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GSA Office of the Chief Acquisition Officer
GSA Acquisition Letter V-05-01

MEMORANDUM FOR ALL GSA CONTRACTING ACTIVITIES

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SUBJECT: Implementation of Earned Value Management System
(EVMS) Policy in GSA

1. Purpose. This Acquisition Letter provides the policies and procedures for incorporating an Earned Value Management System (EVMS) in GSA contracts for GSA use only. Earned Value Management integrates the scope of work, schedule, and cost to create an aggregate picture of performance, which helps ensure that day-to-day decisions on performance for development efforts are consistent with program objectives. EVM can help to mitigate cost and/or schedule overruns and provides a forecast of final cost and schedule outcomes.

2. Background. Title V of the Federal Acquisition Streamlining Act of 1994 (FASA) requires agency heads to approve or define the cost, performance, and schedule goals for major acquisitions and achieve, on average, 90% of the cost, performance and schedule goals established. In addition, the Clinger-Cohen Act of 1996 requires the Director of OMB to develop, as part of the budget process, a process for analyzing, tracking, and evaluating the risks and results of all major capital investments for information systems for the life of the system. OMB Circular A-11, Part 7, Planning, Budgeting, Acquisition, and Management of Capital Assets and its supplement, Capital Programming Guide, were written to meet the requirements of FASA and the Clinger-Cohen Act.

The policy, budget justification, and reporting requirements in Section 300 of OMB Circular A-11 apply to all agencies of the Executive Branch of the government that are subject to Executive Branch review. Section 300.7 requires that agencies submit an Exhibit 300, Capital Asset Plan and Business Case, for all major acquisitions as part of the annual budget submission. As a part of the funding decision process, each Exhibit 300 is scored by OMB. Major acquisitions (or projects) for GSA are determined by GSA and OMB based on dollar value, criticality, high visibility or priority.

The Exhibit 300 is a format used by the Integrated Project Team (IPT) to demonstrate to agency management and OMB that it has employed the disciplines of good project management, presented a strong business case for the investment, and met other

Administration priorities to define the proposed cost, schedule, and performance goals for the investment. OMB Circular A-11 further requires the use of an Earned Value Management System (EVMS) that meets the American National Standards Institute (ANSI)/Electronics Industries Alliance (EIA) Standard – 748 for both Government and contractors.

3. Effective Date. Solicitations for information systems issued more than 30 days after the issuance of this Acquisition Letter and which meet the criteria for an EVMS must include EVM provisions. After October 1, 2005, all solicitations that involve development, modernization or enhancement of capital assets that meet the criteria for EVMS must include EVM provisions. EVM requirements must be included in all contracts resulting from such solicitations.

4. Termination Date. One year from the date of issuance or until incorporated into the General Services Administration Acquisition Manual (GSAM) whichever is sooner. A FAR rule is in process.

5. Applicability. The policies and procedures in this Acquisition Letter apply to all GSA contracting activities that issue solicitations, and award contracts or place orders on behalf of GSA. EVMS applies as follows:

a) Cost-reimbursement or incentive contracts and orders (see FAR subparts 16.3 and 16.4) valued at \$20 million or more shall have an EVM system that has been formally validated.

b) Firm-fixed price, time-and-materials, and labor hour contracts that are solely for commercial items or services, as defined at FAR 2.101, should not normally include EVMS. However, EVMS should be included in commercial contracts, MAS task orders, and GWAC task orders valued over \$20 million when the requirements are for developmental and modernization efforts. The inclusion of this requirement should be negotiated on an as-needed basis by contract or task order.

c) Contracts and orders of any type valued at less than \$20 million if the Program Manager and Contracting Officer determine that EVMS is needed in that instance.

This policy does not apply to acquisitions made by GSA on behalf of other agencies; the policies and procedures included in GSA Acquisition Letter V 05-06, Purchases on Behalf of Other Agencies, apply.

6. Definitions.

“Earned value management” (EVM) is a project management tool that effectively integrates the project scope of work with cost, schedule and performance elements for optimum project planning and control. The qualities and operating characteristics of earned value management systems are described in American National Standards Institute (ANSI)/Electronics Industries Alliance (EIA) Standard – 748 – 1998, Earned Value Management systems.

“Major acquisition” means a capital project that requires special management attention because of its: (1) importance to an agency’s mission; (2) high development, operating, or maintenance costs; (3) high risk; (4) high return; or (5) significant role in the administration of an agency’s programs, finances, property, or other resources.

“Integrated Baseline Review (IBR)” means a joint Government/Contractor assessment of the: ability of the project’s technical plan to achieve the objectives of the scope of work; adequacy of the time allocated for performing the defined tasks to successfully achieve the project schedule objectives; ability of the Performance Measurement Baseline (PMB) to successfully execute the project and attain cost objectives, recognizing the relationship between budget resources, funding, schedule, and scope of work; availability of personnel, facilities, and equipment when required, to perform the defined tasks needed to execute the program successfully; and the degree to which the management process provides effective and integrated technical/schedule/cost planning and baseline control. IBRs are intended to provide a mutual understanding of risks inherent in offerors’/contractors’ performance plans and underlying management control systems and to formulate a plan to handle these risks.

7. Policy.

(a) Contracting officers shall work with Program Managers to determine those contracts for which EVMS will apply within programs and projects that are determined to be “major acquisitions”. All major acquisitions should have a complete and approved acquisition plan, a performance based statement of work, and a performance based management system.

(b) When an IBR is conducted, it shall be conducted after award.

8. Procedures.

(a) Contracting officers should assist program offices to include in their Acquisition Plans the methodology the Government will employ to analyze and use the earned value data provided by contractors’ EVM Systems to assess and monitor contract performance. In addition, the Acquisition Plan should include a discussion on how the contractor’s EVM Systems will be verified for compliance with the standard, and how integrated baseline reviews will be conducted.

(b) The contracting officer shall require contractors to submit EVM reports on a monthly basis.

(c) Contracting officers shall include a provision and a clause that contain language similar to that below in solicitations and contracts that have been determined to require offerors and resultant contractors to use an earned value management system.

NOTICE OF EARNED VALUE MANAGEMENT SYSTEM (Provision)

(a) The offeror shall provide documentation that the cognizant Administrative Contracting Officer (ACO) has recognized that the proposed earned value management system (EVMS) complies with the EVMS guidelines in ANSI/EIA Standard – 748 (current version at time of solicitation).

(b) If the offeror proposes to use a system that does not meet the requirements of paragraph (a) of this provision, the offeror shall submit to the Contracting Officer a comprehensive plan for compliance with the EVMS guidelines.

(1) the plan shall –

- (A) Describe the EVMS the offeror intends to use in performance of the contracts;**
- (B) Distinguish between the offeror's existing management system and modifications proposed to meet the guidelines;**
- (C) Describe the management system and its application in terms of the EVMS guidelines;**
- (D) Describe the proposed procedure for administration of the guidelines, as applied to subcontractors; and**
- (E) Provide documentation describing the process and results of any third-party or self-evaluation of the system's compliance with the EVMS guidelines.**

(2) The offeror shall provide information and assistance as required by the Contracting Officer to support review of the plan.

(3) The Government will review the offeror's plan for EVMS before contract award.

(c) Offerors shall identify the major subcontractors, or major subcontracted effort if major subcontractors have not been selected, planned for application of the guidelines. The prime contractor and the Government shall agree to subcontractors selected for application of the EVMS guidelines. (Insert list _____).

(End of provision)

EARNED VALUE MANAGEMENT SYSTEM

(a) In the performance of this contract the contractor shall use an earned value management system (EVMS) to manage the contract that at the time of contract award has been recognized by the cognizant Administrative Contracting Officer (ACO) as compliant with the guidelines in ANSI/EIA Standard –748 (current version at time of award) and the contractor will submit reports in accordance with the requirements of this contract.

(b) If, at the time of award, the Contractor's EVMS has not been recognized by the cognizant ACO as complying with EVMS guidelines (or the Contractor does not have an existing cost/schedule control system that is compliant with the guidelines in ANSI/EIA Standard –748 (current version at time of award)), the Contractor shall apply the system to the contract and shall be prepared to demonstrate to the CO that the EVMS complies with the EVMS guidelines referenced in paragraph (a) of this clause.

(c) GSA may conduct Integrated Baseline Reviews (IBR). An IBR shall be scheduled as early as practicable after contract award, but not later than 180 days after award. The Contracting Officer may also require an IBR at (1) exercise of significant options or (2) incorporation of major modifications. Such reviews will normally be scheduled before award of the contract action.

(d) Unless a waiver is granted by the ACO, contractor proposed EVMS changes require approval of the ACO, prior to implementation. The ACO shall advise the contractor of the acceptability of such changes within 30 calendar days after receipt of the notice of proposed changes from the contractor. If the advance

approval requirements are waived by the ACO, the contractor shall disclose EVMS changes to the ACO at least 14 calendar days prior to the effective date of implementation.

(e) The contractor agrees to provide access to all pertinent records and data requested by the Contracting Officer or a duly authorized representative. Access is to permit Government surveillance to ensure that the EVMS conforms, and continues to conform, with the performance criteria referenced in paragraph (a) of this clause.

(f) The contractor shall require the subcontractors specified below to comply with the requirements of this clause: (Insert list of applicable subcontractors)

(End of Clause)]