



# **Joint Government/Industry EVM Working Group Meeting**

July 13-14, 2004

Defense Acquisition University  
Fort Belvoir, Virginia

# Meeting Objectives

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- Dialogue on Proposed New EVM Policy to include:
  - Business Case
  - Tailoring Guidance
- Respond to DAEC tasking:
  - Define problems, issues, and challenges
  - Develop plan to implement recommended improvement actions

# Main Issues on EVM Policy Recommendations

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- Issue 1: Compliance with 7 principles vs. 32 guidelines for contracts <\$50M
- Response: Policy will be modified to require compliance with “Industry Standard”
- Rationale: Provides flexibility for smaller contracts; principles are less specific and will drive inconsistent interpretation/application

# Main Issues on EVM Policy Recommendations

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- Issue 2: Order of precedence of DFARS clauses and CDRLs/DIDs
- Response: DFARS clauses will be updated to ensure consistency with new policy, revised DIDs, and FAR changes
- Rationale: All impacted documents must be updated as appropriate to reflect new policy

# Main Issues on EVM Policy Recommendations

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- Issue 3: Reduction in time period within which EV data must be available
- Response: Number of days prescribed in CPR DID will be changed from 8 calendar days to 10 to 15 calendar days
- Rationale: Reasonableness

# Main Issues on EVM Policy Recommendations

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- Issue 4: Requirement for staffing forecasts monthly to end of contract
- Response: Policy will be changed to require monthly forecasts for next six months and monthly, quarterly, or annually to end of contract
- Rationale: Reasonableness; eliminates need to update CPR forms

# Main Issues on EVM Policy Recommendations

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- Issue 5: Granularity of analysis in Format 5 of CPR
- Response: EVMIG will be revised to include guidance on how to get EVM on contract, to include guidance on what to require in Format 5; DID will contain minimum set of requirements
- Rationale: Contents of Format 5 are directed by the CDRL not the DID

# Main Issues on EVM Policy Recommendations

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- Issue 6: Use of terms “network” and “all discrete” tasks/activities
- Response: Policy will specify applicable contract types; tailoring of the IMS will be allowed for contracts <\$50M and guidance is being developed
- Rationale: Scheduling continues to surface as a weak area needing improvement; challenges being overcome with today’s software tools



# Main Issues on EVM Policy Recommendations

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- Issue 7: Tailoring the CPR for contracts <\$50M
- Response: Tailoring of the CPR will be allowed and guidance is being developed
- Rationale: Reasonableness

# Main Issues on EVM Policy Recommendations

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- Issue 8: Use of EVM on non-schedule based types of contracts
- Response: Tailoring guidance specifically excludes these types of contracts (T&M, LOE, etc.); policy will be modified to include definitions of non-schedule based types of contracts
- Rationale: Reasonableness

# Main Issues on EVM Policy Recommendations

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- Issue 9: Impacts of lowering \$315M threshold to \$50M
- Response: Policy will remain unchanged; however, business case will be updated to add additional data provided by industry
- Rationale: Most production contracts are FFP and will not require EVM; research to date indicates that number of additional contracts requiring EVM will be negligible and may even decrease due to raising of lower threshold to \$20M

# Main Issues on EVM Policy Recommendations

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- Issue 10: EVM on FFP contracts
- Response: Policy will remain unchanged
- Rationale: New policy will not mandate EVM on FFP contracts; it will merely remove previous prohibition and allow a risk-based decision; consistent with OMB's vision for EVM throughout government

# Main Issues on EVM Policy Recommendations

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- Issue 11: System approval vs. system validation
- Response: Policy will be modified to differentiate between system acceptance and system validation
- Rationale: “Validation” will be used consistently throughout policy to characterize requirement for systems being used to manage contracts  $\geq$ \$50M

# Main Issues on EVM Policy Recommendations

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- Issue 12: Contractors responsible for validation of their suppliers
- Response: Policy will remain unchanged
- Rationale: Proposed change takes risk decision away from government

# Main Issues on EVM Policy Recommendations

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- Issue 13: Validations by single government agency and recognized by all customers
- Response: Policy will remain unchanged; issue needs to be raised by OMB
- Rationale: Policy applies to DoD only and cannot mandate requirements for government organizations outside of DoD

# Main Issues on EVM Policy Recommendations

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- Issue 14: Replacing validation with compliance map, IBR, and surveillance
- Response: Policy will remain unchanged
- Rationale: This concept needs more research and discussion before it can be considered



# Main Issues on EVM Policy Recommendations

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- Issue 15: Impacts of requiring surveillance on contracts between \$20M and \$50M
- Response: Policy will remain unchanged
- Rationale: Research indicates that impacts will be minimal, if any; surveillance is already required on contracts in this range

# Main Issues on EVM Policy Recommendations

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- Issue 16: Adding references to joint surveillance and NDIA Surveillance Guide
- Response: Policy will be modified to limit coverage of surveillance to government surveillance; EVMIG will mention joint surveillance as an option and reference Guide
- Rationale: Policy applies to DoD only and cannot mandate requirements for contractor self-surveillance or joint surveillance

# Main Issues on EVM Policy Recommendations

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- Issue 17: Remedies for non-compliance
- Response: More work needs to be done in this area; this may also be an education issue
- Rationale: Guidance on remedies will be developed for inclusion in contract clauses

# Main Issues on EVM Policy Recommendations

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- Issue 18: Impacts of requiring IBRs on contracts between \$20M and \$50M
- Response: Policy will remain unchanged; however, scope of IBR may be tailored as appropriate for smaller projects
- Rationale: Research indicates that impacts will be minimal, if any; IBRs should already be being conducted on contracts in this range; good business practice at start of any project

# Main Issues on EVM Policy Recommendations

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- Issue 19: Retroactivity of policy changes
- Response: Policy will be modified to state that costs associated with imposing new or different EVM requirements on existing contracts should and will be borne by government
- Rationale: No change from current practice

# Business Case

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- Raising lower threshold to \$20M – positive impact
  - Reduction in number of contracts requiring EVM
    - DCMA -56%
    - NAVAIR -30%
- Lowering upper threshold to \$50M – minimal impact (if any)
  - Minimal increase in number of contracts requiring EVM (most procurement contracts are FFP)
  - Contractors in this range already using validated systems (few if any additional compliance reviews expected)
  - Consistent with CCDR application threshold
  - Consistent with OMB's vision for EVM throughout government

# Business Case

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- Mandating CPR at \$20M - positive impact
  - Standardizes reporting - eliminates two report configurations (CPR and C/SSR)
  - Can be tailored to obtain data necessary for management
- Mandating IMS at \$20M - minimal impact
  - Integrated schedule already required by Industry Standard – change is government will now be provided a copy with CPR
  - Scheduling continues to surface as a weak area needing improvement
  - Can be tailored to obtain data necessary for management
- Mandating IBRs at \$20M - minimal impact (if any)
  - IBRs already being conducted on contracts in this range
  - Good business practice at start of any project

# Tailoring Guidance

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- Guidance for tailoring CPR and IMS for cost or incentive contracts  $< \$50M$  but  $\geq \$20M$
- Things to consider when making a risk-based decision to require EVM on cost or incentive contracts  $< \$20M$ ; guidance for tailoring reporting
- Things to consider when making a risk-based decision to require EVM on FFP contracts; guidance for tailoring reporting



# New Policy: What's Next?

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- Finalize change recommendations/rationale
- Finalize business case and tailoring guidance
- Finalize/publish revised DIDs
- Issue interim policy via memorandum
  - Coordinate within DoD as required
  - Revise DoD 5000.2 during next update cycle
- Write contents of Defense Acquisition Guidebook
  - Get into next update, which is currently under development
- Revise/publish new EVMIG (include tailoring guidance, how to contract for EVM)
- Revise/publish new DFARS clauses

# NDIA PMSC Actions

- Canvass industry regarding the 10-15 calendar day due date for EV data. Due Date September 7. Walt Berkey
- Provide input on the impact of the threshold changes in terms of the number of contracts affected. Due date September 7<sup>th</sup> Walt Berkey
- Provide suggestions for tailoring the CPR based on current C/SSR experience, to include the contents of format 5 and best practices for variance analysis. Due Date September 7 Pete Wynne
- Provide suggestions for tailoring the IMS [on contracts below 450m]. Due date September 7 Pete Wynne

# DAEC Tasking – Issue Categories

1. Policy, Validation, and Surveillance
2. Contract Requirements [Poorly written]
3. Training
4. Contract Definitization [Timely manner]
5. Management Acceptance [Value of EV]
6. Process Integrity [Lack of]
7. Subcontractor Management [Insufficient focus]