



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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AUG 27 2008

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)
ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Earned Value Management Requirements and Reporting

Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 234.2 and DoD Instruction 5000.2, Operation of the Defense Acquisition System, prescribe mandatory Earned Value Management (EVM) requirements and reporting for cost and incentive contracts valued at or greater than \$20 million. EVM is one of DoD's and industry's most useful program management tools, providing early warning of potential contract cost and schedule performance problems. To be effective, EVM must be implemented in a disciplined manner consistent with the EVM System (EVMS) guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748 (ANSI/EIA-748).

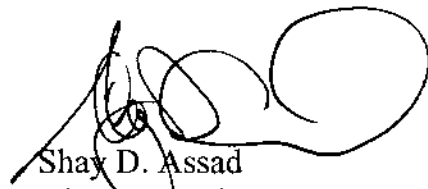
The Director, Acquisition Resources and Analysis (ARA), has primary responsibility for establishing and maintaining EVM policy. The Director, Defense Contract Management Agency (DCMA), has primary responsibility for ensuring consistent application and interpretation of the EVMS guidelines and conducting contractor EVMS reviews to verify initial and ongoing system compliance. Both ARA and DCMA have identified several EVM implementation issues on DoD contracts. These include: (1) failing to include the applicable EVM requirements in contracts and solicitations, (2) incorrectly tailoring the data item descriptions for the Contract Performance Report and the Integrated Master Schedule, (3) inappropriately modifying EVM contract requirements, (4) specifying contract requirements in special provisions and/or statements of work that are not consistent with the EVM policy and EVMS guidelines, and (5) using contract incentives that counter EVM's objectives.



It is imperative that all contracts use the appropriate solicitation provision and contract clause, as prescribed at DFARS 234.203. While program managers have ultimate responsibility for ensuring the EVM requirements are correctly included in statements of work and contract data requirements lists, contracting officers can help improve compliance by working more closely with program managers and EVM subject matter experts throughout the contracting process. Together they must ensure that the EVM requirements are appropriately identified and incorporated into solicitations and contracts, and that they are executed properly. Contracting officers also should consult with EVM subject matter experts during the source selection process and maximize cross-functional collaboration in pre- and post-award conferences. In addition, contracting officers must implement appropriate remedial actions in the event of contractor non-compliance.

To assist contracting officers and program managers, DoD has developed an EVM Contract Requirements Checklist, which is available on the OSD EVM web site (<http://www.acq.osd.mil/pm/>). The web site also contains links to all of the applicable EVM policy and guidance documents, to include the new DFARS clauses that were published in the *Federal Register* in April 2008.

Please refer any questions or comments to Mr. Michael Pelkey of my staff (703-614-1253, michael.pelkey@osd.mil) or Ms. Debbie Tomsic, ARA (703-695-0707, deborah.tomsic@osd.mil).

A handwritten signature in black ink, appearing to read 'Shay D. Assad', with a large circular flourish at the end.

Shay D. Assad
Director, Defense Procurement,
Acquisition Policy and
Strategic Sourcing