



**PARCA  
EVM**

# **DoD Earned Value Management System Interpretation Guide (EVMSIG)**

**Briefing of December 2014 DoD EVMSIG  
Adjudication Results for Industry**

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**PARCA Earned Value Management**

*January 26, 2015*



## PARCA EVM

# DoD EVMSIG TOPICS

- ▶ Purpose of DoD EVMSIG
- ▶ Development of DoD EVMSIG
  - Adjudication team
  - Adjudication history
- ▶ December 2014 Adjudication Details
  - December 2014 adjudication/disposition status
  - Adjudication of global/key industry discussion points
- ▶ Implications of DoD EVMSIG
- ▶ Path forward
  - Publication
  - Agency-level procedures



## Purpose of DoD EVMSIG

- ▶ Provide single, authoritative DoD interpretation of the 32 Guidelines contained in the EIA-748 EVMS Standard for use in conducting DoD EVMS compliance reviews.
  
- ▶ To facilitate consistency and a common understanding for determining EVMS compliance within DoD, each guideline is broken down into the following sections:
  - DoD Strategic Intent
  - Attributes
  - Typical Work Products
  - Where appropriate, acknowledges differences in guideline interpretation and application for development versus production type work.
  
- ▶ DoD agencies/organizations charged with conducting initial and continuing EVMS compliance activities will establish amplifying agency-level procedures to:
  - Clarify how the DoD EVMSIG will be implemented
  - Provide guidance for attribute evaluation



## PARCA EVM

# Development of DoD EVMSIG

- ▶ Need to generate DoD policy-level EVMS interpretation guide determined in January 2014.
  - Initial draft developed February through mid-May 2014
  - Adjudication Team formed to review initial draft document and adjudicate all comments.
    - Each DoD Component charged with conducting EVMS compliance activities provided representatives who had authority to act on behalf of that particular agency/organization
    - Team consists of representatives from DCMA, Intelligence Community (IC), Department of Navy (DON)/SUPSHIPS, and DCAA.
- ▶ Initial draft provided to Adjudication Team May 2014. A total of four, in-person adjudication meetings held during 2014:
  - July (1 week), August (1 week), September (2 days), December (2 weeks)
  - First three meetings adjudicated 921 comments from Adjudication Team agencies/organizations.
  - December meeting adjudicated 1013 comments from wider distribution of stakeholders:
    - Government: Air Force, Army, PARCA, GAO, DAU, DCMA, IC, DCAA, DoN
    - Industry: NDIA (16 different companies), Shipbuilders (6 companies)
    - Included half day for industry to brief the Adjudication Team on comments/concerns



# December 2014 Adjudication Details

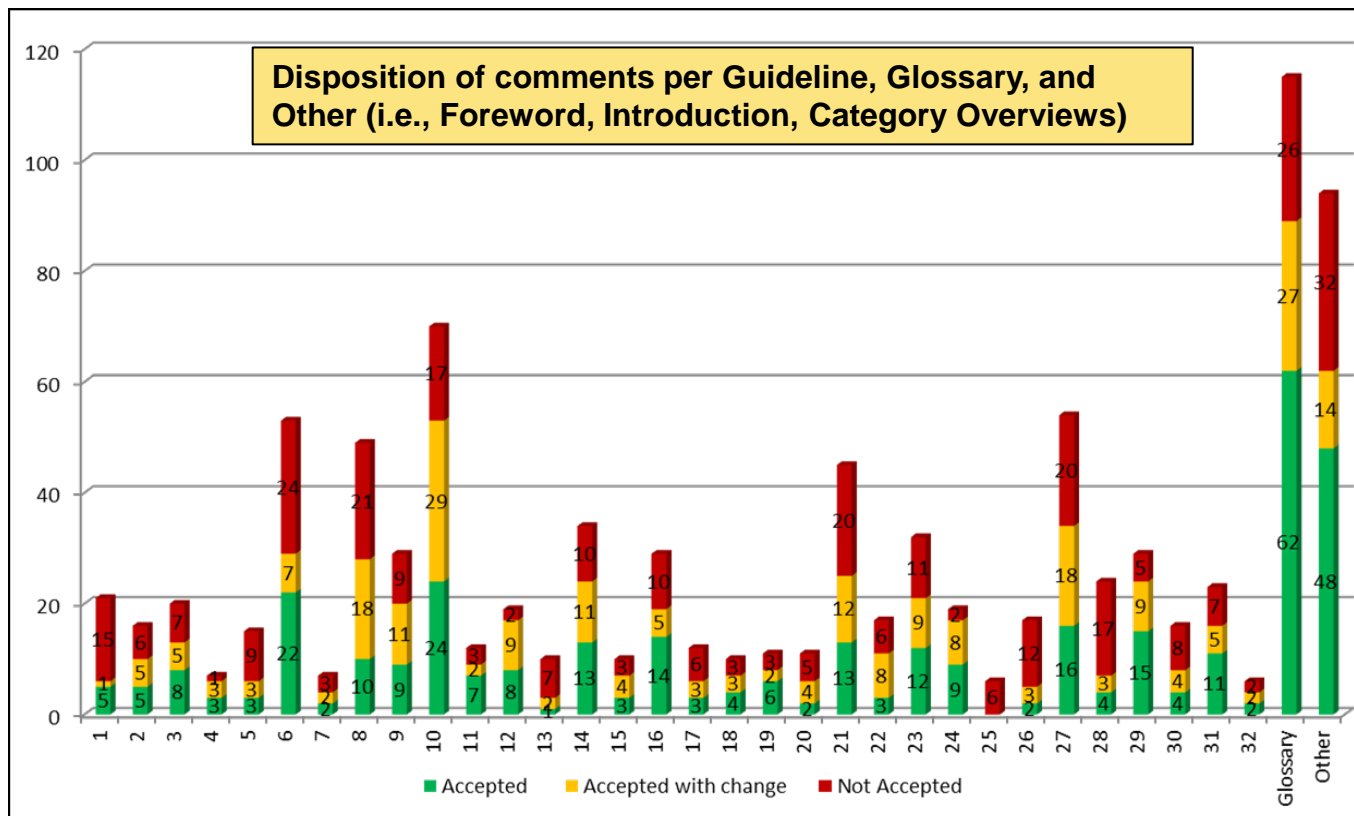
## ▶ December 2014 Adjudication/Disposition Status

- Stakeholders provided comments/recommendations that addressed all areas of the document: Foreword, Introduction, Category Overviews, 32 Guidelines, and Glossary
- Team adjudicated all 1013 comments and reached consensus on final DoD EVMSIG.

### 1013 comments

- 64% Accepted or Accepted with change
- 36% Not accepted

(Disposition rationale for not accepted dependent on specifics of comment, e.g., work products not all inclusive; not using PMI terms; not actionable and/or no recommendation provided, handled in test steps, etc.)





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# Adjudication of Global/Key Industry Discussion Points

- ▶ NDIA consolidated and internally adjudicated industry comments prior to submission (531 comments down to 248, i.e. eliminate duplication)
- ▶ Overall, no “show stoppers” with the following global/key discussion points:
  - Addition of new work product: Corrective Action Plan Summary (Guideline 7)
  - Prime contractor’s “handling” of subcontractor management reserve (MR) (Guideline 14)
  - Material Earned Value (performance) addresses scenarios, suggest be more general (Guideline 21)
  - ETCs at Work Package Level (Guideline 27)
  - Definition of “freeze period” (Guideline 29)
  - Approval vs notification: Over Target Baseline/Over Target Schedule (OTB/OTS) (Guidelines 8 and 31)
  - Industry suggest delete and/or to supply several replacement figures (Guidelines 5, 6, 8, 9, 15)
  - Perceived differences in guideline interpretations will require multiple System Descriptions (SDs)
- ▶ Additional NDIA comments related to perceived “differences” between EVMSIG and EIA-748
  - WBS and control account definition (Guideline 1)
  - Objective completion criteria aligned with technical performance (Guideline 7)
  - Retroactive changes (Guideline 30)



# Adjudication of Global/Key Industry Discussion Points

- ▶ Shipbuilders provided 115 comments separately from NDIA (some duplicates to NDIA)
  - WBS: Modular vs System oriented, different WBS level for labor and material (Guideline 1)
  - Network logic and interdependencies should be at level most practical for the program (Guideline 6)
  - Physical progressing should be allowed if Quantifiable Backup can be demonstrated (Guideline 7)
  - Work authorization is a process and may take many forms; make clear that labor hours is an acceptable budget unit (Guideline 9)
  - Flexibility for some level of actuals without budget for emergent work (Guideline 10)
  - Use of MR to offset a negotiating concession (Guideline 14)
  - Reconciliation of EVMS cost with the accounting system should be performed at the bottom line; use of estimated actuals should be optional for material (Guideline 16)
  - Progress payment milestones valid for claiming Material Earned Value (performance) (Guideline 21)
  - Overly prescribing level of variance analysis adds cost and results in redundancy (Guideline 23)
  - ETCs at Work Package Level (Guideline 27)
  - Retroactive changes allowable if sound rationale and documentation demonstrated (Guideline 30)
  - Foreword and Introduction: level of detail much greater than EIA-748; scalability



## PARCA EVM

# Guideline 1: Perceived “difference” from EIA-748: WBS and control account

- ▶ Topic: WBS and control account definition (Guideline 1)
  - Industry Comments:
    - NDIA: “Get closer in line with ANSI 3.2 for definition of WBS (extend to control point or control account).”
    - Shipbuilders: WBS represents how the contractor plans and executes the program. The structure may differ between labor and material and may not directly align with a SOW. Also, WBS may be Modular vs System oriented (MIL STD-881).
  - EIA-748: “The WBS is extended, at a minimum, to the level(s) at which control accounts are established. The extent of detail (breakout and levels) in the WBS will be determined by program management needs, organizational policies, and contractual agreements.”
  - DoD EVMSIG:
    - To require extension to control account level for Guideline 1 considered too prescriptive. Establishment of control accounts is addressed in Guideline 5.
      - “In all cases, the contractor must extend the contract WBS to a level needed for effective internal management control. This should not be an arbitrary level established across the program.”
    - Intent is to provide flexibility for cost reporting structure. WBS is not an EVM construct, but a tool for communication between the contractor and the Government; different communities can have different needs. Labor and material may be managed at different WBS levels.
      - “The WBS is structured to best manage and report on program performance. Cost collection requirements, such as Cost and Software Data Reporting (CSDR), may require a different cost reporting structure than the WBS used in the EVMS for program management.”





## Guideline 6: Global/Key Discussion Point – Level of Network Logic in IMS

- ▶ Topic: Network logic and interdependencies should be at level most practical for the program (Guideline 6)
- Shipbuilders Comment: “Depending on the size and duration of the program, the network logic and interdependencies should be allowed to be the most practical for the program. Driving logic to too low a level is cost prohibitive and creates administrative churn. Services and non-discrete work should not be required to be included in the network.”
- DoD EVMSIG:
  - Intent is to provide flexibility for production programs and acknowledge the relationship between Manufacturing/Enterprise Resource Planning (M/ERP) System and the program IMS. Non-discrete work (i.e., Level of Effort (LOE)) is not required to be included in IMS.
    - “In the event Level of Effort (LOE) is included in the IMS, it shall not impact discrete work or the calculation of the critical and driving paths.”
    - “Production programs are often planned using inputs from M/ERP System that include the detailed efforts (work orders, production orders, work bills, etc.) used to manage the procurement and assembly of material with the associated labor. These systems are used as the basis for planning and statusing the detailed efforts which are aggregated, with the appropriate interdependencies and sequencing preserved, within the network schedule (IMS), minimally at the work package level, for critical path analysis.”



## Guideline 7: Perceived “difference” from EIA-748: Completion criteria aligned with technical performance

- ▶ Topic: Objective completion criteria aligned with technical performance (Guideline 7)
  - Industry Comments:
    - NDIA: “Fear attribute (i.e., “*Objective completion criteria aligned with accomplishment of the program’s technical requirements and goals are determined in advance...*”) will add scope to companies’ System Descriptions due to the ANSI being consciously silent on “technical requirements”. Concern that CAMs and DCMA not trained in this area and that “aligned” is a subjective term.”
    - Shipbuilders: “Not all work is conducive to breaking down into small enough units of work to promote an electronic progress medium or delineate schedule health. Physical progressing should be allowed if Quantifiable Backup can be demonstrated.”
  - EIA-748: “Identify physical products, milestones, technical performance goals, or other indicators that will be used to measure progress.”
  - DoD EVMSIG:
    - EVMSIG contains no requirement to identify and directly link TPMs to EVM, but both need to reflect similar status of program progress.
      - “Identifying and selecting appropriate objective completion criteria, that will align with how technical performance will be accomplished, for all discrete work and for each of the program’s key events, decision points, and milestones is essential for ensuring accurate schedule status and providing program management actionable information.”
    - EVM must represent true program performance (i.e., technical achievement). Attribute captures expectation that progress is based on a physical assessment method using an appropriate EV technique.
      - Guideline 7 attribute: “Objective completion criteria aligned with accomplishment of the program’s technical requirements and goals are determined in advance, documented, and used to plan and measure the progress of program milestones and events.”



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# Guideline 7: Global/Key Discussion Point – New Work Product

- ▶ Topic: Addition of new work product: Corrective Action Plan Summary (Guideline 7)
  - NDIA Comment: “Definition of Corrective Action Plan Summary (new work product)”
    - Corrective Action Plan “Summary” was listed as a typical work product under Guideline 7; industry perceived “summary” as an additional documentation requirement.
  - DoD EVMSIG:
    - Work products are “typical”, not all-inclusive and terminology is notional.
    - Removed this particular terminology; no intent to require the development of a new work product.
    - Corrective Action Plans are associated with Analysis and Management Reporting Guidelines 23, 24, and 26; they are appropriately captured under those guidelines rather than Guideline 7.



## Guideline 9: Global/Key Discussion Point – Work Authorization

- ▶ Topic: Work authorization is a process and may take many forms; make clear that labor hours is an acceptable budget unit (Guideline 9)
- Shipbuilders Comments:
  - “Work authorization may take many forms. The contractor should be allowed to demonstrate the work authorization process.” “Work authorization should refer to a process and not a specific document which allows for the use of existing MRP documentation to authorize work.”
  - “Budget may be in labor dollars, labor hours or other measurable units. Labor hour budgets may be priced at a level higher than control account with CAMs responsible for labor hours only.”
- DoD EVMSIG:
  - EVMSIG contains language that acknowledges work authorization is a process that may be demonstrated in various ways. EVMSIG also clearly states labor hours is an acceptable budget unit.
    - “Through a formal work authorization process, the budget’s elements of cost required to execute the control account’s scope of work are identified, planned, and documented. Approved work authorization must precede the baseline start and actual start of work. ”
    - Work authorization process/documentation identifies work scope description, budgets segregated by elements of cost (i.e., direct labor dollars/hours, material and/or subcontract dollars, and other direct costs), and period of performance for the authorized effort.”
    - “Budgets may be stated in dollars, hours, or other measurable units consistent with the budget values reflected in the control account plans and the latest work authorization documentation.”



## Guideline 10: Global/Key Discussion Point – Zero budget Work Packages

- ▶ Topic: Flexibility for some level of actuals without budget for emergent work (Guideline 10)
  - Shipbuilders Comments: “Flexibility for some level of actuals without budget should be allowed if managed and controlled to specified thresholds. Emergent work will arise and budget may not always be applied before the start. The guidelines interpretation needs to be sensitive to government directed changes where work is authorized and started before a scope is fully assessed.”
  - DoD EVMSIG:
    - By definition, work packages must have budget. Government acknowledges there can be multiple ways to ensure budget is associated with emergent work. Contractor procedure for ensuring budget is associated with emergent work is expected to be documented in EVM System Description.
    - Government also acknowledges the process for ensuring budget is associated with emergent work may be demonstrated in various ways; testing protocols will be used to evaluate the implementation of those procedures.
      - “Distributing all control account budgets to either work packages or planning packages ensures the Performance Measurement Baseline (PMB) is planned at an executable level that aligns with how meaningful performance measurements will be obtained.”
      - “A work package/planning package shall not have a budget without an assigned scope of work. Conversely a work package/planning package shall not have authorized scope without associated budget.” (See GL 9 for work auth.)



## Guideline 14: Global/Key Discussion Point – Management Reserve (MR)

- ▶ Topic: Prime contractor’s “handling” of subcontractor management reserve (MR); use of MR to offset negotiations (Guideline 14)
- Industry Comments:
  - NDIA: “Discuss lack of language on Subcontractor MR “handling””
  - Shipbuilders: “Use of MR to offset a negotiating concession is proper. CAMs should not be made to sign up to a value that is not achievable.”
- DoD EVMSIG:
  - Previous version lacked specific language regarding treatment of MR belonging to subcontractors and how it was to be represented in prime’s PMB. Final EVMSIG allows prime contractor flexibility in handling subcontractor MR, taking care to ensure proper purpose of MR is maintained.
    - “MR is not associated with a specific scope of work and is not included in the PMB.”
    - “MR belonging to a major subcontractor must be incorporated into the prime contractor’s EVMS with traceability to the subcontractor’s reported MR.”
  - EVMSIG clarifies contract scope for which MR may be used.
    - “MR is always reported as a positive value and is set aside for program risks or unplanned events that are in-scope to the contract. Applications of MR to the PMB may be necessary within the contractually authorized work scope (e.g., unforeseen effort that is in-scope to the contract but out of scope to the control account, rate changes if the contractor's EVMS allows , discrete work to mitigate risk or recognize realized opportunities, etc.)”



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# Guideline 16: Global/Key Discussion Point – Reconciliation of EVMS cost with accounting system; estimated actuals

- ▶ Topic: Reconciliation of EVMS cost with the accounting system should be performed at the bottom line; use of estimated actuals should be optional for material (Guideline 16)
  - Shipbuilders Comments:
    - “Reconciliation of the EVMS cost with the accounting system should be performed at the bottom line. Cost collection roll-up to support CLIN structures and billing requirements may differ from the internal performance control account architecture.”
    - “Use of estimated actuals for material should not be mandatory. It should be an option for contractors.”
  - DoD EVMSIG:
    - EVMSIG clarifies that actuals are collected at the control account at a minimum and must be traceable from the EVMS to the direct costs in the accounting system.
      - “To ensure ACWP is directly compared with the associated BCWP for performance measurement, the direct cost-charging structure established in the contractors accounting system should map or trace to the control accounts at a minimum.” “The ACWP in the EVMS can be mapped or traced to the direct costs in the accounting system.”
    - Use of estimated actuals is consistent with EIA-748. Guideline 16 contains attribute for estimated actuals; both Guideline 16 and 21 intent language describe rationale for requiring use of estimated actuals, i.e. to minimize inaccurate variances.
      - Guideline 16: “In the event direct costs for subcontracted effort and/or material have not yet been formally recorded in the accounting system, estimated costs (estimated actuals) will be used for EVM performance reporting and assessment in the EVMS.”
      - Guideline 21: “When direct costs are not available, estimated costs (estimated actuals) must be used to maintain the integrity of the relationship between cost and how budgets were planned and performance was measured.”



## PARCA EVM

# Guideline 21: Global/Key Discussion Point – Material Performance

- ▶ Topic: Material Earned Value (performance) addresses scenarios, suggest be more general; progress payment milestones valid for claiming Material performance (Guideline 21)
- Industry Comments:
  - NDIA: “Material Earned Value (Guideline 21) addresses scenarios, but by taking that path you’ll need to address them all; suggest be more general in nature.”
    - “This guidance exceeds the ANSI and may be considered prescriptive. DOD has decided to deviate from a what needs to be documented in a EVMS to be compliant, to a how to policy. Once you start down that path, you need to cover all possible contractual situations...”
    - “Use the following from ANSI: “The generally acceptable points for measuring material progress are: (1) point of receipt; (2) point of stock; and (3) point of issue to work in process.”
    - “Remove all content that discusses “payment” as a means to take BCWP.”
  - Shipbuilders: “For large procurement buys, progress payment milestones should be allowed as a valid material progress....This provides a more accurate reflection of progress than claiming one hundred percent upon receipt of the long-lead material.”
- EIA-748: “Earned value for material will usually be credited no earlier than the point of receipt, in the same period the work is completed and that the costs are applied. The generally acceptable points for measuring material progress are: (1) point of receipt; (2) point of stock; and (3) point of issue to work in process.”





## Guideline 21: Global/Key Discussion Point – Material Performance (continued)

### ■ DoD EVMSIG:

- EVMSIG is consistent with EIA-748 Standard. Financial transactions are not treated as an acceptable method for recognizing progress.
  - “The need for accurate comparison of material costs to material budgets and earned value requires that the point of performance and recording of Budget Cost for Work Performed (BCWP) for the material and the transfer of direct costs from the accounting system to the EVMS occur within the same accounting period. “
  - “Material performance is claimed consistent with how material budgets are planned. This point of performance must be established no earlier than the actual receipt of the material items. “
  - “Material BCWS and BCWP are intended to permit measurement of events which reflect progress in contract performance, not for measurement of administrative or financial events (e.g., booking of direct costs or vendor invoice payment).”
  - “When consumption and payment occur within the same accounting period, then the latest point in time for material progress assessment is at the point of payment. Other points of progress assessment include release from inventory to work-in-progress and receipt (with inspection and acceptance) and delivery to the user (i.e., for direct delivery material).”



## Guideline 21: Global/Key Discussion Point – Material Performance (continued)

### ■ DoD EVMSIG:

- EVMSIG allows flexibility for situations in production where the handling of materials may be different than in development.
  - “In the event that direct costs for material are recorded in the contractor’s accounting system, but the point of performance for material has not occurred as planned, then the contractor will not transfer the direct costs from the accounting system into the EVMS until the point of performance occurs. This should not be confused with necessary funding projections which need to be otherwise reflected in the contractor’s Contract Funds Status Report with reconciliation to the EVMS.”
  - “Based upon Customer specifications, material items that are subcontracted to vendors to develop, build, fabricate or manufacture may be planned (BCWS), performance taken (BCWP), and costs accrued (ACWP) using progress payment milestones that are supported by a plan detailing technical accomplishment.”
  - “For contractors implementing modernized and automated material control systems in production environments which include Grouping, Pegging and Distribution (GPD) concepts and capabilities, careful consideration must be addressed regarding.....”
  - “Material control system, as a term, is generic and is not intended to imply that the contractor must have a fully automated system(s) to manage the material process and interfaces with EVMS. However, many contractors in production environments have automated enterprise level material control systems, sometimes referred to as Manufacturing/Enterprise Resource Planning (M/ERP) System.”



## Guideline 23: Global/Key Discussion Point – Variance Analysis

- ▶ Topic: Overly prescribing level of variance analysis adds cost and results in redundancy (Guideline 23)
  - Shipbuilders Comments: “While data summarization is at a control account level at a minimum, the variance analysis should be performed at a level most practicable to the program management and the customer. Overly prescribing the level of variance analysis adds costs and results in redundancy.”
  - DoD EVMSIG:
    - External reporting of performance is different than internal management analysis and typically occurs at a summary level above the control account. EVMSIG clarifies that variance analysis is at control account and summary levels.
      - “Analyzing variances at the control account and summary levels enables program management to understand the impact of cost and schedule performance drivers at the point where budget, scope, and resources are actively managed.”
      - “Schedule and cost variances are identified and analyzed at control account and summary level.”



## Guideline 27: Global/Key Discussion Point – ETCs at WP Level

- ▶ Topic: Estimates to Complete (ETCs) at Work Package (WP) Level (Guideline 27)
  - Industry Comments:
    - NDIA: Industry concern that requirement to develop ETCs at WP level would require significantly more time to develop ETCs, translate into less efficient processes, and more cost to the customer. Recommended that ETCs be developed at a WBS level no higher than the control account.
    - Shipbuilders: “ETCs developed at a WP level for large programs is prohibitive in terms of time and value. EACs should be allowed at the control account level with a reasonable periodicity based on the program duration.”
  - DoD EVMSIG:
    - EVMSIG expects that budgets are established, planned and progressed at WP level. As ETCs are developed in sync with the planning of resources and budgets, a WP is the logical point to identify ETC. Guideline 16 states that at a minimum actual costs are collected at the control account level.
      - “The EAC is based on the ACWP to date plus the ETC for the remaining work. EACs are not constrained by funding or negotiated contract costs. ETCs are developed at the work package, planning package, and Summary Level Planning Package (SLPP) levels, or where resources are identified (if lower than the work package level), and are added to the ACWP to calculate the EAC. This includes evaluating the type and quantity of resources required to complete program objectives. At a minimum, direct costs are collected at the control account. (See Guideline 16.) ETCs must be based on resources that are time-phased commensurate with schedule forecast dates.”
    - EAC is a control account level value, ETC is at work package level.
      - “A properly maintained EAC, at the control account level, continuously adjusted to reflect program progress, as well as scope and schedule changes. This is supported by timely updates at the work package, planning package, or lower levels, based on modified resource requirements.”



## Guideline 29: Global/Key Discussion Point – Freeze Period

### ▶ Topic: Definition of Freeze Period (Guideline 29)

- NDIA Comment: “Reach Agreement on definition of ‘freeze period’”
- DoD EVMSIG:
  - Defines purpose of a freeze period; clarifies which accounting periods are considered prior, current, and future; and, based on that clarification, specifies which guidelines control PMB changes.
    - “The primary intent of any freeze period is to maintain forward planning discipline and the integrity of the PMB. Contractors should establish a period of time during which baseline changes must be limited to customer-approved contract actions, rate changes, and economic price adjustments. (See Figure 12: Notional Freeze Period.) Supporting rationale for changes in the freeze period must be documented in baseline change control documentation.”
    - Figure 12: Notional Freeze Period

Oct	Nov	Dec	Jan	Feb
Earlier Periods (Time Now -2...n) ←	Prior Period (Time Now-1)	Current Period (Time Now)	Next Period (Time Now +1)	Future Periods (Time Now +2...n) →
RETROACTIVE CHANGE PERIOD (GL 30)		FREEZE PERIOD (GL 28 & 29)		PLANNING PERIOD (GL 28 & 29)



## Guideline 30: Adjudication of perceived “differences” from EIA-748: Retroactive Changes

### ▶ Topic: Retroactive Changes (Guideline 30)

#### ■ Industry Comments:

- NDIA: “Use ANSI language”. Recommendation was to use the text from the NDIA Intent Guide.
  - NDIA Intent Guide: Guideline 30 states “The cumulative values for the budgeted cost for work scheduled and budgeted cost for work performed are not adjusted for *routine* direct or indirect cost rate increases or decreases.” EIA-748: contains no related specific language.
- Shipbuilder: “Retroactive changes are a fact of life for large manufacturing programs and are necessary to preserve the validity and credibility of the EV output. The contractor should be allowed to control and administer retroactive changes...if sound rationale and documentation is demonstrated.”

#### ■ DoD EVMSIG:

- With exception of “routine”, EVMSIG already contained recommended language.
  - “Retroactive adjustments due to rate changes are only made to ACWP. The cumulative values for the BCWS and BCWP are not adjusted for direct or indirect cost rate increases or decreases.”
- EVMSIG acknowledges reality and necessity of retroactive changes and establishes expectation that a change control process is in place to control when and how retroactive changes are made.
  - “Change control process that controls retroactive changes to previously recorded values for BCWS, BCWP, or ACWP, including approval and explanation.”



## PARCA EVM

# Guidelines 8 and 31: Global/Key Discussion Point – OTB/OTS Approval

- ▶ Topic: Approval vs notification: Over Target Baseline/Over Target Schedule (OTB/OTS) (Guidelines 8 and 31)
  - NDIA Comments: “OTB/OTS language consistencies (approval vs notification)”
    - OTB/OTS notification vs approval inconsistently used; requires alignment between Guideline 8 and 31.
    - Industry suggests defer to EIA-748; recommendation to change the process to require prior notification to the government of the pending OTB.
  - EIA-748 EVMS Standard:
    - Section 2 EVMS Guidelines states for 2.2(c) (i.e. Guideline 8): “...If an OTB is used for performance measurement reporting purposes; prior notification must be provided to the customer.”
    - Section 3 EVMS Process Description, paragraph 3.10.5: “The customer must be consulted in advance whenever an over-target baseline is implemented.”
  - DFARS 252.234-7002 (h):
    - “When indicated by contract performance, the Contractor shall submit a request for approval to initiate an over-target baseline or over-target schedule to the Contracting Officer. The request shall include a top-level projection of cost and/or schedule growth, a determination of whether or not performance variances will be retained, and a schedule of implementation for the rebaselining. The Government will acknowledge receipt of the request in a timely manner (generally within 30 calendar days).”



## PARCA EVM

# Guidelines 8 and 31: Global/Key Discussion Point – OTB/OTS Approval (continued)

### ■ DoD EVMSIG:

- An OTB ultimately impacts funding, therefore it is in the Government's best interest to be involved with decisions relating to OTBs.
- EVMSIG does not override regulation and is consistent with DFARS 252.234-7002(h).
  - Guideline 8: “Advance notification to and approval from the customer is essential prior to the implementation of an OTB or OTS. (See Guideline 31 for further details related to OTB/OTS.)”
  - Guideline 31: “In order to prevent unauthorized increases to the TAB, causing it to exceed the CBB value, prior approval is required between the contractor and the government for implementation of an Over Target Baseline (OTB).”
  - Guideline 31: “A thorough analysis of program status is necessary before the consideration of the implementation of an OTB and/or OTS. Requests for establishing an OTB or an OTS must be initiated by the contractor and approved by the customer contracting authority.”





## PARCA EVM

### Guidelines 5, 6, 8, 9, 15: Global/Key Discussion Point – Figures

- ▶ Topic: Industry suggest delete and/or will supply several replacement figures (Guidelines 5, 6, 8, 9, 15)
  - NDIA Comment: For various figures, NDIA suggested deleting and/or would provide replacement figures to better illustrate point.
  - DoD EVMSIG:
    - Figures revised as needed to clarify content and respond to comments (Guidelines 5, 6, 8, 15).
    - One figure deleted (Guideline 9).



## PARCA EVM

### Global/Key Discussion Point – Multiple SDs

- ▶ Topic: Perceived differences in guideline interpretations will require multiple System Descriptions (SDs)
  - NDIA Comment: “By having any differences to the established 748 GLs, contractors fear a need for multiple System Descriptions to satisfy multiple entities.”
  - DoD EVMSIG:
    - There are no differences to the Guidelines between the EIA-748 and DoD EVMSIG. Since the transition from the Criteria to the Guidelines in the 1990s, DoD has always recognized the Industry Guidelines in Section 2, EIA-748. Section 3, EIA-748, supports Industry's needs for commercial and Fixed Price contracts. Likewise, the DoD EVMSIG supports the DoD's need for high dollar, high risk and cost type contracts.
    - The need for multiple SD has been firmly mitigated since the DoD and IC share the same interpretations in the DoD EVMSIG. OSD and the CAIWG may meet as needed if the Civil agencies seek to better understand the purpose and use of the new DoD EVMSIG.
      - “The DoD requires the management system and processes (i.e., tools, techniques and procedures) used by the contractor’s program management staff to be formally documented in either a stand-alone EVM System Description (SD) or in a set or series of integrated process descriptions/procedures that describe the contractor’s approach to a compliant EVMS. This documentation will describe how the contractor’s business processes and associated data/work products meet the intentions of the 32 Guidelines.”
      - “Adding the EVM requirement to established program management business disciplines should not necessitate a major reorganization or refitting of current processes. It is expected that contractors will implement an EVMS by leveraging existing management processes and tools already used to conduct business. “
      - “The Guide provides the DoD Strategic Intent behind each guideline as well as the specific attributes required in a compliant EVMS. Those attributes are the general qualities of effective implementation that are tested in support of determining EVMS compliance as it relates to the 32 Guidelines.”



## Global/Key Discussion Point – Scalability, detail

- ▶ Topic: Foreword and Introduction: level of detail much greater than EIA-748; scalability
  - Shipbuilders Comment: “Level of mandatory detail is much greater in EVMSIG when compared directly to the EIA-748. If each document was provided to a contractor pricing it is likely the EVMSIG would be more expensive.” “For EVMSIG the 32 guidelines are presented as being fully mandatory. Introduction in the EIA-748 indicates the seven principle of EVMS to always be required but includes latitude for scalability and having the fundamentals of the 32 guidelines as applicable to programs.”
  - DoD EVMSIG:
    - EVMSIG provides DoD’s interpretation of the 32 Guidelines in EIA-748, Section 2. The DoD EVMSIG is commensurate with the high risk, high dollar, and complexity of DoD contracts to achieve cost, schedule and technical performance in support of mission needs. The Guide describes the intent of the guidelines and the characteristics of the contractor’s management system for effective implementation.
      - “The DoD EVMS Interpretation Guide (EVMSIG), hereafter referred to as “the Guide”, provides the overarching DoD interpretation of the 32 Guidelines where an EVMS requirement is applied. It serves as the authoritative source for EVMS interpretive guidance and is used as the basis for the DoD to assess EVMS compliance to the 32 Guidelines....”
      - “The Guide provides the DoD Strategic Intent behind each guideline as well as the specific attributes required in a compliant EVMS. Those attributes are the general qualities of effective implementation that are tested in support of determining EVMS compliance as it relates to the 32 Guidelines.”



## DoD EVMSIG Implications

### ► Implications of DoD EVMSIG

- DoD EVMSIG clarifies the existing interpretations of the 32 Guidelines in EIA-748 for consistent application on high risk, high dollar and complex DoD cost type acquisitions.
- DoD EVMSIG clarifies how attributes are mapped to the 32 Guidelines. Each attribute appears only one time, associated with a particular Guideline, thus reducing/eliminating duplication of effort.
  - Example: Guideline 29 – the DoD Strategic Intent section includes discussion on the importance of change control relative to the appropriate use of Management Reserve (MR) and also clearly defines a freeze period and which accounting periods are prior, current, and future.
  - Previously, appropriate use of MR may have been associated with Guideline 14 (the identification and establishment of MR) and current period changes may have been associated with Guideline 30 (control retroactive changes).
  - DoD EVMSIG clarifies in both intent language and associated attributes which Guidelines are associated with these concepts.
- Current status of contractors' existing EVMS should be unchanged.
- Future deficiencies will reference the DoD EVMSIG.



## PARCA EVM

## Path Forward

- ▶ Publication of DoD EVMSIG
  - Target date: month-end January 2015
  
- ▶ Amplifying Agency-level procedures
  - DoD agencies/organizations (DCMA, IC, NAVSEA SUPSHIP, DCAA) charged with conducting initial and continuing EVMS compliance activities will establish amplifying agency-level procedures to clarify how the DoD EVMSIG is being implemented and provide guidance for attribute evaluation methods and tests.
  - DoD agencies/organizations to brief PARCA on amplifying procedures and their consistency with the DoD EVMSIG.