



THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-3010

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ACQUISITION,
TECHNOLOGY
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MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Use of Earned Value Management (EVM) in the Department of Defense

EVM is considered by many in the project management community to be the best option currently available for holding all parties accountable for the effective management of large and complex projects. EVM provides a disciplined approach to managing projects successfully through the use of an integrated system to plan and control authorized work to achieve cost, schedule, and performance objectives. The fidelity of the information produced by the EVM System (EVMS) is critical to providing an objective assessment of a program's performance from which well-informed management decisions can be made. Moreover, EVM is not just a cost report; it is a tool to help program managers and their team members operate more effectively in managing their programs.

Despite the proven value of EVM, we are not maximizing its benefits in managing defense programs. The policy requirements for applying EVM to DoD contracts are well documented. However, the level of acceptance and use of EVM in program management Department-wide is insufficient, especially given the number of major defense programs experiencing execution problems. Several unfavorable findings from recent audits further indicate that EVM is not serving its intended function in the internal control process.

The most important contributor to the successful implementation of EVM is strong and visible leadership support. Therefore, I challenge leaders at all levels in the Department – from the Component Acquisition Executives, System Commanders, and Program Executive Officers to the individual program managers – to focus personal attention on setting expectations for the use of EVM, and following through with appropriate implementation, utilization, and support for remedial actions in the event of non-compliance with the EVMS guidelines.

We are committed to resolving the systemic, DoD-wide weaknesses with the help of the Defense Contract Management Agency (DCMA) and the support of the DoD Components. As a first step, to ensure clear delineation of authority and accountability for monitoring the use of EVM, attached are the roles and responsibilities of the key players involved in the implementation of EVM in the Department.



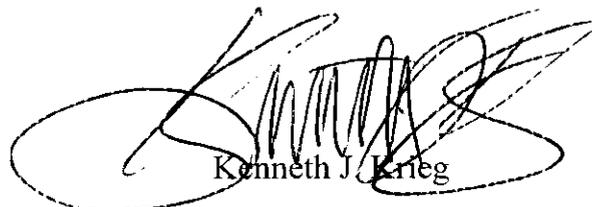
As the next step, the Deputy Under Secretary of Defense for Acquisition and Technology and the Director, Acquisition Resources and Analysis (ARA), will work with the applicable OSD offices, DCMA, and the DoD Components to assess the current EVM policy and practices, to include the state of compliance and enforcement. They will recommend modifications to address recent audit findings and any other identified deficiencies. This initiative will be worked through the DoD EVM working group, which is led by ARA, with the full and active involvement of the Components.

Correctly imposing the EVM requirements on contract and establishing the baseline are critical prerequisites to the successful implementation of EVM. Consequently, the DoD Components should integrate EVM into pre- and post-award planning activities and involve the functional experts from the program management, systems engineering, contracting, EVM, cost estimating, and other relevant communities in that process. In addition, the Components should establish and maintain realistic, executable performance measurement baselines against which to measure contract performance.

Each DoD Component will be accountable for the effective implementation of EVM on its programs, to include supporting DCMA on EVMS reviews and surveillance activities. The Components will be accountable for conducting Integrated Baseline Reviews and complying with the EVM reporting requirements, to include the Contract Performance Report and the Integrated Master Schedule. Each Component will flow the EVM roles and responsibilities and other DoD EVM policy and guidance down to its subordinate organizations by codifying them in Component policies and procedures. In addition, all DoD organizations will establish and maintain centers of EVM expertise and employ the resources and capabilities needed to successfully institutionalize the proper use of EVM to manage – or oversee the management of – the programs under their cognizance. The Components, in conjunction with the Defense Acquisition University, will ensure appropriately focused EVM training is provided to program managers, contracting officials, and EVM practitioners.

Finally, within 90 days, the Component Acquisition Executives will present a status update on their efforts to promulgate the attached EVM roles and responsibilities and improve the implementation of EVM within their organizations.

My point of contact is Ms. Debbie Tomsic, ARA, Acquisition Management, 703-695-0707.



Kenneth J. Krieg

Attachment:
As stated

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