



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Facilities, Security,  
and Contracting

**Contracting Policy No. 34.2**  
**Earned Value Management System**

**Effective Date:** 3/27/12

**Expiration Date:** None. (May only be cancelled or superseded).

**1. Purpose:** This Contracting Policy provides OPM-specific guidance on contracting for an Earned Value Management System (EVMS) as described in Subpart 34.2 of the Federal Acquisition Regulation (FAR). This policy supersedes the guidance on December 22, 2006 from the Senior Procurement Executive entitled Earned Value Management System.

**2. Background:**

On July 5, 2006, Subpart 34.2 was added to the Federal Acquisition Regulation (FAR) to require use of an Earned Value Management System (EVMS) in major acquisitions for development in accordance with Office of Management and Budget (OMB) Circular A-11 and agency procedures.

The Office of Personnel Management (OPM) Chief Information Officer (CIO) is responsible for the agency's capital planning and investment control (CPIC) process and EVMS policies. The CIO oversees the agency's information technology (IT) investments and determines which projects are deemed "major acquisitions" for IT development consistent with FAR Subpart 34.2, Earned Value Management System and OMB-Circular A-11. The CIO IT Investment Management (ITINV) organization is responsible for monitoring project performance. The EVM Program Management Office (PMO) within IT Investment Management advises the CIO on Earned Value Management. The EVM PMO will assist project managers, contracting officers, and contracting officer representatives with Earned Value Management questions, including whether an EVMS is required for a particular acquisition.

**3. Applicability**

Section 1.2 of the OPM IT Baseline Management Policy requires that an EVMS be applied to all OPM information technology investments, regardless of funding type, funding source or contract type that are in development, modernization, or enhancement (D/M/E) status, with life cycle cost of \$5 million or more. It also applies to both government and contractor efforts. The full text of the IT Baseline Management Policy is at:

[http://theo.opm.gov/policies/Baseline\\_Management\\_Policy\\_v1\\_05232011FINAL1.pdf](http://theo.opm.gov/policies/Baseline_Management_Policy_v1_05232011FINAL1.pdf).

#### **4. Actions Required**

- Contracting officers shall work closely with their project managers, contracting officer representatives, and the CIO Earned Value Management PMO to determine if an EVMS is required for their acquisitions.
- The EVM PMO will maintain and provide a checklist of investments that require the use of EVM. Contracting officers will refer to the Earned Value Management Requirements Checklist (Attachment 2) on every procurement to determine if EVM should be applied to it.
- Contracting officers shall remind their project managers and Contracting Officer Representatives (CORs) that the costs of implementing an EVMS strategy must be addressed in the Government Cost Estimate for an acquisition when EVMS is required.
- Contracting officer shall also remind project managers and CORs that planned funding amounts in the acquisition must be adequate to support implementation of EVMS requirements in solicitations and contracts.
- Contracting officers shall request the advice of the Earned Value Management PMO in verifying that such costs have been planned for and appear adequate.
- Contracting officers shall insert the applicable EVMS provisions and clauses in solicitations and contracts per FAR Subpart 34.203.
- Contracting officers shall ensure that contracting officer representative appointment letters highlight EVMS duties, responsibilities and training requirements.
- Contracting officers, working closely with the project manager and the CIO EVM PMO, shall ensure that the government and the contractor meet all requirements specified in the contract such as: conducting integrated baseline reviews; validating contractor earned value management systems; and ensuring compliance with earned value reporting requirements.

#### **5. Policy**

In accordance with OPM's Information Technology Baseline Management Policy, the use of an EVMS per FAR 34.2 is required for major acquisitions for IT development in which the development/modernization/enhancement (D/M/E) costs are anticipated to equal or exceed \$5 million over the life of the acquisition. However, the CIO may require an EVMS on other acquisitions if the project merits special attention due to sensitivity, mission criticality, or risk potential.

The table below, taken from the OPM Information Technology (IT) Baseline Management Policy, identifies the types of baseline management that may be applied to an investment (EVM or operational analysis) and the dollar thresholds and project types to which baseline management types shall be applied. The OPM CIO, in consultation with the OPM Program Manager, evaluates an IT investment and decides which type of baseline management will apply to the investment. The CIO also decides, for those investments using EVM, which specific baseline management activities apply (IBR, surveillance reviews or audits.)

**Table 5.1 Thresholds for Application of Baseline Management Types and Activities**

		BASELINE MANAGEMENT TYPES		BASELINE MANAGEMENT ACTIVITIES FOR INVESTMENTS USING EARNED VALUE MANAGEMENT	
PROJECT TOTAL ESTIMATED COST (FROM INCEPTION TO COMPLETION)	INVESTMENT TYPE	EARNED VALUE MANAGEMENT (EVM)	OPERATIONAL ANALYSIS	INTEGRATED BASELINE REVIEW (IBR)	FORMAL SURVEILLANCE & AUDITS
\$20.0M and over	Development, Modernization & Enhancement	Required	Not Applicable	Required	Required
\$5.0M to \$19.9M	Development, Modernization & Enhancement	Required	Not Applicable	Required	Optional
\$0.0M to \$4.9M	Development, Modernization & Enhancement	Optional	Not Applicable	Optional	Optional
\$0.0M and over	Steady State	Not Applicable	Required	Not Applicable	Not Applicable

## 6. Acquisition Planning

When an EVMS is required and a pre-award IBR is contemplated, the acquisition plan must discuss (i) how the pre-award IBR will be considered in the source selection decision; (ii) how it will be conducted in the source selection process, and (iii) whether offerors will be directly compensated for the costs of participating in a pre-award IBR.

When an EVMS is required, the acquisition plan must also discuss the methodology the Government will employ to analyze and use the earned value data to assess and monitor contract performance. It must also discuss how the offer's / contractor's EVMS will be verified for compliance with the American National Standards Institute / Electronics Industries Alliance (ANSI/EIS) Standard -748, Earned Value Management Systems, and the timing and conduct of integrated baseline reviews (whether prior to or post award).

Whenever an acquisition includes an EVMS requirement, the acquisition plan must be documented accordingly. FAR 7.105, "Contents of written acquisition plans," requires specific information about EVMS to be added to paragraphs (3) and (7) of Section (b) of the acquisition plan. This information is as follows:

- (3) *Source-selection procedures.* ... When an EVMS is required (see FAR 34.202(a)) and a pre-award IBR is contemplated, the acquisition plan must discuss—
- (i) How the pre-award IBR will be considered in the source selection decision;
  - (ii) How it will be conducted in the source selection process (see FAR 15.306); and
  - (iii) Whether offerors will be directly compensated for the costs of participating in a pre-award IBR.

(10) *Management information requirements.* ... If an Earned Value Management System is to be used, discuss the methodology the Government will employ to analyze and use the earned value data to assess and monitor contract performance. In addition, discuss how the offeror's/contractor's EVMS will be verified for compliance with the American National Standards Institute/Electronics Industries Alliance (ANSI/EIA) Standard-748, Earned Value Management Systems, and the timing and conduct of integrated baseline reviews (whether prior to or post award). (See 34.202.)

## 7. Required Contract Clauses

(a) The contracting officer shall insert a provision that is substantially the same as the provision at FAR 52.234-2, Notice of Earned Value Management Systems-Pre-Award IBR, in solicitations for contracts that require the contractor to use EVMS and for which the Government requires an Integrated Baseline Review (IBR) prior to award.

(b) The contracting officer shall insert a provision that is substantially the same as the provision at 52.234-3, Notice of Earned Value Management System-Post Award IBR, in solicitations for contracts that require the contractor to use EVMS and for which the Government requires an Integrated Baseline Review (IBR) after contract award.

(c) The contracting officer shall insert a clause that is substantially the same as the clause at FAR 52.234-4, Earned Value Management System. Include in solicitations and contracts that require a contractor to use EVMS. The list of applicable subcontractors subject to the clause shall be inserted in paragraph (g) of the clause.

## 8. EVMS Compliance and Contract Requirements

The project manager, contracting officer, and contracting officer's representative, shall read and understand the EVMS requirements specified in the solicitation and resulting contract.

8.1 If the offeror proposes to use a system that has not been determined to be in compliance with the American National Standards Institute / Electronics Industries Alliance (ANSI/EIA) Standard-748, Earned Value Management Systems, the offeror shall submit a comprehensive plan for compliance with these EVMS standards. Offerors shall not be eliminated from consideration for contract award because they do not have an EVMS that complies with these standards.

8.2 The contractor shall be required to submit an EVMS report at least monthly for those contracts for which an EVMS applies, with content and form to be specified by the project manager and included in the contract. At present, there are no specific formats required for EVM reporting under OPM contracts. The project manager is encouraged to coordinate with the OCIO PMO in developing suitable reporting requirements.

8.3 EVMS requirements will be applied to subcontractors using the same rules as applied to prime contractor.

8.4 When an offeror is required to provide an EVMS plan as part of its proposal, the contracting officer (consulting with the project manager and CIO EVM PMO) will determine the adequacy of the proposed EVMS plan prior to contract award.



## ATTACHMENT 1

### Solicitation / Contract Language

#### **EARNED VALUE MANAGEMENT (EVM) ANALYSIS AND REPORTING**

(a) ***Basic Requirement.***

(i) The Contractor shall manage this contract with the use of an earned value management system (EVMS) that is compliant with the guidelines in ANSI/EIA Standard 748 (current version at time of award).

(ii) If the Contractor's EVMS has not been recognized by the Office of Personnel Management (OPM) as complying with ANSI/EIA Standard 748 (or the Contractor does not have an existing cost/schedule contractor system that is compliant with the guidelines in ANSI/EIA Standard 748), the Contractor shall apply the system to the contract and shall be prepared to demonstrate to OPM that the EVMS complies with the ANSI/EIA Standard 748.

(b) ***Analysis and Reporting.***

(i) The contractor shall provide monthly earned value reports after the issuance of the award beginning no later than the fifteenth workday after the reporting calendar month. The level of detail in the project Work Breakdown Structure (WBS) shall accommodate the reporting frequency. Reports shall at a minimum be at WBS Level 3.

(ii) The contractor shall provide earned value analysis and reporting that includes the following elements:

Data:	Budget at Completion (BAC) Budgeted Cost for Work Performed (BCWP – also known as Earned Value (EV) Actual Cost for Work Performed (ACWP) Budgeted Cost for Work Scheduled (BCWS).
Variances:	Cost Variance (CV) Schedule Variance (SV) Variance at Completion (VAC)
Indices:	Cost Performance Index (CPI) Schedule Performance Index (SPI) To Complete Performance Index (TCPI)
Forecasts:	Best Case Estimate at Completion – EAC1 Worst Case Estimate at Completion – EAC2 Most Likely Case Estimate at Completion – EAC3 Estimate to Completion - ETC

(iii) Current period values and cumulative values for data, variances, indices, and forecasts shall be provided in numerical format showing values and in graphical format showing trends.

(iv) Any schedule variance on the critical path shall be identified and its impact on subsequent milestones and the project cost and schedule quantified.

(v) Causal analysis shall be conducted on all variances. Each month a summary of variance causes for that reporting period and variance causes to date shall be provided. The summary shall include a breakdown of causes that identifies:

- the size of the variance by cause (some variance may have multiple causes)
- where in the systems development life cycle the variance occurred.
- corrective actions either taken or recommended in reaction to the variance
- the success or expected success of any corrective actions
- recommended changes for future project plans and risk management plans that might prevent the causes or mitigate the impacts of each variance.

(c) ***Integrated Baseline Reviews (IBR).***

(i) OPM may require IBRs as early as practicable after contract award, but not later than 60 days after contract award. The Contracting Officer may also require an IBR before exercise of significant options or the incorporation of major contract modifications. Additionally, an IBR may be scheduled when monthly Earned Value analysis and reporting indicates a variance or trend of variances that suggests the project may be at risk.

(ii) The objective of the IBR is for OPM and the contractor to jointly assess technical areas, such as the contractor's planning (to include cost and schedule estimates), to ensure complete coverage of the statement of work, logical scheduling of work activities, adequate resources, methodologies for claiming BCWP, and identification and management of inherent risks.

(d) ***EVMS Changes.*** Unless a waiver is granted by OPM, any Contractor proposed changes to its EVMS require OPM approval prior to implementation. OPM 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 OPM waives the advance approval requirement, the Contractor shall disclose EVMS changes to OPM at least 14 calendar days prior to the effective date of implementation.

(e) ***Access to Records and Data.*** The Contractor agrees to provide access to all pertinent records and data requested by the Contracting Officer or a duly authorized representative. This access permits Government surveillance to ensure that the EVMS conforms, and continues to conform, with the performance criteria in ANSI/EIA Standard 748.

(f) ***Subcontractor Compliance.*** The Contractor shall require the subcontractors specified below to comply with the requirements of this clause: [Insert list of applicable subcontractors.]

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**ATTACHMENT 2**

**Earned Value Management (EVM) Contract Requirements Checklist**  
Does Earned Value Management Apply to a Solicitation?  
March 9, 2012

<b>Question</b>	<b>OPM IT Investments Requiring the Use of Earned Value Management (EVM)</b> Subject to change at the discretion of the OPM Chief Information Officer (CIO)	<b>Action to Take</b>	<b>If You Have Any Questions</b>
Is the acquisition part of a program that requires the use of Earned Value Management?	<ol style="list-style-type: none"> <li>1. Consolidated Business Information System (CBIS)</li> <li>2. Enterprise Human Resource Integration (EHRI) - Including eOPF</li> <li>3. EPIC Transformation</li> <li>4. Health Claims Data Warehouse</li> <li>5. USAJOBS</li> </ol>	If the statement of work or acquisition plan is for any of these investments, contact the program manager for the investment AND the Earned Value Management PMO (Gregory Nagel) to determine if EVM should be applied to the contract.	Contact Gregory Nagel, Earned Value Management PMO, for further guidance.
If the program is not currently required to use Earned Value Management			Contact Gregory Nagel, Earned Value Management PMO, for further guidance.

**Points of Contact:**

Please direct questions concerning the CIO Earned Value Management Program Management Office (EVM PMO) to:

Gregory B. Nagel Earned Value Management Program Manager (CIO/ITINV/EVM PMO) Email: <a href="mailto:Gregory.Nagel@opm.gov">Gregory.Nagel@opm.gov</a> Phone: (202) 606-2211	Margaret A. Miller Chief, IT Investment Management (CIO/ITINV) Email: <a href="mailto:Margaret.Miller@opm.gov">Margaret.Miller@opm.gov</a> Phone: (202) 606-2699
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