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The Voice of the Industrial Base

September 17, 2007

The Honorable John J. Young, Jr.
Acting Under Secretary of Defense (Acquisition,
Technology and Logistics)
3010 Defense Pentagon
Washington, DC 20301-3010

References:

1. Memorandum dated 23 April 2007 – “Defense Contract Management Agency’s Earned Value Management (EVM) Roles and Responsibilities”
2. Memorandum dated 3 July 2007 – “The Use of Earned Value Management in the Department of Defense”

Dear Mr Young:

The National Defense Industrial Association (NDIA) welcomes the renewed emphasis on effective implementation of Earned Value Management (EVM) addressed in the referenced memoranda, since it was our member companies that developed the ANSI-EIA 748 “Earned Value Management Systems” standard at the request of the Department of Defense (DoD). We worked with our government counterparts to transition EVM implementation from “oversight to insight.” That cooperation led to demonstrated management improvements, reduced the cost of EVM, and improved communications between industry and government.

We are concerned, however, that the Department’s response, as detailed in the referenced memoranda, will be stressing “enforcement” of industry compliance that will once again result in excessive EVM implementation costs without appropriate consideration for the needs of program management. We are concerned about the lack of balance between prescriptive requirements that literally interpret “guidance” with minimal consideration to the latitude necessary in making effective management decisions. Because the guidelines are scalable, their implementation and use will not be identical from company to company, or even from program to program, but will reflect the individual needs of program managers for management information. A balanced focus on program management use and system implementation is viewed to be a most effective approach.

During the 1990’s, the Office of the Secretary of Defense (OSD) established an ombudsman to hear industry issues and concerns outside formal contractual relationships. The role, assigned first at OSD and later at DCMA, is now ineffective because it no longer is independent. The principle of “insight” has reverted to “oversight” as DCMA unilaterally interprets all issues concerning EVMS implementation and AT&L interprets EVM policy, leaving program management and industry with no unbiased senior-level avenue for problem resolution.

Recent examples that reflect a lack of industry participation in government discussions involving the use, implementation, and evaluation of EVM systems include the adoption of tripwires and the impending issuance of an EVM joint surveillance instruction, both of which have a significant effect on

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industry and their management costs. NDIA believes that industry can make important contributions to such documents and can help the government make EVM data useful for industry and DoD program managers.

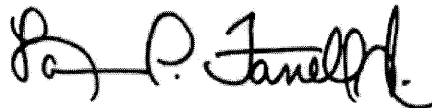
The NDIA Program Management Systems Committee (PMSC) is concerned about our lessened role in communication and cooperation and has taken steps to work with Mr. David Kester, Director, DCMA Integration, and Ms. Deborah Tomsic, Senior Analyst, OUSD(AT&L)ARA/AM. We hope to continue on the path of open communication, but a dialogue at the executive level also is needed in order for all to succeed.

In summary, NDIA supports DoD's objective to resolve EVM implementation problems and to help program managers manage their programs effectively. To that end, NDIA respectfully requests that OSD:

- Appoint an unbiased ombudsman who is empowered to address conflicting directions from DoD components and to work with the NDIA PMSC in resolving issues
- Establish an executive-level working group
- Clarify that EVM is a management process supporting program management and owned by individual companies
- Engage at all levels of DoD and industry to jointly improve the use of EVM by Program Management.

The NDIA PMSC looks forward to expanding our dialogue and invites the active participation of representatives from DoD components and the military services, along with OSD and DCMA, at our regularly-scheduled committee and working group meetings to collectively identify and resolve issues, as well as to improve the acceptance and use of EVM. For additional information, please contact NDIA Procurement Division Director Ruth Franklin at (703) 247-2598 or at rfranklin@ndia.org.

Sincerely,

A handwritten signature in black ink, appearing to read "L. P. Farrell, Jr.", written in a cursive style.

Lawrence P. Farrell, Jr.
Lt. Gen., USAF (ret.)
President & CEO