



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

AUG 10 2011

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
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DIRECTOR, OPERATIONAL TEST AND EVALUATION
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DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Earned Value Management (EVM) Systems Performance, Oversight, and Governance

EVM is one of DoD's and industry's most powerful program management tools. EVM is primarily a program management planning tool which is also used by government and industry program managers to track program execution as they navigate the day-to-day constraints and risks that all DoD programs face.

This memorandum provides guidance that will improve the effectiveness of EVM across the Department. To be successful, EVM practices and competencies must be integrated into the program manager's acquisition planning and execution processes; the data provided by EVM must be accurate, reliable, and timely; and EVM must be implemented in a disciplined manner.

The Office of Performance Assessment and Root Cause Analysis (PARCA) was created in December 2009 as the principal DoD office for conducting performance assessments and root cause analyses of Major Defense Acquisition Programs (MDAPs) as statutorily required by the Weapon Systems Acquisition Reform Act (WSARA) of 2009, Public Law 111-23. A key element of PARCA's statutory responsibility entails evaluating the utility of performance metrics for cost, schedule, and performance of MDAPs. The implementation and use of EVM across the Acquisition Community falls within PARCA's area of responsibility.

PARCA is responsible and accountable for EVM performance, oversight, and governance across the Department. Specifically, PARCA will:

- Develop, publish, and maintain DoD policy and guidance on EVM;

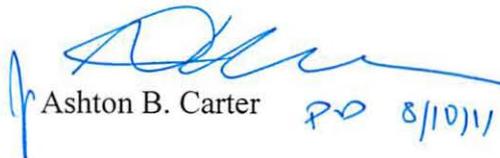
- Resolve differences in interpretation of EVM policy, practice, and requirements among DoD Components;
- Maintain communications with industry on EVM policy;
- Represent the Department in resolving differences with other Federal agencies;
- Be responsible for the Earned Value Central Repository (CR) for the Department and maintain CR data alignment with the Acquisition Visibility framework;
- Review and approve EVM data requirements for MDAP programs with initial focus on ACAT ID programs and follow-on emphasis on other programs in close coordination with the Services and Defense agencies.
- Report EVM data compliance, integrity, and quality to the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics.
- Serve as EVM Functional Lead and, as such, support other OSD Defense Acquisition Workforce Improvement Act Functional Leads with EVM expertise to influence the competency requirements for Earned Value within their respective functional areas. Coordinate with DAU to execute the responsibilities outlined in DoDI 5000.66.

Although primary EVM acquisition and procurement policy matters will be the responsibility of the Director, PARCA, EVM implementation is the responsibility of the acquisition leadership throughout the Department. Toward that end, PARCA will coordinate and publish a roles and responsibilities document using the attached memorandum and the results of the Defense Support Team Report as a starting point.

The Defense Contract Management Agency will retain responsibility for EVM System Compliance for the Department, with the Defense Contract Audit Agency's support, except for those DoD Components that are also part of the Intelligence Community and are excluded from the requirement to delegate EVMS authorities to DCMA.

In addition, PARCA will maintain a DoD EVM Integrated Planning Team with representatives from all relevant DoD agencies.

Thank you in advance for your support of this important initiative. My point of contact is Mr. Gordon M. Kranz at 571-256-0646.


Ashton B. Carter PD 8/10/11

Attachment:
As stated

cc:
USD(AT&L) Direct Reports



ACQUISITION,
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JUL 03 2007

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Use of Earned Value Management (EVM) in the Department of Defense

EVM is considered by many in the project management community to be the best option currently available for holding all parties accountable for the effective management of large and complex projects. EVM provides a disciplined approach to managing projects successfully through the use of an integrated system to plan and control authorized work to achieve cost, schedule, and performance objectives. The fidelity of the information produced by the EVM System (EVMS) is critical to providing an objective assessment of a program's performance from which well-informed management decisions can be made. Moreover, EVM is not just a cost report; it is a tool to help program managers and their team members operate more effectively in managing their programs.

Despite the proven value of EVM, we are not maximizing its benefits in managing defense programs. The policy requirements for applying EVM to DoD contracts are well documented. However, the level of acceptance and use of EVM in program management Department-wide is insufficient, especially given the number of major defense programs experiencing execution problems. Several unfavorable findings from recent audits further indicate that EVM is not serving its intended function in the internal control process.

The most important contributor to the successful implementation of EVM is strong and visible leadership support. Therefore, I challenge leaders at all levels in the Department – from the Component Acquisition Executives, System Commanders, and Program Executive Officers to the individual program managers – to focus personal attention on setting expectations for the use of EVM, and following through with appropriate implementation, utilization, and support for remedial actions in the event of non-compliance with the EVMS guidelines.

We are committed to resolving the systemic, DoD-wide weaknesses with the help of the Defense Contract Management Agency (DCMA) and the support of the DoD Components. As a first step, to ensure clear delineation of authority and accountability for monitoring the use of EVM, attached are the roles and responsibilities of the key players involved in the implementation of EVM in the Department.



As the next step, the Deputy Under Secretary of Defense for Acquisition and Technology and the Director, Acquisition Resources and Analysis (ARA), will work with the applicable OSD offices, DCMA, and the DoD Components to assess the current EVM policy and practices, to include the state of compliance and enforcement. They will recommend modifications to address recent audit findings and any other identified deficiencies. This initiative will be worked through the DoD EVM working group, which is led by ARA, with the full and active involvement of the Components.

Correctly imposing the EVM requirements on contract and establishing the baseline are critical prerequisites to the successful implementation of EVM. Consequently, the DoD Components should integrate EVM into pre- and post-award planning activities and involve the functional experts from the program management, systems engineering, contracting, EVM, cost estimating, and other relevant communities in that process. In addition, the Components should establish and maintain realistic, executable performance measurement baselines against which to measure contract performance.

Each DoD Component will be accountable for the effective implementation of EVM on its programs, to include supporting DCMA on EVMS reviews and surveillance activities. The Components will be accountable for conducting Integrated Baseline Reviews and complying with the EVM reporting requirements, to include the Contract Performance Report and the Integrated Master Schedule. Each Component will flow the EVM roles and responsibilities and other DoD EVM policy and guidance down to its subordinate organizations by codifying them in Component policies and procedures. In addition, all DoD organizations will establish and maintain centers of EVM expertise and employ the resources and capabilities needed to successfully institutionalize the proper use of EVM to manage – or oversee the management of – the programs under their cognizance. The Components, in conjunction with the Defense Acquisition University, will ensure appropriately focused EVM training is provided to program managers, contracting officials, and EVM practitioners.

Finally, within 90 days, the Component Acquisition Executives will present a status update on their efforts to promulgate the attached EVM roles and responsibilities and improve the implementation of EVM within their organizations.

My point of contact is Ms. Debbie Tomsic, ARA, Acquisition Management, 703-695-0707.



Kenneth J. Krieg

Attachment:
As stated

DISTRIBUTION:

**SECRETARIES OF THE MILITARY DEPARTMENTS,
ATTN: ACQUISITION EXECUTIVES
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
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DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY
DIRECTOR, SYSTEMS AND SOFTWARE ENGINEERING
CHAIRMAN, COST ANALYSIS IMPROVEMENT GROUP**

Department of Defense Earned Value Management Roles and Responsibilities

Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)

- Develop, publish, and maintain Department of Defense (DoD) policy and guidance on Earned Value Management (EVM). Coordinate policy changes with affected DoD stakeholder organizations prior to publication.
- Function as the Office of the Secretary of Defense (OSD) subject matter expert on the DoD EVM policy and guidance.
- Provide advice and assistance on interpreting and implementing the DoD EVM policy and guidance.
- Monitor EVM-related regulatory and statutory requirements that are imposed government-wide to ensure DoD compliance.
- Prepare and process changes to the Defense Federal Acquisition Regulation Supplement to implement EVM-related regulatory and statutory requirements or policy changes. Assist in preparing and processing changes to the Federal Acquisition Regulation.
- Develop and implement management accountability standards for compliance with the DoD EVM policy and guidance.
- Develop and execute uniform actions to enforce compliance with the DoD EVM policy and guidance.
- Oversee the Defense Contract Management Agency's (DCMA) enforcement of Earned Value Management System (EVMS) compliance with the guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, *Earned Value Management Systems* (ANSI/EIA-748).
- In conjunction with DCMA and other DoD stakeholder organizations, monitor changes to ANSI/EIA-748 and the related industry guides and, if appropriate, secure and communicate DoD's recognition of the documents.
- Lead EVM working groups, to include an internal DoD only working group and a joint DoD/industry working group. Host and facilitate working group meetings and other EVM-related discussion forums.
- Function as the principal DoD interface point with external entities (industry, other Federal government agencies, professional associations, allied nation governments, etc.) on EVM-related matters.

- Represent OSD and speak on behalf of DoD at conferences, meetings, and other EVM-related gatherings.
- Develop and maintain the Defense Acquisition Management Information Retrieval (DAMIR) system and other relevant data systems and tools to provide access to EVM information DoD-wide.
- Develop tools to assist OSD in analyzing EVM information for decision making purposes. Make applicable tools available for use DoD-wide.
- Use available EVM information in assessing the status of program/contract cost and schedule performance in the OSD oversight and management processes.
- Conduct information and education sessions on the EVM policy and guidance.
- Monitor training needs and work with the Defense Acquisition University (DAU) and other DoD stakeholder organizations to develop, field, and maintain new and modified course curricula on EVM theory and policy. With DAU support, lead the EVM Functional Integrated Process Team.
- Integrate EVM-related activities and initiatives within OSD and coordinate with affected stakeholder organizations.
- Maintain the OSD EVM web site.
- Sponsor EVM-related projects and studies.

Defense Contract Management Agency

- Function as the DoD subject matter expert for EVMS.
- Ensure the integrity of prime and sub-tier supplier (herein referred to as “supplier”) EVMS and promote management system effectiveness.
- Conduct EVMS reviews (initial validation reviews, post acceptance reviews, and reviews for cause) to verify initial and continuing compliance of supplier management systems with the guidelines in ANSI/EIA-748. Formally accept (validate) compliant EVMS on behalf of DoD.
- Review EVMS plans to determine initial and continuing compliance of supplier management systems with ANSI/EIA-748.
- Conduct periodic surveillance of EVMS to determine initial and continuing compliance of supplier management systems with ANSI/EIA-748.

- Ensure that the EVMS requirements are flowed down to sub-tier suppliers when applicable.
- Check data from supplier cost and schedule reports to assess the capability of the EVMS.
- Employ remedies (in coordination with the procuring contracting officer), as appropriate, for supplier EVMS noncompliance with ANSI/EIA-748.
- Determine when a supplier EVMS validation should be suspended or withdrawn. Provide contractual notification to the procuring activity.
- Coordinate proposed actions and the status of EVMS validation suspensions/withdrawals with the supplier; notify procuring activity of status on a recurring basis.
- Assess and verify supplier progress in implementing the corrective action plans to determine when all of the EVMS deficiencies have been successfully corrected. Continue to monitor EVMS application through spot checks, sample data traces, and random interviews, as appropriate.
- Develop, implement, and utilize an EVMS corrective action request status tracking system.
- Determine compliance with ANSI/EIA-748 for applicable contracts and agreements in accordance with the DoD EVM policy and guidance.
- Resolve differences between DoD and other government entities, as appropriate, and industry concerning interpretation of EVMS implementation.
- Provide advice and assistance on interpreting and implementing the DoD EVM policy and guidance.
- Enforce supplier EVMS compliance as required by the DoD EVM policy and guidance.
- Develop, publish, and maintain the Earned Value Management Implementation Guide (EVMIG) on behalf of DoD. Coordinate changes with OSD and affected DoD stakeholder organizations prior to publication.
- In conjunction with OSD and other DoD stakeholder organizations, monitor changes to ANSI/EIA-748 and the related industry guides and, if appropriate, make recommendations to OSD regarding DoD's recognition of the documents.
- Actively participate on the EVM working groups, to include the internal DoD only working group and the joint DoD/industry working group.
- Interface with external entities (industry, other Federal government agencies, allied nation governments, etc.) on EVMS-related matters.

- Represent DCMA and speak on behalf of DoD at conferences, meetings, and other EVM-related gatherings.
- Develop, monitor, and report EVM metrics that provide insight into program/contract cost and schedule performance issues. Provide metrics tool kit to OSD and DoD Components, as requested.
- Develop, implement, and maintain training materials, user manuals, etc. pertaining to the EVMS validation and oversight process. Conduct in-house training, as necessary. Contribute to the development and modification of DAU course curricula.
- Establish memorandums of agreement with the procuring activities.
- Provide EVM analyses and reports to DoD Components and procuring activities, as appropriate.
- Support the DoD Components in executing the Integrated Baseline Review (IBR) process, as appropriate.
- Support the OSD Nunn-McCurdy certification process. Assist the DoD Components in identifying programs at risk for Nunn-McCurdy breaches.
- Integrate EVM-related activities and initiatives within DCMA and coordinate with affected stakeholder organizations.
- Maintain and publish the list of suppliers with validated EVMS.
- Participate in OSD sponsored EVM-related projects and studies.

Notes:

1. DCMA performs the above functions for the DoD Components, except those Components that are also part of the Intelligence Community and are excluded from the requirement to delegate EVMS authorities to DCMA.
2. The Navy Supervisor of Shipbuilding (SUPSHIP) has the authority to conduct EVMS surveillance activities, and the responsibility to coordinate with DCMA, for the contracts under his cognizance.

Defense Contract Audit Agency

- Support the following EVMS surveillance activities:
 - Periodic reviews of supplier accounting systems to assess compliance with the EVMS requirements and contract provisions, including verification of consistency with related budgeting and work authorization systems.
 - Participating in EVMS reviews and system surveillance activities.

- Periodic reviews of contract performance reports to determine the accuracy and reliability of the financial data generated from the supplier's systems.
- Reporting any significant unresolved deficiencies to the DCMA EVMS Specialist.
- Coordinating the appropriate EVMS surveillance requirements into routine Defense Contract Audit Agency (DCAA) audit programs and procedures with the DCMA EVM Center.
- Advising the DCMA EVMS Specialist regarding DCAA surveys of contractor systems and other audits, which may bear on EVMS acceptability or surveillance.
- Perform the following EVM-related activities:
 - Ensuring compliance with the DoD EVM policy and guidance through the performance of surveillance activities.
 - Developing and issuing supplemental guidance to ensure adequate DCAA surveillance of suppliers' EVMS.
 - Participating on FAR and DFARS committees to develop or revise regulatory and statutory requirements or policy changes.
 - Participating on the EVM working groups, to include the internal DoD only working group and the joint DoD/industry working group.
 - Representing DCAA and speak at conferences, meetings, and other EVM-related gatherings.
 - Identifying, developing, and managing EVM-related training for DCAA, as necessary.

DoD Components/Procuring Activities

- Establish and maintain compliance with the DoD EVM policy and guidance.
 - Develop and issue EVM policy and guidance, as required, to supplement that established by DoD.
 - Direct the implementation and use of EVM by Program Executive Officers and Program Managers.
 - Provide recommendations to OSD published policy and guidance, to include the EVMIG.
 - Develop and execute procedures for consistent oversight and enforcement actions for noncompliance with EVM policy.
- Establish and maintain EVM focal point(s) with subject matter expertise for policy interpretation, implementation, compliance, oversight, and enforcement.
 - Provide advice and assistance on interpreting and implementing the DoD and supplemental policy and guidance.
 - Participate on the EVM working groups, to include the internal DoD only working group and the joint DoD/industry working group.
 - Represent the component at DoD and component acquisition community and industry forums to address EVM issues of mutual interest and concern.
 - Identify, develop, and manage EVM training necessary for the development of organizational expertise.

- Establish processes to utilize EVMS outputs to support proactive decision making and accountability at all levels.
 - Include appropriate and comprehensive EVM requirements in the acquisition planning documents, solicitations, and contracts in accordance with policy and guidance.
 - Integrate EVM contract requirements and EVM implementation discussions into the pre- and post-award conferences.
 - Coordinate memorandums of agreement with DCMA and DCAA.
 - Coordinate requests for supplier EVMS reviews and surveillance activities with DCMA. Support DCMA on EVMS reviews and surveillance activities.
 - Execute and support the IBR process.
 - Provide independent assessments of supplier performance measurement data.
 - Provide, maintain, and support data systems and standardized metrics.
- Develop EVM desk top procedures/toolkits (requirements, analysis, estimates at completion, IBR, integrated master schedule, etc.) for consistency of requirements, reviews, and analysis.

Notes:

1. DoD Components in the Intelligence Community are exempted from delegating EVMS authorities to DCMA.
2. The Navy Supervisor of Shipbuilding (SUPSHIP) has the authority to conduct EVMS surveillance activities, and the responsibility to coordinate with DCMA, for the contracts under his cognizance.