



# DCAA EVMS Initiatives

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# Requested Topics

- EVMS Initiative
  - Process for reviewing the 8 Guidelines
  - Standard questions or checklists
- DCAA Training
- Indirect Rates

# EVMS Initiatives

- Support DCMA in validation and annual surveillance based on joint EVMS MOU
- Support SUPSHIP in surveillance reviews based on joint EVMS MOU
- System Validation Audits (Priority)
  - Requested by DCMA Implementation Division (HQ)
  - Will cover all 8 Guidelines identified in the MOU
    - Includes the 6 Accounting Guidelines, GL 13 & 16
    - Guideline 21 - Planning, Scheduling and Budgeting for establishing overhead budgets
    - Guideline 30 - Revision and Date Maintenance for controlling retroactive changes to actual costs
  - DCAA involvement from the initial visit through final validation

# EVMS Initiatives

- Annual Surveillance Audits
  - Requested by the local DCMA or SUPSHIP
  - DCAA will use a risk based approach to perform surveillance of the 8 Guidelines identified in the MOUs
  - Every three years anticipate some effort at each EVMS covered contractor but not to the extent of the validation audits
- Proforma Audit Program
  - Baseline for starting review and risk assessment
  - Contains standard audit steps
  - Standard audit steps are adjusted based on risk assessment and contractor location
  - No checklist on how to complete audit

# EVMS Initiatives

- Effective contractor system walk-through is key to an effective risk assessment
- Communicating with contractor on expectations to ensure adequate audit support
- Establishing agreed-to dates for key milestones in the audit process
- Effective and timely communication of issues and management approved draft results

# EVMS Initiatives

- DCAA will report on compliance with certain aspects of the criteria in DFARS 252.234-7002
- DFARS Criteria
  - For the 8 Guidelines - compliance with the EVMS guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA-748).
  - For Contract Performance Report (CPR) - timely, reliable, and verifiable information for the CPR as required by the CPR data items of the contract.

# EVMS Initiatives

- DCAA Reports will identify significant deficiencies – defined by the Business System Rule as:
  - Shortcomings in the system that materially affects the ability of officials of the DoD to rely upon information produced by the system that is needed for management purposes

# Contractor Support

- Effective contractor EVM system walk-through
- Adequate contractor submissions and assertions
  - Contractor will assert that the:
    - EVM system is management approved and has sufficient data to test, and
    - Contract Performance Reports are adequate
- Ensure adequate supporting data is provided in a timely manner and access to **key** contractor personnel responsible for the system and data
- Real-time DCAA access to contractor systems

# EVMS Training

- CMTL 3122 Earned Value Management System
  - DCAA developed on line learning course
  - Explains EVMS Regulations and DCAA guidance
  - Explains major sections of the audit program
- Defense Acquisition Courses
  - Fundamentals of EVM, on-line course, recommended for all auditors performing EVMS audits
  - EVMS Validation and Surveillance, two week course, recommended for EVMS Business System Technical Specialists
- Monthly EVMS Teleconferences

# Forward Pricing Rates

- Forward Pricing Rate Agreements or Recommendations (FPRA/FPRR) provides for more efficient negotiations
- Upon receipt of a Forward Pricing Rate Proposal
  - DCMA
    - ACO's are encouraged to use DCMA's cost monitoring function, to:
      - Establish a FPRR within 30 days of receipt of proposal
      - Begin negotiations on the FPRA within 60 days

# Forward Pricing Rates

- DCAA

- Begin FPRP audit and complete as expeditiously as possible
- Use revised audit program and new adequacy checklist
- Communicate management approved information regarding the ongoing audit with DCMA during the negotiation process
- Complete the audit even if negotiations are in process or a FPRA/FPRR exists - ACO will use the audit report to confirm FPRR/FPRA position or make appropriate changes to protect the government's interests

## Incurring Cost Initiative with DCMA CFY 2008 and Earlier

- DCAA has 18 branch offices dedicated to completing incurred cost audits
- Stand Down Days between DCAA and DCMA
  - Establish date DCMA requires DCAA services for finalizing contract costs
  - Confirmed the status of contractor submissions (i.e.: adequate, returned, withdrawn, audit in process)
  - Identified advisory service that DCAA can provide in the required timeframe

# Incurring Cost Initiative with DCMA CFY 2008 and Earlier

- Advisory Services may include:
  - Audit
  - Disclaimer of Opinion with findings to date
  - Low Risk Memorandum with Rate Agreement Letter
  - Unilateral Rate Letter based on
    - Contactor history
    - 20% decrement
  - Decrement Rate Memorandum based on
    - Contactor history
    - 2% decrement