



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
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IN REPLY TO

NAVSEAINST 7000.4G
Ser 017/041
31 Jan 05

NAVSEA INSTRUCTION 7000.4G

From: Commander, Naval Sea Systems Command

Subj: EARNED VALUE MANAGEMENT

Ref: (a) DoD Directive 5000.1, "The Defense Acquisition System," of 12 May 03
(b) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," of 12 May 03
(c) "Defense Acquisition Guidebook," 17 Nov 04
(d) SECNAVINST 5000.2C "Implementation and Operation of the Defense Acquisition System and the Joint Capabilities Integration and Development System" of 19 Nov 04
(e) NAVSEA Notice 5400, "Cost Engineering and Technical Authority Policy," of 13 Apr 04
(f) ANSI/EIA-748-98, Earned Value Management System Standard

Encl: (1) Key Reference Guidance
(2) Earned Value Management Checklist
(3) Earned Value Management Responsibility

1. Purpose. To revise policies and procedures for implementing Earned Value Management (EVM). This is a major revision to the previous instruction and should be read in its entirety.

2. Cancellation. NAVSEA Instruction 7000.4F of 31 Oct 97.

3. Discussion. References (a) through (c) set forth policies and principles for all DoD acquisition programs and mandatory procedures, documentation and report requirements for Major Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Programs. Reference (d) implements references (a) through (c) within the Department of the Navy. Reference (e) establishes SEA 017 as the NAVSEA Technical Authority for Cost Engineering. The minimum attributes of an accepted management control system are contained in Chapter 2 of reference (f). This instruction implements EVM requirements for NAVSEA and satisfies current acquisition policy guidelines.

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4. Responsibilities/Action

a. Deputy Commander/Comptroller (SEA 01)

(1) Through SEA 017, act as the Command focal point for EVM and all related matters. SEA 017 is the warranted Technical Authority for Cost Engineering. The Technical Warrant Holder for Cost Engineering Policies and Processes is the Subject Matter Expert (SME) for the implementation and utilization of Earned Value Management.

(2) Designate SEA 017 Team Leaders to support respective Program Managers (PMs) in the life cycle of EVM and assist in the conduct of Integrated Baseline Reviews (IBRs) for ACAT I, ACAT II and other selected programs. Additionally, SEA 017 will assist the Contract Administration Office (CAO) in the determination of contractor systems compliance with the requirements of Chapter 2 of reference (f).

(3) Through SEA 017, assist the Program Manager (PM) in developing an Estimate at Completion (EAC) required for the Defense Acquisition Executive Summary (DAES) report in accordance with reference (d).

b. Program Managers

(1) Include all requirements of references (a) through (d) in acquisition plans or acquisition papers meeting threshold levels of Table E3.T2 in reference (b) and para. 11.3.1.1 of reference (c). Enclosure (1) is provided to simplify the research of the references for EVM issues. Enclosures (2) and (3) provides a checklist of criteria and summary of responsibilities to ensure all critical elements of EVM are addressed.

(2) Negotiate a Memorandum of Agreement (MOA) with the cognizant Contract Administration Office (CAO) to define management system surveillance duties and analysis on contracts containing the EVM requirements.

(3) Include SEA 017 on the DD Form 1423, Contract Data Requirement List (CDRL) for distribution of Cost Performance Reports (CPRs) and Cost/Schedule Status Reports (C/SSRs). The CDRL shall require the contractor to submit these reports electronically in accordance with the requirements set forth in the American National Standards Institute's (ANSI) Accredited Standards Committee (ASC) X12 standard Project Cost Reporting transaction set (839) for Electronic Data Interchange (EDI) with industry.

(4) Make full use of CPRs, C/SSRs and other reports in managing and evaluating contractor performance.

(5) Guidelines for inclusion in the Statement of Work of RFPs/Contracts that require EVM:

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(a) Contractor will utilize Earned Value (EV) as a management tool for integrating cost, schedule, and technical performance.

(b) Contractor will include EV as an integral part of periodic contractor/customer reviews and reports.

(c) An IBR will be conducted within 6 months of contract award and upon issuance of a major modification that results in a significant change to the contract to assure the Performance Measurement Baseline (PMB) contains the entire technical scope of work consistent with contract schedule requirements, and has adequate resources assigned.

(d) Contractor will be required to justify and obtain written authorization from the Program Manager to rebaseline the PMB.

(e) Award fee contracts should include the contractor's use of EV as a factor in evaluating Program Management.

(6) Include the designated SEA 017 Team Leader in the planning and performance of an IBR.

(7) Encourage EVM and analysis training for all Program staff.

(8) Maintain adequate documentation regarding implementation of EVM (e.g. results of IBRs and MOAs). The program office shall be the normal repository for such information.

c. The Deputy Commander for Contracts (SEA 02)

(1) With PM and SEA 017 (for ACAT I, ACAT II, and other selected programs) coordination, invoke the requirements of references (a) through (d) in solicitations and contracts meeting the thresholds of Table E3.T2 in reference (b).

(2) When appropriate, use past performance of contractors based on EV data, as an evaluation criteria for all competitively negotiated acquisitions.

d. Deputy Commanders (SEA03, SEA04, SEA 05, SEA06, SEA 07, SEA 10)/ Program Executive Officers (PEOs)

(1) Deputy Commanders will ensure that the requirements contained and referenced in this instruction are fulfilled.

(2) Program Executive Officers will fulfill the same requirements in accordance with the Operating Agreement between COMNAVSEA and the NAVSEA affiliated PEOs.

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e. The Contracts Administration Offices (CAO)

(1) Establish a Joint Surveillance Team comprised of Contractor, CAO, Program Office personnel and Defense Contract Audit Agency (DCAA) personnel and develop a formal surveillance plan for each program having an EVM requirement in accordance with the MOA requirements of the Program Manager. Active surveillance will commence upon contract award and shall be on-going during negotiations with the PM regarding MOA development and/or update.

(2) Perform CPR and C/SSR analysis and provide an Independent EAC to the cognizant PM.

(3) Negotiate and execute an Advance Agreement (AA), previously referred to as a Memorandum of Understanding (MOU), between the Government and the contractor specifying that the contractor will maintain and use the contractor's accepted EVM system as an integral process on the current as well as future contracts.

(4) Is responsible for monitoring compliance with the contractor's accepted EVM system. The CAO will report any contractor failure to comply with major items of that EVM system to SEA 017 and the cognizant PM.

(5) Provide members and administrative support to on-site review teams.

(6) Maintain adequate documentation of certification, monitoring and surveillance activities of the contractor. The CAO shall be the normal repository for such information.

5. The NAVSEA office responsible for this instruction is the Cost Engineering and Industrial Analysis Division (SEA017).



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Distribution:

SNDL FKP	COMNAVSEASYSCOM Shore Activities
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A1JIM	PEO LMW
AIJIN	PEO SUB
AIJIQ	PEO CARRIERS
FT88	EDOSCOL

KEY REFERENCE GUIDANCE

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Cost Performance/EVMS Criteria Mandatory Procedures and Reporting	DoD 5000.2, Table E3.T2
Defense Acquisition Executive Summary	Defense Acquisition Guidebook, para. 10.9.4
Contract Management Reports	Defense Acquisition Guidebook,
Cost Performance Report (CPR)	para.11.3.2.2
Cost/Schedule Status Report (C/SSR)	para.11.3.2.3

CONTRACT/SOLICITATION CLAUSES AND IMPLEMENTING GUIDANCE

DFARS 252.234-7000	Notice of Earned Value Management System (Mar 1998) (Solicitation)
DFARS 252.234-7001	Earned Value Management System (Mar 1998) (Solicitation and Contract)
DFARS 252.242-7005	Cost/Schedule Status Report (Mar 1998) (Solicitation and Contract)
DFARS 252.242-7006	Cost/Schedule Status Report Plan (Mar 1997) (Solicitation)
DFARS 242.302(a)-(41)	CAO Surveillance Responsibility
DFARS 234.005-70	Earned Value Management Systems

CONTRACT DATA REQUIREMENTS LISTS (CDRLS)

DI-MGMT - 81466	Cost Performance Report (CPR)
DI-MGMT - 81467	Cost/Schedule Status Report (C/SSR)
DI-MGMT - 81468	Contract Funds Status Report (CFSR)

Enclosure (1)

EARNED VALUE MANAGEMENT CHECKLIST JAN 31 2005

Contract Total Estimated Price	Contract Effort	EVMS Clauses	CPR Data Item	C/SSR Clause and Data Item	Subcontractor Flowdown
Note (1)	Notes (2), (3)	Notes (2), (4)			
FY 2000 Constant \$					
\$315M and Over	RDT&E	Required	Required	N/A	Reporting thresholds for a subcontract must flowdown consistently from the prime contract
	Production	Required	Required	N/A	
	Operations and Maintenance	Required	Required	N/A	
\$73M to \$315M	RDT&E	Required	Required	N/A	
	Production	Optional	Optional	Required	
	Operations and Maintenance	Optional	Optional	Required	
\$6.3M to \$73M	RDT&E	Optional	Optional (if no C/SSR)	Required	
	Production	Optional	Optional (if no C/SSR)	Optional (If CPR not used)	
	Operations and Maintenance	Optional	Optional (if no C/SSR)	Optional (If CPR not used)	

Notes:

1. Cost thresholds refer to estimated price including options.
2. The following types of contracts are exempt from these requirements:
 - a. Firm Fixed Price (including FFP with economic price adjustments)
 - b. time and material contracts
 - c. contracts that are mostly Level of Effort (LOE).
3. Contract effort category includes "other transaction agreements" and intra-Government work agreements
4. Compliance with EVMS criteria below these thresholds may be required when in the PM's judgement, contract risk or management judgement requires it.

Enclosure (2)

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EARNED VALUE MANAGEMENT RESPONSIBILITY

Full EVM application (DODI 5000.2, Enclosure (3) and Defense Acquisition Guidebook, Para. 11.3.1.1) (Excludes FFP, Time and Material contracts and contracts that are mostly level of effort).

1. Meets DODI 5000.2 dollar requirement of \$73M for RDT&E contracts and subcontracts (in FY 2000 constant dollars).
Responsibility: PM and Contracts.
2. Meets DODI 5000.2 dollar requirement of \$315M for procurement or operations and maintenance contracts or subcontracts (in FY 2000 constant dollars).
Responsibility: PM and Contracts.
3. Decision to use full EVM below required thresholds.
Responsibility: PM or higher authority.
4. Include CPR CDRL in RFP.
Responsibility: PM, SEA 02, support from SEA 017.

For contracts not significant enough for full EVM application (DOD Defense Acquisition Guidebook, Para. 11.3.2.3).

1. CPR not appropriate. C/SSR consideration. Contract over 12 months in duration. No specific application threshold; however, application to contracts of less than \$6.3M (FY 2000 constant dollars) shall require only minimum information necessary for effective management control.
Responsibility: PM, support from SEA 017.

All Acquisition Programs:

1. Requirement included in Acquisition Plan.
Responsibility: PM, support from SEA 017.
2. Requirement included in RFP.
Responsibility: PM, SEA 02, support from SEA 017.

Enclosure (3)

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3. Work Breakdown Structure (WBS) included in RFP.
Responsibility: PM, SEA 02, support from SEA 017.
4. Variance thresholds included in CPR CDRL.
Responsibility: PM, support from SEA 017.
5. Reporting elements for CPR are designated in CDRL.
Responsibility: PM, support from SEA 017.
6. EVM part of Source Selection Plan.
Responsibility: PM.
7. Guidance provided on management system reviews and EVM activities.
Responsibility: PM, support from SEA 017.
8. Designation of PM EVM point of contact.
Responsibility: PM
9. MOA developed with on site CAO.
Responsibility: PM, support from SEA 017.
10. Project CPR analysis. (Use of Performance Analyzer, in-house product or commercial product).
Responsibility: PM, support from SEA 017.
11. Conduct of IBRs or EVM reviews.
Responsibility: PM, support from 017.
12. DAES preparation of PM EAC, with assistance and support of SEA 017 personnel.
Responsibility: PM, support from 017.