

Contract and Project Surveillance

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Top Ten Rules of PM

10. For a project manager, overruns are as certain as death and taxes.
9. What you don't know *can* hurt you.
8. What is not on paper has not been said.
7. Of several possible interpretations of a communication, the least convenient is usually the correct one.
6. You can con a sucker into *committing* to an impossible deadline, but you cannot con him into *meeting* it.
5. Some projects finish on time *in spite of* project management best practices.
4. When the weight of the project paperwork equals the weight of the project itself, the project can be considered complete.
3. There is never enough time to do it right first time...
 - but there is always enough time to go back and do it again.
2. A badly planned project will take *three times* longer than expected
 - a well planned project only *twice* as long as expected.
1. If everything is going exactly according to plan, something somewhere is going *massively* wrong...



Booz Allen Hamilton

- Our Vision

- In business since 1914, Booz Allen Hamilton is committed to being the absolute best management and technology consulting firm, as measured by our client's success, the excellence of our people, and our spirit of partnership.

- Our Mission

- Booz Allen Hamilton partners with clients to solve their most important and complex problems, making their mission our mission, and delivering results that endure.

- Primary Clients: We serve substantially all of the cabinet-level departments of the U.S. federal government (Defense, Intel, Civil)

- Fiscal Year 2015 (April 2014-March 2015)

- Revenue of \$5.3B
- Backlog of \$9.4B
- 22,000 employees (approximately)
 - 69% involved in volunteer efforts
 - 100% involved in internal training programs

Topics

- Why perform surveillance?
 - Background
- Contract Surveillance Scope/Process
- Project Surveillance Scope/Process
- Collaborative Surveillance
 - Approach developed and implemented at Booz Allen Hamilton in 2008
 - Received ZERO (yes, ZERO) significant system deficiencies from Government or other External Auditors

Why Perform Surveillance?

- Standish Group Reports:
 - 1994: “Only 16% of IT projects are successful”
 - 2003: “Only 34% of all projects are successful”
 - 2007: “A staggering 39% of projects with budgets over US \$10 million failed”
 - 2008: “There is...an average overrun of 24% on original baselined schedule and budget across all completed projects”
 - 2009: “68% of all projects fail”
 - 2015: “71% of all projects are highly challenged or fail”
 - 52% challenged, 19% fail
- Standish defined success as “on time, on budget, with full functionality and features”
 - In 2011, this changed to “on time, on budget, with satisfactory result”
- **Solid surveillance can help improve project performance at project and portfolio levels**

Why Perform Contract Surveillance?

- In the U.S., the Department of Defense (DoD)
 - Relies on the private sector to carry out many aspects of the Department's mission.
- The critical nature of contractor support and the large expenditures involved require that the Government conduct contract surveillance to ensure that contractors:
 - Are providing quality services and supplies in a timely manner, within cost;
 - Mitigate contractor performance problems;
 - Ensure that the Government receives best value for the Warfighter.
- Due to limited personnel, often that surveillance role is
 - Conducted by contractors,
 - Or in partnership with contractors.
 - Ensuring no OCI issues (Organizational Conflict of Interest)

Contract Surveillance Scope/Process

- Conducted by the Contracting Officer Representative (COR), in support of the Contracting Officer (CO)
- Surveillance duties must be commensurate with the complexity of the contract requirement.
- Requirement types are:
 - Type A: Fixed-price requirements without incentives, low performance risk;
 - Type B: Other than fixed-price requirements without incentives, low performance risk; and,
 - Type C: Unique contract requirements that necessitate a professional license, higher education, or specialized training beyond the Type B requirements.

Contract Surveillance Scope/Process

- Surveillance actually begins during the *pre-award phase* where the COR works with the contracting team in:
 - Requirements development (including technical, reporting, project management techniques (e.g., Earned Value Management (EVM)), etc.)
 - Preparing the Independent Government Cost Estimate (IGCE)
 - Developing the Performance Work Statement(PWS)/Statement of Work (SOW)/Statement of Objectives (SOO)
 - Developing quality assurance surveillance plans (QASPs), etc.
- During the *post-award phase*, the COR may monitor and assess contractor performance against the above pre-award defined efforts. The COR functions as the eyes and ears of the Contracting Officer.

Contract Surveillance Scope/Process

- When monitoring performance, the COR must (among other things):
 - Ensure that technical guidance given to the contractor addresses or clarifies only the Government's "intent."
 - Document deficiencies in performance (cost, schedule, technical performance).
 - Ensure that contract performance is timely and within the scope of the work (and report if not).
 - Ensure compliance with scope (no more, no less, no different).
 - Ensure efficiencies exhibited.
 - Use both quantitative and qualitative methods to evaluate monthly cost and performance data, including trends and projections.
 - Track contract costs, depending on type of contract.
 - Report suspected procurement fraud, bribery, conflicts of interest or other improper conduct on the part of the contractor, contractor employees, or Government personnel to the appropriate authorities.

Contract Surveillance Scope/Process

- Track Modifications
 - Ensure that changes in the work, services, and resulting effects on delivery schedule
 - Are formalized in a written supplemental agreement or change order.
 - The contractor must not proceed with the changes until formally approved and documented.
 - Monitor financial management controls.
 - Coordinate with Government resource managers on all actions relating to funding and changes in the contract.
- Use structure to perform Surveillance
 - But remember to take the project, client, and organization's unique nature into consideration
 - Not every company does things the same way; listen to and observe the specific nature of the contractor's organization



Contract Surveillance Scope/Process

- DoD COR factors to consider when monitoring contract performance:
 - **Training**: Any training for contractor personnel must be within the scope of the contract. Contractor training not required by the contract shall not be paid for by the Government.
 - **Travel**: Travel for contractor personnel must be within the scope of the contract. Evaluate travel requests to determine if within scope and the reasonableness of estimated costs.
 - **Government Property**: Ensure the contractor properly accounts for and dispositions Government property if authorized under the contract.

Contract Surveillance Scope/Process

- DoD COR factors to consider when monitoring contract performance (continued):
 - **Personnel and Labor:** Must not direct contractor personnel in performance of a contract. Review contractor invoices to ensure that labor hours and materials charged to the contract are accurate. Reviewing time cards and, for materials, obtaining copies of invoices. Typical COR tasks include:
 - Verify everything performed is actually required under the contract.
 - Ensure the contractor is paid for acceptable performance and not paid for unacceptable performance (supplies or services).
 - Report labor disputes or problems that could impair contractor performance to the Contracting Officer.
 - Validating the need for contractor overtime; report actual overtime if required under the contract.
 - Ensure satisfactory *subcontractor performance* by observing contractor's surveillance.
 - Validate that contractor personnel have the licenses, certifications, security clearances, theater business clearance, and letter of authorization (if applicable) required by contract (e.g., electrical, plumbing, food service, security licenses).

Contract Surveillance Scope/Process

- Sample Assessment Factors:
 - **Timeliness** (schedule/delivery).
 - Is the contractor on schedule to meet contractual requirements?
 - Did the contractor meet the contractual delivery requirements?
 - Does the contract include a reward for early delivery, or a penalty for late delivery?
 - **Quality**.
 - Do the supplies or services meet the requirements?
 - Do they conform to the contract specifications, standards, SOO/SOW/PWS, and quality assurance plan?
 - **Management of key personnel**.
 - Are technical experts highly qualified and effective in performing the required services?
 - Do they meet the skill level stated in the contract?
 - Are an appropriate number of personnel assigned to the project?
 - Do delivered supplies reflect the skill and standardization required by the user?

Contract Surveillance Scope/Process

- Sample Assessment Factors: (continued)
 - **User satisfaction.**
 - Will the required activity be satisfied in terms of cost, quality, and timeliness of the delivered supplies or services?
 - What percentage of the deliverable meets the user's expectations?
 - How long has the contractor taken to address any user complaints?
 - How many user complaints have there been?
 - **Compliance.**
 - Has contractor complied with, (for U.S.)
 - Occupational Safety and Health Administration,
 - Environmental Protection Agency, and
 - Department of Labor regulations or local standards?
 - **Business relations.**
 - Is the contractor responsive, professional, and courteous?

Contract Surveillance Scope/Process

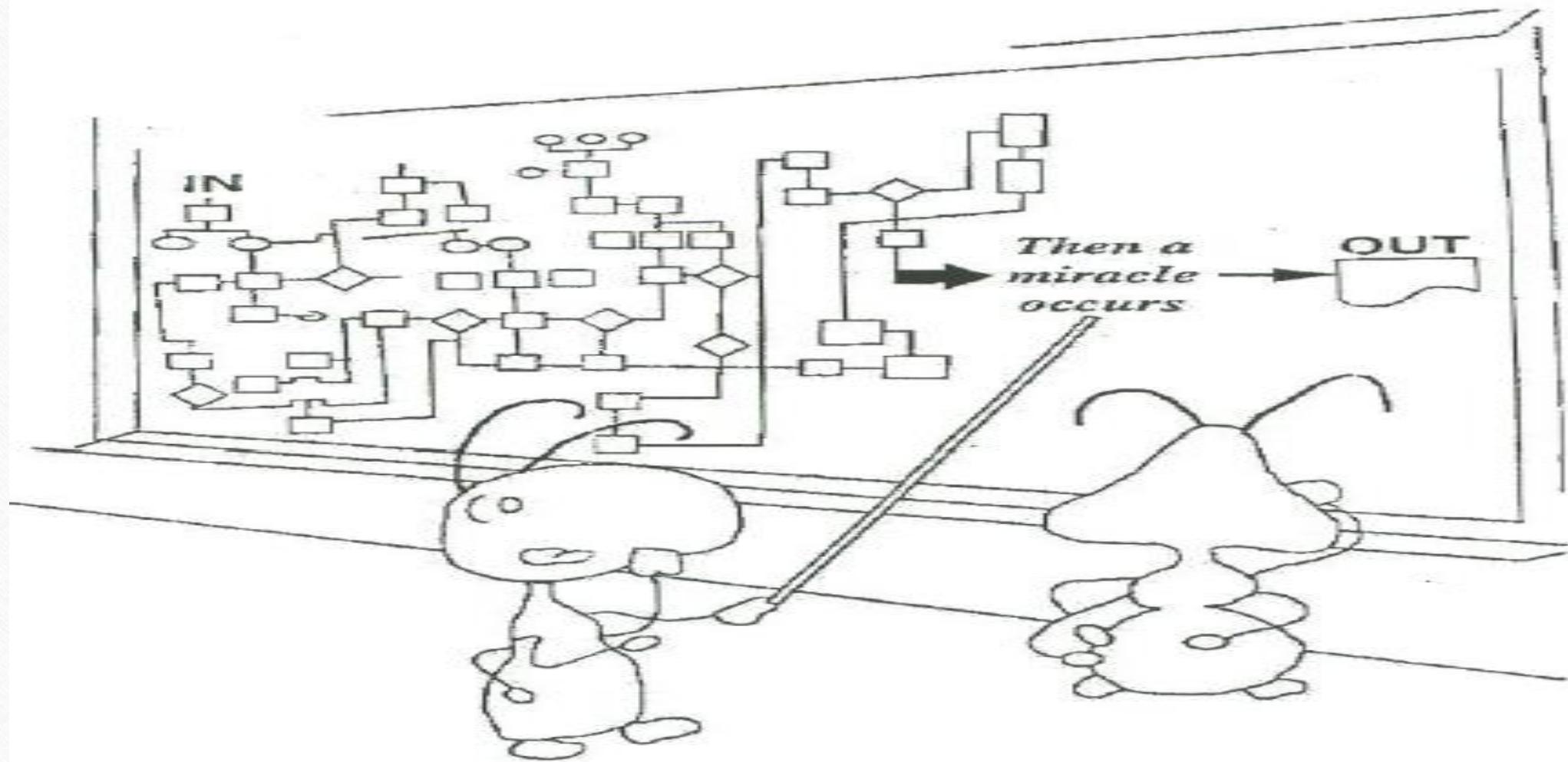
- Some practical tips:
 - Contract Data Requirements List (CDRL) items (and associated deliverable dates) should be clearly identified in the Integrated Master Schedule (IMS)
 - Easier to track planned versus actual delivery dates;
 - Ensure proper change control of the IMS is in place
 - Payment milestones, especially for Firm Fixed Price contracts (FFP) should also be identified in a schedule:
 - **Comparing planned versus payment actual dates can be clear indicator of schedule slips,**
 - *Regardless of what the IMS and other reporting processes may indicate.*

Contract Surveillance Scope/Process

- Some practical tips continued ...
 - Is the right to audit is included in the contract? (in U.S. mandatory)
 - And utilised (U.S.; DCMA and DCAA)
 - Validate technical fitness for purpose of deliverables (not just payments)
 - Verify outcomes of major contractual milestone CDRLS
 - Interpreting the contract requirements can be difficult if the SOO/SOW/PWS is
 - Poorly written,
 - Displays a lack of technical knowledge,
 - Indicates inadequate planning or research,
 - Shows a lack of communication,
 - Facilitates differing interpretations/ambiguity,
 - Displays carelessness.
 - **With the proper SOO/SOW/PWS and performance-based metrics, contract performance is more likely to be successful**

Contract Surveillance Scope/Process

- More practical tips:
 - Ensure monthly reporting from the Contractor includes, at a minimum, the following:
 - Project status report;
 - Measurement of achievements against objectives;
 - Problems encountered;
 - Actions taken to correct deficiencies;
 - Percentage of work completed;
 - Technical acceptability of the work performed;
 - Work remaining; and,
 - Risk Assessment/Evaluation.
 - BUT - Providing progress reports **does not** relieve the Contractor of...
 - ... a separate obligation to report anticipated or actual delays.
 - For “indefinite-delivery” type contracts:
 - Each delivery or task order is/should be covered by a separate progress report.



"Good work but I think we need just a little more detail right here"

Contract Surveillance Scope/Process

- Handling Unsatisfactory Performance
 - Discuss any issues, risks and ambiguities directly with Contractor
 - Foster full and complete coordination, cooperation, and communication among the contractor, Contracting Officer, and all Government personnel
 - Validate the accuracy of all contractor responses.
 - Take care not to take any action that may be construed as an actual or constructive change.
 - Enforce correction of deficient work.
 - U.S.: BUT - do not personally supervise, or direct the work of, any contractor employee

Project Surveillance Scope/Process

- The role of surveillance is to review the Project *Management* health, not merely the *Project Health*...
 - However, poor PM may lead to poor project health (and poor contract health),
 - So do not be afraid to find this is part of impact analysis
 - **This may be the reason a project or contract needs surveillance**
 - You may use project health as a reason to perform surveillance,
 - i.e., place it on the surveillance plan
 - Beware of your findings simply mirroring what is already being reported by the PM
 - The PM likely already knows there is an issue
 - He/she does not need you or your group coming in and regurgitating information he/she has already reported



Project Surveillance Scope/Process

- Reviewing By [PMI] Process Area
- Reviewing By [PMI] Knowledge Area
- Reviewing by SoP, SoP Section, Work Instruction etc.
- Review project performance data required by contract
 - In U.S. review Earned Value Management (EVM) Data
 - Very valuable if available
 - Recognized projects controls best practice
 - Usually only accessible if a contractual requirement
 - In U.S. **not** required for FFP contracts

Project Surveillance Metrics

- Assign values and/or weights to lines of query and utilize scores to provide an overall PM health score
- Example (if reviewing by Process Group):

Process Group	Weight	Score	Weighted Value
Initiating	15%	82%	12.3%
Planning	25%	58%	14.5%
Executing	30%	73%	21.9%
Monitoring/Controlling	20%	90%	18.0%
Closing	10%	100%	10.0%
TOTAL SCORE		76.7%	

Project Surveillance Scope/Process

- Define 'Levels' of Deficiencies, e.g.:
 - **Critically Deficient** — suggests a serious inability to match project guidelines
 - **Weak** — unable to entirely comply with project objectives
 - **Satisfactory** — basic project management principles are followed but the overall performance has room for improvement
- Positive Observations:
 - **Good** — compatible with committed project goals
 - Demonstrated effectiveness of management tool(s) to achieving those goals
 - **Very Good** — the process defines ideal project performance
 - Demonstrated adherence to planning/monitoring expectations and performs as per project expectations



Project Surveillance Scope/Process

- Corrective Action Requests/Reports (CARs)
 - CAR 'Levels'; e.g. (U.S. Example):
 - **Level 1 CAR**
 - non-compliance which can likely be solved at the **working-level** or PM; or
 - It can be resolved by the project team or PM or escalated to Level 2; or
 - It is briefed only to the specific project EV [controls] Lead and PM or designee
 - **Level 2 CAR [more serious]**
 - Non-compliance which is **systemic** in nature which could adversely affect cost, schedule, or technical performance if not corrected
 - It **is** to be resolved by the relevant PM(s) and Leads or escalated to Level 3
 - Briefed to all related PMs and their management to ensure appropriate attention is given toward resolution
 - **Level 3 CAR [very serious]**
 - Issued for a non-compliance which **has** unfavorably affected the program performance and has not been corrected by the program team(s)
 - A Level 3 CAR may necessitate Senior Leadership action to resolve
 - Briefed to Senior Leaderships and related PMs

Collaborative Surveillance: The Approach

- **Supplemental and Supportive**
 - Never use findings against the PM staff and their managers
 - Use them, instead, as opportunities for improvement.
 - Become a resource to be sought by staff *with the managers knowledge*
- **Authoritative**
 - Be a source of knowledge vice giving direction
 - BUT - Do not step on the toes of PM leadership!
- **Solution-driven**
 - Work with the PM staff and their leadership to find the correct compliant result for the situation
 - “You can’t do that” should be the last possible position taken
 - Think “Let’s see how we can do that and remain compliant, protect the Firm, and protect the Government”

Does Collaborative Surveillance Work?

- Solid surveillance can help improve project performance at project, program and portfolio levels
 - Surveillance at Booz Allen has resulted in several project issues being discovered that escaped notice of both PMs and government oversight groups
 - It has also allowed for root-cause analysis to be better quantified and stored in lessons learned repository
- Since implementing the “collaborative surveillance” approach in 2008, Booz Allen Hamilton has received ZERO (yes, ZERO) significant system deficiencies from Government or other External Auditors

Collaborative Surveillance

Traditional Surveillance	Collaborative Surveillance
<ul style="list-style-type: none">● Authoritative● Punitive-Oriented● One-way● “Us” vs. “Them”<ul style="list-style-type: none">● “Us” is internal audit● “Them” is project management personnel	<ul style="list-style-type: none">● Cooperative● Solution-Oriented● Two-way● “Us” vs. “Them”<ul style="list-style-type: none">● “Us” is internal audit AND PMs● “Them” is external auditors

Why Collaborative Surveillance?

- The demographics of the workforce have changed
 - The practitioners are more savvy
 - The workforce wants to have more input
 - The requirements of Project Management personnel and their relevant projects are often fluid and changing almost daily...
 - And can vary by client and work need
- Smarter workforce
- The NexGens and Millennials have different motivations
 - They seek to be part of the process; not merely a “cog in the machine”
 - They seek to have meaningful inputs
 - A generation of personal empowerment

The Right Stuff

- Compliance teams are used to being authoritative
 - Must remove those who cannot remove themselves from authoritative or punitive attitudes
 - Collaboration means hand in hand not stick in hand
 - For some, this requires a paradigm shift in thinking
 - Must work from the assumption that staff WANT to be compliant
 - Must be willing to challenge historical perceptions and 'status quo'

Parting Thoughts

- How many auditors does it take to change a light bulb?
 - How many did it take last year?
- What does an auditor's wife ask her husband when she can't get to sleep?
 - “Tell me about your day, dear.”
- What happens when you lock a wild hyena in a room with an auditor?
 - The hyena stops laughing.

Questions?

