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Statement:

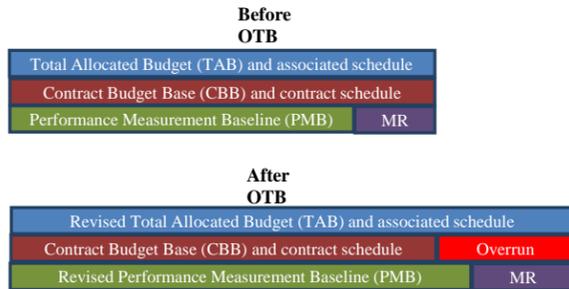
On occasion, there may be the need to use an Over Target Baseline (OTB) or Over Target Schedule (OTS) for a contract when the current Performance Measurement Baseline (PMB) is no longer realistic or useful for managing the remaining work due to a projected overrun. The OTB/OTS is one of the tools available to provide meaningful performance measurement in an overrun condition while holding the contractor accountable to the original contract cost and/or schedule terms. An OTB/OTS is for performance measurement purposes only and does not relieve the contractor of contractual schedule and cost commitments or preclude loss of award or incentive fee due to poor performance. The DOE Office of Environmental Management has recently released a policy addressing the OTB/OTS process.

Discussion:

The sum of the Performance Measurement Baseline (PMB) and management reserve (MR) is known as the Total Allocated Budget (TAB). Under normal conditions, the TAB is equal to the CBB. In the case of an overrun, an OTB/OTS may be implemented to incorporate the overrun cost and/or schedule into a new contract TAB for management purposes. After an OTB is approved and implemented, the TAB is equal to the CBB plus the recognized overrun.

An OTB/OTS is a revised PMB and MR (i.e., new TAB and associated schedule) exceeding the CBB and/or contract scope completion date as the result of failure to meet original objectives, with no change in scope. An OTS (the schedule portion of an OTB) is a revised baseline schedule for the unchanged scope, extending beyond the contract scope completion date. An OTB/OTS is the result of a comprehensive rebaselining of budget and/or schedule by the contractor to complete the remaining work. The CBB and/or contract scope completion date are not adjusted as a result of the OTB/OTS.

In development of an OTB/OTS, an adequate amount of contractor MR and/or DOE contingency should be considered for use as any risks in the remaining work are encountered. An adequate pool of MR for contractor use can be re-established, if warranted, based on a thorough analysis of the risk in the remaining work.



Analysis:

There can be numerous indicators that an OTB/OTS may be needed, such as:

- Baseline is no longer achievable due to major cost, schedule or technical problems, or due to poor performance
- Earned value information becomes unreliable
  - Cost and schedule variances are not meaningful
  - Contractor can no longer forecast performance because of having flawed data
- All Management Reserve has been depleted yet more scope with additional risk remains
- Project experiences significant major technical issues, such as design problems, human errors or material issues
- Cost overruns are significant and escalating
- Contract change orders become numerous and significant
- Lack of confidence in the Contractor's Estimate at Completion
- Project team has lost commitment to the plan

As a recommended guideline, the following factors can be useful in making a determination whether to use an OTB/OTS:

- The projected overrun is determined to be unrecoverable and exceeds the baseline cost for the remaining work by the lesser of 15 percent or \$50 million and/or exceeds the baseline schedule for the remaining work by the lesser of 15 percent or 9 months for schedule. It must first be determined how much of the projected overrun may be recovered with appropriated actions implemented for the recovery plan. Based on the determination of any realistic recovery, compare the estimated cost/schedule to complete the remaining work with the budget/time allocated for the remaining work. If the projected future variance is less than approximately 15 percent, there is little value in establishing an OTB/OTS, and the overruns can be carried as a variance through completion.
- There are more than 18 months left in the schedule. This allows for 3-to-6 months to establish the OTB/OTS and at least one year to realize the benefit of using the OTB/OTS to evaluate monthly performance. The benefit needs to be sufficient to justify the expense and effort of establishing an OTB/OTS.

Actions:

When the overrun is identified by the contractor, the applicable Federal Project Director(s) (FPD) or Operations Activity Manager(s) (OAM), in consultation with other stakeholders, will determine whether the OTB/OTS is needed for performance measurement purposes. In some cases for contracts with capital projects, the Project Management Executive (PME) may direct use of an OTB/OTS. When the need for the OTB/OTS is identified, the Site Manager will request the Principal Deputy Assistant Secretary (PDAS) for EM approval for the use of the OTB/OTS. If applicable, the PME for the capital project(s) will be notified.

Once approved, the FPD/OAM and CO will work with the contractor to develop an action plan and schedule for OTB/OTS implementation. The Contracting Officer (CO) will request the contractor to develop and submit a proposed OTB/OTS consistent with the action plan. The FPD/OAM and CO will review the contractor's submittal and negotiate any necessary changes with the contractor to complete preparation of the OTB/OTS. An independent cost and schedule review of the OTB/OTS shall be conducted as appropriate for the specific scope of the contract. Based on the results of the review, any necessary revisions will be made to finalize the OTB/OTS.

The CO, with the concurrence of the FPD/OAM, authorizes the contractor to establish the OTB/OTS. After the contractor implements the OTB/OTS in the EVMS, the Site Manager will provide written notification to PDAS.

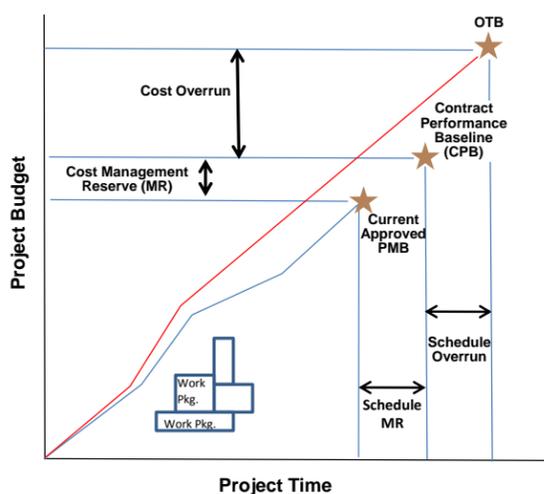
Critical Decision(s): CD-2 to CD-4

Facility Type(s): All

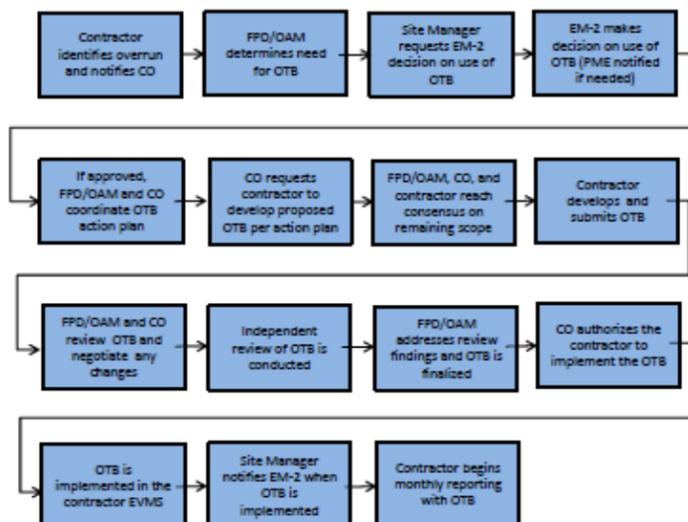
Work Function(s): Contract Management, Project Management

Technical Discipline(s): All

Conceptual diagram of OTB exceeding the CPB



Steps for establishing OTB/OTS



References:

1. Dorothy Tiffany and Walter Majerowicz, "Over Target Baseline Lesson Learned", November 2001, <http://www.evmlibrary.org/library/TP-33%20OTB%20Lessons,%20Majerowicz-Tiffany.pdf>
2. DOE Office of Environmental Management, "Over Target Baseline/Over Target Schedule Policy", April 28, 2015.
3. ACQuipedia, "Over Target Baseline (OTB)", <https://dap.dau.mil/acquipedia/Pages/ArticleDetails.aspx?aid=3d0dcea5-6404-4355-8aff-f6268b43350c>