

DEFENSE CONTRACT MANAGEMENT AGENCY



**DCMA**

ACQUISITION INSIGHT  GLOBAL ENGAGEMENT

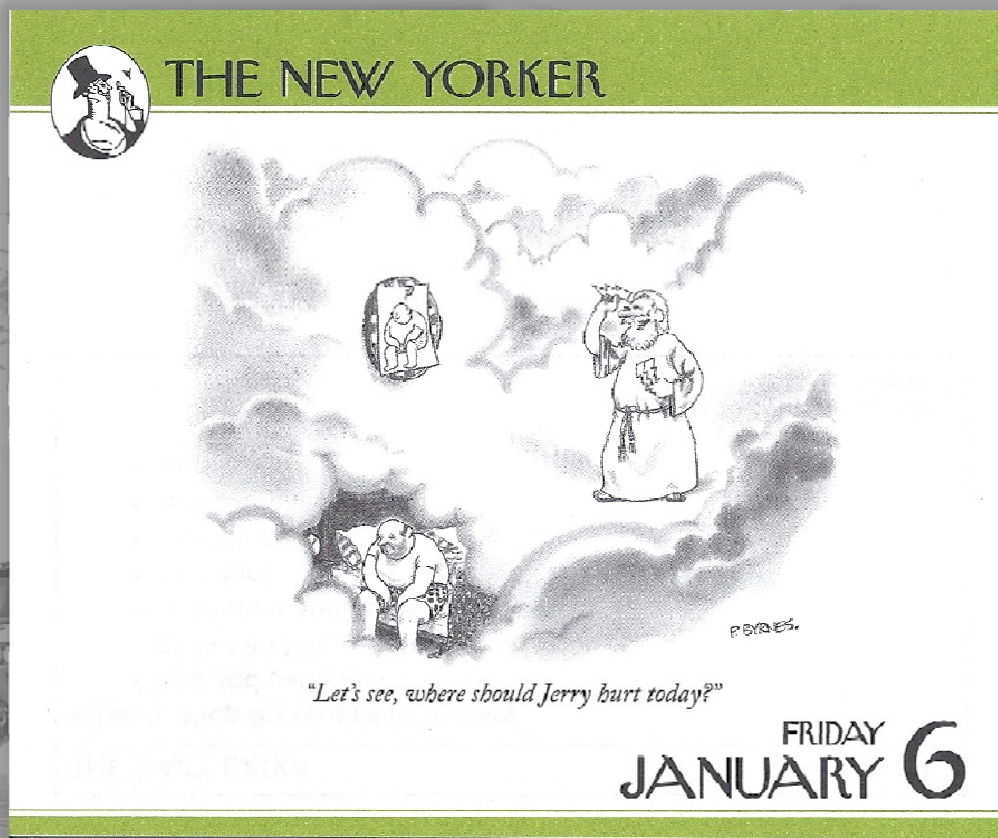
## **NDIA Program Management Systems Committee (PMSC) Joint Government/Industry Meeting**

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**Presented By:  
Mr. David Kester, Director  
Operations EVM Implementation Division**

**January 25, 2012**

- **General Order No. FY12-06**
  - **Transfers EVMS Compliance Responsibilities to Operations**
- **Geographical Hub and Spoke Alignment**
- **DFARS Business System Rule Implications**
- **A Smarter Compliance Process**
- **Alliances, Partnerships, and Reciprocity**
- **FY12 EVMS Calendar (Draft)**



Source: New Yorker Magazine



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# Operations EVM Mission & Vision

## Mission:

- Advocate the Department's implementation of EVM by executing the role and responsibilities of DFARS 242
- Deploy meaningful policies, processes, methods, and toolsets that advance the assessment of supplier EVMS plans and the verification of initial and continuing compliance with EVMS requirements

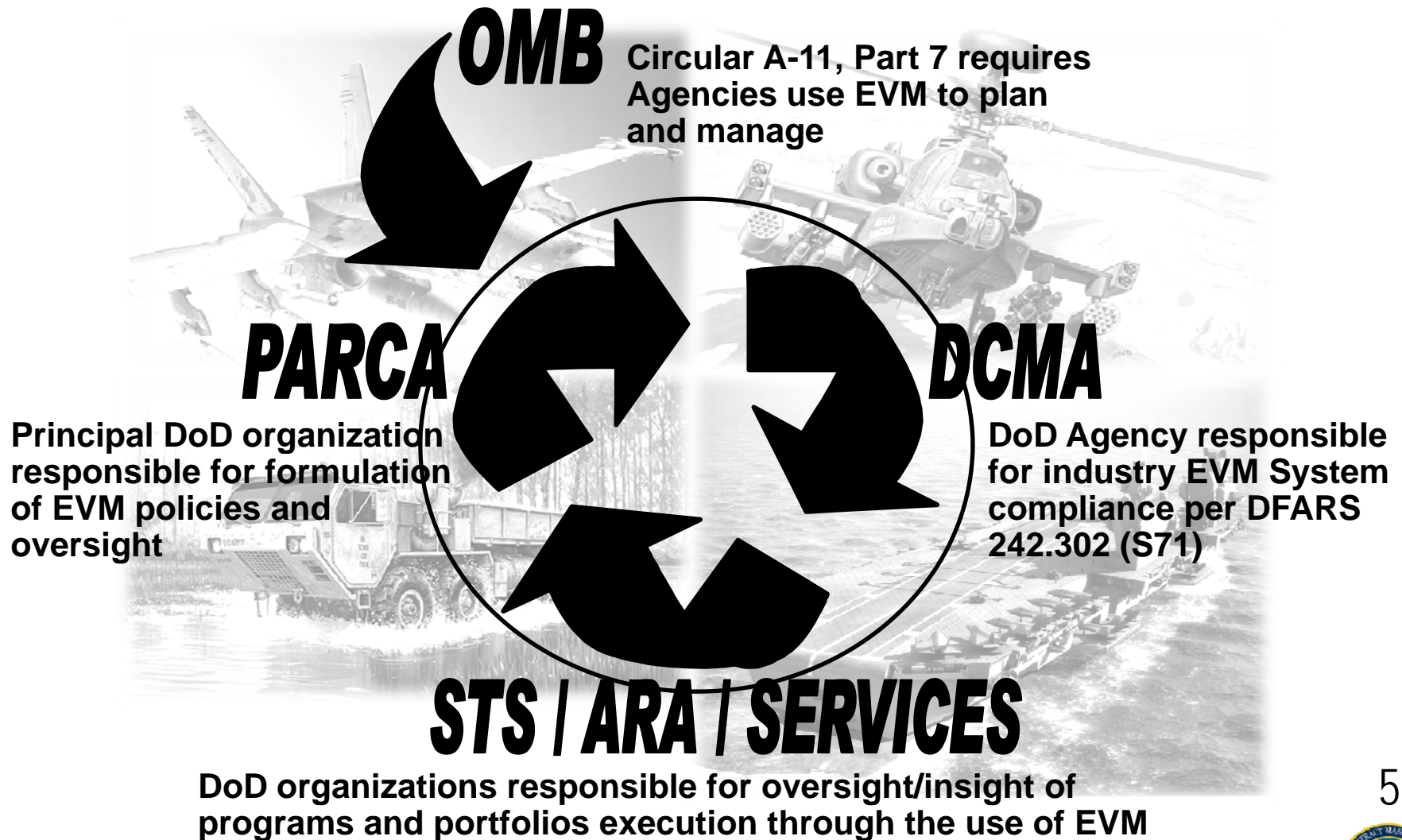
## Vision:

- Influence the implementation of industry-wide compliant EVMS
- Provide program managers, integrated product teams, and other acquisition enterprise customers EVMS that provide immediate access to reliable and accurate data and information on program costs, schedule, and technical performance

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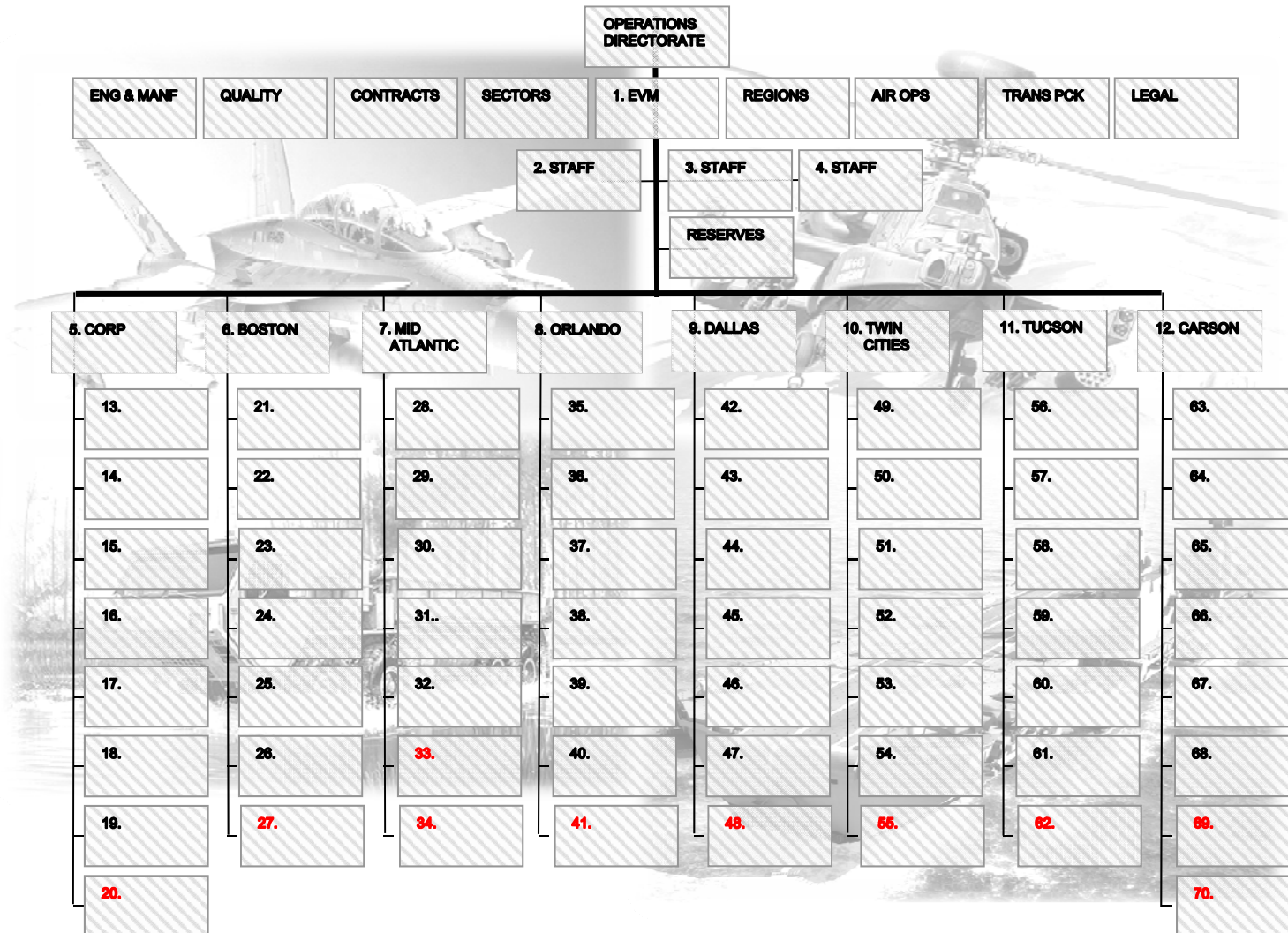
# DoD EVM Mission – Big Picture





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# Operations EVM Division





# Defining EVMS Success

- **32 means 32**
- **Minimum allowable acceptance conditions**
  - Ensures a clear definition of work prior to beginning that work
  - Presents a logical plan for accomplishing the work
  - Provides an objective measure of accomplishments
  - Early and accurate identification of trends and issues
  - Accurate picture of contract status
  - Basis for course correction
- **Tips**
  - Commitment through actions
  - Implementation of integrated software solutions
  - Enculturation of EVM as an accepted norm and best practice that ties to the bottom line
  - Employ Qualified Personnel who possess the requisite knowledge, skills, and expertise



# DFARS EVMS Responsibilities

- **The Contract Administration Office (CAO) is the cognizant office responsible for ensuring that the functions described in DFARS 242.302 are completed by the contractor in accordance with the terms and conditions of the contract**
- **The Defense Contract Management Agency (DCMA) advocates the Department's implementation of EVM by executing the role and responsibilities as defined by DFARS 242.302 (S-71)**
- **Contractors are expected to assume the responsibility for their own behavior; for the consistent application of the EVMS and its currency and relevance.**
- **PEO/PMO is responsible to ensure that the desired results are produced in a timely, cost effective manner**
  - **Manage cost, schedule, and performance within requirements**
  - **Initiate effective cost, schedule, and performance tradeoffs**
  - **Continually evaluate progress and predict and mitigate risks**

# Contractor Business Systems Rule

- **DFARS clause added to contracts requiring contractor's to certify that they have no major defects in their systems**
  - **Cost Accounting**
  - **Purchasing**
  - **Estimating**
  - **Property Management**
  - **Earned Value Management**
  - **Material Management**
- **Contracting officers would have the authority to withhold payments on cost reimbursement, incentive-type, time-and-materials, and labor-hour contracts**
  - **Required for one or more 16 high-risk (guidelines 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28, 30, or 32), discretionary for the other 16 guidelines**
- **Enforcement relies on auditors or other functional specialists to document any business system deficiencies**



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# Business Systems Rule Enforcement

Step 1 EVM System Review (OPS)	30-45 Days
Step 2 ACO Initial Determination	
Step 3 Supplier Response	30 Days
Step 4 ACO Final Determination	30 Days
Step 5 Supplier Response (CAP)	45 Days
Step 6 ACO Verify and Validate	90 Days



# Recognizing the Impact

- **Deficiencies raise concerns regarding the project management process and the ability to assess emerging issues of cost and schedule in a timely manner**
  - **Early detection of trends and issues is key to success**
- **Deficiencies considered a material internal control weakness because of the lack of compliance with contractual terms and conditions**
  - **Business System Rule Implications**
- **Deficiencies bring into question the accuracy, availability, and validity of performance measurement data that stakeholders rely upon to manage high risk contracts**
- **Diminishes the purchasing power of the Department**
  - **Lower quantities at a higher cost**

# Determinations of Non Compliance

- **Technical consideration derived from the use of advanced analytical methods**
- **Relationship of deficiency to the whole of the control account and program in terms of time and cost.**
- **Matter of professional judgment and is influenced by perception of the needs of a reasonable person who will rely on the performance measurement reports and financial statements**
- **Materiality judgments are made in light of surrounding circumstances and involve both quantitative and qualitative considerations**
  - **Number of discrepancies observed**
  - **Associated absolute dollar value impact**
  - **Importance of items to the accomplishment of contract requirements**
  - **Potential impact on government funding**

# Looking Ahead In 2012

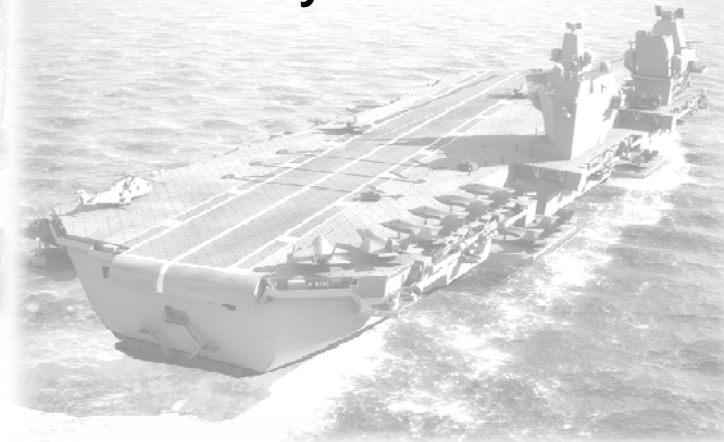
- **Complete division staffing requirements**
- **Define and Refine Methods and Processes**
  - Consideration of contractor self assessments (self or third party)
  - Define materiality and systemic levels
  - Enhance information sharing
    - Circulate findings (DRs) in real time
- **Lean on Technologies**
  - Develop and implement smart tools to improve effectiveness and efficiency
    - Improve the speed of checkout (Compliance Reviews)
- **Capture Partnering and other Outreach Opportunities**



# Alliances, Partnerships, and Reciprocity

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- **Voluntary and collaborative relationships between various parties in which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share responsibilities, resources, and benefits**
  - Needs to be sufficiently rigorous to promote confidence
  - Ensures contribution of partners
  - Addresses transparency and accountability



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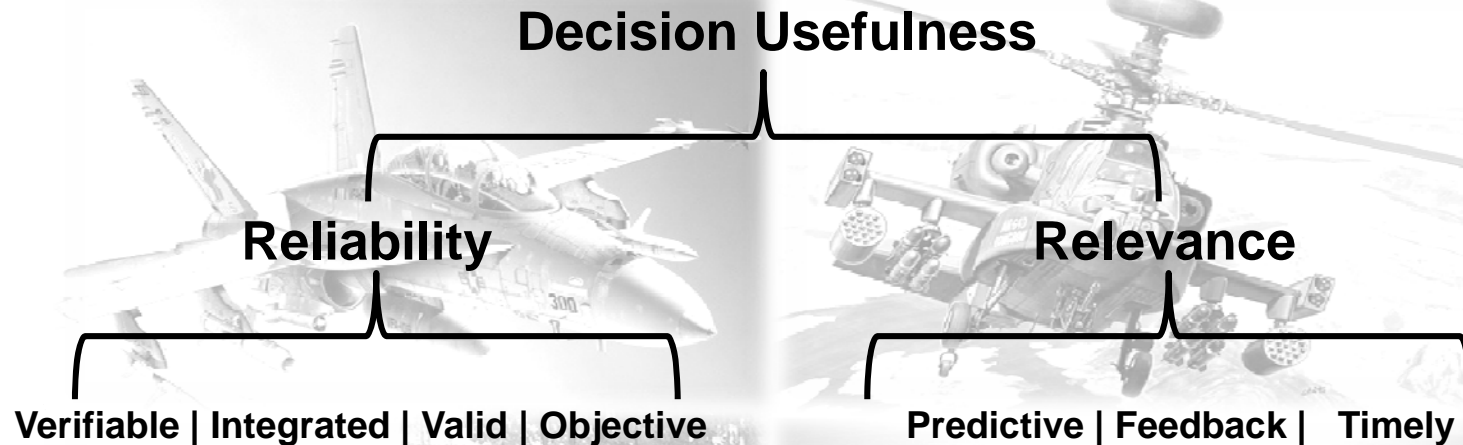


# A Smarter Compliance Process

- **Compliance starts at the top with a visible commitment**
- **An effective compliance program entails the establishment of an appropriate compliance infrastructure – internal controls**
- **A compliance program entails a bundle of policies and procedures that are designed to:**
  - **Identify risks that are present in a supplier's business activities**
  - **Correct the deficiencies**
  - **Create a mechanism to prevent future violations**
- **Suppliers must recognize that non-compliance can have far reaching consequences**
  - **Financial penalties**
  - **Reputational damage**
- **Compliance risks arise at the individual employee level**
- **Compliance considerations must be integrated into business processes, into business decision making, and into the work getting done**

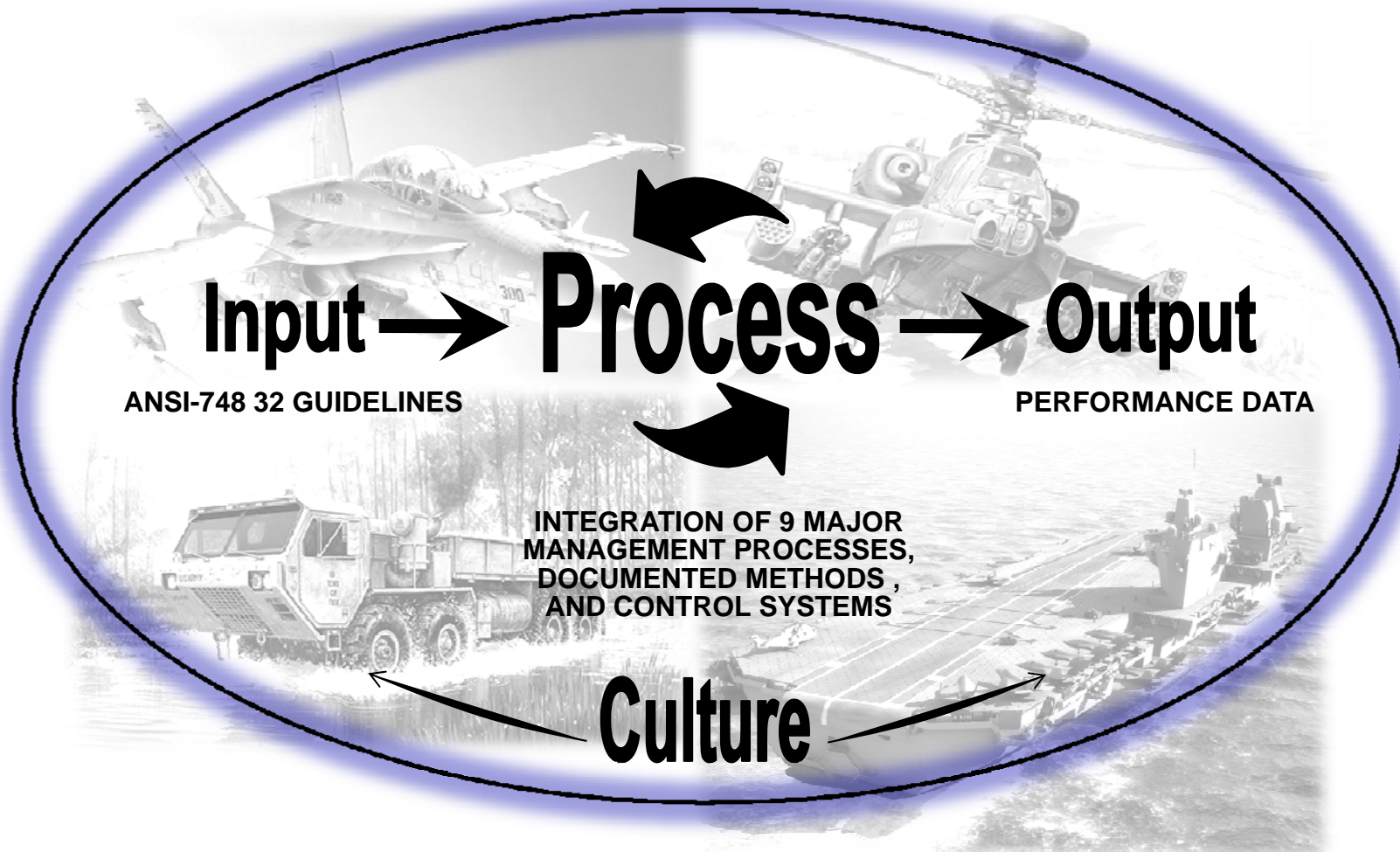


# EVM System and Data Integrity



- **Reliability and Relevance of data depends on the soundness of system processes and the disciplined application of management practices**
- **Certification to the ANSI-748 standard does not guarantee any quality of end products and services; rather, it certifies that formalized business processes are being applied**

# Anatomy of an EVM System





# 2012 EVMS Review Calendar (Draft)

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<b>February 2012 (5)</b>	<b>March (4)</b>
3 - Initial Visits 1 - Readiness Assessment 1 - Compliance Review	2 - Initial Visits 2 - Compliance Reviews
<b>April (5)</b>	<b>May (2)</b>
1 - Initial Visit 1 - Readiness Assessment 3 - Compliance Review	2 - Compliance Reviews
<b>June (6)</b>	<b>July (5)</b>
4 - Initial Visits 2 - Compliance Reviews	2 - Initial Visits 2 - Readiness Assessments 1 - Compliance Review
<b>August (5)</b>	<b>September (5)</b>
1 - Initial Visits 2 - Readiness Assessments 2 - Compliance Reviews	1 - Initial Visits 3 - Readiness Assessments 1 - Compliance Review
<b>October (2)</b>	<b>November</b>
1 - Initial Compliance 1 - Final Determination	
<b>December</b>	<b>January 2013</b>

