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25 APR 1994

MEMORANDUM FOR OC-ALC/CC
OO-ALC/CC
SA-ALC/CC
SM-ALC/CC
WR-ALC/CC

FROM: AFMC/CV
4375 Chidlaw Road, Suite 1
Wright-Patterson AFB OH 45433-5001

SUBJECT: Depot Maintenance Performance Tracking System (Depot Maintenance Competition Policy #94-06) - ACTION MEMORANDUM

1. This command is committed to the success of the Depot Maintenance Competition Program. A vital factor in this success is ensuring that competed workloads awarded to Air Force depots are executed as proposed. Each ALC is responsible to deliver a quality product at the agreed price.
2. We have developed and balloted the Depot Maintenance Performance Tracking System (DMPTS) for tracking the status of competed workloads. The DMPTS reporting policy will be applied to all competed workloads being performed at Air Force depots. The reports will be prepared by the performing activity (seller) at the depot and reviewed by management within that seller activity.
3. A copy of this policy, including samples of the report formats, is attached to this letter. Please ensure that it is distributed to all product directorates within your center. This policy will be included in the next update of the Depot Maintenance Competition Policy Index. The OPR for this report procedure is Kathy Chauncey, HQ AFMC/FMMC, DSN 787-0178.

Atch 94-23H (FAR 17) Post to AFMCFARS 5317.95 where Depot Maintenance Competition was previously covered. Then file this atch behind sups to FAR 17.


ALE W. THOMPSON, JR.
eutenant General, USAF
ice Commander

Attachment:
Depot Maintenance Performance
Tracking System Policy #94-06, 15 Mar 94

DEPOT MAINTENANCE
PERFORMANCE TRACKING SYSTEM

A. INTRODUCTION

This command is committed to establishing a performance tracking system which will ensure appropriate oversight and administration of all workloads being performed by Air Force (AF) depot maintenance facilities. The Post Award Cost Tracking Process, which was approved by AFMC/CC and field commanders at the Visions IV Conference in April 1993, requires that cost tracking be accomplished on every competitive award won by an AF depot.

The Depot Maintenance Performance Tracking System (DMPTS) will be implemented in two phases. The initial phase will apply DMPTS to competed awards. In this phase, it will be a part of the overall Depot Maintenance Competition (DMC) Post Award Process. After DMPTS is in place and being utilized on the competed workloads, it will be reviewed and evaluated for applicability to all remaining organic workloads.

The reporting requirement is at total award level for all Depot Maintenance Industrial Fund accountable costs (i.e., elements above line 16 on the Cost Comparability Handbook worksheet). The period of performance for this reporting procedure will consist of the basic year and all option years viewed as one award. Monthly reporting of work progress, costs incurred, and estimate at completion based on costs is required to provide the ALC management, the single manager (or other buyer) and, if necessary, HQ AFMC with management information concerning the status of the work and performance efficiency. The primary purpose of this report is to provide a management tool for the selling activity to identify and control problems relating to cost or schedule in the performance of a workload. This report is not a negotiated data item on the award document. It is an internal requirement of AFMC levied on the performing activities to monitor the execution of their competitive workloads.

Within the DMPTS, thresholds have been established and written analysis of the variance causes and corrective action plans are required when these thresholds are breached. The seller's manager for the workload is also required to provide an estimate of the cost in terms of profit or loss at completion as part of the monthly report. This estimate will consider the current status and the impact of any corrective actions being implemented.

Figures 1 and 2 are samples of the reporting formats which will be used for this DMPTS.

B. NEGOTIATED WORKLOAD ASSIGNMENT DOCUMENT (WAD) VALUE

1. In DMC awards, the award document will be the WAD. The Negotiated WAD Value (NWV) on the report formats is the negotiated dollar value of the total quantity of work to be performed. This NWV is initially determined at the time of award for the period of performance of the WAD.

a. The initial NWV will reflect the awarded terms of the WAD. The NWV will be shown in dollars on the cost chart and the schedule chart will show the Negotiated WAD Quantity (NWQ).

b. It is the responsibility of the seller to establish a monthly time-phased workload NWV to be input on the report formats and to document this in the seller's WAD file.

c. Workloading and scheduling functions within each ALC are available to assist in translating the award document into a NWV monthly time-phased schedule for performance. The method used must be identified by the seller in the WAD file.

2. Restrictions:

a. Once an award is made and a NWV established, that NWV can only be changed when an approved change (including over and above work) is made to the WAD. A change document signed by both parties to the WAD which explains the reason for the change will be placed in the WAD file.

b. If a change is made in the WAD which requires modification of the NWV, the change must start from the time at which the WAD is modified. The NWV for time periods already past cannot be altered except to correct documented errors.

c. In order for the existing systems to accurately accumulate costs, a separate Product Control Number (PCN) will be established in the Depot Maintenance Workload Planning and Control System (G004C) for each competitive award at the beginning of the award period. All Job Order Numbers (JONs) for the WAD will be attached to that PCN. Costs accumulated by JON will be aggregated to total WAD at PCN level.

C. SCHEDULE CHART ELEMENTS

1. NEGOTIATED WAD QUANTITY

The Negotiated WAD Quantity (NWQ) is the Best Estimated Quantity (BEQ) of units to be produced on a monthly basis expressed cumulatively. If no BEQ is established for the WAD, the maximum number of units negotiated will be used. The initial quantity is determined at the time of award. This quantity may change in response to approved WAD changes.

2. CUMULATIVE QUANTITY INDUCTED

This line reflects the actual inducted units (cumulative) as identified in the Job Order Production Master System (G004L). Items processed under the Management of Items Subject to Repair (MISTR) procedures are reported in the G1A report which includes quantitative data on inductions and productions by JON. Serial number controlled end items (aircraft, engines) are tracked in the L3F report.

3. CUMULATIVE QUANTITY SCHEDULED

This is the cumulative number of units scheduled to be completed by the end of the current month based on the shop flow time for the unit and the actual inductions. This element will require manual calculation since the G004L system does not record *scheduled* production quantity.

4. CUMULATIVE QUANTITY PRODUCED

This is the *actual* cumulative quantity of units produced at the end of the current month as identified in G004L. The reports cited in paragraph 2 include production data on MISTR and serial number controlled items.

5. CUMULATIVE SCHEDULE VARIANCE

Cumulative Quantity Produced minus Cumulative Quantity Scheduled. This variance indicates program schedule deviation (if any) in terms of units. A positive variance indicates the program is ahead of schedule and a negative variance indicates it is behind schedule.

6. CUMULATIVE VARIANCE PERCENTAGE

Cumulative Schedule Variance divided by Cumulative Quantity Scheduled expresses schedule variance as a percentage of the units scheduled.

7. ESTIMATE AT COMPLETION

The At Completion column for elements 1, 3 and 4 above should be completed in accordance with the instructions in Section F of this paper.

D. COST CHART ELEMENTS

1. NEGOTIATED WAD VALUE (NWV)

The NWV is the value of the WAD BEQ (or maximum quantity if no BEQ was negotiated) expressed cumulatively in dollars. This is the estimated number of units to be sold times the unit sales price. The initial value is determined at the time of award and may change as over and above work or scope changes are approved.

2. CUMULATIVE SALES

This is the amount which will be billed to the customer (buyer) activity from the Depot Maintenance Production Cost System (G072A). Cumulative sales amount is reported at PCN summary level in the K25 end-of-month report.

3. CUMULATIVE COSTS

Actual cost of goods sold shown cumulatively as recorded in G072A. This is the actual total of all costs (including allocated overhead) incurred to produce the units sold. This information is also reported in the K25 report at PCN summary level.

4. PROFIT/LOSS

Cumulative Sales minus Cumulative Costs.

5. COST VARIANCE PERCENT

This is Profit/Loss divided by Cumulative Sales.

6. ESTIMATE AT COMPLETION

The At Completion column for all the above elements should be completed in accordance with the instructions in Section F of this paper.

E. CUMULATIVE VARIANCE ANALYSIS

1. If cost or schedule variance on a program exceeds the thresholds established, a written variance analysis is required to be submitted as a part of the monthly report. This variance threshold for both cost and schedule has been established at 10 percent of the cum-to-date value (in units or dollars). Analysis of variance if required shall be submitted, in narrative form, as an attached page to the DMC Report formats.
2. This analysis must include identification of the drivers causing the variance and the seller's management plan to bring the program back within tolerance. This corrective action plan should provide an estimate of the get-well date, if any, for the program.
3. When applicable, the variance analysis is also the vehicle for the seller's manager to identify any circumstances beyond his control (such as higher or lower overhead allocation) which may be causing the data to reflect a variance.

F. ESTIMATED PROFIT/LOSS AT COMPLETION

1. The Estimated Profit/Loss at Completion is the seller's estimate, given what has already occurred in the workload performance, of the final cumulative profit or loss status of the WAD at completion.
 - a. In preparing this estimate, the manager should take into account what portion of the expected workload has been generating. If the generation factor is less than 100 percent, is there any reason to expect it to be higher in the coming period? For example, if a WAD is based on repairing 100 assets per year for 5 years and only 60 were generated for repair in the first year, does the manager have any specific information which indicates that more than 60 percent of the anticipated assets will arrive in the outyears? If not, then the anticipated outyear quantity used in preparing the estimate at completion should take into account the 60 percent generation factor. The estimated sales at completion should be based on award price times the anticipated quantity which will actually generate.
 - b. In addition to asset generation experience, the manager must also look at actual costs incurred for each unit up to the current period. If the 100 units above were to be repaired for \$1,000 each, what did it actually cost to repair the 60 which generated? If the actual costs incurred averaged \$1,075 per unit, is any management action being taken to reduce that cost? In projecting the cost at completion, the manager should include the expected results of any corrective actions. The expected cost to repair future assets times the quantity expected to generate added to the actual cost to date would project the estimated cost at completion.

c. On the schedule report format the At Completion column should contain the quantity expected to generate by the end of the WAD.

d. On the cost report format the At Completion column sales line should reflect the award price of all items expected to generate by the end of the WAD. The cost line should reflect the anticipated actual cost of all units expected to be completed.

e. The manager should document and keep in file the assumptions and information used as the basis for At Completion calculations.

2. The Profit or Loss at Completion is the estimated sales at completion minus the estimated cost at completion. Written analysis is required when this estimate reflects a loss at completion of ≥ 5 percent. This analysis must include the corrective action plan and its anticipated impact on the program.

3. If the circumstances driving a negative cost or schedule variance and estimated loss at completion are beyond the manager's control, he/she must explain what these circumstances are and the impact on the program.

G. REPORT DISTRIBUTION

1. The normal distribution of the monthly report shall include an information copy to the Air Force buyer's program manager, the cognizant Project Administration Officer (PAO), and a copy to the seller's immediate supervisor. Distribution of this report to non-Air Force buyer activities will only be made upon request. Any additional distribution will be in accordance with local procedures.

2. Since cost risk in a fixed price award is borne by the seller, variance analyses and corrective plans to be implemented are regarded as internal tools more for the benefit of the seller's management than the buyer's. Raw data used to produce variance analyses may be considered by the seller activity to be competition sensitive and may not be routinely furnished to the buyer. However, the report itself, written variance analyses, corrective actions planned, and the potential schedule impact shall be provided to the buyer (through the PAO function) in order to allow the buyer's program management to assess program impact.

3. In the event that the Estimated Profit/Loss at Completion analysis indicates an "unrecoverable overrun condition" (estimated loss ≥ 15 percent), the Post Award Process procedures require that the report be forwarded to the ALC/CC, the PEO or DAC (as applicable), and HQ AFMC/LG.

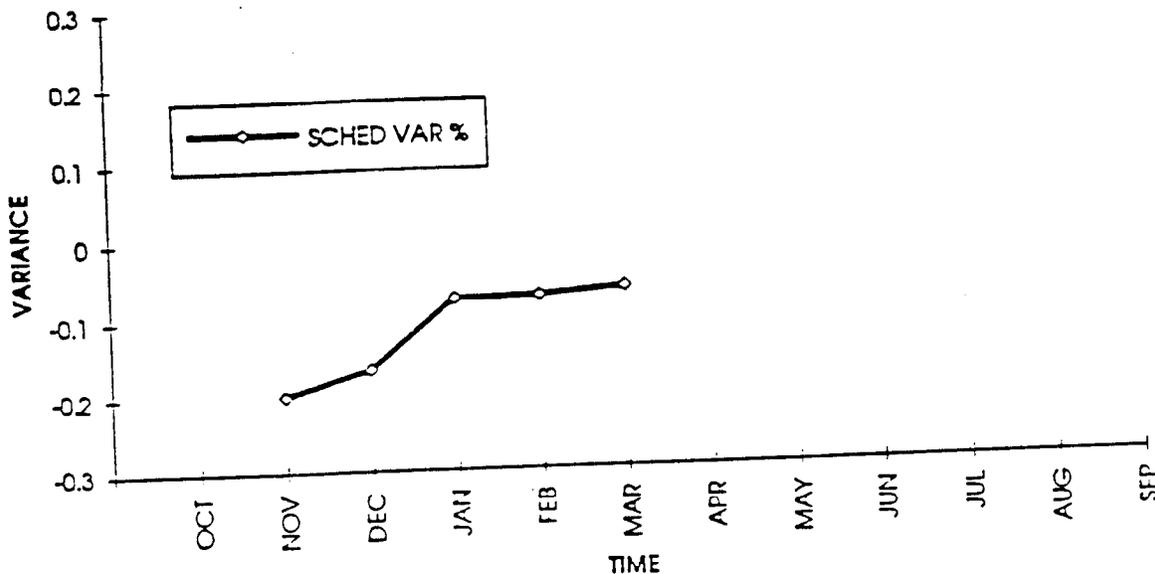
H. REPORT FORMAT PREPARATION

1. The sample report formats shown in Figures 1 and 2 can be generated in any spreadsheet application on a personal computer. The report will be signed by the individual within the seller activity designated as manager of that workload. Copies of each report and the raw data used to generate it will be maintained by the manager in his/her file for that WAD.
2. The charts should be set up to show the period from October to September in order to reflect the performance periods (basic years and option years) as the awards are laid out. In the second or succeeding years of any award, a "Prior Years" column should be added at the beginning of the performance period to summarize preceding activity on the workload. The last column on the data table should reflect the estimated position of the workload at completion (including option years). The Estimated Profit or Loss at Completion will be reflected in that column on the cost format.
3. The as of date entered on each format for the report should be the last day of the month. The actual report formats are unrestricted distribution. However, written variance analyses should be classified as For Official Use Only.

(SAMPLE FORMAT)
DMC SCHEDULE REPORT

ALC:
 PRODUCT DIRECTORATE:
 WORKLOAD TITLE:
 UNIT SHOP FLOW DAYS: 30

REPORT AS OF DATE:
 WAD NUMBER:
 PERIOD OF PERFORMANCE:



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	AT COMP.
NWD	25	40	70	95	115	140	175	215	245	275	310	350	
CUM QTY INDUCT	0	15	30	65	80	105	130						
CUM QTY SCHED	0	15	30	65	80	105	130						
CUM QTY PROD	0	12	25	60	74	98							N/A
CUM SCHED VAR	0	-3	-5	-5	-6	-7							N/A
SCHED VAR %		-20%	-17%	-8%	-8%	-7%							

TITLE:	SIGNATURE:	DATE:
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FIGURE 1.

(SAMPLE FORMAT)
DMC COST REPORT

ALC:

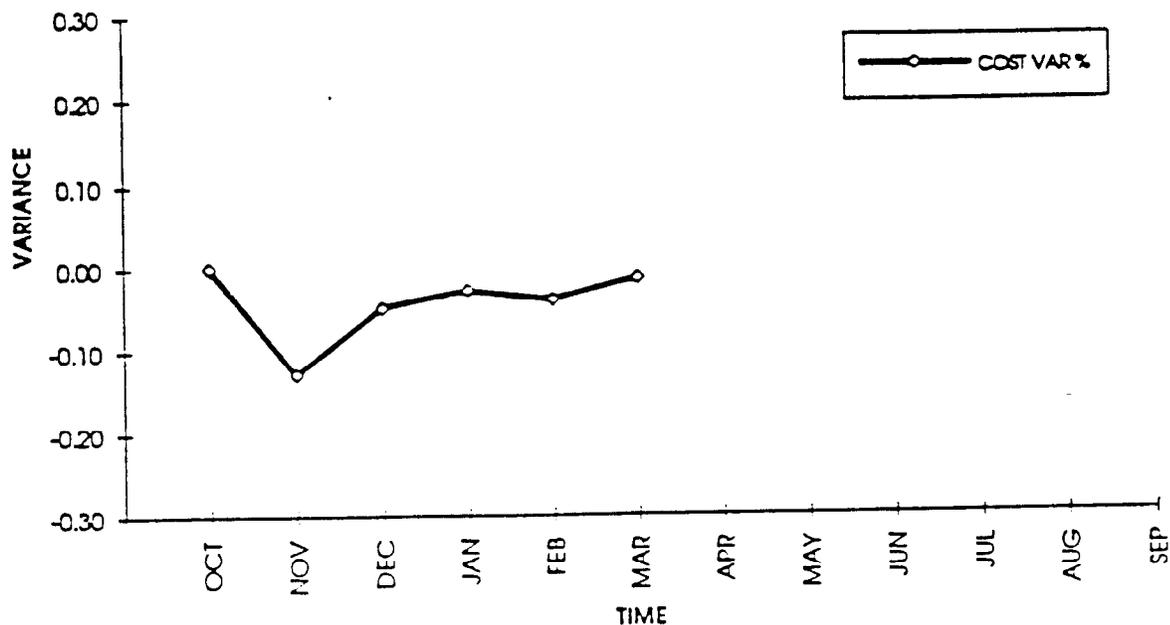
REPORT AS OF DATE:

PRODUCT DIRECTORATE:

WAD NUMBER:

WORKLOAD TITLE:

PERIOD OF PERFORMANCE:



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	AT COMPLE
NWV	2500	4000	7000	9500	11500	14000	17500	21500	24500	27500	31000	35000	
CUM SALES	0	1200	2500	6000	7400	9800							
CUM COST	0	1355	2625	6175	7705	9950							
PROFIT/(LOSS)	0	(155)	(125)	(175)	(305)	(150)	0	0	0	0			
COST VAR %	0%	-13%	-5%	-3%	-4%	-2%							

TITLE:	SIGNATURE:	DATE:
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FIGURE 2.