

Application of the Schedule of Values (SOV) Method with Zero Budget Activities

On a limited basis the use of zero budget, non-resource baseline activities is permissible for scheduling fixed-price procurements only. The use of these activities is intended to enhance the planning and scheduling of subcontract work to increase the effectiveness/usefulness of the project schedule. The budgeted dollar value of the progress payment (or payment milestone) should be identified in the project schedule. A logical network diagram should describe the way all procurement related zero budget, non-resource activities flow through the project schedule, and they should be logically linked to the progress payment milestone for which the work is intended so that the progress payment milestone is dependent on the 100% completion of all of the required zero budget, non-resource baseline activities. Like all other budgeted activities in the project baseline schedule, these activities should reflect how the work will be executed, and follow the same configuration control requirements as defined in the contractor's EVMS Description. These activities should be replicated in the forecast schedule.

The total number of incomplete activities from project start through the current period should not equal or exceed 5%. It is important that the contractor place emphasis on their limited use given that they are not a natural feature within an EIA-748 Earned Value Management System Performance Measurement Baseline. An explanation of the rolling calculation for determining the count of zero budget, non-resources in the baseline schedule is provided in Table 1. Each zero budget, non-resource baseline activity used for the scheduling of fixed-price procurements should include the words "Payment Milestone" at the beginning of the activity description and should list the letters "PM" in a separate P6 code field. PM alpha/numeric designators should be unique to the progress payment (or payment milestone) identified in the project schedule as shown in Figure 1.

Table 1. Zero budget, non-resource baseline activity calculation.

Number of PM-coded zero budget, non-resource baseline activities with baseline start dates within the current period plus any incomplete (i.e., less than 100% complete) PM-coded zero budget, non-resource baseline activities from prior months.

Total number of all baseline activities from project start through the current period

Example:

Project Baseline Start Date: January 2019

Project Baseline Finish Date: December 2021 (3 year project period of performance)

Total number of baseline activities from January 2019 through December 2021: 30,000

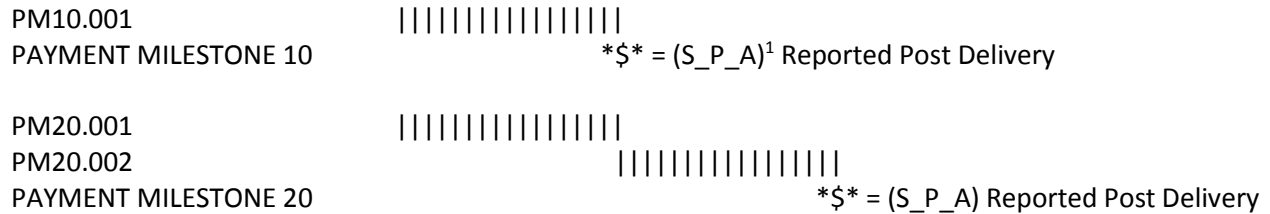
Total number of baseline activities from start (January 2019) through current period (May 2019): 5,000

Total number of incomplete PM-coded zero budget, non-resource baseline activities from start through the current period: 250

250

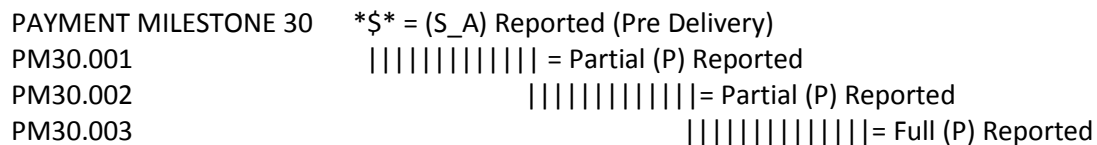
----- = 5% of active non-SVT baseline activities from project start through the current period have no budget and matches the PM-30 designated threshold. A continuation of matching or exceeding the designated 5% threshold will require the generation of the EVM System Description Operational Exception Request Form and approval by PM-30 for the continued use of zero budget, non-resource baseline activities.

Figure 1.



The contractor should take special care when using zero budget, non-resource activities as per EIA-748 requirements the scope of work must have a budgetary target established for it as a goal, and each of the subordinate activities planned and scheduled must be allocated a reasonable proportion of the total control account budget. Having broken down the control account's scope of work into its subordinate activities and having budgeted each of these activities, it is then possible to see what budgetary target is available to perform each month's worth of work. The budgetary target should match the negotiated progress payment/SOV value. This process is the method prescribed for establishing the time-phased budget plan which is used as the baseline against which the control account's progress/performance is measured. Hence, the progress payment (or payment milestone) when based on the physical/technical accomplishment or actual delivery is acceptable for establishing the planned budget (BCWS) and claiming the performance (BCWP) and cost (ACWP) as shown in Figure 1. However, in the rare case that an upfront payment is made to fully or partially fund a subcontractor fixed-price procurement in advance of the physical/technical accomplishment or actual delivery, considerations must be made for establishing the planned budget (BCWS) to reflect precisely when the subcontractor work effort will be accomplished as shown in Figure 2.

Figure 2.



If a contractor wants to utilize this Schedule of Values (SOV) Method with Zero Budget Activities, it must be documented in their approved SD. In the event that there is a valid need to equal or exceed the 5% threshold, the contractor should submit for PM-30 approval an Operational Exception to deviate from the approved SD. An example EVM System Description Operational Exception Request Form is provided. The Office of Project Management, Project Controls Division (PM-30) will periodically reassess the 5% threshold for continued validity or possible change based on input from EFCOG and review results.

¹ BCWS = S; BCWP = P; ACWP = A

EVM System Description Operational Exception Request Form

Contractor Name:
Project Name and Location:
Date of Request:
Name and Official Position of Requester:
Operational Exception Description and Reason
<i>Please provide a description of the operational exception from the EVMS Description, including SD version/date, sections impacted, and other germane details from SD:</i>
<i>Please explain the reason for the operational exception:</i>
Impact to EVMS Compliance
<i>Please explain what area(s) of the EVMS will be impacted by the operational exception, including references to the certified EVMSD. Also, please explain/describe what alternate or compensatory measures and management processes will be used to ensure sufficient management control and insight during the duration of the proposed operational exception.</i>
Estimated Duration of Operational Exception:
Proposed Action(s)
<i>Please describe what action(s) you will take to prevent or control the recurrence of this operational exception in the future:</i>
Federal IPT/PMSO Comments
<i>Please provide commentary to support your position on the specific operational exception under consideration:</i>
CFA Final Determination
Determination: [] Approved [] Disapproved
<i>Please provide commentary articulating the official position on the specific operational exception under consideration:</i>
Name and Official Position of Determining Official: Melvin Frank, Director Project Controls Division (PM-30)
Date of Determination: