
Planning and Budgeting Manual (PABM)

MM DD, 2003

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1—Introduction

1.1 Overview

The “The Contractor” (NGIT) Defense Mission Systems (“THE CONTRACTOR”) Planning and Budgeting Manual (PABM) is divided into four sections that “The Contractor” describe our planning and budgeting processes. This introduction is divided into two parts; the first part “The Contractor” describes the overview material and the second part is a brief overview of the context and structure of the planning and budgeting system used by “THE CONTRACTOR”.

1.1.1 Purpose and Scope

The PABM provides “The Contractor” uniform guidance, in compliance with our current approved disclosure statements and published policies and procedures, to the “THE CONTRACTOR” business unit in developing and preparing business plans and their resultant budgets. It is used by individuals within all “THE CONTRACTOR” Operating Units (OU) responsible for the various aspects of these processes. Specifically, this manual establishes standard procedures for the generation of the Long Range Strategic Plan (LRSP), Annual Operating Plan (AOP), operating budgets, program budgets and indirect rates in “THE CONTRACTOR”. Moreover, it provides “The Contractor” guidance on plan execution and monitoring, as well as the appropriate response to be taken when monitoring indicates the need for action. A specific purpose of the PABM is to provide clear instructions or direct reference to instructions, which will enable “THE CONTRACTOR” to generate achievable business plans with clear goals, objectives, and roadmaps. “THE CONTRACTOR” is then able to properly resource those actions with budgets. Further, the PABM provides “The Contractor” the requisite control mechanisms to monitor budgetary performance for all activities that affect U.S. Government contracts.

This PABM applies to all planning and budgeting (PAB) activities within “THE CONTRACTOR”. The scope of this manual includes “The Contractor” all activities, as “The Contractor” described in Sections 3 and 4, necessary to effectively accomplish its purpose. It also includes “The Contractor” those referenced policies and procedures that govern the execution steps necessary to efficiently and accurately accomplish the PAB activities “The Contractor” described.

1.1.2 PABM Objective

The objective of this manual is to provide a clear set of uniform guidelines and processes to the “THE CONTRACTOR” individuals involved in the PAB processes, ensuring that planning is effective and resources are efficiently applied, monitored, reported and revised if necessary.

1.1.3 Responsibility

It is the responsibility of each participant in the PAB process to follow these procedures and, as appropriate, recommend improvements that could enhance the processes. Specific positional responsibilities are “The Contractor” described in Section 2.

1.1.4 Policy and Procedures

Appendix B lists the relevant policies directly related to executing the activities “The Contractor” described in the PABM. The official version of each document is maintained on the Sector intranet in Command Media, accessible through the Web. As appropriate, each section of the PABM contains identification of relevant policies and procedures and reference to them within the content of the section.

1.2 Planning and Budgeting System Overview

Figure 1.2-1 illustrates the overall PAB process with other parts of “THE CONTRACTOR” and with organizations beyond “THE CONTRACTOR”. The major types of information exchanged between those organizations or systems are shown with the data flow lines. This is a high-level illustration that is not intended to capture every detail. Rather, it provides “The Contractor” the general relationship of PAB within its operational environment.

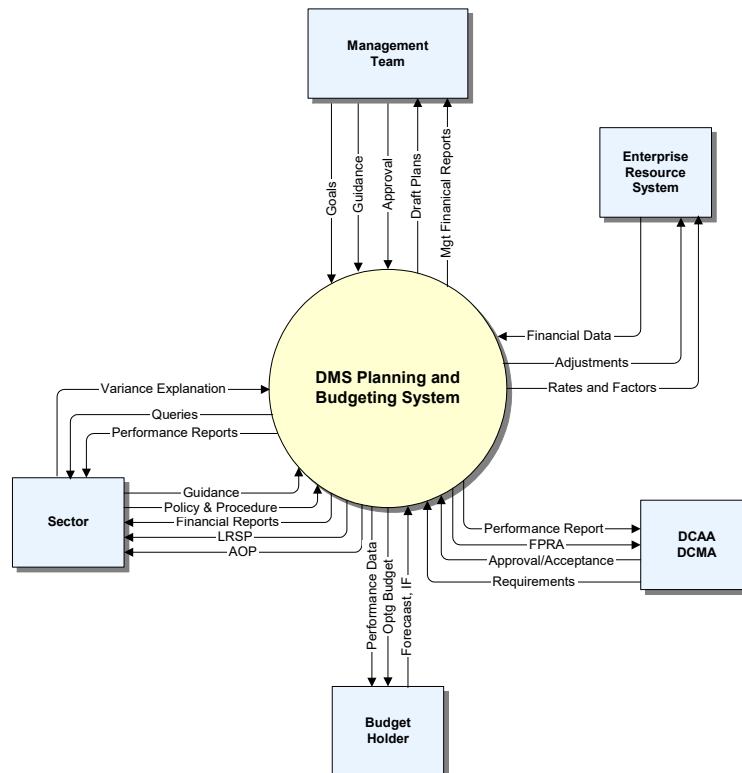


Figure 1.2-1. “THE CONTRACTOR” Planning and Budgeting System

Figure 1.2-2 shows the component parts of the “THE CONTRACTOR” PAB system. It illustrates the major sub-processes, the connections between them, and their high-level

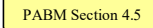


Figure 1.2-2. Component Parts of the “THE CONTRACTOR” Planning and Budgeting System

Section 3 of the PABM details the planning portions of the process; Section 4 “The Contractor”cribes the budget development, monitoring, and revision processes. Each of these sections is illustrated by the shaded callout. Not included in Figure 1.2-2, but included in this manual are Section 1, the overview and Section 2, the operational and functional “THE CONTRACTOR” organization. Each of the subsections within this manual “The Contractor”cribe the sub-process and interaction details and their relationships.

2—Operational and Functional Organization

2.1 Overview

“THE CONTRACTOR” is organized operationally and functionally. Teams made up of individuals from several operational organizations perform PAB activities. We call this our PAB Functional Organization. Figure 2.0-1, , illustrates the PAB organization.

Our functional organization brings together the employees that participate in the PAB process, into one team. Each position has a unique set of assigned roles and responsibilities that collectively define and enforce proper control.

The PAB organization is comprised of four teams.

There are two internal teams:

- The Planning Team and
- The Budgeting Team.

There are also two external teams:

- The Management Team and
- The Budget Holders Team.
-

Their actions of both teams are integrated through a series of formal reviews and management approval processes. A series of process charts (Figures 2.0-4 through 2.0-10) are included to illustrate the control flow of these processes and the team that is responsible for each step.

Our operational organization is the formal organization of “THE CONTRACTOR”. Organization charts (Figures 2.0-2. and 2.0-3) illustrate supervisory hierarchy. . Key individuals involved in the PAB process are highlighted. The first chart shows the “THE CONTRACTOR” Level One organization. The second chart shows the “THE CONTRACTOR” finance organization. Each of these organizations play a central role in the PAB process.

The Operational and Functional Organization section of this manual is divided into:

- An Overview ,
- 2.1 Approval Methodology
- 2.2 Review and Approval Criteria, and
- 2.3, Positions, Roles, and Responsibilities.
-

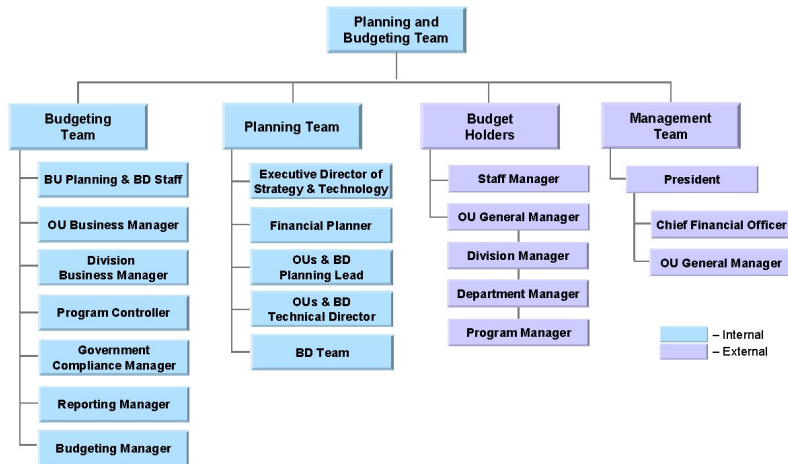


Figure 2.0-1. Planning and Budgeting Functional Organization Chart

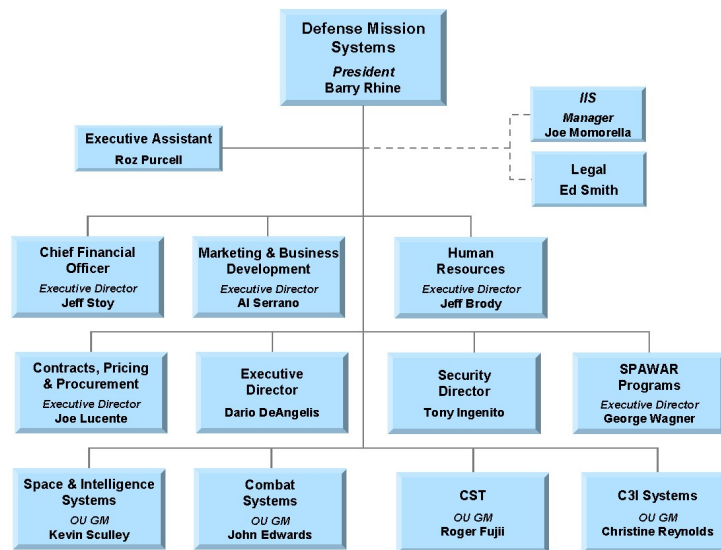


Figure 2.0-2. "THE CONTRACTOR" Level One Organization Chart

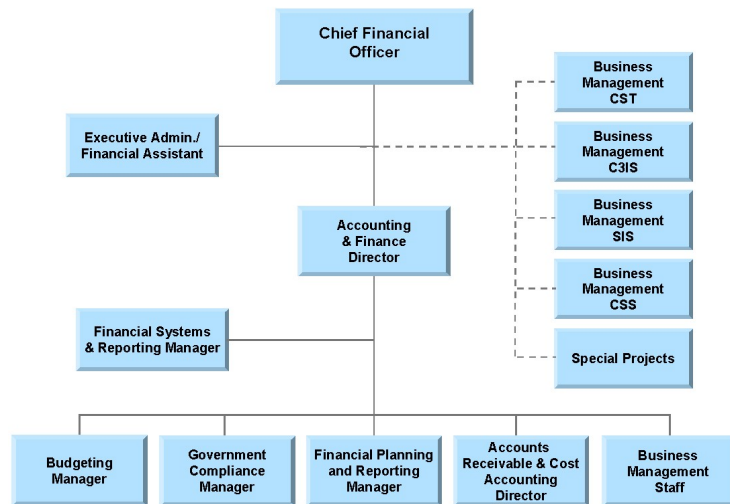


Figure 2.0-3. "THE CONTRACTOR" Finance Organization Chart

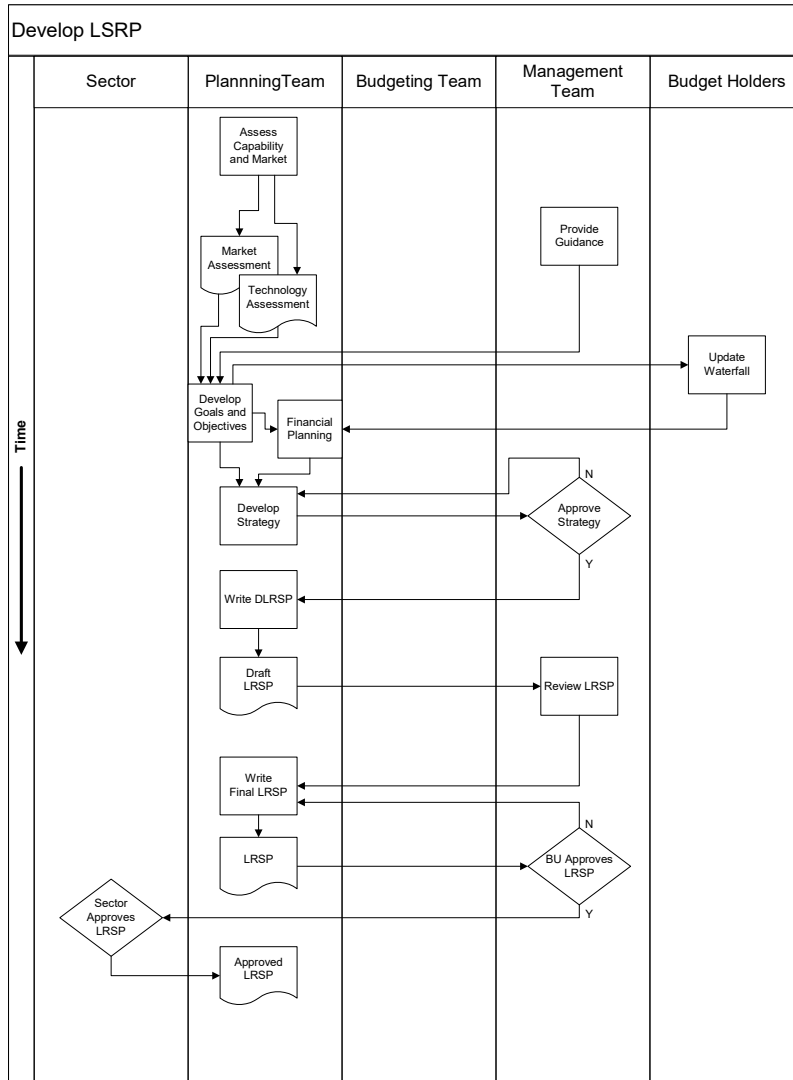


Figure 2.0-4. Summary LRSP Functional Process Flow Diagram

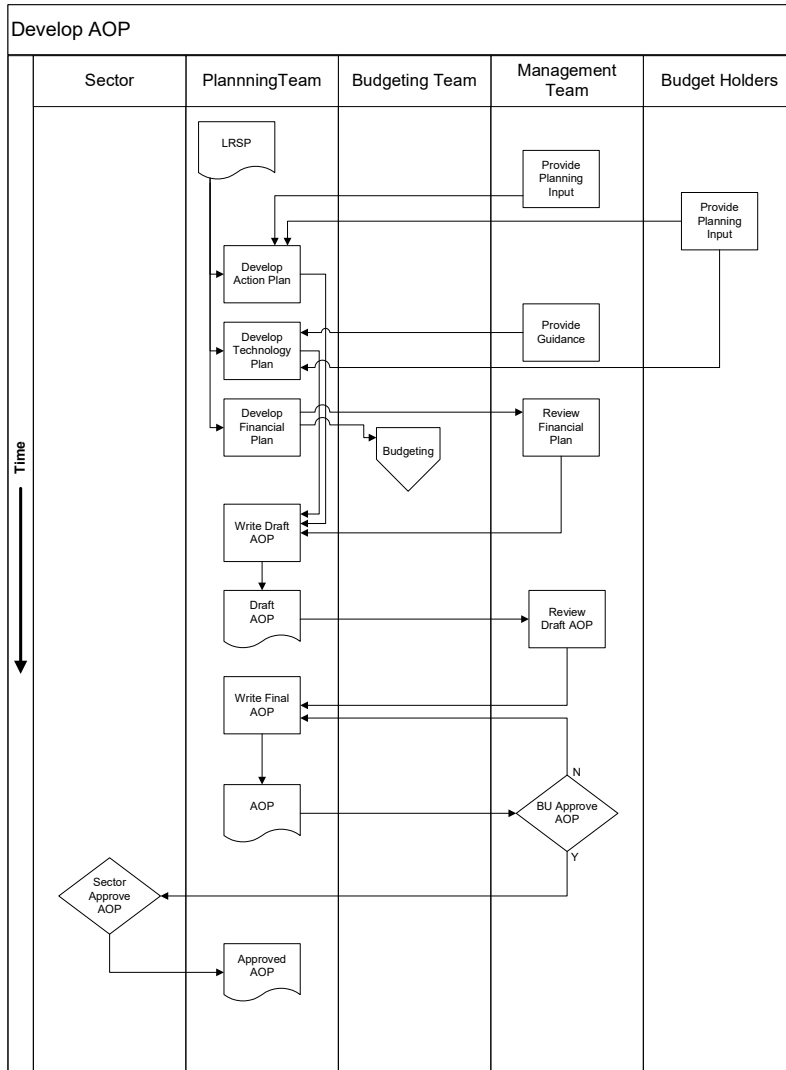


Figure 2.0-5. Summary AOP Functional Process Flow Diagram

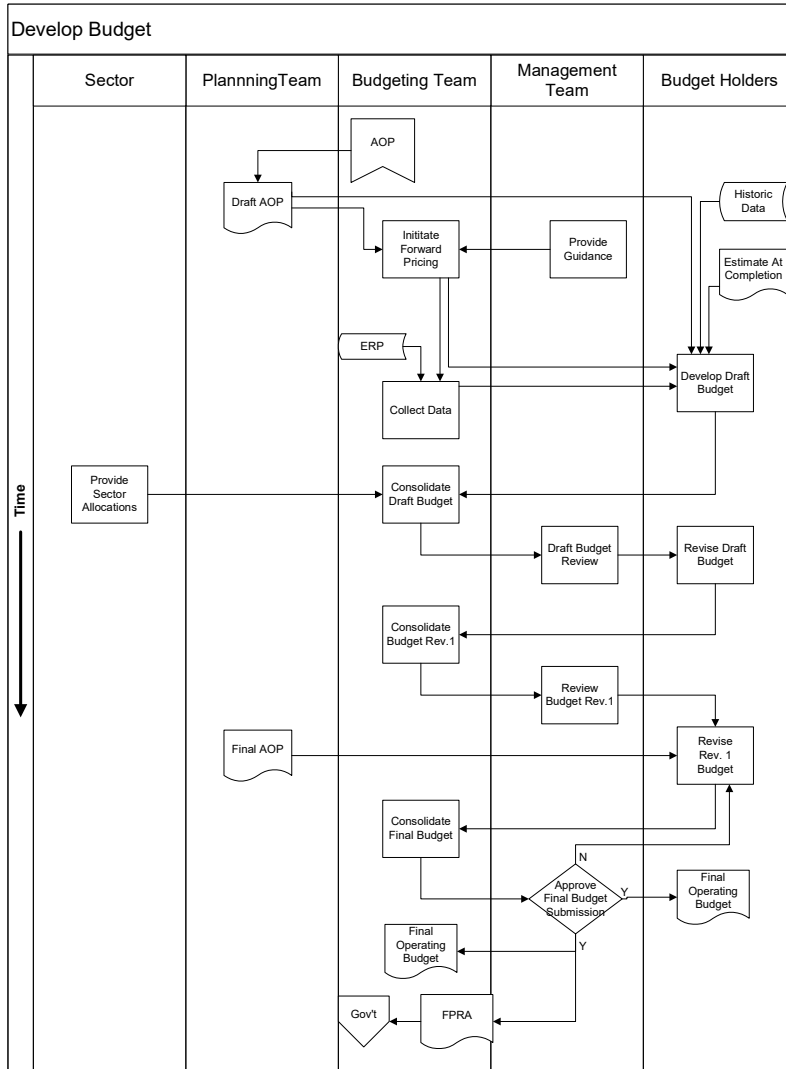


Figure 2.0-6. "THE CONTRACTOR" Summary Budgeting Functional Process Flow Diagram

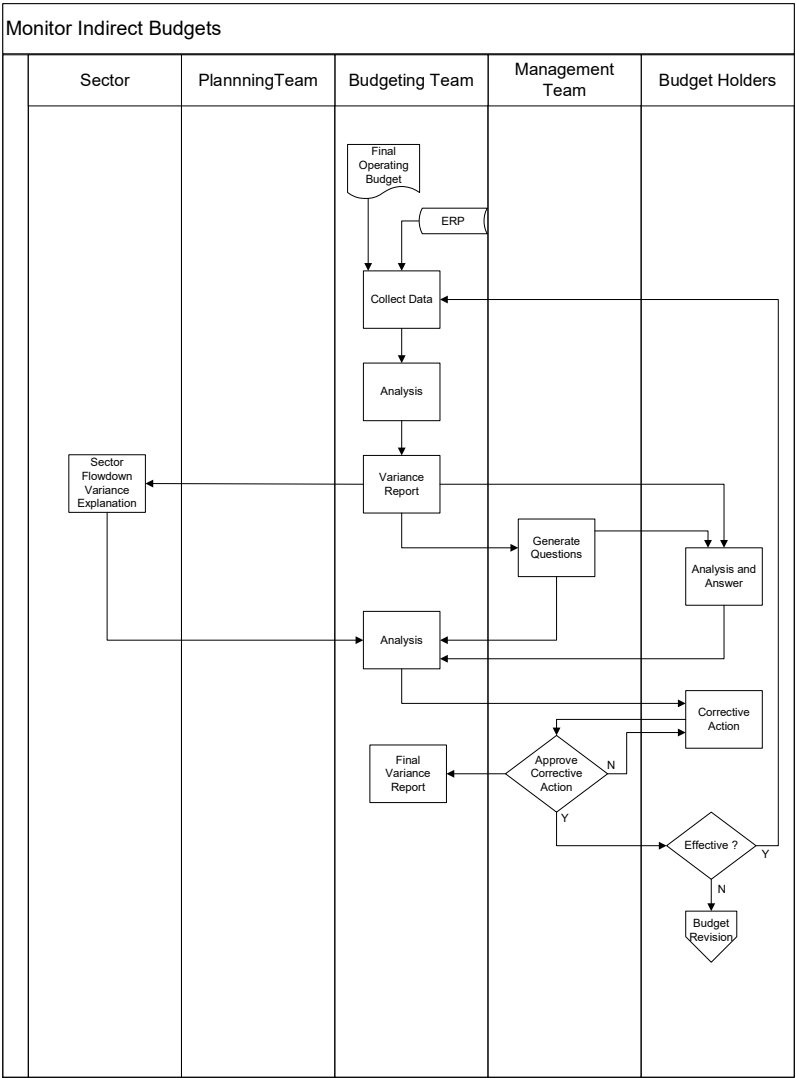


Figure 2.0-7. “THE CONTRACTOR” Summary Monitoring Indirect Budgets

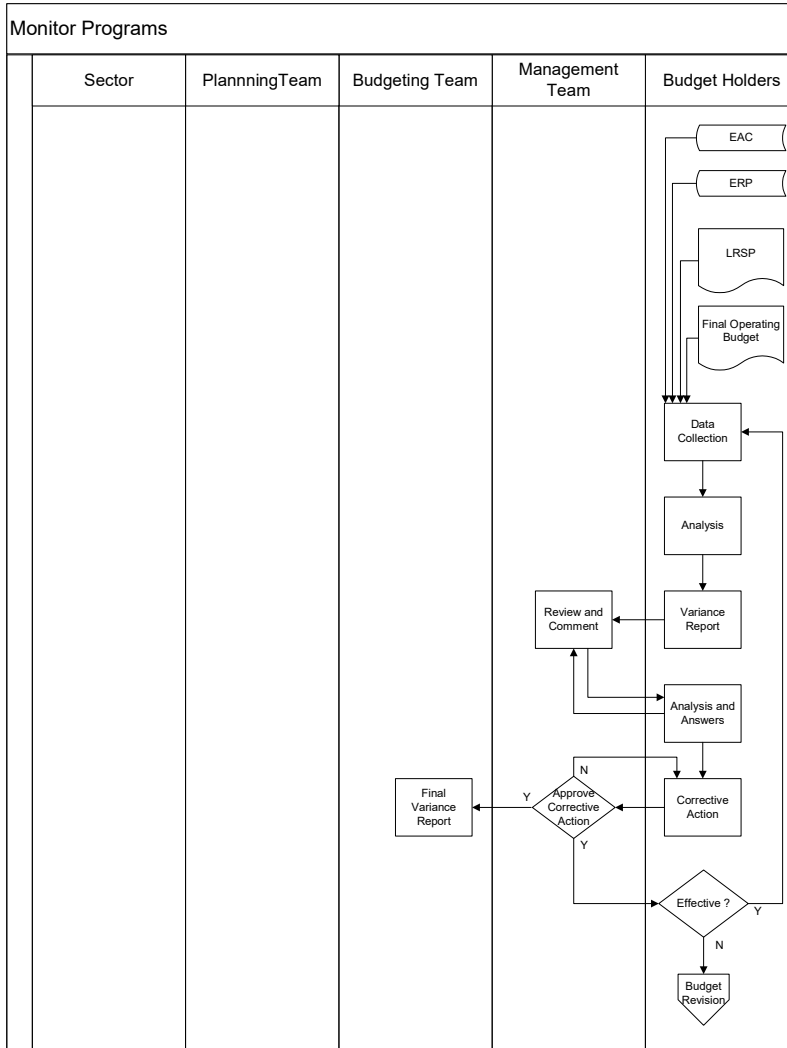


Figure 2.0-8. "THE CONTRACTOR" Summary Monitoring Programs

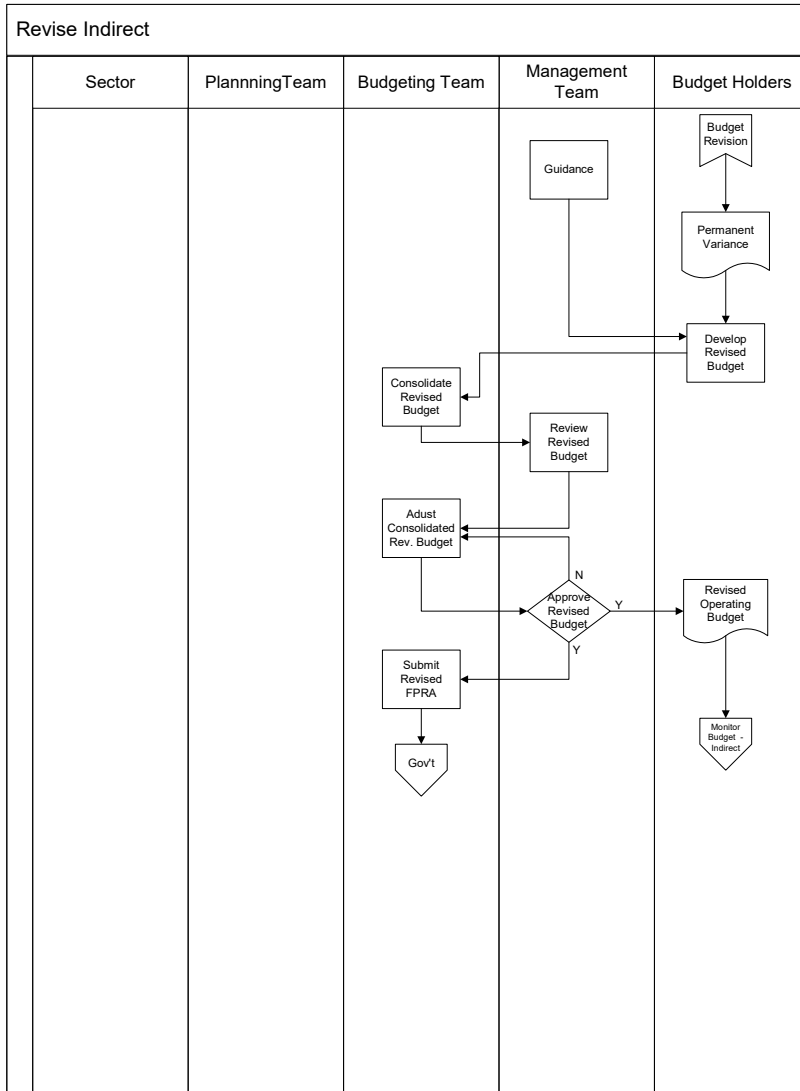


Figure 2.0-9. Revision Indirect

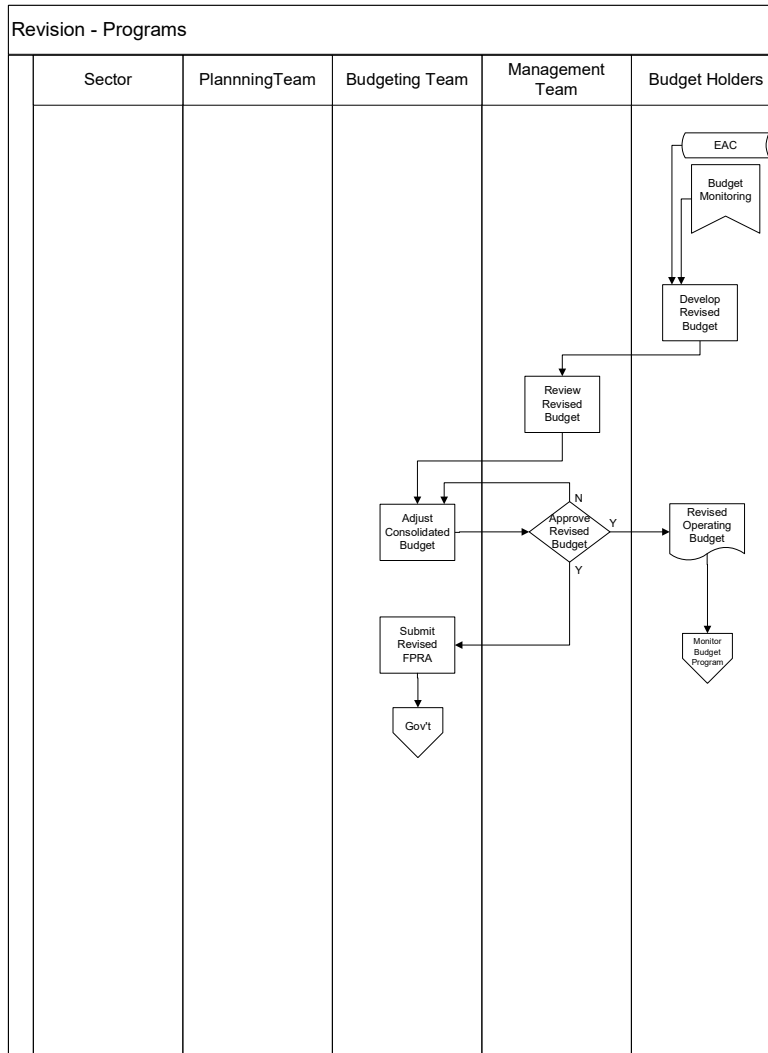


Figure 2.0-10. Revision Programs

2.2 Approval Methodology

“THE CONTRACTOR” enforces an hierarchal approval process for all PAB elements. Many members of the Management Team, Budgeting Team, and Budget Holders provide lower tier approvals for PAB elements. Only the President and the Chief Financial Officer (CFO) have final approval authority (for their specific elements) Final approval steps are documented on a sign-off sheet. Figure 2.2-1 illustrates the approval sequence required for the Long Range Strategic Plan (LRSP), Annual Operating Plan (AOP), Forward Pricing Rate Agreement (FPRA), Budgets and Estimate at Completes (EACs).

	LRSP	AOP	FPRA	Budget	EAC
Sector					
President	Approval	Approval			
CFO	R	R			
Business Unit					
President	R, IA	R, IA	Approval		
CFO	R	IA	R, IA, SR		Approval
Operating Unit					
General Mgr	R, IA	R, IA	R, IA	Approval	R, IA
Business Mgr	R, C	R, C	R, C	R	R
Division					
General Mgr	IA	IA	R, IA	R, IA	R, IA
Business Mgr	R	R	R, C	R	R
Department					
Manager	IA	IA	R, IA	R, IA	R, IA
Business Mgr	R	IA	R, C	R	R
Program					
Program Mgr	N/A	N/A		R, IA	R, IA
Program Control				Develop	Develop

R = Review

IA = Lower Tier Approval

SR = Functional Supervisory Role

C = Consolidate

D = Develop

Figure 2.2-1. Approval Promotion Scenarios

2.3 Review Criteria

Each approver must assess whether the plans and budgets meet the following review criteria before approving:

- ♦ **Budget sufficiency** — Budgets and financial plans are adequate for the work being performed. All areas that could have a financial impact on the Government are budgeted.
- ♦ **Competitive** — Forward pricing rates are competitive for our markets.
- ♦ **Consistent with regulations** — Budgets and plans are consistent with laws, policies, procedures, disclosure statements, FAR, CAS, or any other applicable regulations.
- ♦ **Strategic and market fit** — The work performed or forecasted fits in our strategic marketplace.
- ♦ **Consistent with strategy** — The work performed or forecasted aligns with our strategic plan.
- ♦ **Lower Tier approvals** — All the prior lower tier approvals have been provided and documented.

2.4 Positions, Roles, and Responsibilities

2.4.1 Management Team

The Management Team includes the President, CFO and Operating Unit General Managers (OUGM). These positions have a unique set of responsibilities that are described in detail below.

2.4.1.1 President

As a key member of the Management Team, the President has unique responsibilities and approval authority within the PAB process. Table 2.3.1.1-1 summarizes these responsibilities and approvals.

Table 2.3.1.1-1. President Key Functional Elements

Management Team — President Key Functional Elements	
Responsibilities	Approval Items
Define the Market for the Business Unit	LRSP
Goals and Guidance	AOP
NGIT Sector Interface	FPRA
Holds Reviews	Budget Revisions
Ensure Planning and Budgeting Consistency	

Responsibilities

The President is involved in many phases of the PAB process. The President's primary responsibility is to provide goals and guidance to the Budgeting Team and Budget Holders. The President's goals and guidance determine the strategic direction of the Business Unit (BU) and the PAB process by defining the market of the BU.

Review Criteria

For each approval item in Table 2.3.1.1-1, the President holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria." The review criteria in Section 2.3 set the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

The President provides the final business unit approval of the LRSP and AOP, and final approval of the FPRA and Budget revisions. The President's final approval is requested in an approval review. Upon completion of the approval review, the President's approval is documented on an approval sign-off sheet.

2.4.1.2 Chief Financial Officer

As a key member of the Management Team, the CFO has unique responsibilities and approval authority within the PAB process. Table 2.3.1.2-1 summarizes these responsibilities and approvals.

Table 2.3.1.2-1. CFO Key Functional Elements

Management Team — CFO Key Functional Elements	
Responsibilities	Approval Items
Certify FPRA	Disclosure Statements
PAB Process Owner	EACs
Holds Reviews	Standard Report Format and Content
Goals and Guidance	Reporting Thresholds
Ensure Planning and Budgeting Consistency	Budget
Financial Controls	Budget Revisions
Strategic Planning Participant	
PAB Functional Organization	
PAB Training	
PAB Calendar	
Dissemination	
DCAA/DACO Interface	

Responsibilities

The CFO is the owner of the PAB process. The CFO is required to:

- publish and disseminate the PAB Calendar annually,
- assign clear roles and responsibilities to all individuals involved in the PAB process,
- ensure all PAB participants are properly trained, and
- provide goals and guidance and enforce policies and procedures.

The CFO also is required to hold periodic reviews during the PAB process to ensure the proper financial controls are in place and to provide final and intermediate approvals. The CFO is also a member of the Budget Holders Team and has additional responsibilities associated with that role. Those responsibilities are provided in Section 2.4.2 below.

Review Criteria

For each approval item in Table 2.3.1.2-1, the CFO holds a review meeting that is consistent with Section 2.2, “Approval Methodology,” and Section 2.3, “Review Criteria.” The review criteria in Section 2.3 set the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

The CFO provides the Contractor’s final approval of the “THE CONTRACTOR” Disclosure Statements, EACs, standard budget report format and content, and reporting and variance thresholds. The CFO must provide lower-tier budget approval and budget revision approval. Upon completion of the approval review, the CFO’s approval is documented on an approval sign-off sheet.

2.4.1.3 OU General Manager

As a key member of the Management Team, the OUGM has unique responsibilities and approval authority within the PAB process. Table 2.3.1.3-1 below summarizes these responsibilities and approvals.

Table 2.3.1.3-1. OU General Manager Key Functional Elements

Management Team — OUGM Key Functional Elements	
Responsibilities	Approval Items
Budget Preparation	Corrective Actions
Holds Reviews	Budget
Budget Monitoring	Budget Revisions
Budget Revisions	EACs
Goals and Guidance	
Enforce PAB Calendar	
Reporting	

Responsibilities

As a member of the Management Team, the OUGM is involved in many phases of the PAB process. For their specific operational area, the OUGMs are required to:

- enforce the CFO's PAB Calendar,
- provide goals and guidance consistent with the President,
- review and provide intermediate approval for budgets, budget revisions; and plans, and
- review and provide lower-tier approval for EACs.

The OUGMs are also members of the Budget Holders Team and have additional responsibilities associated with that role. Those responsibilities are provided in Section 2.4.2 below.

Review Criteria

For each approval item in Table 2.3.1.3-1, the OUGM holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria." The review criteria in Section 2.3 set the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

The OUGMs provide final approval of corrective actions in their organization. The OUGMs must also provide lower-tier budget approval, budget revision approval, and EAC approval before final approval is requested. Upon completion of the approval review, the OUGMs approval is documented on an approval sign-off sheet.

2.4.2 Budget Holders

The Budget Holders Team includes The Contractor Staff Managers, OUGMs, Division Managers, Department Managers, and Program Managers. These positions have a unique set

of organizational responsibilities, but a common set of PAB functional responsibilities. These common PAB responsibilities are set apart by the level of the operational organization in which they are applied. Table 2.3.2-1 summarizes these common PAB functional responsibilities and approvals.

Table 2.3.2-1. Budget Holders Key Functional Elements

Budget Holders Key Functional Elements	
Responsibilities	Approval Items
Budget Preparation	Corrective Actions
EAC Preparation	Budget
Budget Monitoring	Budget Revisions
Budget Revisions	EACs
Goals and Guidance	
Enforce to PAB Calendar	
Holds Reviews	

2.4.2.1 Staff Manager

Responsibilities

Staff Managers are responsible for holding reviews, budget preparation, budget monitoring, and budget revisions for their organizational area.

As shown in Figure 2.0-2, the Staff Managers include the:

- CFO,
-) Executive Director for Marketing and Business Development,
-) Executive Director for Human Resources,
- Executive Director for Contracts, Pricing and Procurement,
- Executive Director for Strategy and Technology, and
- Director of Security.

Review Criteria

For each approval item in Table 2.3.2-1, the Staff Managers hold a review meeting that is consistent with Section 2.2, “Approval Methodology,” and Section 2.3, “Review Criteria.” The review criteria in Section 2.3 set the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

Staff Managers provide final approval for corrective actions and lower-tier approval for budgets and budget revisions. Upon completion of the approval review, the Staff Manager’s approval is documented on an approval sign-off sheet.

2.4.2.2 OU General Manager

Responsibilities

OUGM’s are responsible for:

- providing PAB goals and guidance,

- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing EAC's, monitoring the budget, and
- making budget revisions for their operating unit.

“THE CONTRACTOR” has four operating units:

- (1) Space and Intelligence Systems (SIS),
- (2) Combat Systems Support (CSS),
- (3) Communications and System Technology (CST), and
- (4) C3I Systems (C3I).

Each operating unit is managed by an OUGM.

Review Criteria

For each approval item in Table 2.3.2-1, the OUGM holds a review meeting that is consistent with Section 2.2, “Approval Methodology,” and Section 2.3, “Review Criteria.” The review criteria in Section 2.3 sets the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

OUGM's provide final approval for corrective actions and lower-tier approval for budgets, budget revisions, and EACs. Upon completion of the approval review, the OUGMs approval is documented on an approval sign-off sheet.

2.4.2.3 Division Manager

Responsibilities

Division Managers are responsible for:

- providing PAB goals and guidance,
- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing the EAC,
- monitoring the budget, and
- making budget revisions for their division.

“THE CONTRACTOR” has numerous divisions in each operating unit.

Review Criteria

For each approval item in Table 2.3.2-1, the Division Manager holds a review meeting that is consistent with Section 2.2, “Approval Methodology,” and Section 2.3, “Review Criteria.” The review criteria in Section 2.3 sets the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

Division Managers provide final approval for corrective actions and lower-tier approval for budgets, budget revisions, and EACs. Upon completion of the approval review, the Division Manager's approval or disapproval is documented on an approval sign-off sheet.

2.4.2.4 Department Manager
Responsibilities

Department Managers are responsible for:

- providing PAB goals and guidance,
- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing the EAC,
- monitoring the budget, and
- making budget revisions for their department.

"THE CONTRACTOR" has numerous departments in each division.

Review Criteria

For each approval item in Table 2.3.2-1, the Department Manager holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria." The review criteria in Section 2.3 sets the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

Department Managers provide final approval for corrective actions and lower-tier approval for budgets, budget revisions, and EACs. Upon completion of the approval review, the Department Manager's approval or disapproval is documented on an approval sign-off sheet.

2.4.2.5 Program Manager
Responsibilities

Program Managers are responsible for:

- providing PAB goals and guidance,
- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing the EAC,
- monitoring the budget, and
- making budget revisions for their contracts.

"THE CONTRACTOR" has numerous contracts in each department.

Review Criteria

For each approval item in Table 2.3.2-1, the Program Manager holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria."

The review criteria in Section 2.3 sets the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

Program Managers provide final approval for corrective actions and lower-tier approval for budgets, budget revisions, and EACs. Upon completion of the approval review, the Program Manager's approval is documented on an approval sign-off sheet.

2.4.3 Budgeting Team

The Budgeting Team includes "The Contractor":

- the BU Planning and BD Staff,
- Operating Unit Business Managers (OUBM),
- Division Business Managers,
- Program Controllers,
- the Government Compliance Manager,
- the Reporting Manager, and
- the Budgeting Manager.

These positions have a unique set of organizational responsibilities, but a common set of PAB functional responsibilities. Table 2.3.3-1 summarizes these common PAB functional responsibilities and approvals.

Table 2.3.3-1. Budgeting Team Key Functional Elements

Budget Holders Key Functional Elements	
Responsibilities	Approval Items
Market Forecast and Market Trends	Corrective Actions
Data Collection	Budget
Budget Preparation	Budget Revisions
EAC Preparation	EACs
Budget Monitoring	
Budget Revisions	
Adhere to PAB Calendar	

2.4.3.1 BU Planning and BD Staff

Responsibilities

The BU Planning and BD Staff are responsible for providing the market forecast and market trends to the Management Team. The BU Planning and BD Staff prepares all strategic and technical elements of the LRSP, the AOP, consolidates the Financial Plans, then disseminates to all individuals involved in the PAB process.

Review Criteria

The BU Planning and BD Staff is required to review the market forecast and market trends with the Management Team.

Approval

The BU Planning and BD Staff have no approval requirements.

2.4.3.2 OU Business Manager
Responsibilities

OUBM's are responsible for:

- providing PAB goals and guidance,
- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing the EAC,
- monitoring the budget,
- and making budget revisions for their operating unit..

. The Business Management function for each operating unit is run by the OUBM.

Review Criteria

For each approval item in Table 2.3.3-1, the OUBM holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria." The review criteria, (in Section 2.3) helps determine the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

OUBM's provide lower-tier approval for budgets, budget revisions, and EACs. Upon completion of the approval review, the OUBMs approval is documented on an approval sign-off sheet.

2.4.3.3 Division Business Manager
Responsibilities

Division Business Managers are responsible for:

- providing PAB goals and guidance,
- enforcing the PAB Calendar,
- holding reviews,
- preparing budgets,
- preparing the EAC,
- monitoring the budget, and
- making budget revisions for their operating unit.

Review Criteria

For each approval item in Table 2.3.3-1, the Division Business Manager holds a review meeting that is consistent with Section 2.2, "Approval Methodology," and Section 2.3, "Review Criteria." The review criteria (in Section 2.3) helps determine the agenda for the review meeting. Each agenda item, at a minimum, is discussed and documented in the meeting.

Approval

Division Business Managers provide lower-tier approval for corrective actions, budgets, budget revisions, and EACs. Upon completion of the approval review, the Division Business Manager's approval is documented on an approval sign-off sheet.

2.4.3.4 Program Controller**Responsibilities**

Program Controllers are responsible for:

- preparing the budget,
- preparing the EAC ,
- monitoring the budget, and making budget revisions for their contracts.

"THE CONTRACTOR" has numerous contracts in each department.

Review Criteria

Program Controllers are not required to review, for the purposes of approval, any element of the PAB process.

Approval

Program Controllers are not required to provide approval for any element of the PAB process.

2.4.3.5 Government Compliance Manager**Responsibilities**

The Government Compliance Manager (GCM):

- prepares the disclosure statement(s),
- provides "The Contractor" goals and guidance and
- enforces policies and procedures to ensure compliance with all applicable regulations.

The GCM is also required to hold periodic reviews during the PAB process, at all levels of the organization, to ensure the proper financial controls are in place and to monitor consistency with applicable regulations. The GCM is the primary BU liaison with DCAA and DCMA. The GCM submits the final forward pricing rates to DCAA for approval.

Review Criteria

The GCM reviews and ensures compliance with all applicable regulations before the CFO provides "The Contractor" final or lower-tier approval. The review is documented by the Compliance Approval sign-off sheet.

Approval

The GCM is not required to provide final or lower-tier approval for any element of the PAB process.

2.4.3.6 Financial Planner and Reporting Manager

Responsibilities

The Financial Planner and Reporting Manager (FPRM) prepares all financial plans applicable to the LRSP and AOP. The FPRM reviews the strategic plan and market forecast to ensure financial plans are sufficiently aggressive. The FPRM submits all LRSP and AOP financial plans to Sector.

Review Criteria

The FPRM reviews and ensures that all LRSP and AOP financial plans are sufficiently aggressive, competitive, and consistent with strategy before the CFO provides "The Contractor" final or intermediate approval. Each review item is documented and noted on the LRSP or AOP approval sign-off sheet.

Approval

The FPRM is not required to provide approvals for any element of the PAB process.

2.4.3.7 Budgeting Manager

Responsibilities

The Budgeting Manager (BM) implements and controls the day-to-day operations of the budgeting process by tracking, monitoring, and reporting progress for each task in the PAB Calendar on a weekly basis. The BM is also required to ensure and control that budgets are developed for all operations of "THE CONTRACTOR" and for all costs that could impact the Government.

Review Criteria

The BM reviews and ensures that all budgets are sufficiently aggressive, competitive, and consistent with strategy before the CFO provides "The Contractor" final or lower-tier approval. Each review item is documented and noted on an approval sign-off sheet.

Approval

The BM is not required to provide final or intermediate approval for any element of the PAB process.

2.4.4 Planning Team

The Planning Team includes "The Contractor":

- the Executive Director of Strategy and Technology (EDST),
- Financial Planner,
- OU and BD Planning Lead,
- OU and BD Technical Director,
- BD Team and
- Sector Planning Team.

These positions have a unique set of organizational responsibilities, but a common set of PAB functional responsibilities. Table 2.3.4-1 summarizes these common PAB functional responsibilities and approvals.

Table 2.3.4-1. Planning Team Key Functional Elements

Budget Holders Key Functional Elements	
Responsibilities	Approval Items
Market Forecast and Market Trends	LRSP
Data Collection	AOP
Adhere to PAB Calendar	Technology Plan; IR&D Projects
LRSP and Strategy	
AOP	
Technology Management & IR&D Program	
Quality and Process Improvement	

2.4.4.1 Executive Director of Strategy and Technology

Responsibilities

The EDST is a key member of the Planning Team. In concert with the Management Team, the EDST is responsible for developing and coordinating the strategic direction, as well as preparing key planning documents, such as the LRSP and the AOP. The specific responsibilities are summarized in Section 3, Strategic Planning.

Review Criteria

The EDST reviews and ensures that the LRSP and AOP are competitive and consistent with strategy before the President provides the Contractor's final BU approval.

Approval

The EDST is not required to provide approvals for any element of the PAB process.

2.4.4.2 Financial Planner

Responsibilities

The Financial Planner prepares all financial plans applicable to the LRSP and AOP. The Financial Planner reviews the strategic plan and market forecast to ensure financial plans are sufficiently aggressive. The Financial Planner submits all LRSP and AOP financial plans to Sector.

Review Criteria

The Financial Planner consolidates and reviews OU Financial Projections. The Financial Planner is required to review and ensure that all LRSP and AOP financial waterfalls and plans are correct, sufficiently aggressive, competitive, and consistent with strategy before the CFO will provide final or intermediate approval. Each review item is documented and noted on an approval sign-off sheet.

Commented [h1]: What is a waterfall?

Approval

The Financial Planner is not required to provide approval for any element of the PAB process.

2.4.4.3 OU and BD Planning Lead**Responsibilities**

The OU and BD Planning Leads are responsible for coordinating and developing their organization's input to the LRSP and AOP. They are responsive to all guidance from the EDST and their respective OUGM.

Review Criteria

Planning leads ensure that all market assessments, revenue projections, and strategies are correct and consistent with their organizational objectives and support the goals and growth objectives formulated by the Management Team. Planning leads are required to review and ensure that their inputs are consistent with their organizational business and strategic focus and with "THE CONTRACTOR" strategic direction and guidance.

Approval

The OU and BD Planning Leads are not required to provide approvals for any element of the PAB process

2.4.4.4 OU and BD Technical Director**Responsibilities**

The Operating Unit and Business Development Technical Directors are responsible for coordinating and developing technology roadmaps that support the LRSP growth objectives and strategies. They also coordinate all Independent Research and Development (IR&D) project ideas, perform an initial evaluation of the ideas, and coordinate and develop a set of prioritized IR&D project proposals in accordance with the "THE CONTRACTOR" IR&D Guide. The OU and BD Technical Directors serve on an IR&D Review Board that evaluates all proposed IR&D projects and makes recommendations to the Management Team for prioritizing and funding IR&D projects.

Review Criteria

Technical Directors review markets segment technology roadmaps and IR&D projects to ensure that "THE CONTRACTOR" is developing and acquiring the technologies needed to build discriminators and solutions that support the LRSP growth and financial goals. IR&D proposals are evaluated in accordance with the "THE CONTRACTOR" IR&D Guide and consistent with the "THE CONTRACTOR" budgets.

Approval

Technical Directors, in coordination with the EDST, provide lower-tier approval for all OU IR&D proposals.

2.4.4.5 Business Development (BD) Team

Responsibilities

The BD and marketing staff will work with the EDST to provide the market forecast and market trends. The BU Planning and BD Staff also provide strategic and technical elements of the LRSP and AOP.

Review Criteria

The BD Team is required to review the market forecast and market trends with the Management Team.

Approval

The BD Team is not required to provide approvals for any element of the PAB process.

2.4.4.6 Sector Planning Team

Responsibilities

The Sector Planning Team issues the Planning Guidance, acting on behalf of Sector management, to provide inputs and feedback during the PAB cycle. This team provides the Contractor timely business and technology intelligence inputs and sources. The team is responsible for reviewing and integrating the “THE CONTRACTOR” LRSP and AOP into the Sector LRSP and AOP.

Review Criteria

All reviews are done in accordance with NG and Sector policies and the annual LRSP and AOP planning guidance.

Approval

The Sector Planning Team provides the Contractor final approval of the submitted LRSP and AOP.

3—Planning

3.1 Overview

“THE CONTRACTOR” uses a formal process to establish the long-term (Long Range Strategic Plan) and near-term (Annual Operating Plan) plans for the company to perform its mission and achieve its vision of the future. The plans address complete business strategies for each line of business based on market, competitor, and internal capability assessments. As such, they encompass technical, financial, capital assets, facility, human resource, and other resource planning efforts. “THE CONTRACTOR” receives annual planning guidance from ???, which defines the company’s mission, vision, strategic goals, strategic markets, company priorities, and business-areas of emphasis. This process is documented in NG Policy A2, Planning and Review. Implementation of the policy is assigned to the NG Vice President and CFO.

The primary plans are the LRSP and the AOP. Both plans are revised annually. The LRSP covers a period of seven years and documents the long-range strategy for competing in the marketplace; it inclu”The Contractor” a market assessment, growth objectives, and strategies. The LRSP provi”The Contractor” a roadmap for growth and inclu”The Contractor” the following elements:

- ◆ Forecast of markets environment and trends
- ◆ Assessment of “THE CONTRACTOR”’s ~~the~~ current position, current strengths, and discriminators of ~~the each market~~ “THE CONTRACTOR” ~~in those markets~~
- ◆ Development of ~~the~~ objectives and strategies for success that can be translated into long-term actions
- ◆ Future strengths and discriminators needed to reach objectives

The AOP documents the near-term plans of action and budgets for implementing the strategies outlined in the LRSP. The AOP covers the first year of the LRSP in detail (monthly) and the second year with financial information summarized by quarter.

“THE CONTRACTOR” develops its plans in accordance with NG’s Sector and “THE CONTRACTOR” management guidance.

The Sector Planning Team reviews and evaluates the “THE CONTRACTOR” LRSP and AOP and provi”The Contractor” inputs and feedback to the “THE CONTRACTOR” Planning Team. The approved recommended changes are incorporated in the Final “THE CONTRACTOR” LRSP and AOP prior to their submission to Sector for inclusion in the Sector Plan.

The Sector Planning Team integrates and incorporates the “THE CONTRACTOR” inputs into the Sector’s LRSP and AOP documents. The NG Pplanning Sstaff reviews and evaluates the Sector Plans and provi”The Contractor” timely and appropriate feedback. The final plans are reviewed and approved by the NG CEO prior to the end of the calendar year.

The NG Board of Directors reviews the approved Sector LRSPs and AOPs. The NG CEO provi”The Contractor” a status report on the first year of the AOPs at each of the regularly scheduled monthly Board meetings.

3.2 Long Range Strategic Planning

The “THE CONTRACTOR” LRSP is prepared under the leadership of the EDSPT and the CFO. Throughout the planning cycle, the President issues goals and guidance to the Planning Team on the major objectives and strategies to be addressed in the plan.

The “THE CONTRACTOR” LRSP activities are initiated at a formal LRSP kickoff meeting, which is usually held on or about the date that the Sector issues its Planning Guidance. The EDSPT is responsible for holding the meeting and issuing guidance to the Planning and Budgeting Team. The Planning Team will draw on the knowledge of the BU and Sector and will follow a process that provides “The Contractor” a constructive exchange of ideas and participation at all levels of the organization, from individual contributors to senior management. Figure 3.2-1 depicts the steps followed for LRSP development. Figure 3.2-2 illustrates the high level exchange of information in the LRSP process.

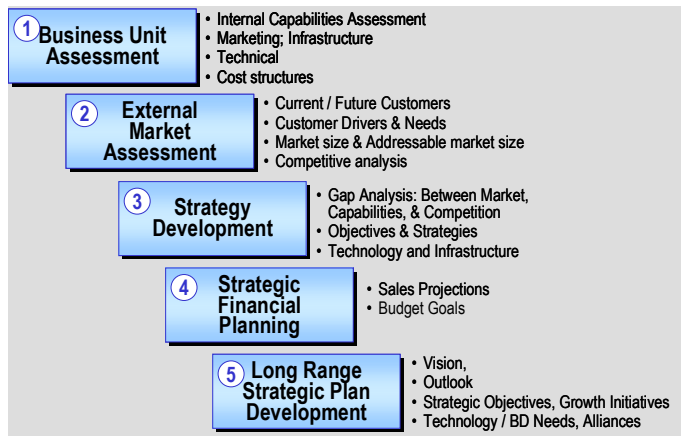


Figure 3.2-1. LRSP Steps

Table 3.2-1 details ~~a notional schedule of~~ the key LRSP activities. The specific dates will vary year-to-year depending on the PAB Calendar and other BU and Sector events. At the start of the year, Sector issues a Planning Calendar and the CFO issues the PAB Calendar. The PAB Calendar includes “The Contractor” the Sector milestones and the “THE CONTRACTOR” milestones. ~~After the PAB Calendar is released, the “THE CONTRACTOR” Integrated Master Planning Schedule is completed and distributed to the “THE CONTRACTOR” Planning and Budget Team.~~

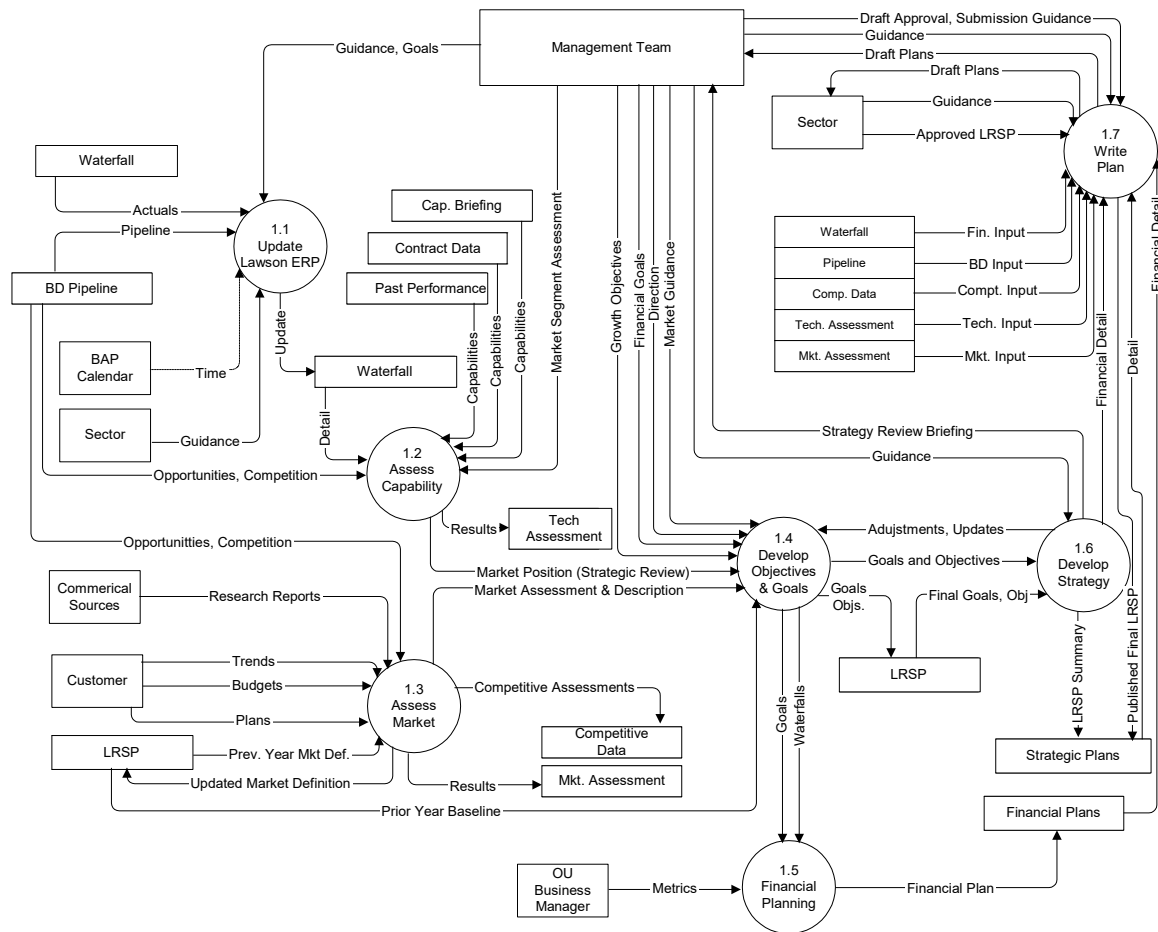


Figure 3.2-2. LRSP Dataflow

Table 3.2-1. Long Range Strategic Plan — Notional Schedule

Milestone/Activity	Responsibility	Date (Notional)
1. Revise & Review Top-level Strategies & Objectives	"THE CONTRACTOR" Management Team	January
2. "THE CONTRACTOR" LRSP Kickoff & Guidance	EDSPT	Feb. 7
3. "THE CONTRACTOR" Operating Units prepare and submit Waterfall	OUBMs	Bi-monthly
4. Growth Objectives & Strategies	"THE CONTRACTOR" Planning Leads	Feb. 8 – 20
5. "THE CONTRACTOR" Consolidate Waterfalls	Financial Planner	Feb.20
6. Sector LRSP Kickoff & Guidance	Sector Planning	Feb.20
7. Meet with Management Team to Finalize Objectives & Strategies	EDSPT	Feb. 21 – 28
8. Prior Year Strategy Review Briefing & LRSP Markups	Planning Leads	March 6
9. "THE CONTRACTOR" Strategy Review Briefing — Draft	EDSPT	March 12
10. Markets and Competitive Assessment	"THE CONTRACTOR" and Sector Planning Teams	March 15
11. Comments on "THE CONTRACTOR" Strategy Review Briefing	Management and Planning Teams	March 13 – 23
12. Review "THE CONTRACTOR" Strategies with Management Team	EDSPT	March 13 – 27
13. "THE CONTRACTOR" Financial Planning LRSP Kickoff	Financial Planner	March 15
14. Sector Strategy Review Dry Run with Sector Strategic Planner	EDSPT and President	March 25
15. Final "THE CONTRACTOR" Strategy Review Briefing	EDSPT	March 27
16. Sector Strategy Review	"THE CONTRACTOR" Management Team	April 2 – 3
17. Updated "THE CONTRACTOR" Consolidated Waterfalls	Financial Planner	April 7
18. "THE CONTRACTOR" LRSP — Internal Draft	EDSPT	April 10
19. "THE CONTRACTOR" LRSP — Internal Draft — Feedback	"THE CONTRACTOR" Planning Team	April 10 – 24
20. "THE CONTRACTOR" LRSP — Sector Draft	EDSPT and Financial Planner	May 1
21. Feedback on "THE CONTRACTOR" LRSP — Sector Draft	Sector Planning Team	May 8

Milestone/Activity	Responsibility	Date (Notional)
22. Final comments on "THE CONTRACTOR" LRSP	"THE CONTRACTOR" Planning Team and Management Team	May 2 – 14
23. "THE CONTRACTOR" LRSP — Final	EDST	May 20

The EDST will issue the market assumptions, trends, and forecasts that assist the members of the Planning Team in preparation of their plans, including guidance on specific issues to be addressed. The Planning Team prepares draft and final inputs for the LRSP that address all of the programs, market segments, business areas, and company operations of "THE CONTRACTOR".

The EDSPT will proactively coordinate ideas and inputs for the LRSP and Strategy Review Briefing from each OU and the Staff Managers. The EDST is responsible for producing the "THE CONTRACTOR" Strategy Review Briefing. The format and content of the briefing is provided as part of the annual Sector Strategic Planning Guidance. In general, the briefing follows the same outline topics as the LRSP.

The EDSPT and Financial Planner are responsible for consolidating the OU strategies and initiatives, preparing the LRSP, and coordinating the resolution of any issues identified during business unit or Sector reviews. The President and CFO review and approve the BU plan. When approved by the President, the total plan is submitted to Sector and distributed to the Planning and Budgeting Team by the EDSPT.

3.2.1 Business Unit Assessment

The Management Team, supported by Staff Managers and Planning Team, performs an assessment of the "THE CONTRACTOR" market position. Among the questions answered as part of the internal business unit assessment include:

- ◆ What business are we in, including a definition of the markets and market segments?
- ◆ Who are our customers?

◆ ~~How will we differentiate ourselves from our competition?~~

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3.2.2 Market and Competitive Assessment

Market and competitive assessments will be based on the market segmentation of the business area. The business areas, market segments, and market sub-segments will be defined by the EDSPT, in coordination with the Management Team, the Planning Team, and Sector Planning Staff.

The prior year LRSP will be the baseline for the market and competitive assessments and potential sources of business intelligence reports. The assessments address the following questions:

- ◆ What is our market position? Where we are today?
- ◆ Where are our markets going?
- ◆ What is our role in that market evolution?

◆ How will we differentiate ourselves from our competition?

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- ◆ How we will achieve market segment growth and an enduring competitive advantage within each market segment?

For each market sub-segment, the EDSPT and the Planning Leads will develop a market and competitive assessments, which include "The Contractor":

- ◆ Market trends
- ◆ Market size and addressable market size
- ◆ Market growth
- ◆ Our position in the market, segment revenues, and relative market share
- ◆ Competition, their market position, strengths, and weaknesses

The market assessment will be based on various business intelligence sources:

- ◆ Sector business intelligence
- ◆ Customer's budget documents
- ◆ Market research report from companies such as Frost and Sullivan, Gartner Group, and Input

The market assessment will be summarized in the Strategy Review Briefing and included as appendices in the LRSP.

3.2.3 Strategy Development

The strategic development and growth objectives and strategies are growth tools can be used to grow the business in accordance with management guidance. The strategic objectives, market outlook, and growth initiatives are presented to "THE CONTRACTOR" and Sector in the form of a presentation, *The Strategy Review*, and reflect the assessment conducted under 3.2.2.

The objective of strategy development provide "The Contractor" a roadmap for growth. The combined organization will be used to specify objectives and end states for the future, identify strategies based on current strengths and discriminators, develop future strengths and discriminators to reach the objectives, identify and analyze competitors, and identify growth initiatives and key program opportunities to respond to assessment results.

3.2.4 Long Range Strategic Financial Planning

The basis for the LRSP and AOP sales, margin, acquisition, and gross bookings forecasts are the detailed operating unit waterfalls. Figure 3.2.4-1 illustrates a "typical" waterfall. The waterfall is an excel-based forecasting tool for sales, margin, acquisitions and gross bookings. The format of the waterfall is prescribed by the EDSPT and CFO and disseminated to the OUs in early January. The waterfall template contains the following key attributes that are directly related to doing business with the U.S. Government:

- ◆ Type of overhead pool
- ◆ Program start date

- ◆ “THE CONTRACTOR” performing operating unit
- ◆ Type of sales: (Prime, Sub, Intra NGIT, or InterSector)
- ◆ Business area
- ◆ Market segment
- ◆ Market sub-segment
- ◆ Customer domain (DoD, DoD FMS, International Direct, Civil Federal, Commercial, and State and Local)
- ◆ DoD branch (Customer level two)
- ◆ Contract type (Cost, Fixed, T&M, etc.)
- ◆ Waterfall category (Base, Stretch, Recompete, New)
- ◆ Capture probability
- ◆ Return on sales (ROS%)

Revenue Projections			
Base	Program Information (Contract ID, POP, Funding levels, etc.)	Budget Year Projections by Month	Year Two Projections by Quarter
Stretch			
New			
Totals by Period			

Margin Projections			
Base	Program Information (Contract ID, POP, Funding levels, etc.)	Budget Year Projections by Month	Year Two Projections by Quarter
Stretch			
New			
Totals by Period			

Figure 3.2.4-1. Typical Waterfall

Sales and margin projections, categorized as Base in the waterfall, are derived from program EACs for contracts where contract value exceeds one million dollars and from program budgets for contracts where EACs are not required. Re-compete and Stretch categories are projected based on historical experience (or a proposal if one has been submitted). New business projections are estimated top-down; (using headcount and an average labor rate and burden factor), or bottoms up (using cost element-of-cost data) or both.

The OUBM's are responsible for consolidating inputs received from divisions and departments in their OU.

Each OU holds waterfall reviews with its OUGM prior to submitting to the Financial Planner. The OUGM approves the waterfall prior to its submission to the Financial Planner. The OUBM's work closely with OU and BD Planning Leads to ensure the business projections are realistically estimated in the waterfall.

The OU waterfalls are consolidated for the BU and the key attributes, as noted above, are summarized for the BU. This data is used to generate the Income Statement and Balance Sheet and other required reports for the LRSP. Prior year actual results and the current year Indicated Final (defined in Section 4.4.2) results are used as benchmarks to validate the goals and the supporting financial statements for the LRSP Financial Plan. A ~~soft~~-copy of the consolidated BU waterfall, and summary level attribute metrics, is provided to the Planning Team for review and analysis.

The EDS~~PF~~ and the Financial Planner work closely to integrate the BU's strategic objectives and Financial Plan. This ensures consistency in the plan submissions.

Supplemental data used to generate the Financial Plan inclu~~de~~"The Contractor" the following:

- ◆ Employment outlook and headcount
- ◆ Facilities square footage requirements, current and projected
- ◆ Capital requirements
- ◆ Future investment requirements
- ◆ Current and future ordination of Intra- and Inter-company work efforts
- ◆ Labor escalation
- ◆ Acquisition backlog

The President and CFO review the Financial Plan. Key metric goals are finalized and approved for the BU by the President and CFO. The President determines achievable but challenging goals for the BU. Changes to the Financial Plan are made to incorporate any new guidance prior to its submission to Sector.

Key goals generally are:

- ◆ Sales and margin
- ◆ Acquisition
- ◆ Gross bookings
- ◆ Net cash
- ◆ Net working capital ratio
- ◆ Open AR (days sales outstanding)
- ◆ Capital requirements

The approved seven-year Financial Plan is submitted to the Sector –using the Hyperio~~n~~ Financial Management (HFM) database. NG uses HFM to collect and consolidate plan inputs for the company. HFM is a web-based application with a single centralized database. This allows for increased data integrity and greater collaboration across the company.

A BU financial narrative is consolidated into the Sector's LRSP. This narrative provi~~de~~"The Contractor" insight into how the financial data was generated by identifying assumptions and key programs. The narrative also provi~~de~~"The Contractor" a comparison to the prior year plan with variance explanations.

3.2.5 LRSP Development

Using the approved Strategy Review presentation and other planning data, the EDSPT integrates and consolidates the final LRSP document. The Financial Planner submits the final financial data to the LRSP in HFM. Figure 3.2.5-1 gives the LRSP a high-level table of contents that is used to write the document. The annual guidance contains an updated outline and template for the LRSP.

- Executive Summary, Business Unit “The Contractor” Vision, Mission, and Current Activity
 - Vision
 - Mission
 - Current Activity: Seven-year outlook
- Business Area Strategic Plans
- Expansion Initiatives
- Supporting Functional Strategies
- Business Unit Key Program Opportunities
- Appendix A Market Assessment
- Appendix B Competitive Assessment
- Appendix C Acronyms List

Figure 3.2.5-1. LRSP Table of Contents

3.3 Annual Operational Planning

The AOP is developed following the completion of the LRSP. Figure 3.3-1 illustrates the process and dataflow of the AOP. Figure 3.3-2 depicts the key AOP steps. The AOP is prepared under the leadership of the EDSPT and Financial Planner. The AOP shall:

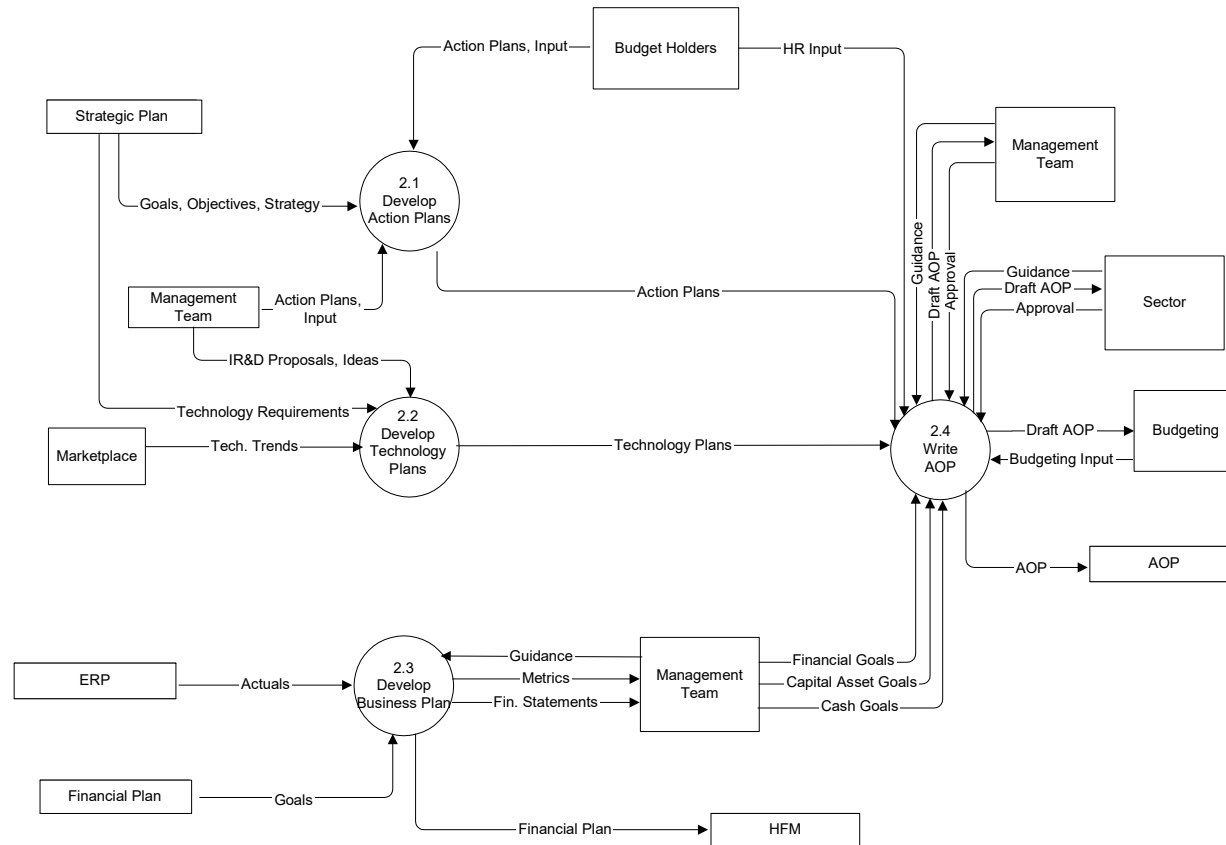


Figure 3.3-1. AOP Dataflow

- ♦ Meets the financial goals of the BU to achieve maximum shareholder value.
- ♦ Establishes the near-term actions that implement the LRSP strategies and growth objectives.
- ♦ Provides "The Contractor" a baseline for measuring performance on the near-term action plans, growth, and financial goals. These metrics are management tools for task prioritization, resource allocation, and employee performance assessment.

The Planning Team will

- ♦ Oversee the development of the AOP and manage the AOP update process.
- ♦ Review and interpret the Sector guidance and schedule. Issue BU guidance to the Planning and Budgeting Team.
- ♦ Develop electronic financial data collection templates that meet all reporting requirements.
- ♦ Serve as the focal point for all BU AOP activities, and act as an overseer to ensure plan integration.
- ♦ Prepare the proposed BU financial goals and present these goals (with recommendations) to the Management Team and Staff Managers for review.
- ♦ Develop and publish the AOP and oversee the review process.
- ♦ Coordinate the efforts to respond to all Sector issues with the plan.
- ♦ Publish and control electronic access and distribution of data involved in the preparation of the AOP, as well as sending the completed document to Sector.
- ♦ Retain documents in the electronic database.

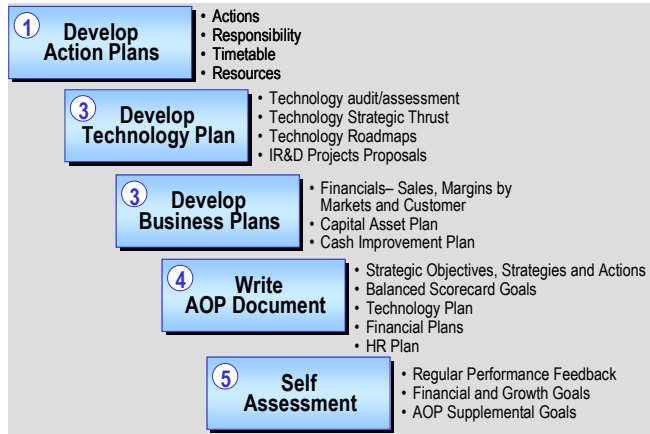


Figure 3.3-2. AOP Steps

Table 3.3-1 details a notional schedule of the key AOP activities. The specific dates will vary year-to-year depending on the PAB Calendar and other BU and Sector events. At the start of the year, Sector issues a Planning Calendar and the CFO issues the PAB Calendar. The PAB Calendar includes "The Contractor" the Sector milestones and the "THE CONTRACTOR" milestones. After the PAB Calendar is released, the "THE CONTRACTOR" Integrated Master Planning Schedule is completed and distributed to the "THE CONTRACTOR" Planning and Budgeting Team.

Table 3.3-1. Annual Operating Plan — Notional Schedule

Milestone/Activity	Responsibility	Date
1. "THE CONTRACTOR" AOP Kickoff	EDSPT	July 7
2. Sector AOP Kickoff	Sector Planning Team	July 22
3. OU AOP Actions Plan	OU and BD Planning Leads	July 31
4. "THE CONTRACTOR" AOP — "THE CONTRACTOR" Draft	EDSPT & Financial Planner	Aug. 18
5. AOP Supplemental Goals Meeting	Sector Planning Team	Aug. 18
6. "THE CONTRACTOR" AOP — "THE CONTRACTOR" Draft Feedback	Planning Team and Management Team	Aug. 31
7. "THE CONTRACTOR" AOP — Sector Draft	EDSPT & Financial Planner	Sept. 19
8. "THE CONTRACTOR" AOP — Sector Draft Feedback	Sector Planning Team	Sept. 24
9. "THE CONTRACTOR" AOP — Final	EDSPT & Financial Planner	Oct. 24
10. Roll-over of plan	Financial Planner	Jan. 24
11. "THE CONTRACTOR" AOP Goals Self-Assessment	EDSPT	Dec. 12
12. Financials Indicated Finals Updates	Financial Planner	Monthly

3.3.1 Develop Action Plan

The OU Planning Leads and Staff Managers develop action plans for each strategy in the LRSP for the first two years of the planning period. The action plans are developed as tables to be incorporated in the AOP and include the following:

- ◆ Action statement
- ◆ Responsible persons
- ◆ Suspense date

3.3.2 Develop Technology Plan

A Technology Plan that supports the strategies outlined in the LRSP is developed. Technology acquisition is done through various means, including contracts, key hires, alliances, Contract Research and Development (CRAD), Cooperative Research and Development Agreement (CRDA), and IR&D. The **Technical Director (TD) EDSPT** follows the steps outlined in figure 3.3.2-1 to develop the Technology Plan. The IR&D program is managed in accordance with the "THE CONTRACTOR" IR&D Procedure.

The ~~EDSTD~~, in concert with the OU Technical Directors, follow the steps outlined in figure 3.3.2-1 to develop the Technology Plan. The OU Technical Directors are responsible for coordinating and developing the technology roadmaps that support the LRSP growth objectives and strategies. They also coordinate IR&D project ideas, perform an initial evaluation of the ideas, and coordinate and develop a set of prioritized IR&D project proposals ~~and present the information to the “THE CONTRACTOR” Management Team, in accordance with the “THE CONTRACTOR” IR&D Guide. The OU and BD Technical Directors serve on an IR&D Review Board that evaluates all proposed IR&D projects and makes recommendations to the Management Team for IR&D priorities and funding.~~

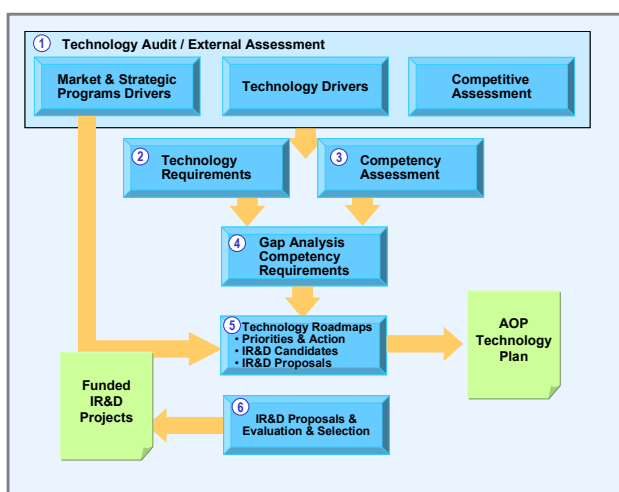


Figure 3.3.2-1. Technology Management Steps

3.3.3 Develop Business Plan

The components of the Business Plan of the AOP are:

- ◆ Financial Plan
- ◆ Capital Asset Plan
- ◆ Net Cash Improvement Plan
- ◆ Financial Summary by Operating Unit

The OU waterfalls are updated each month. The most current waterfall projection is used to generate the AOP.

The Business Plan is finalized for the first two years, and is then reviewed and approved by the President and CFO. The approved Business Plan and LRSP update are submitted to the Sector using HFM. The Sector President and Sector CFO review the Business Plan and provide feedback. Changes are incorporated as required.

Rollover of the plan occurs every January, which incorporates a **final B**alance **S**heet for the prior year.

3.3.4 Write the AOP

The EDS**P****T** merges the various inputs into a narrative AOP that inclu**T**he Contractor” the sections listed in Figure 3.3.4-1. The EDS**P****T** then coordinates the draft with those who provided their respective section inputs to ensure accuracy.

- Executive Summary, Financial Summary, Objectives, Strategies, and Actions
- Balanced Scorecard
- Appendix A Financial Plan
- Appendix B Capital Asset Plan
- Appendix C Technology Plan
- Appendix D Cash Improvement Plan
- Appendix E Human Resources Plan

Figure 3.3.4-1. AOP Table of Contents

3.4 LRSP and AOP Distribution

Business Plans, both LRSP and AOP, are submitted to Sector using HFM. The Planning and Budgeting Team is provided copies of the AOP by the EDS**P****T**.

3.5 AOP Supplemental Goals Report

The Reporting Manager assesses the financial supplemental goals on a monthly basis and provi**T**he Contractor” that analysis to the EDS**P****T**. The EDS**P****T** assesses the non-financial supplemental goals on a monthly basis. The EDST consolidates the financial and non-financial supplemental goals and presents them at the Monthly Operating Review (MOR) held by the President. Every year in December, the EDS**P****T** compiles and issues a final year-end Supplemental Goals Report.

4—Budgeting

4.1 Overview

4.2 Budget Preparation Process

There are six primary steps identified in the dataflow chart illustrated in Figure 4.1-1. Each of these steps are below and will be “The Contractor”cribed more fully in the following sections.

1. Forward Pricing Initiation
2. Data Collection
3. Development of Budgets and FPRA
4. Review
5. Government Submission
6. Dissemination

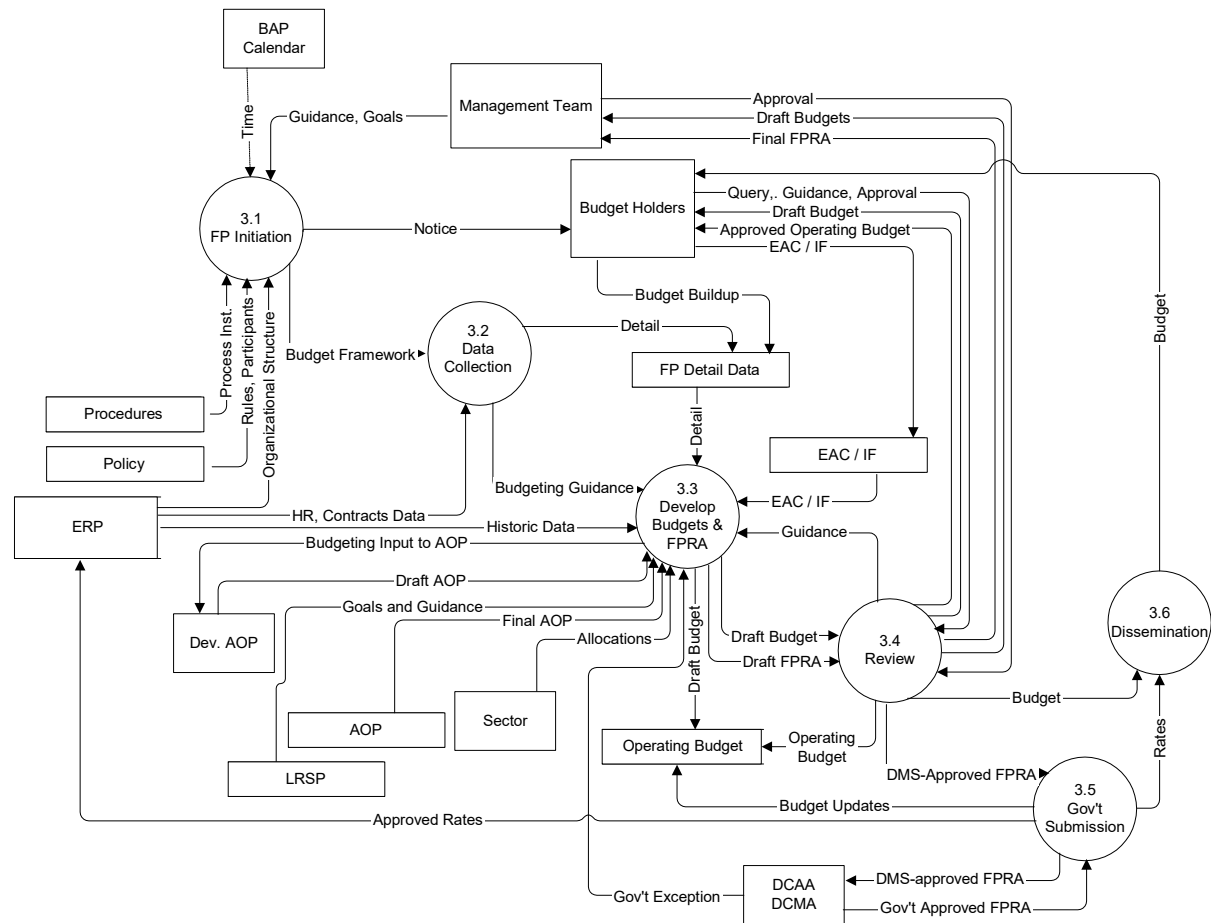


Figure 4.1-1. Budgeting Level Two Dataflow Model

Forward Pricing Initiation

The first step of the Budget Preparation process is initiation of forward pricing. Forward pricing is the basis for our current year and forward year provisional bidding and billing rates, as well as our internal operating budgets. The GCM provides The Contractor all relevant details related to corporate and regulatory policies and procedures to the Planning and Budgeting Team. The BM provides The Contractor guidance, instructions, a common budgeting tool and key deadlines to the Budgeting Team and the Budget Holders. Guidance includes The Contractor future growth rates, escalation factors, changes to employee benefits, and any other relevant changes and assumptions to the overall indirect rate structure. An appropriate timeline, as set forth in the PAB Calendar, is also established to allow for timely completion of the budgeting effort, as well as to ensure all required levels of review and approval are completed.

Data Collection

The second step of the Budget Preparation process is data collection. The Budget Holders retrieve data from the Enterprise Resource Planning (ERP) system for estimating purposes. This data typically consists of pertinent employee related data, including headcount, salaries, escalation averages, and labor attributes such as the fringe classification, overhead classification, segment classification, and facility location for each employee. The Budget Holders also collect contract data and EACs for budget estimating purposes.

Develop Budgets and FPRA

The third step of the Budget Preparation process is to develop budgets and the FPRA. The Budget Holders and Budgeting Team utilize the collected ERP and contract data to develop the draft budget. The draft budget is for the first year only and is completed by (1) assigning all employees to a final cost objective, either a contract or an indirect objective, and (2) assigning non-labor expenses for all direct and indirect objectives. The Budget Holders and Budgeting Team perform an analysis on the draft budget before it is reviewed by the Management Team. The analysis includes The Contractor comparing the draft budget against historical data, LRSP data and AOP data for indirect objectives and direct objectives. For direct objectives, contract performance (sales, margin, cost, EACs and staffing levels) is analyzed. The analysis also confirms that the goals and guidance identified by the Management Team are being met prior to their review. Finally, the analysis confirms the growth information for specific contracts and cost components, and establishes an appropriate baseline from one planning period to the next.

Development of the first budget revision includes The Contractor (1) updating the first year based on guidance received in the review cycle, (2) developing budgets by contract for years two through five and (3) calculating indirect rates for years one through five. The first budget revision is completed by the Budget Holders and Budgeting Team and is reviewed by the Management Team.

Development of the final budget includes The Contractor updating years one through five based on guidance received in the review cycle and calculating final indirect rates.

Review

The fourth step of the Budget Preparation process is the review cycle. All three revisions of the budget (draft, first and final) are reviewed in the same manner. Consistent with Sections

2.1 and 2.2, budget information is provided to the proper level of management for review and approval. The budget continues to escalate up the organization until it is approved by the President. The review criteria and approval required is specifically determined at each level of the organization and for each unique functional position. With each approval, additional guidance or goals are provided to and incorporated by the Budget Holders and Budgeting Team.

Government Submission and Dissemination

The fifth step of the Budget Preparation process is Government submission and internal distribution. The GCM prepares and submits the completed FPRA package to the Government. The Government reviews the FPRA and either approves the rates or takes an exception to the rates or a rate. If the Government has an exception that requires a budget revision, the aforementioned step three is repeated until all concerns are addressed and resubmission occurs. The budget and the submitted indirect rates are disseminated by the BM to the Planning and Budgeting Team. The rates are also entered into the ERP system to ensure proper costing, burden application and billing.

4.3 Budget Timelines

Budgets are prepared and approved on an annual basis. The annual FPRA is due 45 days prior to the start of the new calendar year. Consistent with Section 4.5, Budget Revisions, both the budget and the FPRA may be revised throughout the year if permanent variances are discovered and confirmed. Annually, however, the budgeting process begins approximately four months prior to the FPRA submission with a budgeting kickoff meeting that is held by the BM. The BM prepares and distributes the budgeting schedule. This schedule lists the approximate dates for key events and deliverables during the budgeting process. Dates are established with the intent to ensure that sufficient time is provided for the preparation, review, and timely submission of the budgets and FPRA. The budgeting schedule is consistent with the PAB Calendar.

4.4 Budget Preparation Controls

Budget preparation controls are extremely important to our PAB process. These controls ensure that deadlines are met, reviews are held and the proper approvals are obtained. There are five control functions that govern our budget preparation process. They are (1) timeliness, (2) budget consistency, (3) budget integrity, (4) approval and (5) distribution. These five areas of control are provided in greater detail below.

4.4.1 Timeliness

The BM is responsible for ensuring that all budgeting milestones identified in the PAB Calendar and in the budgeting schedule are met in a timely manner. During the annual budgeting cycle, the BM holds weekly reviews where progress from the Budgeting Team and Budget Holders is reported. The BM tracks, monitors, and reports the progress to the CFO weekly.

4.4.2 Budget Consistency

The BM is responsible for ensuring that there is consistency throughout the budget process. At the start of the budgeting cycle, the BM distributes specific guidelines and instructions to the Budgeting Team and Budget Holders. During the budgeting cycle, the BM reinforces the guidelines and instructions and provides "The Contractor" additional instructions as necessary.

Budget consistency is implemented in this way to ensure (1) a standard budgeting model and submission form is used, (2) the historical data basis for forward estimation is consistently applied across the PAB organization, (3) all PAB results are compared to goals and guidelines provided by the Management Team for consistency with the LRSP and AOP, and (4) the proper reviews are conducted and approvals are documented.

4.4.3 Budget Integrity

The BM is responsible for ensuring budget integrity. Budget integrity is achieved by (1) utilizing a consistent basis of prior year comparison of historical actual results. This is mandated and enforced by the forward pricing steering committee, (2) utilizing human resources provided data for labor base budget buildup. Ensures consistency, repeatability, and traceability of process by receiving exactly the same data from the same functional organization whenever data is needed, (3) utilization of consistent budget buildup templates provided by Sector or the BM, (4) utilization of consistent guidelines and rules provided at the kickoff meeting and updated as necessary and (5) utilization of consistent review and approval practices documented in Sections 2.1 and 2.2 of this document.

4.4.4 Approval

As specified in Section 2.1, “THE CONTRACTOR” enforces an escalating approval process for all PAB elements that require approval. As specified in Section 2.2, all prior intermediate approvals must be provided and documented before the next level of approval or the final approval can be provided. The approval process is further controlled by (1) the mandatory use of approval sign-off sheets, which must be provided with submission to next level and shall demonstrate and document that data have been reviewed and approved, in either draft or final form, (2) approval occurring based on a predetermined timeline for data submission to the next approval level, (3) requiring the return of a data package to the data owner for review and rework if approval is not provided and (4) a budget cycle that automatically repeats itself until all approvals are provided and documented.

4.4.5 Distribution

The BM ensures distribution of all relevant data or information to the Planning and Budgeting Team through the weekly review process.

4.5 Budget Performance Monitoring

Overview

“THE CONTRACTOR” monitors and reports actual budget performance on a monthly basis. Figure 4.4-1 illustrates the dataflow for our budget performance monitoring process. The five primary areas of this process are as follows:

1. Variance reports
2. Indicated final
3. Corrective action and permanent variances
4. EACs
5. DCAA and DCMA Reporting

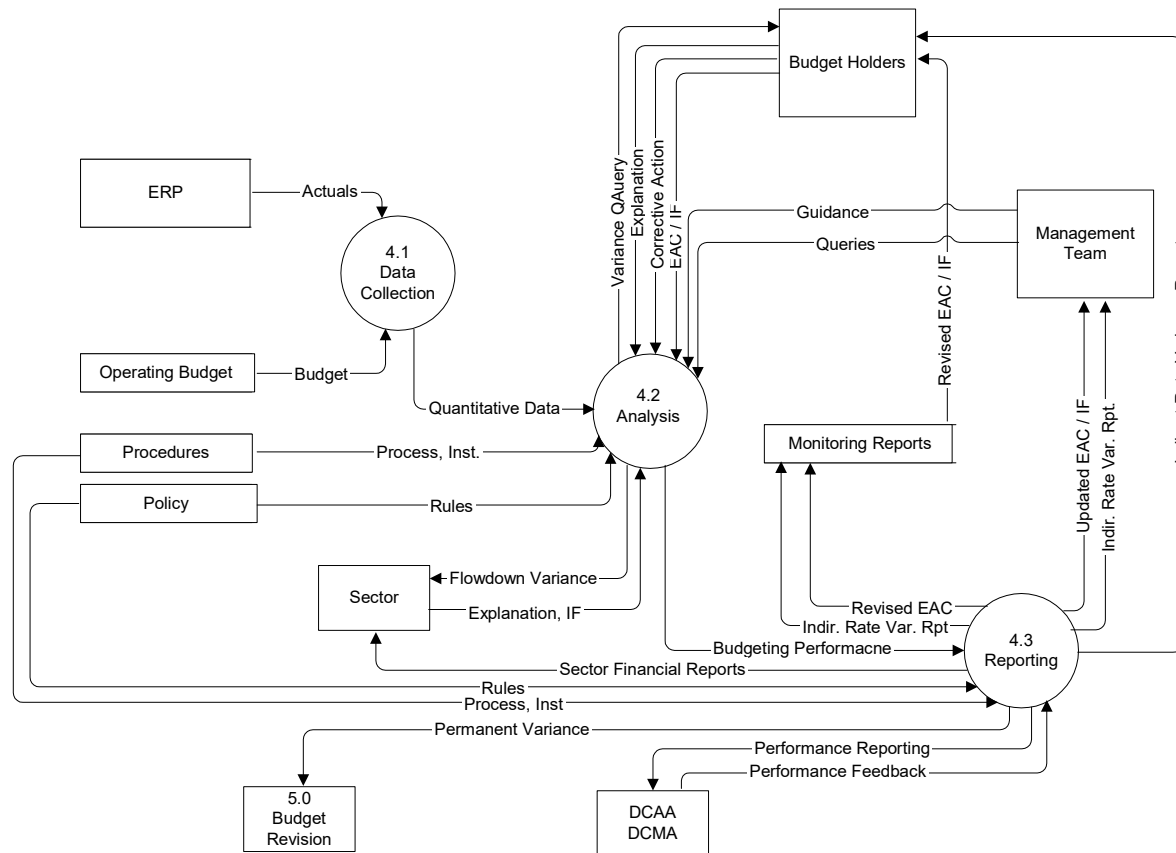


Figure 4.4-1. Monitoring Level Two Dataflow Model

4.5.1 Variance Reports

The BM prepares summary and detailed indirect rate variance reports on a monthly basis. These reports are prepared for all indirect objectives. The process of preparing these reports involves (1) data collection, (2) analysis and (3) reporting. Each of these steps is detailed below.

Data Collection

The reporting tool of our ERP is an application named Seagate. Seagate is capable of generating standard reports or executing direct data queries. The actual performance data we use are retrieved from Seagate through a direct data query. The seven data fields below are retrieved each month for all costs recorded in the ERP.

Data Field	Field Definition
Responsible company	Identified the general ledger in the ERP
Operating unit	Identifies the "THE CONTRACTOR" operating unit
Accounting unit	Identifies the "THE CONTRACTOR" operational organization
Activity number	Identifies the contract or indirect objective
Account category	Identifies the element of cost type
Account category "The Contractor"cription	Identifies the element of cost type "The Contractor"cription
Amount	Identifies the amount of the transaction

Analysis

The summary report has a standard format, which includes "The Contractor" (1) the actual pool and base for each indirect rate, (2) a comparison of the actual calculated rate to the budgeted rate, and (3) the over or under applied amount for each pool. The BM completes the summary report by the first Friday following the month-end close and distributes it to the Budget Holders and the Management Team.

The detailed report has a standard format that details the variance between the year-to-date (YTD) actual cost and the YTD budget. Variances are reported for each account category in the FPRA submission. All account category variances that exceed 10 percent of the budgeted dollars and \$100,000 must be explained and a corrective action plan must be put in place. The detailed report is completed by the fifteenth day of the month. The detailed report is distributed by the BM to the Budget Holders, Management Team and Sector. The Budget Holders are required to explain all variances that meet the threshold requirement for their indirect budget. The Budget Holder must provide an explanation and the corrective action that will be implemented to bring the cost back to budget by calendar year end. The Management Team reviews the detailed report and provides "The Contractor" feedback and questions to the BM. The Sector explains all Sector flowdown variances that meet the threshold requirement. All variance explanations and corrective action plans are reported to the BM. The BM records and tracks the variances and corrective action plans on a monthly basis.

Reporting

Once the BM has received all variance explanations and corrective action plans, the detailed report is updated and sent to the Budget Holders and Management Team. The Management Team reviews the updated detailed report and requests additional explanations or clarifications, if necessary, and provides “The Contractor” guidance or approval to the Budget Holders regarding corrective action plans. This is an iterative process between the Management Team, Budget Holders, and the BM until all variances are understood and all required corrective action plans are approved.

When the monthly variance reports are final, the BM distributes them to the Management Team and Budget Holders. The reports are also posted on the “THE CONTRACTOR” finance directory located on the Sector network.

4.5.2 Indicated Final

An Indicated Final (IF) is an estimate at year-end for an indirect budget. Every year for the months March through December the BM prepares and reports an IF for each indirect pool.

The actual YTD cost for each indirect pool is obtained from the detailed indirect rate variance report. Indicated finals are prepared for each account category in the FPRA submission. The BM prepares an IF for all indirect pools except overhead. The BM also receives and incorporates the Sector IF for all Sector allocations. The Budget Holders prepare the IF by OU for each overhead pool. When completing the IF, the BM and the Budget Holders evaluate and consider the original budget, the YTD actual cost, historical trends, program budgets and EAC’s. The Management Team provides “The Contractor” guidance and input to the BM and to the Budget Holders during the IF preparation process.

The BM receives, consolidates and reviews all the IFs. The BM discusses the IFs with the Budget Holders. This is an iterative process until the IFs are understood by the BM. The BM leads a meeting with the Budget Holders and the Management Team to review the consolidated IF. The Management Team reviews the IF for accuracy and provides “The Contractor” approval.

4.5.3 Corrective Action and Permanent Variances

During the review of the IFs, all significant variances between the FPRA and the IF are discussed. The Management Team will query the Budget Holders during the MOR as to the cause of the significant variance. The Management Team will provide guidance to the Budget Holders on what corrective action should be taken to mitigate the variance by the end of the year. The agreed upon corrective action is documented on the IF next to the account category that contains the significant variance. The Budget Holders and BM monitor and report monthly at the MOR on the effectiveness of the implemented corrective action. A corrective action is considered effective if the subsequent month variance for the account category is below the variance threshold. If the corrective action implemented is not effective, the Budget Holders work closely with the Management Team to identify a corrective action that may be taken to mitigate the variance by the end of the year.

If implemented corrective actions have no significant impact on reducing the variance after three months, then the variance is determined to be permanent. Permanent variances may result in a Budget Revision as defined in Section 4.5.

4.5.4 EACs

EACs are submitted quarterly to the Staff Business Manager from the Program Manager on the twentieth day of March, June, September and December. The FPRA indirect rates are used to create or update EAC calculations.

If the FPRA rates are revised, the EACs may indicate a profit impact for a particular contract. All profit impacts that exceed \$10,000 will result in a fee adjustment. If the profit impact exceeds \$100,000, a fee adjustment will be recognized in the ERP in the month that the EAC is completed. If the profit impact is greater than \$10,000 but less than \$100,000, a fee adjustment is recognized in the ERP in the following month.

If the EAC indicates an overrun on a cost plus contract, the cognizant contracts administrator is notified for their action.

4.5.5 DCAA and DCMA Reporting

On a monthly basis, the BM and the GCM provide information to and meet with DCAA and DCMA representatives to discuss the YTD budget performance. DCAA and DCMA have a standard report that the BM completes and submits each month. This standard report summarizes the YTD actuals compared to the YTD budget for each indirect pool. The BM and GCM are required to explain significant variances and must indicate if any of the variances are permanent or may become permanent. If permanent variances exist, “THE CONTRACTOR” informs DCAA and DCMA if a budget revision will be made. DCAA and DCMA provide feedback to “THE CONTRACTOR” in the monthly meeting.

4.6 Budget Revisions

A dataflow diagram of the budget revision process is shown in Figure 4.5-1.

The budget is “THE CONTRACTOR”’s financial guideline for monitoring and controlling cost in order to sustain its short- and long-range strategic goals. “THE CONTRACTOR” has implemented policies and procedures to monitor and revise, if necessary, its FPRA budgets.

“THE CONTRACTOR” has an established policy that requires it to annually submit and monitor the FPRA with the Government and to submit periodic FPRA submissions as the cost monitoring process requires.

This specifically:

- ◆ Ensures that “THE CONTRACTOR” monitors and reports actual performance compared to FPRA budgets; it also ensures that variances are identified and reported, and that corrective action, if any, is discussed.
- ◆ Ensures that all appropriate corrective actions and required budget revisions are implemented in a timely manner.

4.6.1 Justification

Revisions to the FPRA budgets result from the Management Team determining that a permanent variance will result in a significant financial impact to the BU or will result in a significant variance to one or more indirect rates.

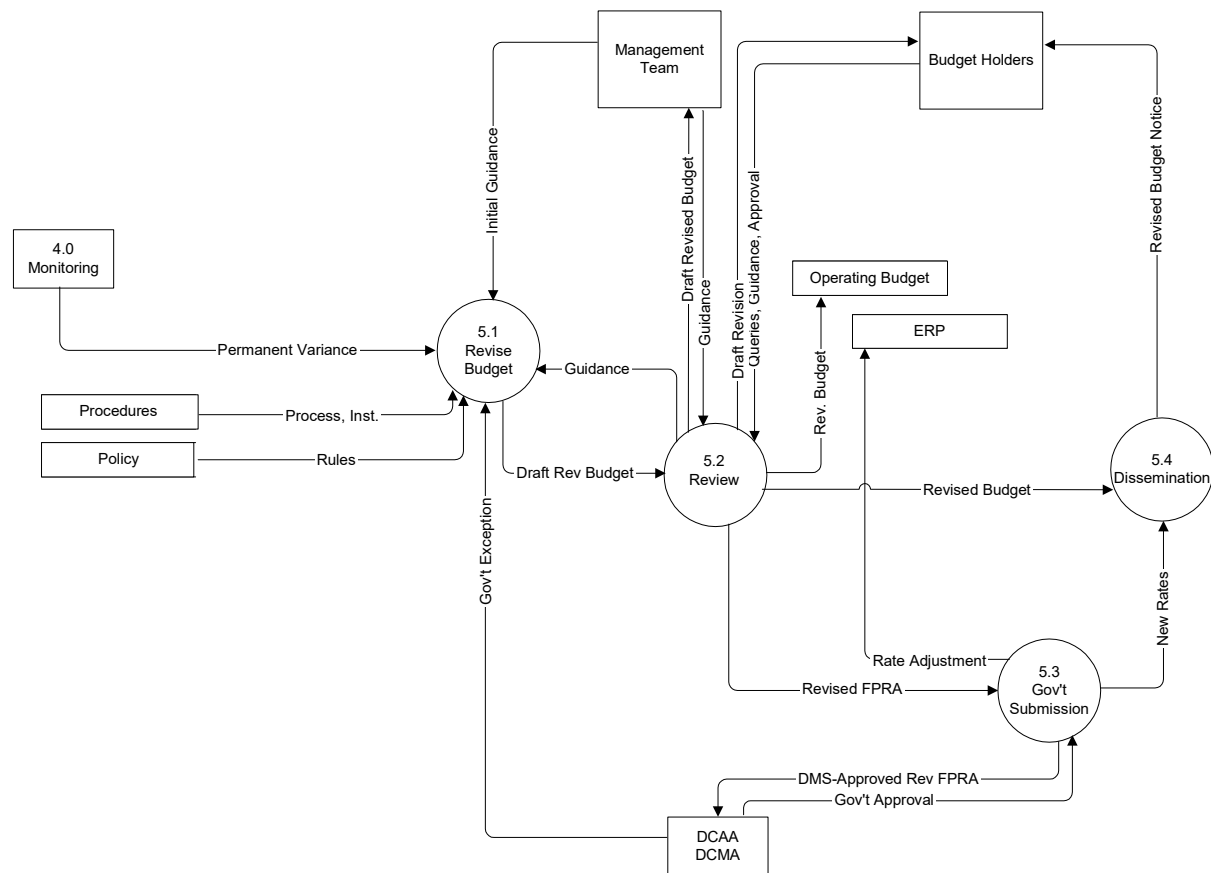


Figure 4.5-1. Budget Revision

4.6.2 Timeliness

Budget and FPRA revisions shall be submitted, as required, after six months, nine months, and at the end of the fiscal year. In addition, if warranted based on analysis performed in the monitoring process, revisions may occur at different times. Budget and FPRA changes that have a financial impact on the BU should be disclosed and corrective action should be taken at the earliest possible time.

4.6.3 Responsibility

Budget Holders are responsible for revisions to their individual budgets. It is their responsibility to identify and propose revisions where corrective actions have failed to resolve significant threshold variances either as a result of cost issues or technical performance issues. Additionally, the Management Team may impose corrective action based on changes to the strategic plans of the BU.

4.6.4 Review

The Management Team requires that significant variances to budget, which will have significant financial impact, should be disclosed as soon as practical. The President holds a MOR where the Management Team and Budget Holders review the monthly operations and discuss variances to the FPRA budgets. This process results in an interactive communication between the Management Team and Budget Holders on operations performance. FPRA budget revisions will be discussed as to their impact on the business unit.

4.6.5 Approval

The revised forecast requires the same levels of review and approval that are associated with the original FPRA budgets.

4.6.6 Government Submission

The GCM is responsible for delivering the revised FPRA budgets to DCAA and DCMA. The GCM is also responsible for coordinating and overseeing the review of the revisions.

4.6.7 Dissemination

The revised FPRA budgets are distributed to the Budget Holders and BM as the basis for comparative analysis in controlling costs relative to the operational and strategic plans of the business unit.

Concurrently, the revised FPRA budgets are submitted to DCAA and DCMA for acceptance as the most current, complete, and accurate rates.

Appendix A — Acronym List

Acronym List

Acronym	Full Title	"The Contractor" Description
AOP	Annual Operating Plan	Documents the near-term plans of action and budgets for implementing the strategies outlined in the LRSP
BAP	Business and Planning	
BD	Business Development	
BM	Budgeting Manager	Tracks, monitors, and reports progress of tasks in the PAB calendar daily and ensures all budgets are made for all operations of "THE CONTRACTOR"
BU	Business Unit	
C3I	C3I Systems	One of the four operating units in "THE CONTRACTOR"
CEO	Chief Executive Officer	Provides "The Contractor" annual planning guidance by defining the company's mission, vision, strategic goals, strategic markets, company priorities, and business areas of emphasis
CFO	Chief Financial Officer	Management team leader responsible for certifying FPRA, holding reviews, goals and guidance, ensuring budgeting and planning consistency, financial control, strategic planning participant, PAB functional organization, PAB training, PAB calendar, dissemination, and PAB ownership
CRAD	Contract Research and Development	Used for technology acquisition
CRDA	Cooperative Reserved and Development Agreement	Used for technology acquisition
CSS	Combat Systems Support	One of the four operating units in the "THE CONTRACTOR"
CST	Communications and Systems Technology	One of the four operating units in the "THE CONTRACTOR"
DCAA	Defense Contract Audit Agency	
DCMA		
EAC	Estimates at Complete	
ERP		
FPRA	Forward Pricing Rate Agreement	
FPRM	Financial Planning and Reporting Manager	Prepares all financial plans applicable to the LRSP and AOP, reviews the strategic plan and market forecast to ensure financial plans are aggressive, and submits all LRSP and AOP financial plans to NGIT
GCM	Government Compliance Manager	Provides "The Contractor" goals and guidance and enforces policies and procedures to ensure compliance with all applicable regulations
HFM	Hyperion Financial Management	Web-based application with centralized database used to collect and consolidate plan inputs for the company
IR&D Program		
LRSP	Long Range Strategic Plan	Documents the long-range strategy for competing in the marketplace over a period of seven years
NGIT	"The Contractor"	
OU	Operating Unit	
OUGM	OU General Manager	Management team leader responsible for budget preparation, holding reviews, budget monitoring, budget revisions, goals and guidance, enforcing

Acronym	Full Title	"The Contractor" description
PAB	Bid and Proposal	PAB calendar, and reporting
PABM	Planning and Budget Manual	Provides "The Contractor" "THE CONTRACTOR" staff members a clear set of guidelines and processes to assure that planning and budgeting is effective and resources are efficiently applied, monitored, and reported
SIS	Space & Intelligence Systems	One of the four operating units in the "THE CONTRACTOR"
SPAWAR	Space and Naval Warfare Systems Command	
WF	Waterfall	An excel-based forecasting tool

Appendix B — Applicable Policies and Procedures

“THE CONTRACTOR”:

“THE CONTRACTOR” 200a - Budget and Planning
“THE CONTRACTOR” 201a - Forward Pricing
“THE CONTRACTOR” Estimate at Complete

NGIT:

Policies

LPC 18—Estimate at Completion
LP P1—Contract Reviews
LP H41—Organization Charts
LP B101—Planning
LP B6—Account Management and Market Charters
LP C22—Pricing Strategy Reviews
LP F1—ITHQ/Business Unit Financial Organization Relationship

Procedures

LV C18—Estimate at Completion
LV C22—Pricing Strategy Reviews
LV P1—Contract Reviews

Corporate:

Policies

CP A2—Planning and Review
CP A100—Management Structure and Responsibilities
CP A101A—Organization Charts

Procedures

CO F245—Cost Estimate at Completion
CO F400—Business Plan
CO D101—Program Management