriate requirements, the report will be submitted for publication as an EFCOG Best Practice.

3.0 Discussion of Results

Throughout the DOE complex the methodologies used to establish contractor managed contingency vary due to differing DOE and contractor interpretations of the FAR and DOE orders, guides, letters, memos, and creatively meeting its intent.

FAR Parts 1 to 51, Subparts 52.1 and 52.3 and Part 53 prescribe the rules and procedures with which Government personnel must comply when conducting acquisitions. FAR Subpart 52.2. contains the texts of solicitation provisions and subcontract clauses, which apply the policies and procedures to firms competing for contracts and contractors. For discussions of this paper, FAR section 31.205-07, Contingencies, defines government requirements for contingencies. FAR 31.205-7, states:

“(a) *Contingency*, as used in this subpart, means a possible future event or condition arising from presently known or unknown causes, the outcome of which is indeterminable at the present time.

(b) Costs for contingencies are generally unallowable for historical costing purposes because such costing deals with costs incurred and recorded on the contractor's books. However, in some cases, as for example, terminations, a contingency factor may be recognized when it is applicable to a past period to give recognition to minor unsettled factors in the interest of expediting settlement.

(c) In connection with estimates of future costs, contingencies fall into two categories:

- (1) Those that may arise from presently known and existing conditions, the effects of which are foreseeable within reasonable limits of accuracy, e.g. anticipated costs of rejects and defective work. Contingencies of this category are to be included in the estimates of future costs as to provide the best estimate of performance cost.

- (2) Those that may arise from presently known or unknown conditions, the effect of which cannot be measured so precisely as to provide equitable results to the contractor and to the Government; e.g., results of pending litigation. Contingencies of this category are to be excluded from cost estimates under the several items of cost but should be disclosed separately (including the basis upon which the contingency is computed) to facilitate the negotiation of appropriate contractual coverage.”

None of the methodologies used by contractors to establish contractor managed contingencies identified in the development of this paper appeared to be in direct conflict with the FAR requirements, and some aligned the Risk Management processes with the best practices detailed within the GAO Cost Estimating and Assessment Guide. However, as outlined in the following sections a consistent and agreed-upon methodology for establishing contractor managed contingency is beneficial to promote effective and efficient negotiations between the DOE and contractors.

Based on the artifacts obtained, the below observations were identified by the EFCOG community:

- Observation-1 – Inconsistent terminology as it relates to the FAR term “contingency” and the DOE program/project management terms “Management Reserve (MR)” and “contingency”.
- Observation-2 – Inconsistent application of identifying and disclosing contractor managed contingency within the proposal process:
- Observation-3 – Minimal application of FAR 31.205-7(c)(2), specifically documentation of a negotiation on appropriate contractual coverage in the event such events occur and definition of what would constitute such events.
- Observation-4 – Lack of documenting/disclosing risk ownership during negotiations of contract actions.

O-1, Inconsistent terminology as it relates to the FAR term “contingency” and the project management terms “Management Reserve (MR)” and “contingency”.

The term “contingency” in the FAR and the DOE program/project management terms “Management Reserve (MR)” and “contingency” do not have the same definitions.

The DOE Acquisition Letter, 2009-01, *Management Reserve and Contingency* states the following:

- “a. DOE Order 413.3A (July 28, 2006) defines management reserve and contingency as follows:
- i. Management Reserve: “An amount of the total contract budget withheld for management control purposes by the contractor. Management Reserve is not part of the Performance Measurement Baseline.”
 - ii. Contingency: “Contingency is the portion of the project budget that is available for risk uncertainty within the project scope, but outside

the scope of the contract. Contingency is budget that is not placed on the contract, and is included in the Total Project Cost.”

The DOE Acquisition Letter, 2009-01 also states references to the DOE 413 series definitions and identifies that the two terms established in the DOE 413.3 series of directives are for “capital asset program/project management and budget identification purposes. As such, they do not apply to the contracting officer’s pre-award position of contract (and modification) pricing and award.

b. FAR 31.205-7(a) defines contingency as follows:

- “i. Contingency: as used in this subpart, means a possible future event or condition arising from presently known or unknown causes, the outcome of which is indeterminable at the present time.
- ii. The FAR does not have a definition for “management reserve” nor does it define contingency the same way as DOE Order 413.3.”

Additionally, the DOE document, “EM Protocol for Application of Contingency and Management Reserve for the Acquisition of Capital Asset Projects” (Reference 6.4), states:

“Contingency” and “management reserve”, as defined in DOE O 413.3, are not synonymous with those provided in the FAR. In fact, the term “management reserve” is not used in the FAR, and is not considered a discrete element of cost. Within the FAR, the term “contingency” refers to contractor contingency and not Government contingency, as defined by DOE O 413.3.”

Based on the above references, the term “contingency”, as it relates to the FAR and pre-award are interpreted as contractor managed contingency. After contract award, the contractor will prepare a Performance Measurement Baseline and the terminology transposes from “contingency” to “management reserve” to clearly defining ownership of reserves.

O-2, Inconsistent application of identifying and disclosing contractor owned contingency within the proposal process:

Observations were made during the execution of this report that an inconsistent interpretation of FAR 31.205-7(c)(1) was DOE complex wide. FAR 31.205-7(c)(1) states:

“Those that may arise from presently known and existing conditions, the effects of which are foreseeable within reasonable limits of accuracy, e.g. anticipated costs of rejects and defective work. Contingencies of this category are to be included in the estimates of future costs as to provide the best estimate of performance cost”.



Under some DOE contracts “foreseeable within reasonable limits of accuracy” is inclusive of those risks which have been realized while performing similar work, or have a likelihood of greater than 50% and are estimated based on previous change requests or modeled using Subject Matter Expert (SME) input. The price for such contingency is included in the point estimate and carved out after contract award and converted to Management Reserve.

See below for approach:

Step 1 – Assign Ownership and Quantify: Assign ownership of risks to DOE or Contractor and identify those risks which are considered foreseeable and reasonable in each group.

Step 2 – Develop Risk Management Activities (RMAs): RMAs are activities, placed in the schedule, whose duration and cost represent handling (based on historical costs) and residual impact of specific risks from Step 1. These durations and costs may also be validated through the use of a Monte Carlo risk model and/or historical MR use.

RMAs also are added to account for specific uncertainties (cost and schedule) based on prior execution historical data. These are often a percentage of the parent activity. Again, these durations and costs may also be validated through the use of a Monte Carlo risk model and/or historical MR use.

Step 3 – Perform Analysis:

The Monte Carlo analysis is performed to determine the Contractor MR at the desired confidence level (usually 80%). The RMAs (real cost elements within the baseline) remain in the proposal and the MR value they generate is disclosed.

Additionally, the risks falling outside of the foreseeable and reasonable category and other DOE-owned risks may be modeled to derive a measure of DOE contingency.

Step 4 – Convert RMAs to MR: After the proposal is approved and definitization is authorized, RMAs are removed and the budget associated with the RMAs is placed into the MR account which is held outside of the Performance Measurement Baseline (PMB). The risk register built prior to proposal submittal is re-established to support the MR and schedule margin held outside of the PMB. Additionally, Risk Handling actions must be added to the PMB to support the residual risk level used in the pre-proposal calculation. Note that opportunities will also be used to reduce the derived MR value and their handling actions also added to the baseline.

Pros: Provides greater visibility of contractor owned risks

Provides DOE and contractor upfront agreement on an appropriate value for contractor administered Management Reserve consistent with contractor risks as a part of the definitization process



Cons: Defining contractor risks, their potential impacts, and consideration of their probability of occurring to establish an appropriate Management Reserve value are inherently subjective and ultimately may require The DOE Contracting Officer to unilaterally interpret and apply elements of the FAR in a way they deem both compliant and suited to the needs of the contract they are administering.

Process is extremely complex

Risk ownership discussions may follow during definitization

DOE risks and associated contingency allocation perceived to be considered by DOE in establishing the DOE's position for fee negotiation

Other DOE contractors applied conservative more restrictive interpretation of the "EM Protocol for Application of Contingency and Management Reserve for the Acquisition of Capital Asset Projects" (Reference 6.4).

The "EM Protocol for Application of Contingency and Management Reserve for the Acquisition of Capital Asset Projects", (Reference 6.4).states the following:

"While DOE Acquisition Letter 2009-01 provides an extensive discussion of pricing of contractor reserves, a source of confusion has been the interpretation of certain guidance stated in AL 2009- 01 with respect to the DOE O 413.3 project management model. Specifically, AL 2009-01 states "Contracting officers shall not include in the contract price any amount (for management reserve, contingency, etc.) to cover prospective requests for equitable adjustments, changes, or risks that might or might not occur during performance." Equitable adjustments, changes to the contract pursuant to the Government Changes Clause (FAR 52.243-1, 2, 3, 4, 5, or 6) , and other unknown risks do not satisfy the requirement that contractor contingencies that are priced into a contract must be those that arise from presently known and existing conditions, the effects of which are foreseeable within reasonable limits of accuracy. Changes to the contract, equitable adjustments, and other unknown risks simply cannot be reasonably priced. Changes of this nature are generally handled through the "Changes" clause after contract award as long as the change is within the general scope of the contract."

"As a general matter, in a cost proposal, contractor contingency should be tied to specific work scope and be proposed as standard cost elements recognized by the FAR. What this implies is that the contract price is not allowed to explicitly call out a separate budget for management reserve, since reserves for uncertainties within the scope of the contract are expected to be included within the contractor price."

“Remember that MR is developed by the contractor, after contract award, for risk and uncertainty within the contracted scope of work. Budget for contractor risks and uncertainties is part of (embedded within) the contractor’s bid price.”

The interpretations based on the above led contractors to “embed” contractor managed contingency and segregate, post-contract award, establishing the Performance Measurement Baseline (PMB) for the contractor’s scope of work and management reserve for managing contractor risks.

In the below approach the above discussion is interpreted as follows:

The requirement of certified cost and pricing does not allow for inclusion of margins, therefore any “embedded” cost must be supported by actual and certified scope. The certified conservatism buried in the estimating process must be able to provide sufficient contingency to support a reasonable confidence level that the project can be successfully executed after definitization.

Step 1 - Calculate Management Reserve required: Initially, contractor estimating uncertainty, schedule uncertainty and Contractor threats and opportunities are identified, quantified and analysis performed to identify the Contractor value of Management Reserve and Schedule Margin required for successful project execution at the desired confidence level (usually 80%).

Step 2 – Embed Management Reserve: Once the value of MR is known, scope is added to the proposed baseline that approximates the calculated value of MR. Costs are incorporated into the contractor developed estimates to provide estimate coverage for conditions the contractor believes are quantifiable and foreseeable. Some examples of scope additions are:

1. Assume selected risks are realized and place their additional scope impact as certified cost elements within the baseline. More benefit is gained by using low probability/high impact risks). Examples of this could be:
 - Backup equipment
 - Rework, retesting etc.
 - Conservative DSA control strategies
 - Contaminated soil removal
2. Add scope elements for additional spares/equipment
3. Conservative assumptions on quantities

All of the additions should be recorded to facilitate the segregation of the MR value post-award.

Step 3 - Segregate out Management Reserve: After the proposal is approved and definitization is authorized, MR is now removed by removing the associated “embedded” scope. For each item segregated, its value (cost and schedule) is added to establish MR which is held outside of the Performance Measurement Baseline (PMB). The risk register built prior to proposal submittal is re-established to support the MR and schedule margin held outside of the PMB. Additionally, risk handling



actions must be verified as residing within the PMB to support the residual risk level used in the pre-proposal calculation. Note that opportunities will also be used to reduce the derived MR value and their handling actions also added to the baseline.

Pros: Aligns with the interpretation of The “EM Protocol for Application of Contingency and Management Reserve for the Acquisition of Capital Asset Projects” (Reference 6.4).

Cons: Creates do-loop in the estimating process to embed contingency consistently with the calculated reserve recommendations

DOE risks and associated contingency allocation perceived to be considered by DOE in establishing the DOE’s position for fee negotiation

The government may consider the estimate “unreasonable” and negotiate out the scope added to provide for MR.

Risk ownership discussions may follow during definitization

Observation-3 – Minimal application of FAR 31.205-7(c)(2)

So far the discussion has been centered on interpretations of FAR 31.205-7(c)(1) as it was observed that contractors rarely exercise FAR 31.205-7(c)(2) due to past experiences with contracting officers removing such disclosed contingencies. FAR 31.205-7(c)(2) states:

“Those that may arise from presently known or unknown conditions, the effect of which cannot be measured so precisely as to provide equitable results to the contractor and to the Government; e.g., results of pending litigation. Contingencies of this category are to be excluded from cost estimates under the several items of cost, but should be disclosed separately (including the basis upon which the contingency is computed) to facilitate the negotiation of appropriate contractual coverage.”

The above statement is supported by the DOE Acquisition Guide, FY2019 Version 4 by stating:

“Since an estimate is a prediction of the cost of future events, estimates will never be 100 percent accurate. Some events will certainly occur and the contingency costs can be predicted with a great degree of confidence. If there is reasonable certainty that events will occur, the estimate may provide for them.”

The above reference is interpreted as FAR 31.205-7(c)(1) allowing contingency that is limited to presently known and existing conditions that are foreseeable within reasonable limits of accuracy, which should be interpreted very narrowly and as part of a discrete cost element.



The DOE Acquisition Guide further discusses:

“However, there are some contingencies whose costs cannot be reliably estimated, such as:

- Unexpected developments
- Test or production problems
- Changes in manufacturing processes
- Changes in average unit time to produce the end-item.

Contingencies tend to inflate the proposed costs. The technical analyst should identify contingencies when evaluating the proposed costs and should recommend non-acceptance of those that are unreasonable, and for which there are no adequate supporting data”.

The above reference is interpreted as FAR 31.205-7(c)(2) “Contingencies of this category are to be excluded from cost estimates under the several items of cost, but should be disclosed separately (including the basis upon which the contingency is computed) to facilitate the negotiation of appropriate contractual coverage”.

However, in both cases, contracting officers should not include in the contract price any management reserve, contingency, or other similar amount with or without profit/fee to cover any prospective requests for equitable adjustments, changes, or risks that might or might not occur during performance. Risk should be evaluated as part of the DOE Weighted Guidelines.

While in general, after definitization, the previous two methodologies will have met the intent of the GAO 12-step process, a strong argument exists that following the GAO 12-step process during the proposal development is a much more transparent and efficient process promoting effective and efficient negotiations in terms of risk ownership and contingencies pre and post-award.

One contractor proposed aligning the risk management process with Government Accountability Office (GAO) Cost Estimating and Assessment Guide 12-step process to ensure risk management application during the initiation and research, assessment, analysis, and presentation phases. It must be noted that to date this process has not been accepted by DOE.

Step 1 – Aligning risk management with the GAO 12-step process: Ensure contractors acquisition, estimating and risk management process are acknowledged and aligned during the proposal process.

Step 2 – Identify potential cross-check for likely cost and schedule drivers: Identify presently known and existing conditions that are foreseeable within reasonable limits of accuracy that can be validated during technical evaluations (i.e., known contaminants of concern and the complexity factor, trending data of equipment failure rates, recurring risks).

Step 3 – Risk elicitation: Using the established assumptions and exclusions, obtain risk data through Integrated Project Team workshops. Additional assumptions and exclusions identified during this process needs to align with Basis of Estimate documentation.



Step 4 – Identify and implement risk handling strategies: Document, within the risk register, the risk handling strategies to reduce the probability and/or consequences. If the handling action(s) will be performed the costs for such strategies should be included in the proposal as direct project cost. The planned scope should be assigned a unique coding/activity and aligned with the risk register so the strategy can be tracked and monitored.

Step 5 – Conduct sensitivity analysis: Ensure any agreed upon changes in assumptions/exclusions are documented and evaluated to ensure risk posture is not impacted. Any changes to baseline assumptions/exclusions shall be traced back through the WBS, BOE, and risk registers.

Step 6 – Conduct risk and uncertainty analysis: Using acceptable statistical analysis method (e.g., Monte Carlo simulation) develop a joint confidence (both cost and schedule) interval around the point estimate. This includes:

- Estimate uncertainties based on the estimate maturity level
- Unmitigated consequence values for risks that have no planned mitigation strategies
- Mitigated consequence values for risks that have planned mitigation strategies
- Exclusion of proposed DOE transferred risks
- Evaluation for correlation

Step 7 – Document the estimate: To ensure appropriate contractual coverage and risk ownership, ensure risk management supporting documentation is disclosed separately within the estimate package. At a minimum the following should be disclosed:

- Detailed risk registers for contractor owned risks
- Detailed risk registers for proposed DOE owned risks
- Estimating uncertainty ranges established to populate recommended contractor owned contingencies
- Risk analysis report describing the process, key risks, cost/schedule histograms, and other risk related information/data that can be validated during technical evaluations.

During negotiations transparent discussions should take place to identify risk ownership and appropriate contractual coverage for proposed scope. During negotiations if ownership is not accepted then additional steps will need to be taken to ensure the proposed scope is estimated appropriately (i.e., revision to assumptions/exclusions, point estimate adjustments, and re-evaluation of risk posture).

After the proposal is approved and definitization is authorized, the proposed baseline becomes the definitized baseline and the agreed upon “contingency” is converted into “Management Reserve” for contractors to manage throughout project execution.

Pros: Provides simplified/consistent process.
Provides greater visibility of risk management in the up-front planning phases.
Transparent negotiations.
Facilitates informed risk ownership discussions.

Cons: These interpretations/practices are extremely subjective and ultimately may require a CO to interpret and apply elements of the FAR in a way they deem both compliant and suited to the needs of the contract they are administering.

Contract Budget Base (CBB) and Contract Value will not be in alignment, as total estimated contract cost may not include agreed upon contingencies excluded from negotiated contracts. Estimated contract price (both cost and fee) may not reflect total contractor effort where complex missions and aging infrastructure require routine response to abnormal conditions as part of contractor assumed risk.

4.0 Conclusions

When evaluating the pros and cons of each of the three approaches, it is clear the embed and mine out approach implements strict compliance with all requirements and protocols and will avoid potential non-compliance issues. The RMA approach relies on an interpretation of foreseeable which could be challenged. Also, by having the risk data available, the accuracy (within reasonable limits of accuracy) could also be challenged. While all methodologies may upon definitization, meet the intent of the GAO 12-step process, the third option, following the GAO 12 Step approach during the development of the proposal prior to definitization has the greatest potential for being cited as non-compliant relative to FAR requirements and guidance issued by DOE. To date this approach has not been accepted by DOE, however the benefits of transparency and ease of definitization warrant further investigation.

5.0 Recommendations

The Team considered deployment on existing contracts and on new contracts which adopt the “end-State” contract model and made the following recommendations:

5.1 Current Contract Models

Contractors currently have differing methodologies for developing, submitting and definitizing proposals on FAR-based contracts. Generally, these methodologies were developed and agreed upon during discussions between DOE and the Contractors. To recommend modifying this way of doing business in mid-contract will most likely result in additional work and perhaps delays in processing contract modifications and approval of change control actions. It is the team’s recommendation that this report be reviewed and if any of the elements of the three methodologies, either partly or as a whole show promise for process improvement, they be investigated and deployed as appropriate.

5.2 End State Contract Model

The End State Contract Model (ESCM) has a risk ownership negotiation activity between the Contractor and DOE. This negotiation will most likely benefit from risk transparency and an ability to better understand the cost and schedule implications of realizing any given risk. Following the GAO-12 Step-based approach during the development of the proposal prior to definitization provides this transparency and risk awareness. The team recommends that work continue with the EFCOG



Acquisition and Contract Management Sub-Group (ACMSG) to further socialize this approach with DOE and further develop this methodology to expedite Task Order negotiations and definitization of approved proposals as the ESCMs are awarded and begin to be executed across the DOE Complex.

6.0 References

- 6.1 Federal Acquisition Regulation (FAR), Volume I Parts 1 to 51, Fiscal Year 2019, General Services Administration, Department of Defense, National Aeronautics and Space Administration
- 6.2 DOE G 413.3-7A, Risk Management Guide, Chg1, 10-22-2015.
- 6.3 DOE Acquisition Letter, Management Reserve and Contingency, AL 2009-01, October 6, 2008.
- 6.4 EM Protocol for the Application of Contingency and Management Reserve, May 14, 2010.
- 6.5 GAO Cost Estimating and Assessment Guide
- 6.6 DOE Acquisition Guide, FY2019 Version 4,

Attachment 1 – Reserve and Margin management in FAR-Based Proposals - Roadmap

