



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

**Earned Value Management System
Compliance Reviews**

Portfolio Management & Integration Directorate
OPR: DCMA-PIV

DCMA-INST 208
April 9, 2014

1. PURPOSE. This Instruction:

- a. Reissues and updates DCMA Instruction (DCMA-INST) 208, "Earned Value Management System Compliance Reviews" (Reference (a)).
- b. Establishes an Earned Value Management System (EVMS) Compliance Reviews Instruction (CRI) for DCMA in accordance with DoD Directive (DoDD) 5105.64 (Reference (b)).
- c. Establishes policy, responsibilities, and procedures for verifying compliance with the American National Standards Institute/Electronics Industries Alliance Standard 748 (ANSI/EIA-748) (Reference (c)) EVMS guidelines (GL) in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) 242.302 (Reference (d)) that stipulates DCMA contract administration responsibilities including EVMS compliance.

2. APPLICABILITY. This Instruction applies to all DCMA activities that lead, conduct, or participate in EVMS compliance reviews (CR) unless higher level regulations, policy, guidance, waivers, or agreements take precedence (e.g., DCMA International (DCMAI) and DCMA Special Programs (DCMAS)). The policy, responsibilities, and procedures contained herein are equally applicable for assessing compliance for both prime contracts and subcontracts alike. Nevertheless, the policy recognizes the unique contractual relationships associated with subcontracts that mandate EVMS. Except where specifically stated within this Instruction, the term "contractor" applies equally to subcontractors as well as prime contractors, and the policy specifically establishes a requirement for communication with the prime contractor associated with the subcontractor and the cognizant contracting officer (CO). The DCMA Operations Directorate (DCMAO) Earned Value Management Implementation Division (EVMID) is responsible for EVMS compliance for the DoD and select non-DoD agencies with Defense Contract Audit Agency's (DCAA) support except for those DoD components that are part of the Intelligence Community (IC). For all DoD programs/contracts with DFARS 252.234-7002 (Reference (e)) EVMS requirements not under IC cognizance, DCMAO has sole responsibility for conducting contractor EVMS CRs on designated contracts/contractors. DCMAS is an active participant in the IC Earned Value Management (EVM) Council, collaborating with DCMAO regarding EVMS compliance matters for classified contracts/programs. DCMAO EVMID is functionally responsible for conducting contractor EVMS CRs working with DCMAS on

applicable contracts and companies under their cognizance. For classified contracts, security exceptions to this Instruction shall be in accordance with supplemental instructions maintained by the DCMAS.

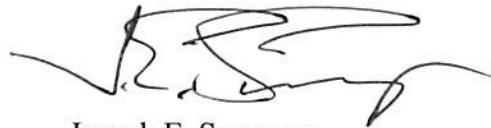
3. MANAGERS' INTERNAL CONTROL PROGRAM. In accordance with DCMA-INST 710, "Managers' Internal Control Program" (Reference (f)), this Instruction is subject to evaluation and testing. The process flowchart for this Instruction is located at Appendix A.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE. C070 – EVMS Supplier Compliance Reviews.

6. POLICY RESOURCE WEB PAGE. <https://home.DCMA.mil/POLICY/208r/>.

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective April 9, 2014, and all applicable activities shall be fully compliant within 60 days of this date.



Joseph E. Sweeney
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REFERENCES

- (a) DCMA-INST 208, "Earned Value Management System Compliance Reviews," June 30, 2011 (hereby reissued)
- (b) DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) ANSI/EIA-748, "Earned Value Management Systems," September 10, 2007
- (d) DFARS 242.302, "Contract Administration Functions," (S-71), February 28, 2013
- (e) DFARS 252.234-7002, "Earned Value Management System," May 2011
- (f) DCMA-INST 710, "Managers' Internal Control Program," September 12, 2011
- (g) Title 48 Code of Federal Regulation (CFR) Federal Acquisition Regulations System, October 1, 2003
- (h) FAR Part 34, "Major System Acquisition"
- (i) OMB Circular A-109, "Major System Acquisitions," April 5, 1976
- (j) OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," July 2013
- (k) OMB Capital Programming Guide, "V 3.0, Supplement to Office of Management and Budget Circular A-11: Planning, Budgeting, and Acquisition of Capital Assets," July 2013
- (l) FAR Part 52, "Solicitation Provisions and Contract Clauses"
- (m) DFARS 234.2, "Earned Value Management System," December 7, 2011
- (n) DFARS 252.234-7001. "Notice of Earned Value Management System," April 2008
- (o) Interim DoD Instruction 5000.02, "Operation of the Defense Acquisition System," November 25, 2013
- (p) DCMA-INST 210, "Earned Value Management System Standard Surveillance Instruction," February 2012
- (q) NDIA PMSC ANSI/EIA-748 Intent Guide, August 2012
- (r) "Bowman Guide," Interpretive Guide to the Evaluation/Demonstration Review Checklist for C/SCSC (Appendix E, Joint Implementation Guide), September 1991
- (s) AFMC Pamphlet 173-5 Version G, Cost/Schedule Management Guide - Draft, May 15, 1995
- (t) DoD "Earned Value Management Implementation Guide," October 2006
- (u) DCMA General Order No. FY13-30, March 25, 2013
- (v) DCMA General Order No. FY12-06, November 22, 2011
- (w) DCMA-INST 1201 (IPC-1), "Corrective Action Process," September 23, 2013
- (x) FAR 42.302, "Contract Administration Functions," (a)(16), (31), (40), (41), (67)
- (y) Section 893 of Public Law 111-383, "Ike Skelton National Defense Authorization Act for Fiscal Year 2011," January 7, 2011
- (z) DCMA-INST 131, "Contractor Business Systems," November 6, 2013
- (aa) DFARS 252.242-7005, "Contractor Business Systems," February 2012
- (ab) DCMA-INST 118, "Contract Receipt and Review," June 25, 2013
- (ac) DoD Instruction 5220.22-M, "National Industrial Security Program," February 28, 2006
- (ad) Memorandum of Understanding between the Defense Contract Audit Agency and the Defense Contract Management Agency for Earned Value Management Oversight Services, June 2011
- (ae) DCMA-INST 134, "Boards of Review," November 4, 2013
- (af) DCMA-INST 126, "Contract Audit Follow Up," August 22, 2013
- (ag) DoD Instruction 7640.02, "Policy for Follow-up Contract Audit Reports," August 22, 2008

CHAPTER 1

POLICY

1.1. FEDERAL REGULATIONS.

1.1.1. Title 48 Code of Federal Regulation (CFR) Federal Acquisition Regulation (FAR). Title 48 of the CFR establishes the FAR as the primary regulation for use by all Federal executive agencies in the acquisition of supplies and services with appropriated funds (Reference (g)). FAR Part 34, “Major System Acquisition” (Reference (h)) describes acquisition policies and procedures for use in acquiring major systems consistent with Office of Management and Budget (OMB) Circular A-109 (Reference (i)) and specifically the use of an EVMS consistent with OMB Circular A-11, Part 7, “Planning, Budgeting, and Acquisition of Capital Assets” (Reference (j)). The effective implementation of an EVMS is a federal requirement. EVM embodies a project management methodology that effectively integrates the program scope of work with cost, schedule, and performance elements for optimum planning and control. The EVMS qualities and operating characteristics described in the ANSI/EIA-748 (Reference (c)) strengthen good planning and decision-making.

1.1.2. The OMB Capital Programming Guide. The OMB Capital Programming Guide (Reference (k)) establishes the following:

1.1.2.1. Section I.5.5.4, “Planning for Acquisition Management,” states, “All major acquisitions with development effort will include the requirement for the contractor to use an Earned Value Management System (EVMS) that meets the guidelines in ANSI/EIA Standard-748 to monitor contract performance” (Reference (k)).

1.1.2.2. Section II.2.4, “Establishing an Earned Value Management System,” states, “The third key principle of risk management in the Acquisition Phase is using Earned Value Management in accordance with the guidelines in ANSI/EIA Standard-748” (Reference (k)). It further states, “The process and schedule for contractor and in-house EVM system validation as meeting the ANSI/EIA Standard-748 through an EVMS Compliance Recognition documents or a Compliance Evaluation Review where a compliance document does not exist, and periodic systems surveillance must also be defined in the solicitation” (Reference (k)).

1.1.2.3. Section II.5, “Issue the Solicitation,” states, “Non-major acquisitions should use EVM to the extent necessary to ensure the program meets its cost, schedule, and performance goals.” DoD COs shall coordinate with Program Managers (PM) to evaluate contracts according to the full scope and duration of work as key factors when determining whether EVM is applicable on such efforts (Reference (k)).

1.1.3. FAR Part 34, “Major System Acquisition.” FAR Part 34 (Reference (h)) establishes the following:

1.1.3.1. FAR 34.201, “Policy,” (Reference (h)) states, “An Earned Value Management System (EVMS) is required for major acquisitions for development, in accordance with OMB

Circular A-11. The Government may also require an EVMS for other acquisitions, in accordance with agency procedures.” FAR 34.201 (Reference (h)) also states that the system must comply with the ANSI/EIA-748 (Reference (c)) EVMS GLs.

1.1.3.2. FAR 34.203(c), “Solicitation Provisions and Contract Clause,” (Reference (h)) directs the CO to “insert a clause that is substantially the same as the clause at FAR 52.234-4, ‘Earned Value Management System,’ in solicitations and contracts that require a contractor to use an EVMS.” Figure 1 details the provisions of the FAR 52.234-4 (Reference (l)).

Figure 1. EVMS Clause specified in FAR 52.234-4 (Reference (l)).

Earned Value Management System (July 2006)

(a) The Contractor shall use an earned value management system (EVMS) that has been determined by the Cognizant Federal Agency (CFA) to be compliant with the guidelines in ANSI/EIA Standard-748 (current version at the time of award) to manage this contract. If the Contractor’s current EVMS has not been determined compliant at the time of award, see paragraph (b) of this clause. The Contractor shall submit reports in accordance with the requirements of this contract.

(b) If, at the time of award, the Contractor’s EVM System has not been determined by the CFA 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:

(1) Apply the current system to the contract; and

(2) Take necessary actions to meet the milestones in the Contractor’s EVMS plan approved by the Contracting Officer.

(c) The Government will conduct an Integrated Baseline Review (IBR). If a pre-award IBR has not been conducted, a post award IBR shall be conducted as early as practicable after contract award.

(d) The Contracting Officer may require an IBR at:

(1) Exercise of significant options; or

(2) Incorporation of major modifications.

(e) Unless a waiver is granted by the CFA, Contractor proposed EVMS changes require approval of the CFA prior to implementation. The CFA will 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 CFA, the Contractor shall disclose EVMS changes to the CFA at least 14 calendar days prior to the effective date of implementation.

(f) The Contractor shall provide access to all pertinent records and data requested by the Contracting Officer or a duly authorized representative as necessary 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.

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

1.2. DoD REGULATION AND POLICY. As prescribed, compliance with ANSI/EIA-748 (Reference (c)) is required for DoD cost or incentive type contracts valued at or greater than \$20 million. For cost or incentive type contracts valued at or greater than \$50 million, compliance with the management attributes of the ANSI/EIA-748 (Reference (c)) 32 GLs is demonstrated through a formal EVMS validation process. For cost or incentive type contracts valued between \$20 million and \$50 million, a formal EVMS validation is not required; however, compliance with the ANSI/EIA-748 (Reference (c)) must be maintained. EVMS implementation is discouraged for DoD contracts valued at less than \$20 million but may be implemented at the discretion of the PM based on cost-benefit analysis. Contract reporting includes the Integrated Program Management Report (IPMR) (see Table 1).

Table 1. Reporting Requirements according to Interim DoDI 5000.02 (Reference (o)).

Contract	EVM Application	Reporting Requirement			
		EVMS Validated by EVMID; Accepted & Approved by CO	Compliance with ANSI/EIA-748 GLs	IPMR	Integrated Baseline Reviews
Cost/Incentive Contracts ¹ ≥ \$50 Million ²	EVMS Validation by DCMAO (EVMID); Acceptance and Approval by CO	At contract award and throughout contract performance	At contract award and throughout contract performance	Monthly	Within 180 calendar days after contract award, exercise of options, and major modifications
Cost/Incentive Contracts ¹ ≥ \$20 Million ² but < \$50 Million ²	EVMS Acceptance, and Approval by CO	Not Applicable			
Cost/Incentive Contracts ¹ < \$20 Million ²	At the discretion of the PM based on cost-benefit analysis	Not Applicable	Not Applicable	At the discretion of the PM based on government requirements	Not Applicable
Firm Fixed-Price Contracts ¹ regardless of Dollar Value	Limited Use – will be approved by the MDA based on business case analysis				
Notes: 1. The term “Contracts” includes contracts, subcontracts, intra-government work agreements, and other agreements. “Incentive” contracts include fixed-price incentive. 2. Application thresholds are in then-year dollars. When determining the contract value for the purpose of applying the thresholds, the total contract value or price, including planned options placed on contract at the time of award, should be used. 3. EVM shall be applied to cost/incentive Indefinite Delivery/Indefinite Quantity contracts at the task order level. For each task order, follow the above table.					

1.2.1. Defense Federal Acquisition Regulation Supplement (DFARS). This supplement to the FAR provides DoD specific acquisition regulations that DoD government acquisition officials and those contractors doing business with DoD must follow in the procurement process for goods and services.

1.2.1.1. DFARS 234.2, “Earned Value Management System” (Reference (m)) establishes the following:

1.2.1.1.1. DFARS 234.201, “Policy” (Reference (m)) establishes the following:

1.2.1.1.1.1. For cost or incentive contracts and subcontracts valued at \$20 million or more, the EVMS shall comply with the GLs in the ANSI/EIA-748 (Reference (c)).

1.2.1.1.1.2. For cost or incentive type contracts and subcontracts valued at \$50 million or more, the contractor shall have an EVMS that has been determined by the Cognizant Federal Agency to be in compliance with the GLs in ANSI/EIA-748 (Reference (c)).

1.2.1.1.1.3. DCMA is responsible for determining EVMS compliance when DoD is the Cognizant Federal Agency.

1.2.1.1.1.4. The cognizant CO, in consultation with the functional specialist and auditor, shall determine the acceptability of the contractor’s EVMS and approve or disapprove the system; and pursue correction of any deficiencies.

1.2.1.1.1.5. In evaluating the acceptability of a contractor’s EVMS, the CO, in consultation with the functional specialist and auditor, shall determine whether the contractor’s EVMS complies with the system criteria for an acceptable EVMS as prescribed in the clause at DFARS 252.234-7002 (Reference (e)).

1.2.1.1.2. DFARS 234.203, “Solicitation and Contract Clause” (Reference (m)) states that for cost or incentive contracts valued at \$20 million or more and for other contracts for which EVMS will be applied in accordance with DFARS 234.201 (Reference (m)), implement the following:

1.2.1.1.2.1. Use the provision at DFARS 252.234-7001, “Notice of Earned Value Management System” (Reference (n)) instead of the provisions at FAR 52.234-2 and FAR 52.234-3 (Reference (l)) in the solicitation.

1.2.1.1.2.2. Use the DFARS 252.234-7002 (Reference (e)) clause instead of the clause at FAR 52.234-4 (Reference (l)) in the solicitation and contract.

1.2.1.2. DFARS 242.302, “Contract Administration Functions,” paragraph S-71 (Reference (d)) states, “DCMA has responsibility for reviewing Earned Value Management System (EVMS) plans and for verifying initial and continuing contractor compliance with DoD EVMS criteria. The contracting officer shall not retain this function.”

1.2.2. Interim DoD Instruction (DoDI) 5000.02. Interim DoDI 5000.02 (Reference (o)) establishes a simplified and flexible management framework for translating capability needs and technology opportunities into stable, affordable, and well-managed acquisition programs and provides the detailed procedures that guide the operation of the Defense Acquisition System in accordance with OMB Circular A-11 (Reference (j)); it applies to all organizational entities within DoD.

1.2.2.1. Section 5, “Reporting Requirements.” Table 1 indicates the required reporting requirements commensurate with EVM implementation as specified in Interim DoDI 5000.02 (Reference (o)). As prescribed, compliance with ANSI/EIA-748 (Reference (c)) is required for DoD cost or incentive type contracts valued at or greater than \$20 million. For cost or incentive type contracts valued at or greater than \$50 million, compliance with the management attributes of the 32 ANSI/EIA-748 (Reference (c)) GLs is demonstrated through a formal EVMS validation process. For cost or incentive type contracts valued between \$20 million and \$50 million, a formal EVMS validation is not required; however, compliance with the ANSI/EIA-748 (Reference (c)) must be maintained. EVMS implementation is not required for DoD contracts valued at less than \$20 million.

1.2.2.2. Section 9, “Program Management Tools.” As prescribed, PMs employ the EVM methodology unless waived by the Milestone Decision Authority. Section 9 describes EVM as one of DoD’s and industry’s most powerful program planning and management tools that complete the following:

1.2.2.2.1. Promotes an environment where contract execution data is shared between project personnel and government oversight staff and in which emerging problems are identified, pinpointed, and acted upon as early as possible.

1.2.2.2.2. Provides a disciplined, structured, objective, and quantitative method to integrate technical scope, cost, and schedule objectives into a single cohesive contract baseline

1.3. DCMA EARNED VALUE MANAGEMENT SYSTEM (EVMS) COMPLIANCE POLICY. This Instruction describes DCMA objectives, roles, responsibilities, and procedures for successfully conducting the eight steps of a formal CR process (see Table 2) used for supporting the CO’s determination of acceptance, approval, and validation of a prime contractor EVMS and the EVMS validation for a subcontractor. The CR process described herein does not address the ongoing surveillance efforts covered by DCMA-INST 210, “Earned Value Management System Standard Surveillance Instruction” (Reference (p)).

Table 2. EVMS 8-Step CR Process

Process Step	Description
1	Notification and Data Call
2	Planning and the Data Analysis (DA)
3	Opening Meeting
4	Fieldwork
5	Communication
6	Report Writing
7	Closing Actions
8	Close-Out

1.3.1. Role of Compliance. DoD views EVMS compliance as a necessary component of an overall sound business practice, not merely an issue of addressing a regulatory requirement. EVM is one of DoD’s and industry’s most powerful program management tools that integrates the technical, cost, and schedule parameters of a contract. During the planning phase, an integrated baseline is developed by time phasing budget resources for defined work. As work is performed and measured against the baseline, the corresponding budget value is “earned.” From this earned value metric, cost and schedule variances can be determined and analyzed. From these basic variance measurements, the PM can identify significant drivers, forecast future cost and schedule performance, and construct corrective action plans (CAP) to get the program back on track. EVM therefore encompasses both performance measurement (e.g., what is the program status) and performance management (e.g., what we can do about it). EVM is a program management tool that provides significant benefits to both the government and the contractor. Hence, EVM’s success depends on the reliability of the EVMS, and a party independent from the documenting party to verify and validate compliance.

1.3.1.1. The ANSI/EIA-748 (Reference (c)) contains a set of 32 GLs that defines the management attributes that an EVMS must meet and is a governing document for its application. The 32 EVMS GLs incorporate best business practices for management control systems that have proven to provide strong benefits for project planning and control. These processes include the integration of project scope, schedule, and cost objectives, establishment of an integrated baseline plan for accomplishment of technical objectives, and use of earned value techniques for objective performance measurement.

1.3.1.2. The National Defense Industrial Association (NDIA) Program Management Systems Committee (PMSC) ANSI/EIA-748 Intent Guide (Reference (q)) provides the management value of the GLs, the underlying intent of each GL, and the methods to evaluate the adequacy and completeness of the EVMS. The 32 EVMS GLs are organized and expressed in fundamental terms and provide flexibility for an individual organization to optimize its system and thereby be fully accountable for its effectiveness and usage. In addition to the NDIA PMSC

ANSI/EIA-748 Intent Guide (Reference (q)), EVMS compliance determinations are executed using a variety of sources. Other historical documents recognized by DCMA for compliance assessment include the “Bowman” Interpretive Guide (Reference (r)) from 1991, the AFMC Pamphlet 173-5 Version G for the Cost/Schedule Management Guide - Draft (Reference (s)) from 1995, and the EVM Implementation Guide (Reference (t)) from 2006.

1.3.2. Impact of Non-Compliance. An undisciplined approach to program management in general, and to implementation of EVMS specifically, ultimately jeopardizes the long-term stability of the program and diminishes the purchasing power. A compliant EVMS is necessary for stakeholders to rely on valid, accurate, reliable, auditable, and timely performance measurement data for effectively managing these contracts. Impacts may include:

- Managers unable to identify problems and take immediate corrective action
- Managers unable to assess the magnitude of problems
- Managers unable to achieve cost, schedule, and/or technical performance goals

1.3.3. Compliance Process.

1.3.3.1. EVM Line of Service (LOS). Pursuant to DCMA General Order No. FY13-30 (Reference (u)), the Portfolio Management and Integration Directorate (PM&I) EVM Division functions as the office of primary responsibility (OPR) for monitoring the DCMA EVMS LOS and as the primary point for EVMS interface with the OSD, service components, other government agencies, and industry. The PM&I EVM Division is responsible for the development, coordination, and deployment of EVMS policies, training in EVM fundamentals and surveillance and compliance procedures, and delivery of automated toolsets to advance the EVMS mission. PM&I EVM Division continuously oversees the health of the DCMA EVMS mission.

1.3.3.2. Performance Indicators (PI). DCMAO EVMID may support data collection and analysis for PIs related to EVMS compliance initiatives including a root cause analysis for any negatively trending PI. Where required, the EVMID is expected to implement any necessary corrective actions as appropriate and to work with the EVM Division for corrective actions involving EVMS policies, training, or tools. Generally, PIs are reviewed annually to ensure the correct type and quantity of PIs are monitored to gauge the health of the DCMA EVMS mission.

1.3.3.3. Compliance Process Overview. Pursuant to DCMA General Order No. FY12-06 (Reference (v)), the CR mission, functions, and resources are consolidated under DCMAO as the EVMID. The process catalyst for CRs is the identification of a DFARS EVMS requirement by the cognizant CO to the DCMAO EVMID¹. The EVMID assesses contractor compliance to validate the EVMS of prime contractors and subcontractors at each site and serves as the functional specialist submitting reports to the CO who determines the acceptability of the EVMS in accordance with the ANSI/EIA-748 (Reference (c)) EVMS criteria and approves the EVMS per business system processes. For any subcontractor requiring EVMS validation and/or when DCMA is not the cognizant contract administration office, the EVMID Director serves as the

¹ EVMID compliance responsibilities include conducting reviews to support determinations for all Directorates - Operations, International, and Special Programs.

authority for validating EVMS compliance. However, the validation of a subcontractor by DCMA does not affect the ultimate responsibility of the prime contractor for ensuring that subcontractors initially establish an acceptable EVMS and maintain the system throughout performance of the prime contract. As part of the formal CR process, the EVMID CR Chief is required to use the repeatable 8-Step process established by this instruction when determining the completeness and reasonableness of a prime contractor or subcontractor EVMS. Additionally, it is the EVMID Director's responsibility to work with the CR Chief to ensure that each EVMS CR is conducted in a thorough and consistent manner following the repeatable process as described herein. The EVMID Director is expected to share the results of each CR with PM&I who serves as the OPR for the EVMS LOS.

1.3.4. Reviews of Contractor Procedures and System Descriptions (SD). As a normal course of business, DCMA does not review of draft or proposed contractor EVMS materials although even in the absence of a formal acceptance and approval, surveillance must proceed. It is important that the contractor has formally coordinated its EVMS description and procedures internally before submitting these to DCMA. The evaluation of contractor EVMS materials typically happens for the first time during an initial visit (IV) (see paragraph 3.2.1.4.3.). The EVMID shall also review prime contractor and subcontractor proposed changes to approved EVM SDs and procedures to provide the CO with an assessment of acceptability. The CO, in consultation with the EVMID, advises the contractor of the acceptability of such changes as soon as practicable but within 30 calendar days after receipt of the notice of proposed changes. (NOTE: Hereafter, "days" refers to calendar days except where noted.)

1.3.5. Delegation of Subcontractor EVMS Compliance Requirements. The CO responsible for EVMS compliance of the prime contract shall determine the extent of EVMS compliance requirements at the subcontract level including the prime contractor's relationships with its suppliers. The CO shall initiate delegations to the Contract Management Office (CMO) at the subcontract with DFARS 252.234-7002 (Reference (e)) flow-down requirements to accomplish this function. COs may also delegate EVMS compliance responsibility to other CMOs when the contract is executed at a location other than that of the prime contractor. CMOs receiving delegations for EVMS compliance activities may further delegate to sub-tiers when needed to accomplish the delegated compliance and surveillance roles. The CO issuing EVMS related delegations shall use the delegation eTool or the Electronic Contract Administration Request System (ECARS) for all reimbursable contracts.

1.3.6. Corrective Action Process. DCMA-INST 1201 (IPC-1), "Corrective Action Process" (Reference (w)), establishes policy for initiating and tracking corrective actions taken by prime contractors and subcontractors when contractual non-compliances are either independently identified by the DCMA personnel performing Contract Administration duties outlined in paragraph (a) of FAR 42.302 (Reference (x)) or reported by the DCAA. DCMA-INST 1201 (IPC-1) (Reference (w)) outlines procedures for all DCMA functional elements to address and resolve contract non-compliances and item non-conformances and deficiencies. The CRIs policies and procedures prescribed herein shall comply with that Instruction insofar as it applies to EVMS non-compliance.

1.3.7. Contractor Business Systems (CBS) Acceptance and Approval. Section 893, “Contractor Business Systems,” of Public Law 111-383, the Ike Skelton National Defense Authorization Act for Fiscal Year 2011 (Reference (y)) sets forth statutory requirements for the improvement of business systems to ensure that such systems provide timely, reliable information for the management of DoD programs.

1.3.7.1. DCMA-INST 131, “Contractor Business Systems,” (Reference (z)) establishes DCMA policy and procedures to ensure COs take appropriate and timely actions regarding CBS deficiencies in covered contracts. DFARS 252.242-7005 (Reference (aa)) calls out and establishes the business systems definitions and procedures to improve effectiveness of DoD oversight of CBSs. DCMA-INST 131 (Reference (z)) states that the CO is responsible for:

1.3.7.1.1. “Reviewing findings from the functional specialist or auditor, upon receipt of a business system audit report and applicable Business Systems Analysis Summary (BSAS).”²

1.3.7.1.2. “Ensuring the business system status in the Contract Business Analysis Repository (CBAR) eTool is current and accurate at the appropriate prime contractor Commercial and Government Entity (CAGE) level.”

1.3.7.1.3. “Reviewing CBS panel recommendations prior to notifying the contractor in writing of the final determination. The panel’s recommendations and opinions are advisory and shall be considered by the CO prior to disapproving a business system.” As the OPR for DCMA EVMS LOS, a PM&I representative serves as a CBS panel member for EVM as the specific business system policy advocate.

1.3.7.1.4. “Implementing a payment withhold on an individual contract only if the contract contains DFARS 252.242-7005, “Contractor Business Systems” (Reference (aa)), and the specific business system clause for which a payment withhold is being implemented” (Reference (z)).

1.3.7.2. System Determination. DFARS 252.242-7005 (Reference (aa)) requires contractors to establish and maintain acceptable business systems. If the EVMID assesses the contractor’s EVMS (business system) and identifies non-compliances, the CO issues an Initial Determination notifying the contractor of any significant deficiencies and request a response from the contractor. The CO evaluates the contractor’s response in consultation with the EVMID (e.g., functional specialist) and make a Final Determination concerning the following:

- The remaining significant deficiencies
- The adequacy of any proposed or completed corrective actions
- Any system noncompliance with the ANSI/EIA-748 (Reference (c)) EVMS GLs

Contractor EVMS disapproval is warranted if the initial EVMS validation is not successfully completed within the timeframe approved by the CO, or if the CO determines that the contractor’s EVMS contains significant deficiencies in one or more high-risk GLs. The 16 high risk ANSI/EIA-748 (Reference (c)) EVMS GLs are 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28,

² See paragraph 3.2.6.1.4. for further details on BSAS format and content requirements.

30, and 32. When the CO determines that the EVMS contains one or more significant deficiencies in the 16 low-risk EVMS GLs, the CO will use discretion to not accept and disapprove the system based on input received from functional specialists and the auditor.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. EXECUTIVE DIRECTOR, PORTFOLIO MANAGEMENT AND INTEGRATION DIRECTORATE (DCMA-PI). The Executive Director, PM&I administers this instruction and is the OPR.

2.1.1. Director, EVM Division. The EVM Division Director is responsible for DCMA EVM LOS and serves as the primary point of contact (POC) for all policy matters involving the DCMA EVMS mission to include policy development; GL criteria interpretations; and compliance, surveillance, and analysis procedures. The EVM Division Director shall:

2.1.1.1. Assist in the execution of CRs by providing headquarters (HQ) personnel.

2.1.1.2. Develop, promulgate, and maintain written policies, processes and procedures, automated toolsets, and functional templates to facilitate the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.1.1.3. Ensure the DCMA EVMS workforce is properly trained and equipped for the effective execution of written policies, processes and procedures, automated toolsets, and functional templates.

2.1.1.4. Develop and deploy EVMS PIs in coordination with DCMAO to collect and track the status of the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.1.2. Director, Service Portfolio Division. The Director of each Service Portfolio Division shall:

2.1.2.1. Provide advanced notice to DCMA customers of upcoming CRs to align with the annual CR schedule.

2.1.2.2. Communicate DCMA customer concerns and help facilitate any resolution of their questions associated with the EVMS compliance issues in coordination with the PM&I EVM Division and EVMID Directors.

2.2. CONTRACTING OFFICER (CO), OPERATIONS DIRECTORATE (DCMAO), INTERNATIONAL DIRECTORATE (DCMAI), AND SPECIAL PROGRAMS DIRECTORATE (DCMAS).

2.2.1. Contract Receipt and Review. Per DCMA-INST 118, "Contract Receipt and Review" (Reference (ab)), the CO shall review all contracts for the existence of CBS requirements to include DFARS 252.234-7002 (Reference (e)). For those instances when the CO becomes aware of a contract (or modification) with an EVMS requirement that is not contractually mandated, the

CO working closely with the EVMID shall promptly request the buying command take the necessary actions to rectify the oversight to comply with DoD EVMS policy.

2.2.2. EVM Implementation Division (EVMID) Notification. The CO shall notify EVMID not later than 30 days after contract award (or modification) of a need for an EVMS CR. The CO updates the CBAR status to “Not Evaluated” if it was listed as “Not Applicable” once the CRI-101, “DCMA EVMS Review Request Information Sheet (RRIS)” has been provided and a valid requirement confirmed.

2.2.3. Functional Specialist Coordination. The CO shall coordinate with the EVMS functional specialists, within the EVMID, on reports regarding EVMS business system assessments prior to making any assessment in CBAR.

2.3. EXECUTIVE DIRECTOR AND CHIEF OPERATIONS OFFICER, OPERATIONS DIRECTORATE (DCMAO). Working closely with the other Directorates including DCMAI and DCMAS, the DCMAO has the primary and sole responsibility for CR implementation and specifically the execution of the DCMA EVMS compliance mission.

2.3.1. Director, EVM Implementation Division (EVMID). The Director, EVMID shall:

2.3.1.1. Function as the primary POC for execution of all EVMS CRs.

2.3.1.2. Provide EVMS technical expertise and guidance to the DCMA Directorates.

2.3.1.3. Serve as the designated EVMS functional specialist for the execution of the DCMA EVMS compliance mission as referred to in DFARS 234.201 (Reference (m)).

2.3.1.4. Serve as the CR Director (see paragraph 3.1.4.2.1.).

2.3.1.5. Working closely with the CR Chief, ensure all documentation has gone through final preparations and that all findings and recommendations are clearly articulated in the report to be submitted to the CO.

2.3.1.6. Provide pertinent data and information to the PM&I EVM Division Director commensurate with the collection and analysis of PIs to track and analyze the status of the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.3.1.7. Be the primary POC for all PM&I and Region inquiries.

2.3.1.8. For programs under DCMAS and DCMAI cognizance, the EVMID Director shall:

2.3.1.8.1. Collaborate with DCMAS/DCMAI CO and the EVMS Advocate to plan and conduct CRs including coordination of review dates and CR team member support.

2.3.1.8.2. Maintain a pool of experienced personnel who possess or can obtain required clearances depending on available qualified personnel resources within DCMAS/DCMAI.

2.3.1.8.3. Ensure classified information is handled in accordance with program security guides and DoDI 5220.22-M, "National Industrial Security Program" (Reference (ac)).

2.3.2. Commander/Director, Regional Command.

2.3.2.1. The Regional Commander/Director shall provide a qualified full time EVMS POC support to the EVMID in identifying EVMS CR requirements. The Region EVMS POC shall also actively participate in the CR process.

2.3.2.2. The Regional Commander/Director shall ensure a qualified CMO base is maintained to support the EVMID and specifically the DCMA EVMS compliance mission as team members.

2.3.3. Commander/Director, CMO (DCMAO). The CMO Commander/Director shall:

2.3.3.1. Support EVMID in identifying EVMS CR requirements.

2.3.3.2. Provide team member(s) to support the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.3.3.3. Respond to Region, EVMID, and/or PM&I EVM Division requests for assistance and/or EVMS data and information as noted within this Instruction.

2.4. COMMANDER, INTERNATIONAL DIRECTORATE (DCMAI).

2.4.1. Commander/Director, CMO (DCMAI). The CMO Commander/Director shall:

2.4.1.1. Advocate and effectively execute the requirements and assigned responsibilities as defined in this Instruction.

2.4.1.2. Coordinate with DCMAI Quality Assurance Division to safeguard and appropriately handle program critical information.

2.4.2. Director, Quality Assurance Division (DCMAI). The Director, Quality Assurance Division, shall:

2.4.2.1. Support EVMID in identifying EVMS CR requirements.

2.4.2.2. Provide qualified team member(s) within their area of responsibility (AOR) to support the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.4.2.3. Respond to requests from PM&I EVM Division and EVMID for assistance and/or EVMS data and information as noted within the CRI.

2.5. EXECUTIVE DIRECTOR, SPECIAL PROGRAMS DIRECTORATE (DCMAS).

2.5.1. Commander/Director, CMO (DCMAS). The CMO Commander/Director shall:

2.5.1.1. Advocate and effectively execute the requirements and assigned responsibilities as defined in this Instruction.

2.5.1.2. Coordinate with DCMAS Technical Operations Division to safeguard and appropriately handle program critical information.

2.5.2. Director, Technical Operations Division (DCMAS). The Technical Operations Division Director shall:

2.5.2.1. Support EVMID in identifying EVMS CR requirements.

2.5.2.2. Provide qualified team member(s) within their AOR to support the DCMA EVMS compliance mission and specifically the effective implementation of the CRI.

2.5.2.3. Respond to requests from PM&I EVM Division and EVMID for assistance and/or EVMS data and information as noted within the CRI.

CHAPTER 3

PROCEDURES

3.1. COMPLIANCE REVIEW (CR) ORIGINS. Regardless of the type of CR (e.g., Validation Review (VR), Implementation Review (IR), or Review For Cause (RFC)), only applicable EVMS contracts shall be reviewed. The CR primary objective is to assess the compliance of the contractor's EVMS processes and implementation with the ANSI/EIA-748 (Reference (c)) EVMS GLs in order to ensure that contractors use effective internal cost and schedule management control systems and that the government can rely on accurate, valid, reliable, timely, and auditable data produced by those systems.

3.1.1. CR Request Initiation. Several stakeholders may initiate a CR request for contracts containing the EVMS DFARS clauses or the flow-down clause from a prime contract to a subcontract. Stakeholders include DCMA, the Program Management Office (PMO), Program Executive Officers, the OSD, a contractor (if the review involves a subcontractor or applicable inter-company work authorization) as well as Service Commands and other supported agencies. As a prerequisite for CR request initiation, after contract award, the CMO EVMS specialist shall verify that the DFARS 252.234-7002 (Reference (e)) is included in the contract in accordance with Interim DoDI 5000.02 (Reference (o)). The CMO is responsible for notifying the applicable EVMID Hub Lead of a request for a CR via the CRI-101, "DCMA EVMS Review Request Information Sheet (RRIS)" (see paragraph 3.1.2.).

3.1.1.1. Conditions Warranting a CR. When the contractor receives a contract with DFARS 252.234.7002 (Reference (e)) EVMS requirements and proposes to employ an EVMS that has not been previously accepted by DCMA (or the Tri-Services), the CMO shall initiate the CR process by requesting a CR as applicable. The CMO gathers the relevant contract data and sends the CRI-101 (RRIS) to the applicable EVMID Hub Lead. (Refer to the EVMS CRI Resource Page for a current listing of EVMID Group Leads.) The CR process should be accomplished within a reasonable timeframe following contract award as determined by the CO unless there are circumstances outside of a contractor's control.

3.1.1.2. Compliance Special Circumstances. When a contractor with a DCMA accepted EVMS acquires another company, the acquired company cannot reference the acquiring company's EVMS credentials to support (or bypass) the EVMS requirement for contract award. Similarly, the acquiring company cannot use the EVMS credentials of an acquired company to support (or bypass) the EVMS requirements for contract award.

3.1.2. CR Request Process. Once it has been determined that a CR is required, the CMO (CO or EVMS Specialist), with assistance from the contractor, shall complete and upload the CRI-101 (RRIS) to the DCMA 360 EVMID RRIS Inbox/Outbox of the applicable EVMID Hub subfolder with all required attachments. For new contracts or modifications with EVMS requirements, the CO shall notify EVMID no later than 30 days after contract award/ modification via the CRI-101 (RRIS) of a need for a CR. The EVMID shall review these documents for applicability and adequacy as well as for prioritization for the EVMS CR schedule.

3.1.3. CR Types. The EVMID Director shall determine the appropriate type of CR in response to the CR request. For the purposes of this Instruction, CR is a common term used to denote any type of formal EVMS compliance assessment performed by the DCMAO EVMID for determining the adequacy of the prime contractor or subcontractor EVMS. The EVMS CR process encompasses three CR types including the VR, IR, and RFC.

3.1.3.1. Validation Review (VR). The VR constitutes a formal EVMS review to assess and document whether the contractor has implemented an integrated management planning and control system for the first time that complies with ANSI/EIA-748 (Reference (c)) EVMS GL criteria. Successful demonstration of the EVMS and completion of the review results in the validation of the system. Validation actions for a contractor's EVMS warrant an IV to the contractor site as a unique requirement within the CR process (see paragraph 3.2.1.4.3.). The primary objectives of the VR are to:

- Evaluate management system capabilities against ANSI/EIA-748 (Reference (c)) GLs
- Assess the description of the management system to determine if it adequately describes the management processes demonstrated during the review
- Evaluate the application of the management system on the contract(s) under review

3.1.3.1.1. If a contractor's EVMS used for development efforts differs significantly from that used during production, separate validation evaluations may be required. Simultaneous reviews of the systems used for development and those used for production contracts may be performed, or a contractor may implement one system for both types of contracts. This eliminates the necessity for multiple reviews. Following the successful demonstration of a development focused evaluation, the government may elect to do follow-on reviews, focused on those elements of the EVMS that are unique to production. In determining to focus a review on development or production, the following three issues should be considered:

3.1.3.1.1.1. If the manufacturing effort in the contract is not true repetitive manufacturing (e.g., model shop work), if there is no major difference from the management system used for the engineering effort and in the way the work is planned and controlled, and if cost data is collected, then the review can be based on the application of a development system.

3.1.3.1.1.2. If there is little or no manufacturing effort (e.g., contracts for long lead items, engineering services, or production planning), the contractor can apply either an accepted development or an accepted production system regardless of funding.

3.1.3.1.1.3. The type of funding should be considered, but it should not override other considerations.

3.1.3.1.2. Prime Contractor. The VR process should be completed within 12 to 16 months from the IV and conform to a reasonable timeframe as determined by the CO after

considering situational circumstances, the scope of the effort, and the elements of the contractor's EVMS subject to validation requirements.

3.1.3.1.3. Subcontractor. For subcontractors subject to EVMS validation, the designated CO shall ensure a timely VR completion within 12 to 16 months from the IV, or within a reasonable timeframe determined after considering situational circumstances, the scope of the effort, and the elements of the contractor's EVMS. The prime contractor CMO notifies the designated CO of their responsibility through a formal delegation.

3.1.3.2. Implementation Review (IR). A formal review in lieu of a VR either when the prime contractor or subcontractor proposes to use elements of a previously accepted DoD EVMS where all system elements involving people, processes, and tools of a site/facility have not been subject to a VR or when there have been significant changes made to an approved EVMS. This type of review limits the size and scope of the EVMS assessment by looking at just those applicable elements of a contractor's EVMS not previously validated. Additionally, an IR may be required when substantive EVMS description changes warrant an on-site review to verify satisfactory implementation of those changes.

3.1.3.3. Review For Cause (RFC). A formal review intended to solve a prime contractor or subcontractor EVMS implementation problem identified by the PM, EVMS functional specialist, and/or other stakeholder organizations for an approved EVMS. The RFC process is coordinated through the DCMAO EVMID. After formal acceptance of a prime contractor or subcontractor EVMS, no further system review is conducted unless there is a serious need determined by the government. The key element in the decision process is whether the output of the processes meets the intent of the GLs and is useable for decision-making. Regardless of cause, the scope and conduct of the RFC should be limited to only the system processes affected in order to minimize programmatic disruptions and ensure the greatest return for resources expended. The primary objectives of the RFC are to:

- Evaluate the contractor's progress against the CAP
- Identify remaining actions required to reaffirm system acceptability
- Ensure accuracy of performance data generated for government contracts
- Determine if the system validation should be suspended or withdrawn

3.1.4. CR Scheduling and Planning.

3.1.4.1. CR Schedule Development and Coordination. The DCMAO EVMID shall work collaboratively with the PM&I Directorate to develop an annual CR schedule covering the upcoming fiscal year. The PM&I Directorate shall provide any known areas of concern identified by OSD to assist in risk determination and review prioritization. The EVMID shall provide the PM&I Directorate EVM Division a draft EVMS CR schedule by July 15th. The EVMID shall publish a final schedule before the end of the fiscal year to best accommodate 1st quarter CRs. The EVMS CR schedule shall identify the contractor and the review location, type, and start and finish dates. The EVMID formally communicates with each affected contractor, government CO, and DCAA no later than September 30th in the preparation of the scheduled CRs. The EVMID should keep affected contractors, COs, PM&I EVM Division, and DCAA

apprised of significant changes to the EVMS CR schedule that would influence the CR requirements and timing. EVMID should consider the following criteria when formulating (e.g., rating and ranking) the annual EVMS review schedule:

- Acquisition category level
- Percent complete
- Program risk
- Program cost
- Contractor past performance

3.1.4.2. Resourcing the CR Schedule. The EVMID shall resource the CR schedule to the extent possible during its development and provide updates as soon as practicable leading up to and throughout the execution of the respective reviews. Updates will include confirmation of the CR Chief for each scheduled CR as well as identified IVs associated with VRs. Although resourcing may take place concurrently with coordination of the CR schedule with contractors, confirmation of the CR dates is a critical element in planning and supporting the CR process. As soon as practicable, the EVMID Director in consultation with the EVMID Hub Lead shall appoint for each IV/CR the responsible Hub, the CR Chief, and after consultation with the CR Chief, the CR Deputy. The responsible Hub is typically the cognizant geographical Hub where the contractor site is located, but at the EVMID Director's discretion, this responsibility may be assigned to another Hub based upon workload. The CR Chief takes the lead in planning and conducting the IV/CR but shall keep the EVMID/CR Director and the CR Deputy informed regarding progress and situational awareness. As the EVMID Director finalizes the CR schedule, the CR Chief shall confirm the date for the IV/CR. As soon as practicable, the CR Chief shall identify the IV/CR participants in alignment with this Instruction and in accordance with EVMID Director's guidance. The IV Team may be tailored down due to the reduced scope associated with an IV but should include the CR Chief, CR Deputy, CMO EVMS specialist, the CO, the PMO EVMS POC, and DCAA Field Audit Office (FAO) POC. The CR Chief should adopt a flexible posture in staffing the CR Team considering both the nature of the IV/CR, the availability of resources which may not be constant depending on the timing of the IV/CR, and other mitigating, extenuating circumstances. Typical positions within the CR Team include the following:

3.1.4.2.1. CR Director. The EVMID Director shall serve as the CR Director and is the EVMID senior representative responsible for CR findings and reports. The EVMID Director shall organize, plan, and lead CRs and related events using the typical roles as described herein.

3.1.4.2.2. CR Chief. The CR Chief is an EVMID representative responsible for the overall conduct of the review and for leading the CR Team in the execution of its duties and responsibilities before, during, and after the review. The CR Chief is responsible providing input to the CR Director in the selection of the CR Deputy and for assigning a CR Assistant, Area/Process Team Leads, and Interview Team Leads. The EVMID Hub Leads typically fill the CR Chief position. The CR Chief shall consider CR team member EVM Certification Program (EVM-CP) training, credentials, working knowledge, and practical experience when assembling the CR team and making individual assignments.

3.1.4.2.3. CR Deputy. The CR Deputy is an EVMID representative responsible for the operation of the CR Team and the review process and works directly for the CR Chief to ensure the effective execution of the CR process.

3.1.4.2.4. CR Assistant. Working for and reporting directly to the CR Chief, the CR Assistant handles all administrative details of the CR including document control, coordinating calendars, and processing information requests.

3.1.4.2.5. Area/Process Team Lead. The Area/Process Team Lead is responsible for the assessment of ANSI/EIA-748 (Reference (c)) EVMS GLs in one or more of the five EVMS areas: Organization; Planning, Scheduling, and Budgeting; Accounting Considerations; Analysis and Management Reports; and Revisions and Data Maintenance. On occasion and at the request of the CR Chief, the Area/Process Team Lead may be asked to assess ANSI/EIA-748 (Reference (c)) EVMS GLs in one or more of nine EVM processes: Organization; Scheduling; Work/Budget Authorization; Accounting; Indirect Management; Managerial Analysis; Change Incorporation; Material Management; and Subcontract Management. In either case, the Area/Process Team Lead is responsible for using and finalizing CR forms including the Discrepancy Report (DR), and the Cross Reference Checklist (CRC). The Area/Process Team Lead assigns Area/Process team members preferably before but on occasion during the CR. The Area/Process Team Lead works for and reports directly to the CR Chief.

3.1.4.2.6. Interview Team Lead. The Interview Team Lead is responsible for planning and conducting primarily Control Account Manager (CAM) discussions. On occasion, the Interview Team Lead conducts discussions with Project Controls personnel and PMs at the request of the CR Chief. Duties include pre-review assignments for populating the Interview Findings Form (IFF), reviewing team members' work, and providing the CR Chief with draft and finalized IFF and DR documentation.

3.1.4.2.7. CR Team Members. CR Team members are functional specialists who support CRs as full-time and on occasion part-time participants. CR Team members are responsible for performing detailed assessments of ANSI/EIA-748 (Reference (c)) EVMS GLs in one or more Areas and/or Processes as assigned by the CR Chief. CR Team members typically serve cross-functional roles as an Area/Process Team Lead, Interview Team Lead, and/or interview participant.

3.1.5. CR Schedule Distribution. No later than September 30th, the EVMID shall provide the annual EVMS CR schedule to the DCAA HQ; PM&I shall execute this function for the Service POCs. An updated schedule will be provided to stakeholders whenever a significant change is made.

3.1.6. CR Observers and Program Office Attendees. In order to maintain objectivity and independence during the CR process, the CR Chief will typically not allow participation of casual observers, but will accommodate the active participation of stakeholders to include program office personnel. The CR Chief coordinates with stakeholders to identify needs and/or concerns prior to their participation. As a normal course of business and at the conclusion of

each day as part of the daily debriefings, the CR Chief shares preliminary findings and results with stakeholders.

3.2. COMPLIANCE REVIEW (CR) EXECUTION.

3.2.1. Step 1 – Notification and Data Call. The formal notification is the result of establishing a valid system review requirement. This step sets the scope and timing of the review and is provided to all stakeholders to ensure commitment to the process.

3.2.1.1. Formal Notification. Regardless of the review type, the CR notification letter explains to the contractor the purpose of the review, the period of the review, team composition and requirements, and the data call. The EVMID Hub Lead shall coordinate with the cognizant CO in the preparation of the CR notification letter. The CO shall issue the CR notification letter to the contractor no later than 90 days prior to the CR. For subcontractors, the EVMID Director approves and issues the CR notification letter to the subcontractor; the EVMID Director shall forward a copy of the CR notification letter to the EVMID Hub Lead and the cognizant CO for the prime contract. The CR notification letter specifies the CR Chief responsible for conducting the review. The VR notification letter shall address both the IV and the VR by detailing both the IV schedule and the preliminary data call as well as the VR schedule and data call; a second notification letter may be required if the VR schedule or the data call must be modified based on the results of the IV or on other mitigating/extenuating circumstances.

3.2.1.2. Data Call. The notification letter is the medium for requesting documentation from the contractor for use during the CR. The notification letter shall request the contractor deliver EVMS data to DCMA no later than 45 days prior to the scheduled IV/CR. It is important to request only data pertinent to the specific review. The CR Chief should work with the contractor to ensure the requested data satisfies the review's discovery needs. The CR Chief shall coordinate with the CO to ensure the CRI-102, "Data Call List," is included with the CR notification letter. In cases where it appears the contractor continues to be non-responsive to the data call, the issue will be referred to the CO who notifies the contractor in writing regarding how the submitted data was not responsive to the data call. The CO letter directs the contractor to provide the necessary data within 5 days, or show why the data is not available. The CR Chief can tailor the CRI-102 to the type of review and review circumstances and identifies the file export types and structures to ensure readability with the DCMA EVM programs and tool sets.

3.2.1.3. DCAA Coordination. The CR Chief shall request DCAA to provide results from the most recently completed DCAA EVMS audit or request a DCAA audit if DCAA has not completed one in accordance with the "Memorandum of Understanding between the Defense Contract Audit Agency and the Defense Contract Management Agency for Earned Value Management Oversight Services" (Reference (ad)). If there are open findings from a previous DCAA EVMS audit, the CR Chief shall request a DCAA follow-up audit to verify that the deficiencies have been resolved. The CR Chief shall contact the cognizant DCAA FAO to establish a reasonable timeframe for receiving the audit report. The CR Chief shall request the audit with sufficient lead-time but no later than 90 days prior to the scheduled CR for the DCAA to complete the audit report prior to the CR.

3.2.1.4. Exceptions. CR final preparation shall follow the same process for all CR types and associated actions with the following exceptions:

3.2.1.4.1. IR. While DCMA SSI-108, “Earned Value Management System (EVMS) Cross Reference Checklist (CRC)” is used, the IR Team shall focus on EVMS implementation. The CR Team may use a pre-existing CRC for the approved system in lieu of completing a new checklist.

3.2.1.4.2. RFC. The scope and conduct of the RFC are generally limited to specific areas of concern; however, the RFC coverage may expand to any GL affected by known system issues.

3.2.1.4.3. VR – The IV. Validation actions for a contractor’s EVMS warrant an IV to the contractor site as a unique requirement within the CR process. The IV provides an opportunity for early dialogue between DCMA and the contractor on the VR process, sets review expectations among the stakeholders, and identifies areas of noncompliance and potential problems with the EVMS processes and procedures. The IV Team shall not conduct CAM or other program or business manager interviews during this visit. The CR Chief shall invite key government EVMS stakeholders that may include the CO, the CMO EVMS focal point and DCAA representatives to accompany the CR Team on the visit that usually lasts 2 to 3 business days. While the VR process should be completed within 12 to 16 months from the time of contract award, it is important that the IV be executed within 3 to 6 months after contract award. Ultimately, the EVMS CR timeline must conform to a reasonable timeframe as determined by the CO after considering situational circumstances, the scope of the effort, and the elements of the contractor’s EVMS subject to validation.

3.2.1.4.3.1. Prior to the IV.

3.2.1.4.3.1.1. IV Team Review. After receipt of the contractor data and prior to the IV, the IV Team shall review the contractor management approved EVMS SD using the SSI-108, “Earned Value Management System (EVMS) Cross Reference Checklist (CRC)” and perform a preliminary data analysis (DA). The preliminary DA focuses on the limited data requested commensurate with the IV and is separate from the more comprehensive DA performed in conjunction with the VR. The IV Team shall document findings in DRs as required (see paragraphs 3.2.2.7. and 3.2.5.2.2. for further discussion of DRs).

3.2.1.4.3.1.2. Contractor Self-Assessment Response. If a contractor elects to conduct the optional self-assessment, self-identifies a noncompliance, and takes timely, appropriate action to correct it, a DCMA Corrective Action Request (CAR) should not be issued in accordance with DCMA-INST 1201 (IPC-1) (Reference (w)). However, a subsequent DCMA determination of ineffective contractor corrective actions should result in issuance of a CAR. CARs issued for repetitive issues disclosed by a contractor should cite a weakness in the contractor’s corrective action process.

3.2.1.4.3.2. During the IV at the Contractor Site.

3.2.1.4.3.2.1. DCMA IV Entrance Brief. The CR Chief shall brief the VR process from the IV through final CO determination. The brief shall contain the results of the preliminary DA and SD review and familiarize the contractor with the comprehensive DA.

3.2.1.4.3.2.2. Contractor Presentation. The contractor shall be afforded the opportunity to present to the IV Team the EVMS design, operation, and applicable reports. The IV Team shall note any additional areas of concern resulting from these presentations.

3.2.1.4.3.2.3. VR Scheduling. At the end of the IV and in coordination with the contractor, the CR Chief shall employ the annual CR schedule as a baseline and develop a notional VR schedule commensurate with the sequencing and the phase durations of the 8-step CR process, the contractor's EVMS implementation plan, key program dates, and any other contractor review dates established by DCMA in its current CR schedule. The CO shall establish the timeframe required for the contractor's successful completion of the initial validation.

3.2.1.4.3.3. IV Trip Report. Within 30 days after completion of the IV, the CR Chief shall submit the IV Trip Report to the EVMID Director. The IV Trip Report shall include the following:

3.2.1.4.3.3.1. Summary assessments of actual or potential issues with the contractor's EVMS processes and procedures.

3.2.1.4.3.3.2. Any concerns or issues with meeting the established dates in the DCMA CR Schedule and conforming to the CO's timeline required for the contractor's successful completion of the initial validation.

3.2.1.4.3.3.3. Draft DRs and CARs as warranted (see paragraph 3.2.5.2.).

3.2.2. Step 2 – Planning and the DA. After reviewing the DA inputs and data call documentation, the CR Chief plans the CR agenda and schedules an opening meeting. The CR Chief should ensure the CR is conducted as planned and the DA is targeted to assess the appropriate integration of subsystems. The CR Chief employs approved DA tools and conducts data traces using the GL Evaluation (GLE) templates. For RFC CRs, the CR Chief develops a targeted (or focused) plan based upon GL(s) known to have an adverse material impact in compliant EVMS implementation.

3.2.2.1. CR Durations. The on-site visit for a CR normally spans 1 to 2 weeks depending on the CR type, number of contracts, size and value of the contracts, number of CAMs, size of the CR Team, and scope of the review. VRs and IRs are typically 2 weeks in duration while RFCs vary between one to two weeks depending on the scope of the review.

3.2.2.2. CR Team. Prior to the review, the CR Chief assigns the CR Team members to Interview Teams and Area/Process Teams. These Teams organize and work together to identify areas of noncompliance and actual/potential EVMS deficiencies prior to the review. The Team Leads assign duties and deadlines for team member products prior to arriving on-site.

3.2.2.2.1. Training. The CR Chief provides CR guidance and training for the CR Team members and shall employ a CR Team handbook to communicate team member assignments, team roles, expectations, and team member products.

3.2.2.2.2. CR Team Member Preliminary Actions. Prior to the on-site portion of the CR, all CR Team members shall identify any deficiencies and potential problems using the following materials.

- Contractor SD and procedures mapping to the SSI-108, “Earned Value Management System (EVMS) Cross Reference Checklist (CRC)”
- CR Team handbook and applicable forms

3.2.2.2.3. GLE Template. The Area/Process Team Leads shall assign specific GLs to team members to perform independent data traces as specified on the GLE template. Area/Process Team Leaders should ensure the information on this form is clear and specific.

3.2.2.3. Initial Data Review and Distribution. The CR Chief or a designated member of the CR Team shall review the data submitted and complete the columns in the CRI-102, “Data Call List,” to include submission and receipt dates noting any missing or incorrect data. If any errors or omissions are noted, the CR Chief shall promptly follow up with the contractor to ensure timely resubmittal. The CR Chief shall ensure each CR Team member receives a complete and accurate data call submission in sufficient time to perform analysis. If required for data clarification, the CR Chief should discuss the data call submission with the contractor. The CR Chief should orchestrate this discussion if possible via a communication medium such as a web-enabled teleconference to enable CR Team members to participate from off-site locations in order to obtain familiarity with the data submission and to ask any clarifying questions prior to performing analysis.

3.2.2.4. SD Review and Evaluation. The CR Deputy shall provide the contractor’s SD and procedures to the CR Team. CR Team members prepare for the CR by reading the contractor’s SD and verifying compliance using the current and any previous findings from the SSI-108, “Earned Value Management System (EVMS) Cross Reference Checklist (CRC).” The Area/Process Team Leads use the checklist to verify the adequacy and completeness of the contractor’s SD and the procedures for their assigned Areas/Processes. The CR Team shall provide specific rationale for non-compliant text but shall not recommend revised language to the contractor as it could interfere with the contractor’s business practices. The CR Team assessments shall ensure the following in verifying adequacy and completeness of the contractor’s SD and procedures:

- Descriptions include the policies, procedures, and methods designed to satisfy the GLs
- Description form and detail permit evaluation of the GL for compliance
- Descriptions delineate operating personnel roles and responsibilities including internal authorizations and controls required

3.2.2.5. Analysis and Metrics.

3.2.2.5.1. DA Timing. The CR Team must complete the DA in sufficient time to allow the CR Team to prepare for the on-site review.

3.2.2.5.2. Targeted Data. The DA includes data submitted by the contractor as part of the data call but shall also be expanded to include any other data obtained by DCMA through previous standard surveillance or CR events.

3.2.2.5.3. Performing the DA. The CR Chief shall make assignments supporting performance of a DA using standard DCMA DA methods. These methods provide a basis for focusing the review on areas of concern that require further investigation. The DA starts with metrics for cost and schedule and requires GL data traces. A formal VR or IR requires data traces for all 32GLs; for an RFC, the CR Team targets GLs based on DA metrics and risk assessment stemming from areas of concern.

3.2.2.5.4. DA Results and Dissemination. The DA highlights areas of concern with the contractor's EVMS and identifies GLs for further investigation. The CR Chief shall disseminate results among the CR Team, and the Area/Process and Interview Team Leads shall ensure areas of concern receive increased attention during the CR including CAM interviews as appropriate. Time permitting and if necessary, the CR Chief may initiate discussions with the contractor prior to or during the CR to obtain feedback and verify the analysis.

3.2.2.6. Interview Selections and Question Selection/Preparation.

3.2.2.6.1. Interview Planning. To ensure complete coverage of all targeted EVMS areas or processes, the CR Chief shall select contractor managers for interviews including, but not limited to, the PM, Business Finance Manager, Indirect Managers, Planning/Scheduling Manager, Risk Manager, other Functional Managers as applicable, Integrated Product Team Leaders, and the CAMs. The CR Chief shall determine the questions for the manager interviews considering input from the Area/Process Team Leads. The number and selection of CAMs and other manager interviews should be determined using the following criteria:

- Discrepancies identified in the DA
- Total dollar value of the control accounts shown on dollarized Responsibility Assignment Matrix
- Program risk areas
- EVMS process, implementation, or performance measurement data issues or anomalies
- Control accounts with the highest amounts of Budgeted Cost of Work Remaining
- Earned Value Methods (discrete, level of effort, and apportioned)
- Elements of Cost (labor, material, other direct costs, and subcontract(s))
- Activities on the critical path or near critical path
- Control Accounts with significant cost or schedule variances
- Control Accounts with frequent baseline changes

- Input from the PMO and CMO EVMS Specialist regarding areas of concern

3.2.2.6.2. **Manager Interviews.** The manager interviews verify that managers are following compliant EVMS processes and procedures and using their EVMS to manage their work. The interviews allow the contractor to demonstrate EVMS compliance and use. The CR Chief shall normally schedule no more than one interview slot per day per Interview Team but may schedule two per day with approval from the EVMID Director. This allows the Interview Team members time to document interview results and related findings.

3.2.2.6.3. **IFF.** The Interview Team Leads assign interview responsibilities to the team members to support pre-population of the IFF with appropriate information and any relevant notes. Team members shall review interview questions in relation to the SD and use the DA results and GLE data traces for questions related to the respective responsibilities of the assigned contractor representative to be interviewed (e.g., CAM, senior manager).

3.2.2.7. DR.

3.2.2.7.1. **DR Initiation.** Some of the DCMA metrics and data traces may identify potential issues that require follow up during the on-site CR and may result in initiation of a DR when warranted by the appearance of clear and definitive deficiencies. Time permitting, CR Team members should draft appropriate DRs in advance of the on-site review.

3.2.2.7.2. **DR Dissemination.** The CR Chief may provide the draft DRs to the contractor in advance of the review to expedite contractor feedback as to the accuracy and validity of the data to assist the CR Team with its compliance assessment. The CR Chief shall vet the draft DRs with applicable Area/Process and Interview Team Leads before finalizing the DR.

3.2.3. Step 3 – Opening Meeting.

3.2.3.1. **DCMA Opening Presentation.** At the start of the on-site CR activities, the CR Chief shall present an entrance brief to the contractor to introduce the purpose and objectives of the review. In addition to the CR Chief, the opening meeting should include any technical and/or administrative staff that may be involved in the review. This meeting addresses the scope of the review and discusses any potential timing issues that could influence the review.

3.2.3.2. **Contractor Entrance Briefing.** The CR Chief shall request that the contractor provide a presentation at the commencement of the on-site activities. The contractor should provide an overview of the system's design and operation that describes system process flows/traces and applicable reports. If applicable, the overview shall identify EVMS changes, open CAR or CAP actions, and potential areas of noncompliance.

3.2.4. Step 4 – Fieldwork. After the opening meetings, the CR Chief finalizes the review plan and begins fieldwork. Fieldwork typically consists of talking with contractor personnel, reviewing procedure manuals and processes, testing for compliance with applicable ANSI/EIA-748 (Reference (c)) EVMS GLs, and assessing the adequacy of internal management controls.

3.2.4.1. CR Chief Duties.

3.2.4.1.1. Assessment of Contractor Design Effectiveness. If the contractor's EVMS is operated as prescribed by persons possessing the necessary authority and competence to perform the controls effectively, the CR Chief should test the design effectiveness of the controls by determining whether they satisfy the contractor's EVMS objectives and can effectively prevent or detect errors that could result in material misrepresentations. The level of involvement required depends on the size and complexity of the review. The CR Chief tests design effectiveness through a mix of inquiries of appropriate personnel, observation of the contractor's operations and inspection of relevant documentation. In order to perform the most value-added assessment, the CR Chief may need to interface with other Agency directorates and stakeholders.

3.2.4.1.2. Severity Determinations. The CR Chief must evaluate the severity of each control deficiency to determine whether the deficiencies, individually or in combination, are material weaknesses as of the date of the review/assessment. The severity of a deficiency does not depend on whether a misstatement actually has occurred. The severity of a deficiency depends on the following:

3.2.4.1.2.1. Whether there is a reasonable possibility that the contractor's controls fail to prevent or detect a financial and/or performance measurement misstatement.

3.2.4.1.2.2. The magnitude of the potential misstatement resulting from the deficiency or deficiencies.

3.2.4.1.3. Materiality. Materiality is a matter of professional judgment influenced by the perception of the needs of a reasonable person who relies on the performance measurement reports and financial statements. Materiality judgments consider surrounding circumstances and involve both quantitative and qualitative considerations including the number of discrepancies observed, the associated absolute dollar value impact, the importance of item(s) to the accomplishment of contract requirements, and the potential impact on any government funding. As the CR Director, the EVMID Division Director has the final responsibility and authority on all materiality judgments.

3.2.4.1.4. Impact Evaluation. When determining whether a control deficiency or combination of deficiencies is a material weakness the CR Chief evaluates the magnitude of the potential misstatement considering the maximum amount or effect. To have a mitigating effect, the internal control should operate at a level of precision that would prevent or detect a misstatement that could be material. Indicators of material weaknesses in internal control over financial reporting include:

3.2.4.1.4.1. Restatement of previously issued financial statements to reflect the correction of a material misstatement.

3.2.4.1.4.2. Identification by the Functional Specialist of a material misstatement of financial statements in the current period in circumstances that indicate that the misstatement would not have been detected by the company's internal control over financial reporting.

3.2.4.1.4.3. Ineffective oversight of the company's external financial reporting and internal control over financial and/or performance measurement reporting by the company's Project Controls Department.

3.2.4.1.5. Significant Deficiency. Materiality considerations and impact statements documented in DRs may support the COs determination of a significant deficiency. In accordance with DCMA-INST 1201 (IPC-1) (Reference (w)), the term significant deficiency is synonymous with noncompliance. As defined in DFARS 252.234-7002 (Reference (e)), a significant deficiency is a shortcoming in the system that materially affects the ability of DoD officials to rely upon information produced by the system that is needed for management purposes. The CR Chief shall ensure that DRs do not contain the term "significant deficiency" but should focus on describing the materiality impacts. Identifying the discrepancy as a significant deficiency is the sole responsibility of the CO.

3.2.4.2. Exceptions. The CR fieldwork shall follow a similar process for all types of CRs with the exceptions noted in paragraph 3.2.1.4.

3.2.4.3. Senior Manager and CAM Interviews. The CR Chief normally conducts the contractor PM, senior program control manager, and senior risk manager interviews. However, the CR Chief may delegate these interviews to Interview Teams to cover items of special interest. Interview Teams conduct CAM interviews as directed but may conduct additional interviews as determined by the CR Chief.

3.2.4.4. Interview Protocols.

3.2.4.4.1. Question Response. The Interview Team may allow the manager's assistants to locate specific details within the data and the schedule. However, the manager should request this assistance rather than the support staff spontaneously providing the information. The goal of the interview is to allow the contractor personnel to demonstrate EVMS compliance through a review of relevant data artifacts and to ensure that the process is controlled by the managers responsible for executing the EVMS process.

3.2.4.4.2. Screen Shots and Requested Documentation. The Interview Lead shall obtain screen shots prior to concluding the interview. If the manager cannot make the requested documentation available until after the interview, the Interview Lead shall get a commitment as to when the contractor will submit the data. A team member should use a document request form to annotate the documents requested and submit the completed form to the CR Assistant or CR Deputy for document control purposes and follow-up. The Interview Team shall:

3.2.4.4.2.1. Capture screen shots and/or ask for documents referenced during the course of the interview if the documents represent demonstrated compliance or noncompliance or when the subject is too complex to explain effectively without sample documents.

3.2.4.4.2.2. Capture screen shots of live data during the interviews.

3.2.4.4.2.3. Use screen shots as exhibits to support findings and DR write-ups.

3.2.5. Step 5 – Communication. Throughout the process, the CR Chief keeps the contractor and cognizant COs informed on the progress of the review. The CR Chief working in concert with the EVMID Director should ensure that EVMS deficiencies are not singular instances that may represent human error rather than a process failure; a single occurrence of an implementation and/or process non-compliance does not necessarily indicate non-conformance of a larger group.

3.2.5.1. CR Routine Briefings/Meetings include:

3.2.5.1.1. Daily Government Team Meetings. At the end of each day, the Interview Team Leads shall brief the CR Chief and team members regarding findings noted during the interviews in a government only meeting.

3.2.5.1.2. Daily Contractor Briefs. A brief with the contractor should occur daily to keep the contractor informed of the review progress. The CR Chief shall caution the contractor that the daily brief findings are only preliminary and should not be published nor considered as definitive results.

3.2.5.1.3. Exit Brief. At the conclusion of the CR on-site visit, the CR Chief shall present a CR exit brief to the contractor summarizing the CR preliminary findings.

3.2.5.2. CR Forms and Reports.

3.2.5.2.1. IFF. The Interview Teams shall document each interview on the IFFs. The Interview Teams shall list all documents reviewed; summarize findings, conclusions, and recommendations; and indicate whether a DR was prepared and its discrepancy control number. The questions on the standard IFF are prescriptive and contain a basic set of questions for each interview session regarding application. The Interview Team is not constrained to the questions on the IFF and should add detailed questions to clarify issues identified in the DA. Additionally, the manager's responses to a question may lead to additional questions not listed on the IFF. The Interview Teams shall complete the IFFs immediately following the interview and submit them to the Interview Team Lead prior to the start of the next manager interview whenever possible. The Interview Team can use the IFF to store and organize the screen shots and documentation provided by the manager at the end of the interview.

3.2.5.2.2. DR. The DR documents EVMS process and implementation discrepancies. A deficiency is a system weakness confirmed as differences, inconsistencies, anomalies, disparities, conflicts, or unexplained variances between facts, figures, or claims. DRs form the basis for documenting the deficiencies in a CAR.

3.2.5.2.2.1. Content. The CR Team shall use the DR for documenting each EVMS process discrepancy that may lead to a deficiency with how the SD and procedures describe compliance with the ANSI/EIA-748 (Reference (c)) EVMS GLs and how each implementation discrepancy that documents a deficiency relates to inadequate implementation of otherwise compliant written processes and procedures (see paragraph 3.2.2.7. for further discussion of DRs). DRs should be as clear and specific as possible when describing problems affecting implementation issues involving EVMS compliance and should contain exhibits documenting the scope of the problem identified. The DR must assess the materiality of the issue discovered and whether the deficiency is systemic and pervasive throughout the system. The DR narrative must tie issues back to the intent and the attributes of the related GL. Finally, the DR shall also contain an impact statement that addresses the affected EVMS area or process.

3.2.5.2.2.2. Timeliness. The CR Team must finalize the DRs prior to concluding the on-site review.

3.2.5.2.2.3. DR Types. A DR shall be written against a single GL but may address both process and implementation discrepancies. Process discrepancies may lead to a deficiency with how the SD, supporting management policies, and procedures describe compliance with the ANSI/EIA-748 (Reference (c)) EVMS GLs. Implementation discrepancies identify a deficiency related to inadequate implementation of otherwise compliant written processes and procedures or an issue addressed in a corresponding process DR.

3.2.5.2.2.4. Combining Similar Deficiencies to One DR. Although a DR is written against a single GL, the CR Chief shall exercise discretion to combine similar discrepancies of the same type into a single DR wherever and whenever possible with all relevant supporting documentation attached rather than generating new DRs for each deficiency. During the on-site CR, similar issues over several CAM interviews may be recorded in separate DRs as the issues are identified and combined subsequently after completion of all interviews. Likewise, DRs resulting from the DA can be combined when the analysis is completed. For additional DR guidance, refer to the CR Team Handbook.

3.2.6. Step 6 – Report Writing.

3.2.6.1. The CR Chief's Written Assessment.

3.2.6.1.1. Draft CR Report Package.

3.2.6.1.1.1. Timeliness. The CR Chief shall forward a draft CR Report Package to the EVMID Director for approval in a timely matter to support the EVMID Director's input to the CO for system determination procedures. The CR Chief is required to notify the EVMID Director immediately if more time is required to prepare and submit the CR Report Package for review.

3.2.6.1.1.2. Report Package Content. The CR Report Package refers to the CR Report with the required documentation such as the draft CO Memo, all DRs, and the BSAS. The CR Report is the CR Chief's assessment and provides an appraisal of the detailed findings in

a summarized and balanced manner with a big picture awareness of material issues affecting programmatic decision-making. The CR Report addresses those areas stipulated in the format noted below. If the CR findings indicate a material shortcoming in the system that affects the ability of the government to rely upon the data produced by the contractor's EVMS, the CR Chief shall also include in the CR Report Package any draft CAR(s) and the GL Compliance, Attributes, and Impacts Brief.

3.2.6.1.2. CR Report Format. The CR report shall include the distribution list, the follow-up date, a general overview of the review, the scope of the review, any major review concerns, the overall conclusion, and detailed commentary describing the findings and recommended solutions. The final CR Report should be developed in accordance with the approved template (see CRI Resource Page).

3.2.6.1.3. BSAS Input. The CR Chief shall summarize the CR Report in the BSAS and include information documented in the GL Compliance, Attributes, and Impacts Brief that stipulates where the non-compliance occurs. In accordance with DCMA-INST 131 (Reference (z)), the BSAS should not recommend disapproval of the system or declare findings as significant or not significant; this responsibility rests solely with the CO.

3.2.6.2. DCAA Coordination. If the cognizant DCAA provides completed and/or updated EVMS audit results within the timeframe negotiated with DCMA, the CR Chief in coordination with the CO shall process the DCAA findings in accordance with the "Memorandum of Understanding between the Defense Contract Audit Agency and the Defense Contract Management Agency for Earned Value Management Oversight Services" (Reference (ad)) and incorporate the results into the CR report. DCAA identified significant deficiencies must be resolved prior to recommending EVMS acceptance to the CO.

3.2.6.3. Incorporation of Delayed DCAA Findings. If the CR Chief does not receive the DCAA audit results within the timeframe negotiated with the DCAA, the CR Chief shall consider incorporating the audit results as a report addendum based on the timeliness of the data and significance of the findings. The CR Chief may elect to pursue a separate determination in lieu of an addendum. If there are any issues identified in the DCAA audit report that DCMA recognizes as materially significant, the CR Chief shall pursue appropriate actions in accordance with DCMA-INST 131 (Reference (z)).

3.2.6.4. CR Report Package Peer Review. Upon receipt, the EVMID Director provides the draft CR Report Package for peer review. The EVMID Director shall select the candidate for performing the peer review at his discretion. A peer review shall be completed within 7 days and forwarded to the EVMID Director with recommendations for approval, editing, or concurrence with review comments.

3.2.6.5. CR Report Package Final Approval. The EVMID Director is the final review/approval authority for the CR Report Package and ensures a final CR Report Package is approved within 45 days of the CR on-site visit. If the EVMID Director determines that the CR Chief's draft CR Report warrants substantive modifications, then the EVMID Director and the CR Chief shall collaborate to review the draft report carefully to make sure there are no errors

and to evolve the report to an acceptable standard. It is essential that the final report adequately reflects the CR Chief's appraisal of the detailed findings in a summarized and balanced manner with a big picture awareness of material issues affecting programmatic decision-making.

3.2.6.6. CR Report Package Processing. When the EVMID Director approves the CR Report Package, EVMID shall assign a control number to the CR report, the BSAS, and the draft CO memo and forward the CR Report Package to the CO, with the draft DRs and CARs, if applicable, for a determination.

3.2.6.7. CR Team Assessment/Feedback.

3.2.6.7.1. EVM-CP Input. Within 30 days after submission of the draft CR Report Package to the EVMID Director, the CR Chief shall record the names of the CR Team members and their roles (Interview Team Lead, Area/Process Team Lead, etc.) and submit the list to the PM&I EVM Division.

3.2.6.7.2. CR Team Member Supervisor Feedback. Within 30 days of CR completion, the CR Chief shall send an assessment of CR Team member participation including letters of appreciation as warranted to the member's supervisor.

3.2.7. Step 7 – Closing Actions. Refer to DCMA-INST 131 (Reference (z)) for the required steps to support the CO's responsibility for the initial and final determination of acceptability of the contractor's business system and approving or disapproving the system. For the purpose of this Instruction, the EVMID Director is the responsible party when DCMA-INST 131 (Reference (z)), calls out the functional specialist.

3.2.7.1. Prime Contractor Acceptance, Approval, and Validation. Based on the EVMS compliance assessment and in consultation with the EVMID, the CO shall determine the acceptability of the EVMS in accordance with DFARS 252.234-7002(c) (reference (e)), and approve or disapprove the EVMS. An approved EVMS is considered to be validated; conversely, a disapproval results in a loss of EVMS validation. After the contractor has responded to the CO's initial determination, the CO and the EVMID Director should consider holding a closing meeting with the contractor to discuss the review findings, recommended solutions, and the contractor's response. This is an opportunity for the contractor to discuss status and any remaining issues. This meeting should occur no later than 2 to 3 weeks after the contractor has responded in writing to the initial determination but before the CO has made a final determination. The CO shall coordinate CBAR contractor EVMS status changes with the EVMID Hub Lead and will accurately reflect the status in the CBAR eTool as approved, disapproved, not evaluated, or not applicable.

3.2.7.2. Subcontractor Validation. CBS provisions do not apply to subcontractors when dealing with business system determinations or financial remedies for system deficiencies as noted in DCMA-INST 131 (Reference (z)). However, DCMA validates initial and continuing subcontractor compliance with the EVMS criteria flowed down by a prime contractor. The EVMID Director shall consider if the EVMS should be validated and shall draft a letter for the delegated CO to notify the subcontractor of the pending decision. After the subcontractor

responds, the delegated CO and the EVMID Director should consider holding a closing meeting with the subcontractor to discuss the review findings, recommended solutions, and the subcontractor's response. This is an opportunity for the subcontractor to discuss status and any remaining issues. The EVMID Director shall decide to validate or not validate the EVMS and shall prepare a final letter for the delegated CO to issue to the subcontractor with a copy forwarded to the cognizant CO for the prime contractor(s). Subcontractor EVMS validation by DCMA does not affect the ultimate responsibility of the prime contractor for ensuring that the subcontractor initially establishes an acceptable EVMS and maintains the system throughout the performance of the prime contract.

3.2.7.3. Subcontractor compliance coordination with the prime contractor and the cognizant CO. In accordance with DCMA-INST 131 (Reference (z)) and DCMA-INST 1201 (IPC-1) (Reference (w)), coordination efforts include the following:

3.2.7.3.1. The EVMID Director shall flow information to the CO for the prime contractor regarding the status and condition of the subcontractor EVMS.

3.2.7.3.2. The CO for the prime contractor coordinates with the EVMID Hub Lead and the delegated CO for the subcontractor to evaluate the impact of any subcontractor non-compliance on the prime's EVMS and take appropriate action.

3.2.7.4. At the conclusion of the CR with approval of the CR Report Package, the CR Chief supports the CO as necessary to out brief the cognizant PMO associated with the contractor undergoing the CR.

3.2.7.5. CAR. When a deficiency associated with the contractor's EVMS is discovered by DCMA as part of the CR, a CAR shall be issued to notify the contractor and request initiation of corrective actions. All CARs shall be issued and escalated in accordance with DCMA-INST 1201 (IPC-1) (Reference (w)). EVMS CARs must be documented using the CAR eTool. Attach DRs to a CAR as applicable. Deficiencies brought to the attention of DCMA by the PMO, the DCAA, or other stakeholders must be thoroughly researched and agreed upon by DCMA before a CAR is written and issued (see paragraph 3.2.1.4.3.1.2. for treatment of deficiencies reported as part of a self-assessment). If a DCAA reported deficiency is not accepted by the functional specialist and/or CO, then the issue shall be raised to the Board of Review process per DCMA-INST 134, "Boards of Review" (Reference (ae)).

3.2.7.5.1. CAR Types. The EVMS CR CAR may include multiple findings affecting multiple GLs. (See DCMA-INST 210 (Reference (p)) for more discussion about types of CARs.) CR CARs may contain a combination of both Process and Implementation deficiencies. Process deficiencies are associated with the nine EVM processes, the contractor's EVM SD, and/or supporting procedures. Implementation deficiencies address the implementation of a contractor's documented, compliant process.

3.2.7.5.2. CAR Levels. The level of a CAR (I, II, III, or IV) is determined in accordance with DCMA-INST 1201 (IPC-1) (Reference (w)).

3.2.7.5.3. Description of the Deficiency. EVM CARs must contain a succinct description of the deficiency, identify the affected GL, and contain quotes from relevant standards, attributes, and metrics for the ANSI/EIA-748 EVMS GLs (Reference (c)) compared to the contractor's SD or supporting documentation. For SD issues, quotes could be included from the contractor's SD containing deficient verbiage or the description could indicate that the contractor's EVMS SD is silent in addressing the requirements of a particular GL(s).

3.2.7.6. CAP Development. The contractor shall address remaining deficiencies with an acceptable CAP including root cause analysis and corrective actions. The CR Chief shall ensure the contractor CAP includes:

3.2.7.6.1. A time-based schedule file reflecting activities, milestones, verification/test points, progress, relationships to CAP processes, and time necessary to resolve deficiencies.

3.2.7.6.2. A working source file containing a brief description of each deficiency with its associated DRs and GL numbers, root cause of the deficiencies, corrective and preventative actions to resolve deficiencies and prevent recurrence including process, training, tools, and enforcement actions.

3.2.7.6.3. Description of verification methods, objective measures, metrics, artifacts, documentation, and products required to assess corrective/preventative action effectiveness.

3.2.7.6.4. Description of test objectives, measureable success, and exit criteria that validate the resolution of the issues identified.

3.2.8. Step 8 – Close-Out.

3.2.8.1. CAP Review and Disposition. The CR Chief shall review and evaluate submitted CAPs and with the EVMID Director's approval, provide an assessment of the acceptability of the CAP to the CO within 14 days of receipt of the CAP. The EVMID Director consults with the CR Chief and determines the effectiveness of the contractor's CAP implementation efforts. In consultation with the EVMID Director, the CR Chief shall communicate the status of the contractor's EVMS corrective actions to the CO for resolution and disposition in accordance with contractual mandated oversight, this Instruction, DCMA-INST 131 (Reference (z)), and DCMA-INST 1201 (IPC-1) (Reference (w)). For subcontracts, the CR Chief shall also communicate the status of the subcontractor's corrective actions to the cognizant CO for the associated prime contractor for resolution in accordance with contractual mandated oversight, this Instruction, DCMA-INST 131 (Reference (z)), and DCMA-INST 1201 (IPC-1) (Reference (w)).

3.2.8.2. CAP Closure. The EVMID may require additional data to document corrective actions to verify CAP closure. The EVMID reviews, approves, and tracks CAP activities to closure with CMO assistance in accordance with DCMA-INST 210 (Reference (p)) and DCMA-INST 1201 (IPC-1) (Reference (w)). In consultation with the CR Chief, the CO determines if the contractor is effectively implementing the CAP. The CO and the CR Chief shall monitor the contractor's progress in correcting deficiencies as outlined in the contractor's CAP in accordance

with DCMA-INST 131 (Reference (z)) and DCMA-INST 1201 (IPC-1) (Reference (w)). Accordingly, when the contractor notifies the CO in writing that all system deficiencies have been corrected, the CO shall request the EVMID to review the corrections to determine if the significant deficiencies have been resolved. The EVMID normally employs the CR Chief to lead any follow-up reviews on an issue-by-issue basis to verify that the contractor has implemented the agreed-upon corrective actions. The verification may include staff interviews, performance of tests, or reviewing new procedures.

3.2.8.2.1. Closing Meeting. For EVMS determinations, after the contractor has notified the CO that the significant deficiencies were corrected and the EVMID CAP Review has been completed, the CO and the EVMID Director should hold a closing meeting with the contractor to discuss the review findings and any recommended solutions. This is an opportunity for the contractor to discuss status and any remaining issues. This meeting should occur no later than 2 to 3 weeks after the contractor has reported that the significant deficiencies were corrected but before the CO has made a final determination.

3.2.8.2.2. CAP Review Documentation by EVMID. Follow-up actions may include process reviews, product examinations, DA, and systems audit on relevant elements. If the CAP review indicates the deficiencies have been corrected, the CR Chief drafts and the EVMID Director approves a memorandum for record (letter) to the CO indicating satisfactory correction for all documented issues and/or whether further actions are necessary along with requisite documentation.

3.2.8.2.3. Acceptance, Approval, and Validation. Based on the EVMS compliance assessment and in consultation with the EVMID, the CO shall determine EVMS acceptability in accordance with DFARS 252.234-7002 (reference (e)), and approve or disapprove the EVMS. An approved EVMS will be considered validated. For subcontractors, the EVMID shall decide pursuant to CR results if the EVMS should be validated and shall prepare a final letter for the delegated CO to issue to the subcontractor accordingly with a copy forwarded to the cognizant CO for the prime contractor(s). EVMS status will be accurately reflected in the CBAR eTool as approved, disapproved, not evaluated, or not applicable.

3.2.8.3. DCAA Coordination on CAP Closure. The DCAA should be consulted if the DCMA EVM specialist needs assistance in determining if a deficiency related to any of the eight GLs the DCAA conducts audits on (13, 16, 17, 18, 19, 20, 21, 30) is fully resolved. Working with the cognizant CO, the DCAA audit findings are distributed and processed in accordance with DCMA-INST 126, "Contract Audit Follow Up" (Reference (af)) and DoDI 7640.02, "Policy for Follow-up Contract Audit Reports" (Reference (ag)).

3.2.8.4. CR Documents Archival.

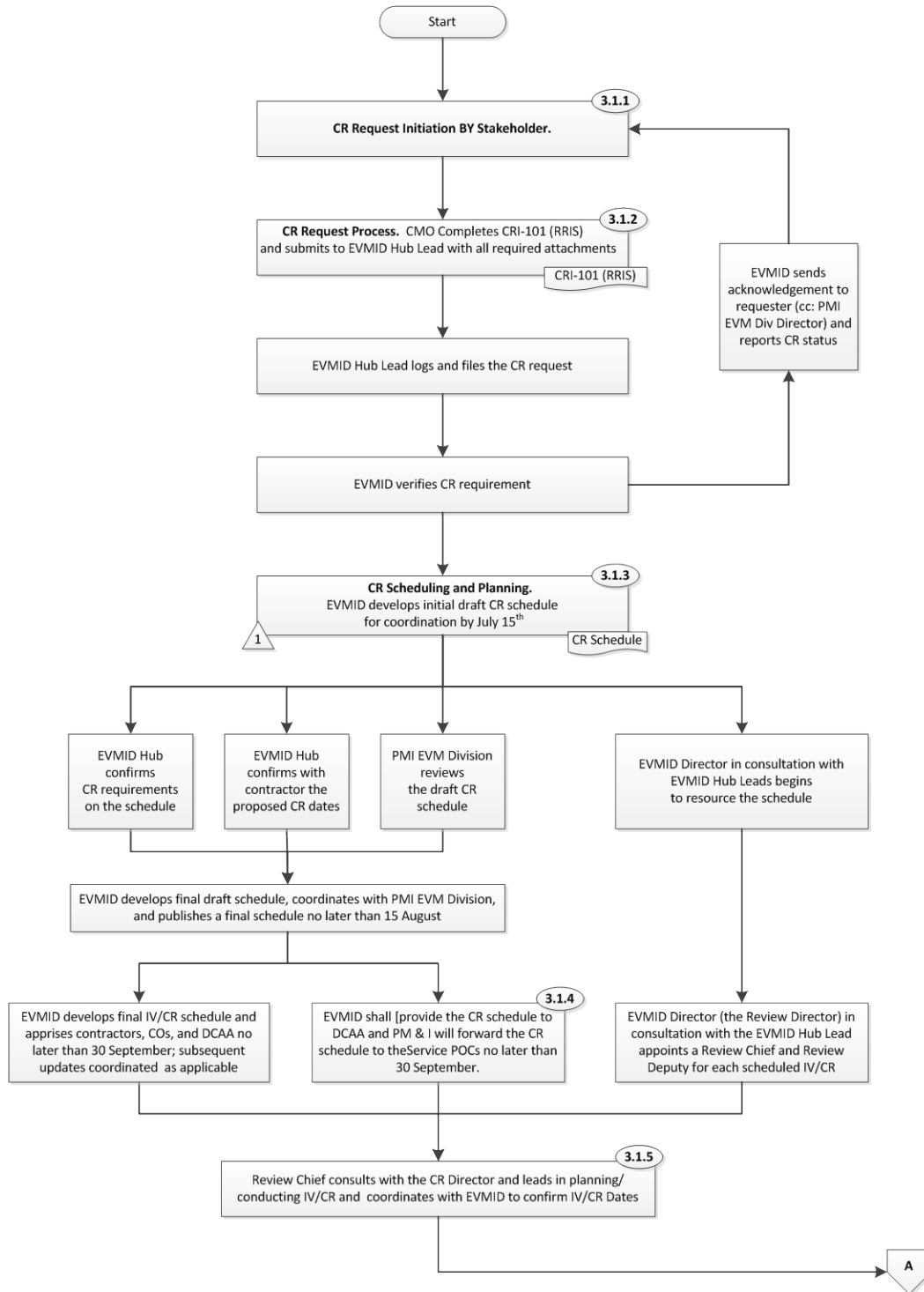
3.2.8.4.1. CR Data and Information. The EVMID Director shall ensure archival of CR information. Historical records support internal and external information queries or decisions regarding future reviews. Although the CO maintains the official contractual records, the responsible EVMID Group shall archive CR working files such as the CR Report, correspondences, CAR, and other applicable files (e.g., IFFs, GLEs).

3.2.8.4.2. Contractor EVMS Status in CBAR. In accordance with DCMA-INST 131, (Reference (z)), the CO maintains the status of the contractor's EVMS in the CBAR eTool.

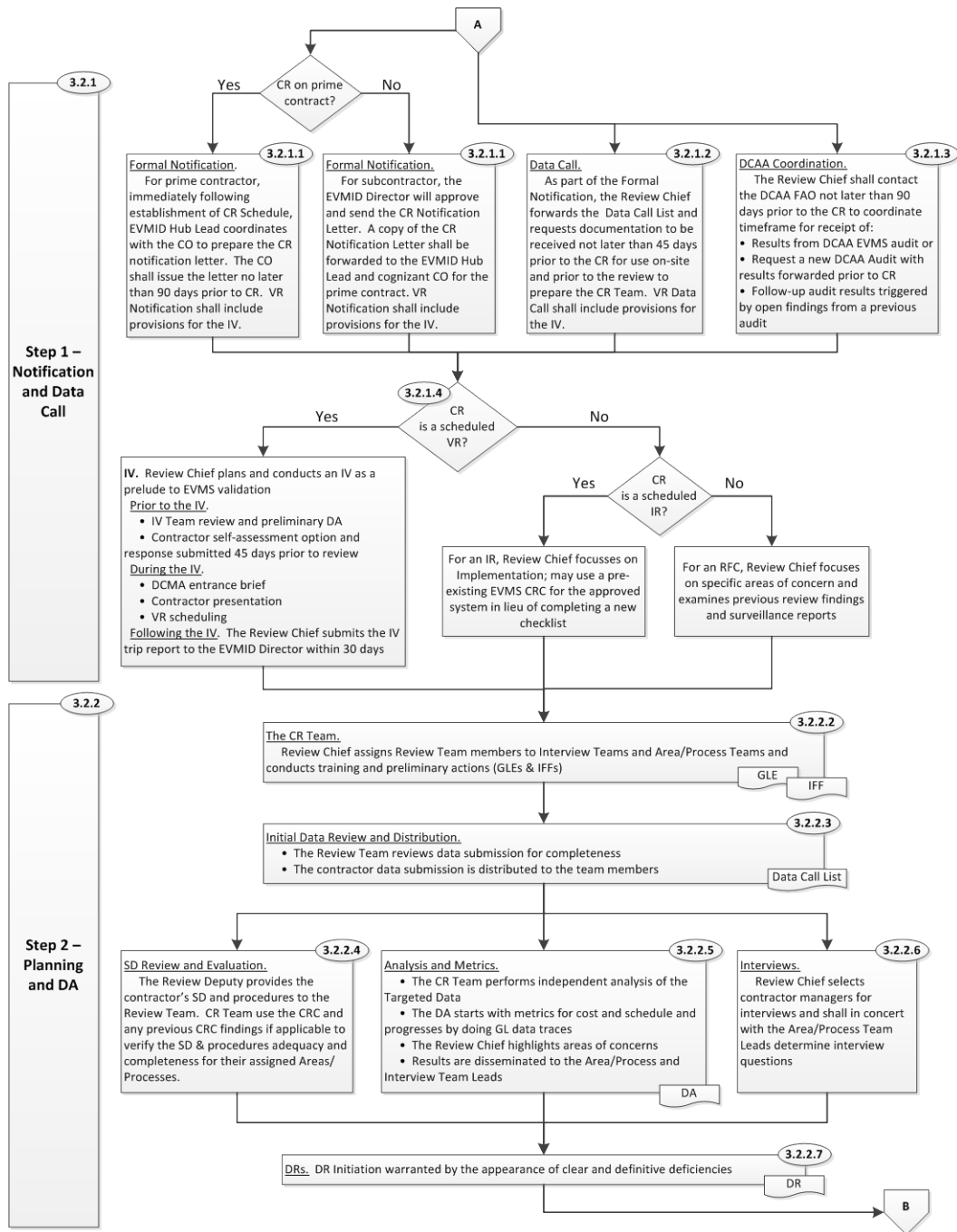
APPENDIX A

COMPLIANCE REVIEWS PROCESS FLOWCHART

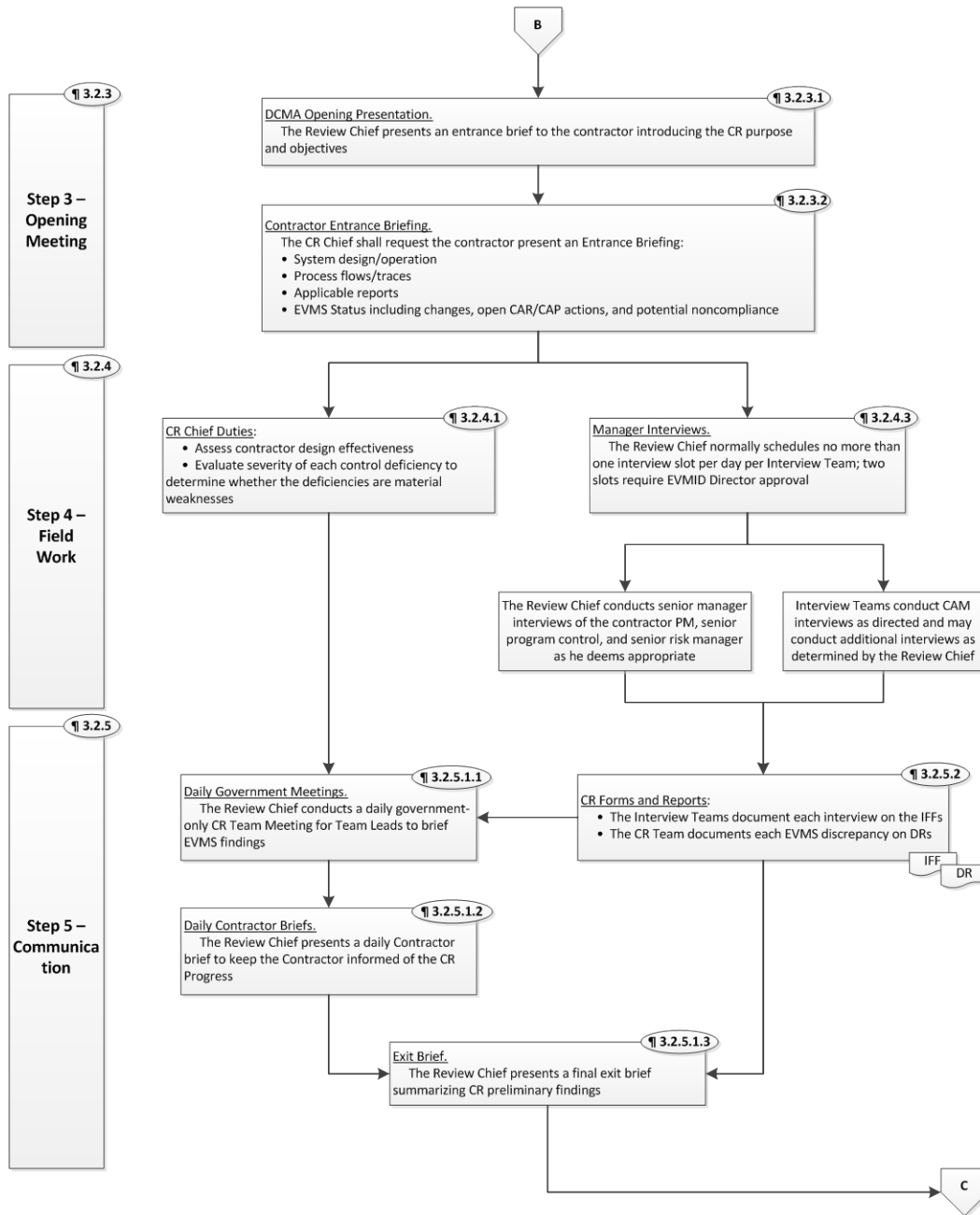
CR Preliminary Actions Process Flow



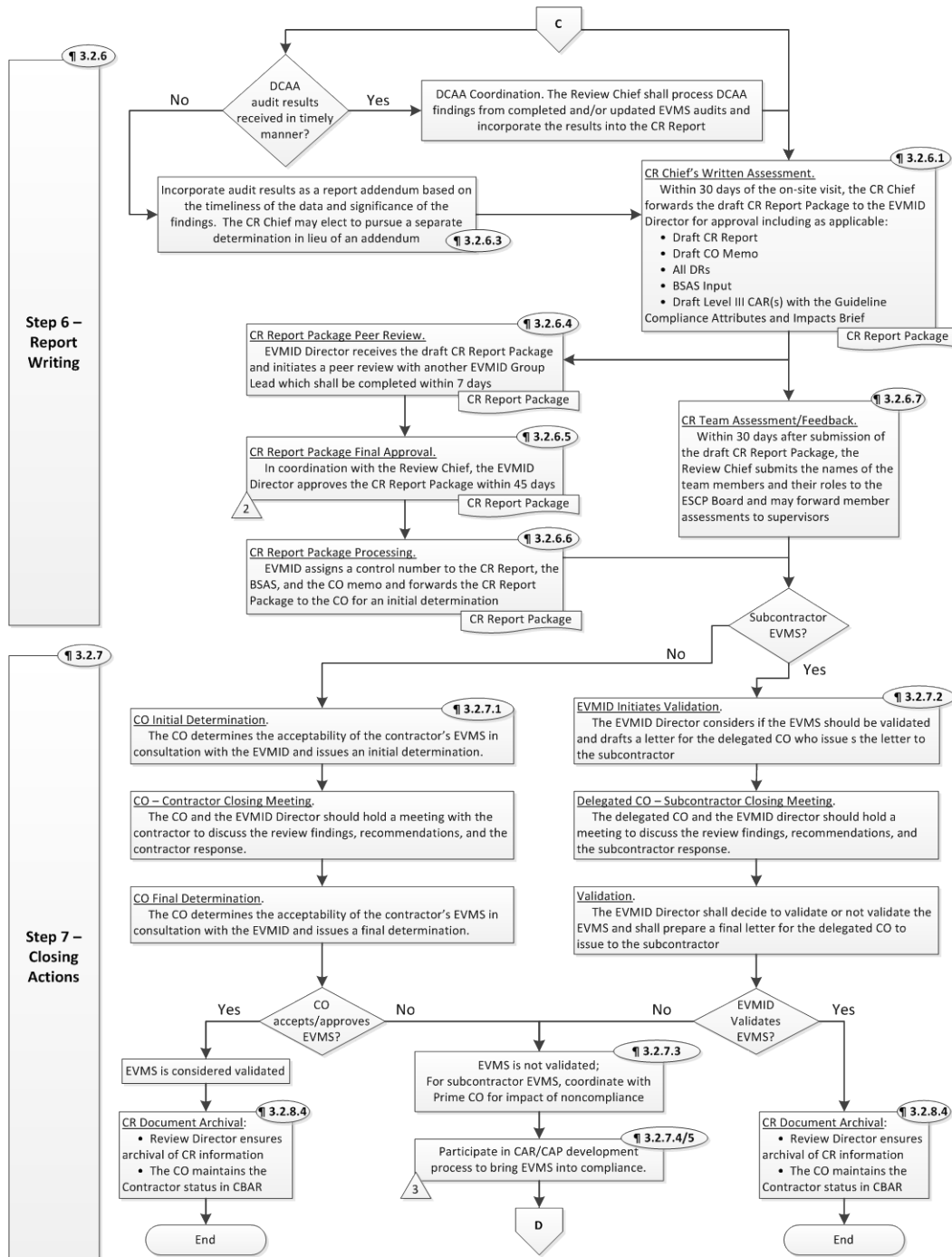
CR Execution Process Flow



CR Execution Process Flow
 (Continued)



CR Execution Process Flow
 (Continued)



CR Execution Process Flow
 (Continued)

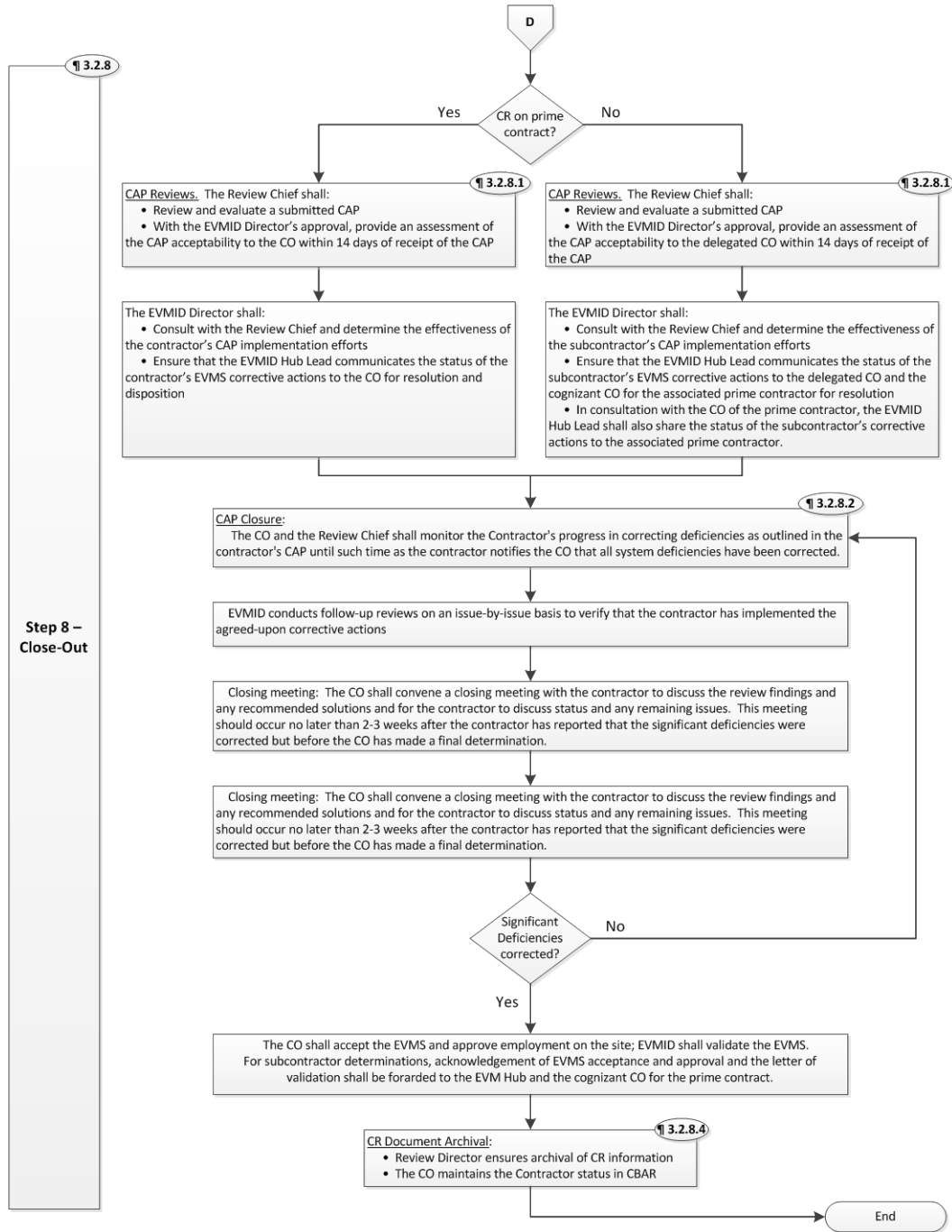


Table 3. Process Control Points

Key Control Point	Description	Functional Area	Risk	Possible Controls
1	CR Schedule	EVMS	Failure to develop a timely CR schedule would undermine the proper and necessary coverage of contracts requiring confirmation of initial and continuing compliance to the ANSI/EIA-748 GLs	The EVMID develops annual CR schedules published before the end of the fiscal year. Entry into the CR scheduling process is the form CRI-101, "RRIS;" routine review of these documents against the CRs contained on the annual schedule indicates the degree of coverage of valid CRs.
2	CR Chief's Report	EVMS	Timely, accurate CR reporting ensures the process is supporting initial and continuing compliance assessment and establishing a path forward to respond to EVMS deficiencies. Poor reporting raises the risk of a lack of credibility in the contractor EVMS and undermines a timely response to noted EVMS deficiencies.	The draft CR Report must be peer-reviewed and reviewed/approved by the EVMID Director within 45 days of on-site visit. This assessment of the Report provides a timely control mechanism to ensure the document reflects the thoroughness of the CR, the current condition of the EVMS, and the corrective measures that may be necessary to establish compliance.
3	CAR Development	EVMS	CARs link the CR and initiation of the CAP to bring the EVMS into compliance. Failure to provide well-written and documented CARs carries the risk of not properly isolating the noncompliance, identifying the root cause, and ultimately responding to the deficiency in a timely and concentrated manner.	MICP checklists have been developed and deployed to assess the completeness, accuracy, and overall quality of the draft CARs written during the compliance process and submitted to the CO for issuance to the contractor

The process described in this Instruction contributes to verification of initial contractor compliance with accepted EVMS guidelines per DCMA responsibilities defined in DFARS 242.302 as a contract administration function. An undisciplined approach to program management and EVMS implementation jeopardizes long-term program stability, diminishes the purchasing power of the Department, undermines stakeholder reliance on valid, accurate, reliable, auditable, and timely performance measurement data, and would negatively impact DCMA's national reputation.

APPENDIX B
POLICY PROCESS

Action	Subordinate Tasks/Activities
CR ORIGINS	<ol style="list-style-type: none"> 1. <u>CR Request Initiation.</u> (Conditions Warranting a CR and Compliance Special Circumstances) 2. <u>CR Request Process.</u> 3. <u>CR Types.</u> (Validation Review (VR), Implementation Review (IR), and Review for Cause (RFC)) 4. <u>CR Scheduling and Planning.</u> (CR Schedule Development and Coordination; Resourcing the CR Schedule) 5. <u>CR Schedule Distribution.</u> 6. <u>CR Observers and Program Office Attendees.</u>
CR EXECUTION	<ol style="list-style-type: none"> 1. <u>Step 1 – Notification and Data Call.</u> (Formal Notification; Data Call; DCAA Coordination; and Exceptions) 2. <u>Step 2 – Planning and the DA.</u> (CR Durations; CR Team; Initial Data Review and Distribution; SD Review and Evaluation; Analysis and Metrics; Interview Selections and Question Selection/Preparation; IFFs; and DR) 3. <u>Step 3 – Opening Meeting.</u> (DCMA Opening Presentation and Contractor Entrance Briefing) 4. <u>Step 4 – Fieldwork.</u> (CR Chief Duties; Exceptions; Senior Manager and Cam Interviews; and Interview Protocols) 5. <u>Step 5 – Communication.</u> (CR Routine Briefings/Meetings (Daily Government Team Meetings, Daily Contractor Briefs, and the Exit Brief); and CR Forms and Reports (IFFs and DRs)) 6. <u>Step 6 – Report Writing.</u> (The CR Chief’s Written Assessment; DCAA Coordination; Incorporation of Delayed DCAA Findings; CR Report Package Peer Review; CR Report Package Final Approval; CR Report Package Processing; and CR Team Assessment/Feedback) 7. <u>Step 7 – Closing Actions.</u> (Prime Contractor Acceptance, Approval, and Validation; Subcontractor Validation; Subcontractor compliance coordination with the prime contractor and the cognizant CO; CAR; and CAP development) 8. <u>Step 8 – Close-Out.</u> (CAP Review and Disposition; CAP Closure; DCAA Coordination on CAP Closure; and CR Documents Archival)

GLOSSARY

ACRONYMS AND INITIALISMS

ANSI/EIA	American National Standards Institute/Electronics Industries Alliance
AOR	Area of Responsibility
BSAS	Business System Analysis Summary
CAGE	Commercial and Government Entity
CAM	Control Account Manager
CAP	Corrective Action Plan
CAR	Corrective Action Request
CBAR	Contract Business Analysis Repository
CBS	Contractor Business System
CFA	Cognizant Federal Agency
CFR	Code of Federal Regulations
CMO	Contract Management Office
CO	Contracting Officer
CR	Compliance Review
CRC	Cross Reference Checklist
CRI	Compliance Review Instruction
DA	Data Analysis
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DCMAI	DCMA International
DCMAO	DCMA Operations
DCMAS	DCMA Special Programs
DFARS	Defense Federal Acquisition Regulation Supplement
DoDD	Department of Defense Directive
DoDI	Department of Defense Instruction
DR	Discrepancy Report
EVM	Earned Value Management
EVM-CP	Earned Value Management Certification Program
EVMID	Earned Value Management Implementation Division
EVMS	Earned Value Management System
FAO	Field Audit Office
FAR	Federal Acquisition Regulation
GL	guideline
GLE	Guideline Evaluation
HQ	headquarters

IBR	Integrated Baseline Review
IC	Intelligence Community
IFF	Interview Findings Form
IPMR	Integrated Program Management Report
IR	Implementation Review
IV	Initial Visit
LOS	Line of Service
NDIA	National Defense Industrial Association
OMB	Office of Management and Budget
OPR	office of primary responsibility
PI	performance indicator
PM	Program Manager
PMO	Program Management Office
PMSC	Program Management Systems Committee
POC	Point of Contact
RFC	Review for Cause
RRIS	Review Request Information Sheet
SD	System Description
VR	Validation Review