October 2, 1998

MEMORANDUM FOR BUREAU PROCUREMENT CHIEFS

FROM: *Wilson L. Silvis*
          H.B. Myers
          Assistant Director
          Procurement Policy and Review Group

SUBJECT: Managing Software Projects Using Earned Value Management

The attached memorandum from the Office of Management and Budget (OMB) encourages the use of Earned Value Management (EVM) as a preferred performance-based management system to manage software projects. Agencies need to employ a performance-based management system to provide needed visibility into project status during the contract performance period and to report the achievement of, or deviation from, goals to OMB in the annual budget submission. EVM is considered the most effective performance-based management system for achieving the essential management visibility needed for software projects.

Also, attached for your information, is a copy of OMB publication, Capital Programming Guide, which gives examples of the earned value concept in Appendix Four, page 65. The use of EVM is also discussed briefly in I.5.3.4., Planning for Acquisition Management, page 15. This publication is an excellent guide for explaining how OMB is directing agencies to plan and manage capital assets through the budget process and Part III discusses the procurement phase.

The attached memorandum was also addressed to agency chief information officers and advises that program managers of large software projects can receive assistance in establishing and using earned value management on contracts from the Software Program Managers Network (SPMN), a Defense organization specializing in bringing industry best practices to government programs and contractors. We have ordered the videotapes of the broadcasts mentioned in the memorandum and will let you know when they are available for your use.

If you have any questions on this earned value management concept or on the capital programming guide, please call Larry Silvis on (202) 616-3754.

Attachments

SEP 21 1998

MEMORANDUM FOR CIVILIAN AGENCY CHIEF INFORMATION OFFICERS AND
PROCUREMENT EXECUTIVES

FROM: G. Edward DeSeve
                          Acting Deputy Director for Management

SUBJECT: Managing Software Projects Using Earned Value Management

        With your help we have begun to make significant progress in implementing a disciplined
capital programming process within the Federal Government. A major component of capital
programming is the statutory requirement to manage capital asset projects to achieve at least 90
percent of the cost schedule and performance goals approved in the budget process. Software
projects are capital assets, but their nature makes them a challenge for program managers to
manage in a way that provides solid understanding of current program status and trends.

        Agencies need to employ a performance-based management system to provide needed
visibility into project status during the contract performance period and to report the achievement
of, or deviation from, goals to OMB in the annual budget submission. Although not specifically
mandated as the only performance-based management system, we have found that Earned Value
Management (EVM) is the most effective means for achieving this essential management visibility.
EVM is a capital programming "Best Practice" that was developed by the Federal Government
and has now been adopted as an industry standard -- ANSI/EIA Standard 748.

        Program managers of large software projects can receive assistance in establishing and
using earned value management on contracts from, *The Software Program Managers Network
(SPMN)* -- an Army-Navy-Air Force organization specializing in bringing industry best practices
to government programs and contractors. The SPMN provides its materials and publications free
of charge.

        The SPMN is currently producing a series of interactive direct satellite broadcasts focused
on explaining earned value (in readily understandable terms) and dealing with its practical
implementation. The first three broadcasts have already been aired and are available, without
charge, on videotape. Those programs address issues such as special considerations of applying
earned value to software projects, controlling software projects with earned value and using
earned value with very small projects and projects in non-traditional settings. SPNM is also
developing a guidebook dealing with the effective implementation of earned value.

Information about SPMN's capabilities can be obtained from its homepage -- URL www.spmn.com. Programs interested in receiving copies of SPMN materials including the previous broadcasts or in learning about future broadcasts and assistance available can contact the SPMN at (703) 521-5231 or spmn@aol.com.