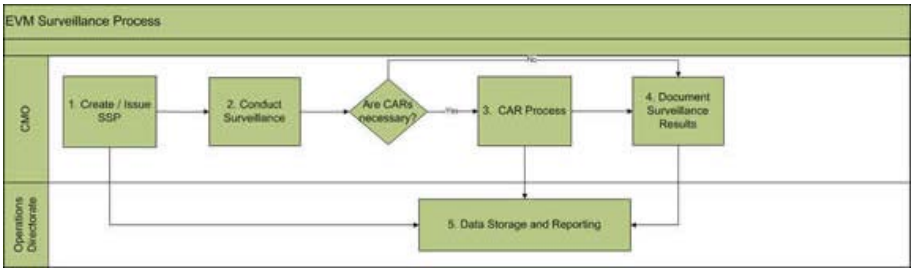
Earned Value Management System (EVMS) - Standard Surveillance Instruction (SSI)

Revised: February 2012
Next Review: February 2013

Intent/Outcome/Purpose

The Standard Surveillance Instruction (SSI) provides the Defense Contract Management Agency (DCMA) with a standardized way to conduct contractor surveillance on Earned Value Management Systems (EVMS) as part of the DCMA's role as the Department of Defense (DoD) Executive Agent for EVMS. This Instruction provides a consistent methodology for assessment of contractor processes and procedures to ensure the 32 ANSI/EIA-748 Guidelines are being followed. The outcome of surveillance ensures reported contract performance data accurately reflects the status of programs.

Process



1. CREATE/ISSUE STANDARD SURVEILLANCE PLAN (SSP) – EVM System surveillance begins at contract award and extends throughout the duration of a contract. **EVMS surveillance shall be conducted at all contractor sites where EVM systems are implemented for contracts valued over $20M containing the proper EVMS FAR or DFARS clause**. If contracts do not contain the proper EVMS FAR or DFARS clause, contact the Operations EVM Division and initiate and submit a DD1716(contract data package recommendation/deficiency report)to the contracting officer. **For DoD contractors, the absence of a Letter of Delegation (LOD), Advanced Agreement (AA), Letter of Acceptance (LOA), or agreement with the contractor shall not preclude the CMO from accomplishing EVM system surveillance as outlined in this instruction. When required per the Compliance Review Instruction (CRI), the CMO EVM Specialist must take the necessary steps to request a compliance review (CR) by submitting a DCMA EVMS Review Request form to the Operations EVM Division Portal. If a CMO determines a LOD is needed, the LOD shall be sent to the CMO cognizant of the subcontract facility. Each CMO must prepare and submit an SSP prior to the beginning of each fiscal year** (ref. paragraph 1.6) for each EVM system under their cognizance. To avoid duplication of effort, minimize costs, and increase communication, a joint surveillance process conducted by the CMO, the contractor, the DCAA, Program Offices and other stakeholders is encouraged. Caution is used when including contractors on joint surveillance teams to preclude the disclosure of proprietary information or to prevent conflicts due to competitive relationships. The SSP establishes the surveillance approach, risk criteria and surveillance schedule, and is reviewed, revised, and signed by the contractor, CMO Commander (or designee), and Operations EVM Division annually. The contractor may choose not to sign the SSP; however, the EVMS surveillance must be done, regardless, with or without the contractor's active participation. **The SSP template contains a prescribed format to follow when developing the SSP, with deviations allowed to the first paragraph if a contractor decides not to participate in joint surveillance**. If a contract has a DD Form 254, "Department of Defense Contract Security Classification Specification", there is a possibility that work associated with SSI products may have additional security requirements. If a DD Form 254 exists, it should be reviewed in addition to the Statement Of Work (SOW) and Section H of the contract to determine what cautions should be identified in SSI documents.

1.1. Special Circumstances – Special circumstances may arise or exist where surveillance of all ANSI/EIA 748 guidelines at a site may not be practical or appropriate.Each circumstance will be considered for approval on a case-by-case basis by the Operations EVM Division. Examples of a special circumstance might be when accounting or indirect management functions are conducted at a corporate facility different than the facility under surveillance, or when contracts are awarded during the latter half of the year.

1.2. Program Priority Assessment – **CMO EVM Specialists shall conduct program priority assessments annually to determine the programs/contracts required for annual surveillance. The Program Priority Selection Worksheet shall be used by the CMO to conduct and document assessments for each program/contract having EVM requirements at the site, and to help prepare the annual surveillance schedule**. Programs/contracts with higher priority scores are given higher consideration for surveillance over other programs/contracts. If multiple programs have high priority scores, surveillance is scheduled covering each of the programs if feasible within the resource constraints of the CMO. Circumstances may arise or exist where surveillance on a “special interest” program may be requested to be included in the surveillance plan.

1.3. Surveillance Schedule and Cycle – **The surveillance schedule shall reflect the five EVMS areas and associated guidelines to be reviewed, the programs/contracts involved, and the frequency of Standard Surveillance Reports (SSRs). The schedule shall be updated every year and includes surveillance activities covering one year.At a minimum, 16 high-**

risk guidelines (guidelines 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28, 30, 32) are evaluated each year with all 32 Guidelines evaluated within a 3 year period. If the Operations EVM Division or joint surveillance team has concerns with any non-high risk guideline(s), then the pertinent guideline(s) must be scheduled for surveillance. Surveillance shall be scheduled by EVMS Area and program(s) in the surveillance schedule, with the Program Priority Selection Worksheetused to help identify the programs. A minimum of four surveillance events must be planned covering the five EVMS Areas in a given year. The five EVMS areas are (1) Organization; (2) Planning, Scheduling and Budgeting; (3) Accounting Considerations; (4) Analysis and Management Reports; and (5) Revisions and Data Maintenance. The Earned Value Management Implementation Guide (EVMIG) provides a matrix showing the EVMS guidelines applicable to each area. **The EVMS Surveillance Schedule Template shall be used to develop and populate the schedule**.

1.4. Surveillance Coordination with the Defense Contract Audit Agency (DCAA) – The DCAA performs audits on the budgetary or cost accumulation aspects of eight ANSI/EIA 748 guidelines: 13, 16, 17, 18, 19, 20, 21, and 30. **The DCMA is responsible for assessing all 32 guidelines, but must request the DCAA Field Audit Office (FAO) audit assistance to help with reviewing the eight guidelines listed above**. The DCAA assisted surveillance schedule should be coordinated with and provided to the DCAA FAO annually and whenever changes are necessary. **The CMO shall provide a written request for audit services and coordinate reasonable audit report due dates with the DCAA FAO at least 90 days prior to the DCAA assisted surveillance review. The DCAA Surveillance Request Template shall be used to request DCAA support**. The cognizant DCAA FAO can be found on the DCAA web page. **If the cognizant DCAA FAO lacks available resources to provide audit services, the CMO must report the unavailability of resources to the Operations EVM Division**.The Operations EVM Division Director shall forward the report to DCAA Headquarters. CMOs need to keep several points in mind when working with the DCAA:

- The DCAA is an independent DoD audit agency subject to Generally Accepted Government Auditing Standards (GAGAS) published by the Government Accountability Office (GAO). These are often referred to as the “Yellow Book”.
- The DCAA currently interprets GAGAS provisions as precluding auditors from serving as members of Integrated Teams, including EVMS surveillance reviews covered by this SSI. DCAA performs audit field work independently and provides draft findings and final audit reports after its internal management review process is completed in compliance with GAGAS documentation requirements.

1.4.1. Off-site Performance of Accounting and Indirect Functions – When company/corporate Accounting and Indirect Management functions are conducted at an off-site location, CMOs are encouraged to coordinate or delegate surveillance activities. Results and conclusions from coordinated or delegated surveillance are used by all applicable parties when documenting reports. SSR findings and guideline compliance summaries may be shared among the affected CMOs to ensure consistency. **SSPs and SSRs shall identify the performing CMO and the collaborated or delegated functions**.

1.5. Surveillance Following a Compliance Review – **Following a compliance review or a contractor readiness assessment, the surveillance schedule shall be revised to focus on monitoring and verifying the implementation of the contractor’s Corrective Action Plan (CAP) until CAP implementation is complete. A revised SSP must be submitted containing the revised schedule and the CAP as an attachment to the Operations EVM Division**.The SSP can be altered based upon the scope and results of a compliance review.CAP monitoring and reporting is considered surveillance on all EVMS areas that have actions pending in the CAP, for all programs at the site. In the fiscal year the compliance review is conducted, routine surveillance is planned up until the compliance review, followed by CAP implementation surveillance after the contractor begins work on correcting the deficiencies. The compliance review itself may count as a surveillance event, with the review report provided by the Review Director counting as a surveillance report. **The EVMS Surveillance Schedule Template provides a sample schedule for surveillance during a year a compliance review is conducted**. In the years following the compliance review, if CAP implementation is not complete, CAP surveillance is conducted as well as routine surveillance on EVMS areas that do not have actions pending in the CAP, in accordance with surveillance cycle requirements. **Regardless of whether routine surveillance or CAP surveillance or a combination of the two is being conducted, a minimum of four surveillance events must be planned covering the five EVMS Areas in a given year**.

1.6. SSP Approval and Distribution – **SSPs shall be submitted by 31 August each year to the Operations EVM Division for approval, which in turn provides approval notification to the CMOs by 30 September each year. In the absence of an approved SSP, CMOs shall proceed with conducting surveillance in accordance with the proposed SSP schedule. CMOs shall consider an SSP a high risk item and complete an SSP Management Internal Control (MIC) checklist prior to submitting for approval**. The checklist is considered a part of a CMO’s internal management control process, and is completed and archived in accordance with local CMO procedures.Approved surveillance plans and modifications are distributed to the contractor and to the Program Office. Distribution of SSPs to other requesting individuals or organizations, such as PEOs, other contractors, etc, requires Operations EVM Division Director approval.

1.7. Schedule Revisions – Revisions to the schedule may be necessary due to program re-structuring, resource issues, compliance reviews, or other unforeseen events. Schedule revisions are to be attached to the previously approved SSP with an updated revision number and short description of the change on the title page, and submitted to the Operations EVM Division. The Operations EVM Division will approve or disapprove schedule revisions within 10 working days. **The CMO must take special care to ensure schedules are not revised for the sole purpose of improving performance indicators or other metrics**.

2. CONDUCT SURVEILLANCE – The SSP defines how surveillance is performed, including identification of surveillance team participants, and the tools that will be used and data/documentation requirements. **At a minimum, surveillance of an EVMS Area must include the following activities**:

- **Data analysis, traces, and review of documented processes / procedures for each guideline reviewed**
- **Interviews with Control Account Managers (CAMs) and other cognizant managers**
- **Identification and documentation of findings in Corrective Action Requests (CARs), when applicable**
- **Guideline assessment summaries for each guideline reviewed**

2.1. Joint Surveillance – Joint surveillance is led by the DCMA and may include participants from the contractor, program management office, services, and others, and is coordinated with the DCAA audit efforts. DCMA program support team members should also be invited to participate in joint surveillance activities covering their assigned areas. **To ensure objective findings, contractor team members must be independent of the management chain of the programs they are responsible for surveying**.

2.2. Pre-Review Data Analysis – In preparation for surveillance reviews, it is important to collect and review EVMS data and reports covering the EVMS area being reviewed. Refer to DFARS 252.234-7002, paragraph g, regarding access to data.

2.3. Pre-Review Discrepancies – During surveillance interviews, the contractor shall be provided the opportunity to explain any discrepancies found during surveillance review preparation.

3. CAR PROCESS – **When a deficiency associated with the contractor's EVMS is discovered by the DCMA, a CAR shall be issued to notify the contractor and request initiation of corrective actions. All CARs shall be coordinated, approved, issued, and escalated in accordance with the DCMA CAR Instruction. EVM CARs must be documented using the CAR eTool. Deficiencies brought to the attention of the DCMA by the contractor, the PMO, DCAA or other stakeholders must be thoroughly researched and agreed upon by DCMA before a CAR is written and issued. If a DCAA reported deficiency is not accepted by the CMO, a discussion must be held and documented with the DCAA concerning the finding prior to making a decision on issuing a CAR**.

3.1. EVM CAR Type – EVM CARs are categorized into three different types: EVM Contractual, CDRL, or EVMS Process, Implementation or Compliance Review.

3.1.1. EVMS Process CAR – An EVMS Process CAR documents a deficiency in the contractor's EVM System Description and/or supporting procedures.A single Process CAR may be written covering multiple issues against multiple guidelines. **Corrective actions associated with instances of system description deficiencies require changes to the contractor's EVM System Description and must be Level II at a minimum**.

3.1.2. Implementation CARs – Implementation CARs document a deficiency in the implementation of a contractor's documented, compliant process. Level I and II implementation CARs resulting from surveillance reviews are written for deficiencies affecting a single guideline.

3.1.3. Compliance Review CAR – A Compliance Review CAR is issued following an Initial Visit, Readiness Assessment, or Compliance Review and may include multiple findings affecting multiple guidelines. Compliance Review CARs typically contain a combination of both Process and Implementation deficiencies.

3.2. CAR Levels – The level of CAR (I, II, III, or IV) is determined in accordance with the DCMA CAR Instruction.

3.3. Description of Deficiency – **EVM CARs must contain a succinct description of the deficiency, identify the affected guideline, and contain a relevant quote(s) from overarching guidance (such as the DoD approved ANSI/EIA-748 EVMS Intent Guide). For implementation issues, a quote shall be included from a contractor's System Description or supporting documents describing the process not being adhered to**. For system description issues, a quote from the contractor's System Description containing the deficient verbiage is included, if applicable. **Supporting data shall be submitted with the CAR as exhibits i.e., screenshots, examples, etc, to document the deficiency**. Exhibits provide easy to understand "pictures" of the problem, and need to include a title briefly describing the exhibit, and annotation of the area of interest by circles, arrows, or any other way of identification to assist in understanding the deficiency. **For EVMS Process CARs, an EVMS Cross Reference Checklist containing questions and responses associated with the affected guidelines shall be provided as an exhibit**.

3.4. CAR Review and Approval – Responsibility for review and approval of EVM CARs is in accordance with the DCMA CAR Instruction. The specific procedure for an EVM CAR is dependent upon the CAR level and type and is specified in the EVM CAR Responsibilities Matrix. **CMOs shall consider an EVM CAR a high risk item**.

3.5. CAR Issuance – **Following approval, all CARs shall be issued by the CMO or appropriate ACO**. The issuing CMO is responsible for ensuring the CAR is coordinated in accordance with the DCMA CAR Instruction before it is submitted to the contractor. **CARs shall be distributed in accordance with the DCMA CAR Instruction**.

3.6. Corrective Action Plan (CAP) Review / Approval – Responsibility for CAP review and approval is dependent upon the level and type of CAR submitted and is provided in the EVM CAR Responsibilities Matrix. CAP adequacy is determined in accordance with the DCMA CAR Instruction.

3.7. CAR Closure – When the DCMA is satisfied the contractor's corrective actions are appropriate to prevent recurrence of the deficiency, the CAR is closed. Responsibility for closure of EVM CARs within the DCMA is provided in the EVM CAR Responsibilities Matrix. The DCAA should be consulted if the DCMA EVM Specialist needs assistance in determining if a deficiency related to any of the eight guidelines DCAA conducts audits on (13, 16, 17, 18, 19, 20, 21, 30) is fully resolved. Working with the cognizant ACO, DCAA audit findings are dispositioned in accordance with DCMA Contract Audit Follow-Up Instruction (CAFU) and DoD Instruction 7640.02 Policy for Follow-up Contract Audit Reports.

4. DOCUMENT SURVEILLANCE RESULTS – **The surveillance team shall document the results of system surveillance reviews in written reports that are signed and dated by the DCMA surveillance team leader and optionally by the contractor representative if employing joint surveillance. CMO's shall consider a SSR a high risk item and complete a SSR MIC checklistprior to approving and distributing**. The checklist is considered a part of a CMO's internal management control process, and is completed and archived in accordance with local CMO procedures.

4.1. Routine Surveillance – **The SSR template shall be used as a report format to document routine surveillance events and is applicable for all 32 guidelines**. Reports for routine surveillance are issued in accordance with the SSP EVMS Surveillance Schedule. **Surveillance covering multiple EVMS areas may be included in a single report, but no fewer than four reports to coincide with each event must be prepared and submitted over the fiscal year**.

4.1.1. **For routine surveillance, findings must be documented in the SSR in sufficient detail to allow understanding by the cognizant contracting officer. Findings are categorized into the three types as described below**.

4.1.1.1. Significant Deficiencies on High Risk Guidelines: This is synonymous with non-compliance and means there is a shortcoming in the system on a high risk guideline that materially affects the ability to rely upon information produced by the system for management purposes. The high risk guidelines are 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28, 30, and 32.

4.1.1.2. Significant Deficiencies on the Remaining Guidelines: This is synonymous with non-compliance and means there is a

shortcoming in the system affecting the remaining guidelines that materially affects the ability to rely upon information produced by the system for management purposes.

4.1.1.3. Non Significant Deficiencies: This means there are shortcomings in the system on any of the 32 guidelines that do not affect the ability to rely upon information produced by the system for management purposes.

4.1.2 Guideline Compliance Summary – **Based upon the results of all surveillance activities conducted, each guideline reviewed must be assessed for adherence to the ANSI/EIA 748 Standard, with the results included in the Guideline Compliance Summary section of the SSR. Guideline compliance summary worksheets (EV Templates 1-32) and EVMS Cross Reference Checklist must be attached to the report covering the guidelines included in the review**.

4.2. Surveillance Reports Following a Compliance Review – **Following a compliance review, the SSR Template - Compliance Review shall be used as the report format to document Corrective Action Plan (CAP) implementation progress**. A total of four reports are required each fiscal year. In the fiscal year of the compliance review, the review report issued by the Review Director counts as a surveillance report. In the fiscal years following the compliance review, if CAP implementation is not completed, reports exclusively covering CAP implementation progress and reports exclusively covering routine surveillance on EVMS areas that do not have actions pending in the CAP are issued in accordance with the surveillance schedule. Regardless of whether surveillance is focused exclusively on CAP implementation or a combination of CAP implementation and routine surveillance, only four reports are required each fiscal year.

4.3. Report Distribution – SSRs covering routine surveillance are distributed to the ACO, contractor, Operations Directorate, Program Integrator(s), and the Program Office(s). SSRs covering CAP implementation activities following a compliance review are distributed to the Review Director/Review Chief as well. Reports covering delegated surveillance of Accounting and Indirect Management guidelines shall be provided to the requesting CMO.Distribution of SSRs to other requesting individuals or organizations, such as PEOs, other contractors, etc, requires approval from the Operations EVM Division. Caution should be used when distributing SSRs outside of the DCMA to prevent disclosure of program sensitive or contractor proprietary information.

5. DATA STORAGE & REPORTING (DSR) – **The CMOs shall provide copies of all SSI data products (SSPs, CARs, SSRs, letters) to the Operations EVM Division Portal via the portal or other means as directed for data collection and archival purposes. Contractor sensitive, proprietary, or NOFORN (no foreign nationals) data will be marked and protected accordingly.Upon development and implementation of the DCMA CAR Database, EVM CARs shall be entered directly into the holistic agency CAR tool in lieu of providing them to the Operations EVM Division Portal. The Operations EVM Division Portal shall maintain complete and accurate databases and tracking tools for SSI products. To ensure data accuracy, CMOs are encouraged to review data entries in EVM databases and tracking tools and report any inconsistencies. The Operations EVM Division Portal shall provide EVM reports upon request on a need to know basis**. Reports may consist of but are not limited to the following:

- Open Level III CARs
- Open Level II CARs
- CAR status by CMO
- CAR status by program
- CAR status by contractor
- SSR status by CMO
- SSP status by CMO

5.1. Special Programs – Due to security concerns, the Special Programs Directorate is exempt from all data distribution requirements contained within the SSI, and may approve security-related deviations to this Instruction. EVM system surveillance plans, reports, and CARs are reviewed internally within the Special Programs Directorate by appointed senior EVM Specialists. When appropriate, archived EVM System Surveillance information may be utilized by the Operations EVM Division to determine which guidelines to review during the surveillance year.

Managers' Internal Control Program: This instruction contains managers' internal control provisions that are subject to evaluation and testing as required by DCMA-FBP Managers' Internal Control Program Instruction dated 9/12/2011.

Competencies/Certifications

N/A

Training Matrix

N/A

Higher Level Regulatory Documents

N/A

Performance Metrics/Standards

N/A

PLAS

PLAS Code: B070

Tools & Additional Guidance

- Standard Surveillance Instruction Resource Page

Successful Practices

N/A

Portal/Community of Practice

N/A