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Mr. Gary R. Bliss
Director, Performance Assessments
and Root Cause Analyses (PARCA)
OUSD ATL / OASDA / PARCA
3620 Defense Pentagon
Room 5A1082
Washington, D.C. 20301-3620

Reference: *PARCA EVMS Stakeholders' Meeting, June 24, 2010*

Dear Mr. Bliss:

Thank you for hosting the June 24th PARCA EVMS Stakeholders' meeting to initiate the dialogue between PARCA, Industry and other DoD components, for the purpose of reforming and improving EVMS.

I am providing this response on behalf of the NDIA Program Management Systems Committee Board of Directors as there are clearly many opportunities available to DoD and Industry to increase the accuracy and integrity of performance data and, by refocusing our efforts toward the production and reporting of actionable management information, to improve management decision making and control unintended cost, schedule and technical growth on DoD programs. The NDIA Program Management Systems Committee (PMSC) is pleased to provide you with our initial comments and recommendations relative to the concerns you raised at this meeting.

Subsequent to the EVMS Stakeholders' meeting, Mr. Ashton Carter announced DoD's efficiencies initiative to restore affordability and productivity in defense spending. To paraphrase Mr. Carter's June 28th Memorandum to Acquisition Professionals, we must abandon inefficient practices and learn to manage defense dollars in a manner respectful of the American taxpayer. The initiative requires the Department to reduce funding devoted to unneeded or low-priority overhead; some of these savings can be found by eliminating unneeded programs and activities, but other savings can be found within programs and activities we do need, by conducting them more efficiently. EVMS Stakeholders have a great opportunity to contribute to both the spirit and success of this timely initiative by reforming the application and use of EVMS to more flexible and efficient approaches that generate only the performance data, trends, and actionable information needed by program managers to make informed decisions, while eliminating non-value added data and oversight that prevent management focus and often pose significant cost to DoD programs. Together we have the

opportunity to make a material improvement in the process for understanding program status and enabling informed management decision making.

In addition, Industry applauds DoD's initiatives, as discussed by Mr. Frank Kendall at the EVMS Stakeholders' meeting, to address acquisition process improvements. As stated previously in the CODSIA letter of 2 July 2009, requested by Mr. Shay Assad to provide Industry's input to the DoD Report to Congress on the Implementation of Earned Value Management, "while a significant program management tool, EVMS alone cannot fix a contract that is ill defined, ill funded, and poorly scoped. EVMS will measure and highlight issues, but it cannot control cost growth unless requirements are clearly understood by the customer and contractor, requirements "creep" is controlled, and program funding is stable." Improved acquisition planning, coupled with an effective Integrated Baseline Review (IBR) process, preferably conducted pre-award, will result in realistic and executable program plans with adequate attention to risk. These changes, coupled with accompanying changes to acquisition culture and proposal evaluation criteria, will ensure the award of contracts with realistic prices and durations and high probabilities of success in achieving their targeted cost, schedule and technical objectives.

The remaining sections of this letter contain NDIA PMSC's initial comments and recommendations specifically associated with each of the three focus areas established for the first EVMS Stakeholders' meeting, which were as follows:

1. Earned Value/Contract Performance Report (EV/CPR) Reporting Issues
2. Integrated Master Schedule (IMS) Development and Management
3. Proprietary Data Rights and EV

(1.) Earned Value/Contract Performance Report (EV/CPR) Reporting Issues

The NDIA PMSC is sensitive to your point concerning the value proposition of EV and CPR reporting, i.e., the cost expended must be justified by the management value received. In looking at the current process, our committee first addressed the primary purpose and use of the Contract Performance Report (CPR), as well as its ultimate customers. We then looked at the cost associated with the current "levels and frequency" of reporting. Finally, we considered the utility of the information being provided today.

We concluded that the primary customers of EVM reports are the supplier and customer program managers, as well as senior leadership within DoD and supplier companies; their primary need for the CPR data is to quickly and easily identify the issues that require their attention, prioritize them in terms of potential impact, and fix them to keep the effort on track. Data that does not meet these needs may obscure the issues and delay decision making while analysis is conducted and the data are transformed into information on which the program managers can take action. The current mechanisms that are used to contract for CPRs and other data items force a result that is rich in data, but often lacks focused and actionable

management information. The current contract performance reports are so cumbersome and detailed, containing data on every major reporting element, relevant or not to current performance, that program risks, opportunities, problems, trends and overall contract performance status are lost in the mire of reported data. In addition, the cost to produce these reports is not justified because they do not provide the clear meaningful actionable information that is necessary for program managers and other senior level decision makers.

The NDIA PMSC encourages the Department to focus on flexibility and applicability in CPR reporting, our initial recommendations are the following:

- I. *Flexibility* - Ensure that when a contract performance report is required, the reporting structure and thresholds are tailored based on the risk associated with the contract. Currently the EVMS Report DIDs do not allow the necessary flexibility to tailor report CDRL's to meet individual contract management needs. Additionally, in many cases, CDRLs may need to be tailored progressively during the contract period of performance to allow less detailed reporting on contract elements containing retired risks, while requiring more detailed reporting on those elements containing risk that is emerging or elevating in importance in a later contract phase.
 - a. Focus CPR format 5 narratives on the primary areas of risk to the program. These should include no more than the top 5 to 10 issues that are currently driving the program performance. These issues should be identified based on an integrated view of schedule performance (IMS) and EVM metrics indicative of significant performance trends, which will impact program cost and schedule if management action is not taken in the form of risk mitigation and other corrective actions.
 - b. Tailor CPR reporting to evolve as the contract progresses, based on performance and risk to major milestones or products in the program. Targeted reporting based on summary level WBS and IMS elements, to provide an executive level view, would allow for better decision-making by program managers and ensure that reports contain actionable information rather than reams of data requiring analysis and interpretation before they can be used.
 - c. Consider varying the frequency of reporting as well, based on where the contract is in the acquisition life cycle, e.g., programs that have a high Technology Readiness Level, and/or are in a stable production build cycle, could reduce their frequency of reporting to a quarterly basis. This would allow for efficient use of DOD resources by allowing analysts to focus their attention on those programs that drive 80% or more of the defense departments' risk of cost growth.
- II. *Applicability* - Ensure full EVMS is applied only to contract types where risk is a driving concern. Services should be acquired using performance based acquisition in accordance with FAR subpart 37.6 and managed using performance based standards and reporting other than EVMS. T&M contracts for staff augmentation should be

managed at the Program level, i.e., by the customer PM, where the work scope and schedule are controlled. Suppliers cannot correctly apply EVM to efforts where they do not control the schedule or work assignments. Similarly, other types of time and material, LOE, and ID/IQ contracts do not benefit from management using EVM. For firm fixed price contracts where the supplier controls the schedule, cost reporting is inappropriate because the customer bears no cost risk. However, IMS reporting may be appropriate in this situation. Other efforts such as repair activity where great uncertainty exists as to what the scheduled activity will be should also be evaluated on a case by case basis.

With respect to the quality of data submitted to the Central Repository, the NDIA PMSC submits that the private sector lacks sufficient insight into the process and sources of all the data it contains to understand the source of the data quality issues identified by DoD. The NDIA PMSC therefore recommends a joint project, between Industry and DoD, to document the data input process, identify the data sources, analyze the results to identify the root causes of poor data quality, and determine the corrective actions necessary. It is in industry's best interest to ascertain once and for all the underlying causes behind the perception of lack of "data integrity" in order to resolve the issue and increase confidence in supplier performance data so management can rely on it. Industry will provide participants to work with DoD to jointly understand the current process flow of data and the underlying causes of the perceived problems. While there are undoubtedly discipline issues at play, there are several other suspected causes such as problems with reporting CDRLs, contract structural issues preventing accurate roll-up to the contract level, and restrictions on the data themselves, e.g., classified CLINs. Certainly industry would like a better appreciation of the continued concerns about data integrity that are raised by the department. We pledge to work with you to identify the root cause(s) of these errors and focus on the solution(s) for improving data integrity.

(2.) *Integrated Master Schedule (IMS) Development, Management and Reporting*

We understand and appreciate the department's stated concerns regarding integrated master schedules (IMS) and their usefulness, as well as the need for better cost and schedule integration. The NDIA PMSC is well represented on the Program Planning and Scheduling Subcommittee (PPSS), which is sponsored and led by NDIA's Industrial Committee on Program Management. The PPSS is currently developing products to improve the consistency, predictability and usefulness of program schedules including a joint industry and DoD schedule management guide to standardize key elements of schedule planning, construction and use. PMSC plans to publish the PPSS IMS Guide as an addition to its family of EVMS-related guides.

At your recommendation, the PPSS will expand their charter to include the reporting and delivery mechanisms of the IMS. Specifically, identification of required fields, hierarchy, and frequency in reporting will be addressed, along with consideration of evolving the IMS reporting requirements over a program's lifecycle. Key to data integrity will be alignment of the IMS data with the Contract Performance Report, as well as the format and transmission of the core IMS information. Accordingly, all recommendations associated with the required data

elements, frequency and level of IMS reporting will be coordinated with the recommendations made for CPR reporting.

The next PPSS meeting is scheduled for July 14th at which time the subcommittee will kick off the development of detailed recommendations to your concerns raised during our meeting of June 24. We will be prepared to provide a status of the activities and preliminary recommendations the next scheduled PARCA EVMS stakeholders meeting on August 24th.

(3.) Proprietary Data Rights and EV

The PMSC acknowledges your concerns and agrees that this is an issue for both government and industry. The potential DoD legal opinion that blanket Non Disclosure Agreements (NDA's) are insufficient to protect the contractor's data under the Trade Secrets Act will require close collaboration between your department, DoD legal counsel, and the various legal and supply chain organizations of all DoD suppliers that provide cost and performance data for OSD Analysis.

We understand that the government considered two options:

1. Tailoring the reporting CDRL submittal so that the proprietary data are stripped from the database.
2. Requiring support contractor companies to execute Non-Disclosure Agreements (NDAs), on behalf of their employees accessing and analyzing the data in the Central Repository, with all companies supplying these data.

However, it became apparent that, due to the Trade Secrets Act, the only viable option currently identified appears to be the second one. For that reason, at the end of the PARCA EVMS Stakeholders' meeting, a team was tasked to prepare for a narrowly-focused discussion, to be held at the next meeting, concerning a NDA Clearinghouse mechanism to track NDA requirements and status.

Industry stakeholders are in the process of communicating this potential concern to their respective supply chain and legal organizations within their companies for the purpose of seeking alternative solutions. We will collectively summarize the various industry recommendations and provide to you a potential list of recommended solution sets on or before our scheduled meeting August 24th.

Additional topics for consideration by the PARCA EVMS Stakeholders

In response to your request to suggest additional topics for future consideration and discussion by the PARCA EVMS Stakeholders, NDIA PMSC recommends the following:

- Increasing the use of Pre-award IBRs while protecting the competitive acquisition process; modifying the proposal evaluation/contract award process based on pre-award IBR results

- Simplifying the EVMS Validation Process
- Reducing cost/improving efficiency of EVMS oversight
- Defining EVMS deficiencies subject to withholding under the proposed DFARS Business Systems Rule, as well as identifying the process and timeline for removing withholds
- Transforming EVMS data into easily-understood, useful management information

In addition, the PMSC respectfully recommends that a sub-group of the EVM Stakeholders meeting initiate a comprehensive inventory, review, and consolidation of DoD EVM policy. The effort to reinvigorate EVMS has been in process for a number of years now. During that time older guidance has been perpetuated, Data Item Descriptions have stagnated, policy letters have been released, and a new DFARS for EVM was released. The PMSC believes it would benefit both DoD and Industry to work to consolidate and improve the EVMS policy guidance.

Because time is of the essence, the PMSC members in attendance at the PARCA EVMS Stakeholders' meeting decided to take this opportunity to provide you with immediate feedback and summary level recommendations for consideration as you move forward to improve the application and use of EVMS, as well as to consider changes to DoD's EVMS policy.

We look forward to continuing the dialogue you have initiated with the EVMS Stakeholders and to working jointly with DoD to improve the cost-effective application and use of EVMS. Together we will ensure that the performance data generated by our earned value management systems achieve the necessary integrity and reliability needed by our Program Managers and other senior decision makers.

Respectfully,



Joe Kusick, Chairman
NDIA Program Management Systems Committee