Maximizing Return: EVMS

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EVM Policy/Guidance

Previous EVM Policy/Guidance

- DoD Instruction 5000.2, Operation of the Defense Acquisition System, May 12, 2003 – EVM is a Regulatory Information Requirement (Enclosure 3, Table E3.T2)
  - Requirements
    - Implement EVM guidelines in ANSI/EIA-748 on contracts/agreements over designated dollar thresholds (R&D & Procurement – $31.5M)
    - Conduct Integrated Baseline Reviews
    - Policy changes have been submitted for incorporation into update currently in progress

- Defense Acquisition Guidebook, October 17, 2004 (replaced DoD Regulation 5000.2-R)
  - Contains “how to” guidance for previous policy (old thresholds, Cost/Schedule Status Report, etc.)
  - Revises EVM contents in Chapter 11 to reflect revised policy
    - Will include supporting guidance (expectations, exclusions, etc.)
Revised EVM Policy/Guidance: Summary of Changes
- New dollar thresholds for cost/incentive contracts (no differentiation between development and procurement)
- Revised Cost Performance Report (CPR) data item description - renamed “Contract” Performance Report
- Eliminated Cost/Schedule Status Report (C/SSR) and CPR-No Criteria
- Expanded application of Integrated Master Schedule (IMS) and linked to CPR
- Clarified requirement for Integrated Baseline Reviews (IBRs) (required when EVM required)
- EVM on Firm-Fixed Price (FFP) contracts requires waiver from Milestone Decision Authority (MDA)

Changes not retroactive but are effective now on new cost/incentive contracts

Revised EVM Policy/Guidance: New Application Thresholds

<table>
<thead>
<tr>
<th>Contracts Thresholds</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or Incentive Equal to or Above Threshold</td>
<td>Compliance with industry EVM standard</td>
</tr>
<tr>
<td>$50M or above</td>
<td>Formal EVM system validation</td>
</tr>
<tr>
<td>$20M or above</td>
<td>Contract Performance Report</td>
</tr>
<tr>
<td>&lt; $50M but ≥ $20M</td>
<td>Integrated Master Schedule</td>
</tr>
<tr>
<td>&lt; $20M</td>
<td>Integrated Baseline Reviews</td>
</tr>
<tr>
<td>&lt; $20M</td>
<td>Ongoing surveillance</td>
</tr>
</tbody>
</table>

Revised EVM Policy/Guidance: Tailoring Reporting
- Guidance for tailoring CPR and IMS for cost or incentive contracts < $50M but ≥ $20M
- Considerations when making a risk-based decision to require EVM on cost or incentive contracts < $20M; guidance for tailoring reporting (program manager approval required)
- Factors to consider if applying EVM on a FFP contract and guidance for tailoring reporting (MDA approval required)

Resides in DoD Earned Value Management Implementation Guide (EVMIG)
Revised EVM Policy/Guidance: Applying the Policy

**Decision Process for EVM Application**

- **Cost or Basis of Contract?**
  - Yes: Contract value $<50M
  - No: Move on to next question.

- **Did Work appropriation for WBS?**
  - Yes: EVM baseline established on cost basis
  - No: Move on to next question.

- **Contract value $<50M**
  - Yes: Apply EVM (Compliance with No Variations)
  - No: Use current contract data/assumptions, and agreements, and proceed.

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Revised EVM Policy/Guidance: Status Overview

- **Actions Completed**
  - Reissued policy changes for government and industry comment
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  - Administered comments, modified policy documents accordingly
  - Conducted business case analysis
  - Formally coordinated policy changes within DoD
  - Published approved draft VOSD/IMIS approval of revised policy
  - Issued interim policy memorandum (March 7, 2005)
  - Published approved draft VOSD/IMIS approval of revised policy
  - Published new DoD EVMIG (April 7, 2005)

- **Actions in Progress**
  - Revisiting DoD Instruction 5000.2
  - Revisiting Defense Acquisition Guidebook
  - Coordinating new DFARS clauses
  - Updating Work Breakdown Structure (WBS) Handbook

Another update of the EVMIG is planned for release by October 2005

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Cost/Incentive contracts $>50 million
- Compliance with ANC2007.4001
- EVM system formally validated and accepted by cognizant contracting officer
- Contract Performance Report (DoD-MEM-0065-00/01)
- Integrated Baseline Review
- EVM optional based on risk assessment
- Requires cost/benefit analysis
- Requires program manager approval
- Requires sponsor agency approval

Cost/Incentive contracts $<50 million but $>20 million
- Compliance with ANC2007.4001
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- Form-based price contracts
  - Need point plan regardless of dollar value
  - Requires program manager approval
  - Requires sponsor agency approval
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Contracts subject to Department of Defense/DoD and contractor work agreements, and other agreements.

Implementation timelines are in the hands of individual contractors, and the EVMIG is intended to provide guidance to contractors.

Publication planned for Fall 2005.
Revised EVM Policy/Guidance: Defense Acquisition Guidebook

- Chapter 11 – Program Management Activities
- Major topics
  - Integrated Program Management
  - EVM Defined
  - EVM Applicability
  - EVM Requirements
  - EVMS Compliance, Validation, and Surveillance
  - Contract Management Reporting (CPR and IMS)
  - IBRs (Purpose and Applicability, IBR Process Overview)
- Guidance to support policy in DoDI 5000.2
- Important expectations, exclusions, etc. at intermediate level of detail (less detail than EVMIG)

*Publication expected by end of June 2005*

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Revised EVM Policy/Guidance: New DFARS Clauses

- Submitted to DAR Council on April 4, 2005
- Case Number 2005-D006
- Currently under review by Contract Administration Committee – comments expected this week
- Next steps
  - Back to DAR Council
  - Office of Federal Procurement Policy
  - Public comment via Federal Register (January 2006 timeframe)
  - Adjudicate comments...and the process continues
- Ensure compatibility with EVMS FAR clause upon publication of final rule

*Final release at least a year away*

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Revised EVM Policy/Guidance: WBS Handbook Update

- Contract effort ongoing to update MIL-HDBK 881
  - Incorporating changes to DoD acquisition policy/guidance
  - Adding/improving upon WBS definitions
  - Clarifying how WBS is used with newer terms/processes
  - Ensuring WBS is characterized as an acquisition tool
  - Integrating with program management, systems engineering, contracts, and cost estimating documents
- Current status
  - Chapters 1-4 (Introduction) – incorporating final Systems Engineering input
  - Appendices (with breakdown structures) – Working final changes to Surface Vehicles; all others ready for coordination
- Coordination planned for mid-May to mid-June timeframe

*User friendly, web accessible final product expected by end of June 2005*
Revised EVM Policy/Guidance: Sources of Information

- OSD EVM web site - [http://www.acq.osd.mil/pm](http://www.acq.osd.mil/pm)
  - Upcoming/Recent Events
  - DoD policy/guidance
  - Contacts
  - Links to other sites
  - International performance management
  - Historical information
- EVM Community of Practice (AT&L ACC web site) - [https://arc.dsau.mil/evm](https://arc.dsau.mil/evm)
  - DoD policy/guidance, contract documents
  - Narrated training tutorials (Training Center)
  - Links to tools
  - Discussion forum (Noteboard)
  - Related references/quotes (Community Connection)
  - Research library
  - OMB recommended references

Revised EVM Policy/Guidance: Sources of Information

- DCMA (Executive Agent) web site - [http://guidebook.dcma.mil/7/guidebook_process.htm](http://guidebook.dcma.mil/7/guidebook_process.htm)
  - EVMG – includes tailoring guidance
  - Other information on EVM
- ASSIST web site - [http://www.assistdocs.com](http://www.assistdocs.com)
  - CPR and IMS data item descriptions
- DoD Forms Program - [http://www.dtic.mil/wa/directives/forms/formsprogram.htm](http://www.dtic.mil/wa/directives/forms/formsprogram.htm)
  - CPR forms (format)

Closing Thoughts

- OSD continues to make EVM a priority and plans to stay actively engaged
- Government/Industry EVM Working Group will continue to work issues, share improvement ideas, and recommend and implement solutions
- Goal = to ensure performance management processes are effective, consistent, and reflective of industry best practice

*Working together is the key to success!*