



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
ACQUISITION LOGISTICS AND TECHNOLOGY  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

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MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Utilization of Program Execution Management Tools

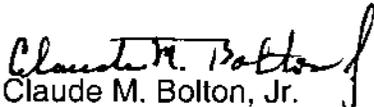
This memorandum addresses Earned Value Management (EVM), Integrated Master Schedule (IMS), Probability of Success (Ps), and Integrated Baseline Review (IBR). It requires Program Executive Officers (PEOs) to improve processes for IMS, EVM, Ps, and IBR within their offices, procuring activity EVM Support Office, and their Program, Project, and Product Management Offices' (PMOs). This memorandum also addresses Memorandums of Agreement (MOA) between PEOs, PMOs, and Defense Contract Management Agency's (DCMA). Implementation points are enclosed.

Effective immediately, each PEO is directed to establish common processes to provide for accurate EVM and IMS implementation and maintenance. Updated Department of Defense Earned Value Management Implementation Guide is at: <http://www.acq.osd.mil/pm/>.

Effective immediately, each PEO will review MOAs with the DCMA for acquisition contracts in their portfolio and make recommendations for revision as necessary. Each MOA will articulate the level and detail of support to be provided by DCMA technical representatives before and after contract award, and throughout the life of the contract. The PMOs should be encouraged to interface with their DCMA Offices to jointly develop and approve EVM and IMS surveillance support plans to ensure agreement on contract oversight needs and perspectives.

Effective June 1, 2006, robust requirements for Program Management Contract Data Requirements List (CDRL) instructions will be developed. These CDRLs will be included for all contracts designated as major capital acquisitions in accordance with Office of Management and Budget Circular A-11, Part 7, and for cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements that meet the dollar thresholds prescribed in the Under Secretary of Defense (Acquisition, Technology and Logistics) policy memorandum of March 7, 2005.

My point of contact is Ms. Peg Johnson at (703) 604-7440, or e-mail: [peg.johnson@hqda.army.mil](mailto:peg.johnson@hqda.army.mil).

  
Claude M. Bolton, Jr.  
Assistant Secretary of the Army  
(Acquisition, Logistics and Technology)

Enclosure

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**PROGRAM EXECUTIVE OFFICERS:**

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VA 22060

Simulation, Training and Instrumentation Command, 12350 Research Parkway,  
Orlando, FL 32816

Director, Defense Contract Management Agency, 6350 Walker Lane, Alexandria,  
VA 22310-3241

Program Manager, Unit of Action

## INFORMATION PAPER

SUBJECT: Utilization of Program Execution Management Tools

1. Purpose. To iterate key points for utilization of Program Execution Management Tools

2. Facts.

2.1. The U.S. Army has been in active collaboration with the Office of the Undersecretary of Secretary of Defense for Acquisition, Logistics, and Technology (OUSD(AT&L)) joint working group whose efforts have updated Defense Acquisition guidance for implementation of Earned Value Management (EVM) including the Integrated Master Schedule (IMS) and the Integrated Baseline Review (IBR).

The Army enterprise benefits from standard, consistent, and coherent business processes to maximize efficiency and our buying power. These guides will assist our acquisition work force to fully utilize the available program execution management tools to manage Army acquisition programs and measure contractor performance to achieve more predictive acquisition results.

2.2. Integrated Program Management. The program manager will ensure the development and maintenance of integrated cost and schedule performance data to monitor program execution. The program manager will require contractors and government activities to use internal management control systems that accomplish the following:

2.2.1. Relate time-phased budgets to specific tasks in the statement of work.

2.2.2. Produce data that indicate work progress.

2.2.3. Properly relate cost, schedule, and technical accomplishment.

2.2.4. Produce data that is valid, timely, and auditable.

Unless waived by the Milestone Decision Authority, the program manager will require that the management control systems used to plan and control contract performance comply with American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA-748) (see USD(AT&L) policy memorandum dated March 7, 2005).

The program manager will not impose a specific system or method of management control or require a contractor to change its system, provided it complies with ANSI/EIA-748.

- 2.3. Integrated Product and Process Development (IPPD). IPPD is the DoD management technique that simultaneously integrates all essential acquisition activities through the use of multidisciplinary teams to optimize design, manufacturing, and supportability processes. Per DoD Directive 5000.1, the Department's acquisition community shall implement the concepts of IPPD and its major tenet, Integrated Product Teams (IPTs), as extensively as possible. Products of the IPTs should be called out as elements of the Work Breakdown Structure.
- 2.4. Work Breakdown Structure (WBS). The WBS will be established by the Program Management Office for the solicitation. Placing the Product of the IPTs at a consistent level one step below the Total Program will assist the government analyst to isolate and track cost, schedule, and progress of each product for successful completion of the event based plan. The latest update to the WBS Handbook (MIL-HDBK-881A) is completed and available for use.
- 2.5. Execution Integrated Master Schedule (IMS). The Execution IMS is a comprehensive networked schedule containing all the detailed discrete work that express a logic of how the program will be accomplished. Network schedules are the basis for critical path analysis for identification and assessment of schedule priorities and impacts. The IMS is used to manage the program and is led by Systems Engineering. It is normally provided by the contractor via a Contract Data Requirements List (CDRL) item. The new IMS Data Item Description to be referenced in the CDRL is DI-MGMT-81650.

The IMS should be organized into work packages and planning packages that align with the event-driven Integrated Master Plan (IMP) that demonstrates the maturation of the development of the product as it progresses through a disciplined systems engineering process. The IMP should be placed on contract to serve as the baseline execution plan. The IMP/IMS guide can be downloaded at <http://www.acq.osd.mil/pm/>.

- 2.6. Earned Value Management (EVM). The requirement for EVM applies to applicable contracts designated as major capital acquisitions in accordance with Office of Management and Budget Circular A-11, Part 7, Planning, Budgeting, Acquisition, and Management of Capital Assets. It also applies to cost or incentive contracts, subcontracts, intra-government work agreements, and other agreements that meet the dollar thresholds prescribed in USD(AT&L) policy memorandum dated March 7, 2005. The application thresholds (total contract value including planned options in then-year dollars) are:
  - 2.6.1. \$20 million or greater – EVM implementation compliant with ANSI/EIA-748 is required. No formal Earned Value Management System (EVMS) validation is required.

- 2.6.2. \$50 million or greater – EVM implementation compliant with ANSI/EIA-748 is required. An EVMS that has been formally validated and accepted by the cognizant contracting officer is required.

Solicitations will require that an offeror's proposal include EVM System (EVMS) certification. In the absence of certification, an offeror's proposal will include an explanation of their EVMS and IMS processes and capability.

EVM is the algorithmic response to the cost of work as established in the network of tasks known as the Execution Integrated Master Schedule (IMS). The IMS is detailed with resources to which a rate table is imposed for a dollar value. This culminates as the performance measurement baseline (PMB) to which the EVM algorithms are performed. See the DoD Earned Value Management Implementation Guide (EVMIG) for additional guidance.

- 2.7. Probability of Success (Ps). Program reporting on the PMB status through EVM algorithms results in calculations of variances, performance indices, overall status, estimate at complete, and to complete performance index. These metrics contribute to the Ps Execution factor to generate the probability of program success and enhance executive insight and decisions. All Acquisition Category (ACAT) I and II are required to submit a Ps via the Acquisition Information Management (AIM) web portal. The Implementation of the Probability of Success Program Metric guidance dated 19 December 2003 is available in the AIM.
- 2.8. Integrated Baseline Reviews (IBR). In accordance with USD(AT&L) policy memorandum dated March 7, 2005, program managers are required to conduct IBRs on all cost or incentive contracts that require the implementation of EVM. PEOs will ensure that the IBR will be completed as soon as possible commensurate with the period of performance and within six months of contract award. PEOs are encouraged to establish a consistent process that post award IBR be conducted within 1/12 the contract or delivery order period of performance. When an incumbent contractor is engaged, a pre-contract award IBR is encouraged to identify and correct any misunderstandings of, or deficiencies in, the instructions, and provide for immediate management of the effort.

When subcontractors are utilized, the prime contractor will be required to consolidate IMS and EVM to establish a total program Performance Measurement Baseline (PMB) and total program risk. As part of the IBR, the proposed risk will be compared to the PMB risk and the contractor risk identification and monitoring system is verified.

Key IBR results will be posted to the Army Information Management (AIM) Documents tab for the Program. The brief will include an executive summary, action items list, and an IBR overview signed by Government and contractor counterparts, including program or product managers, systems engineering

leads, and contract officials. The action items list will be maintained at the AIM Program location until all actions are successfully closed.

Analysis of the IMS and EVM are integral parts of acquisition oversight and management. Post IBR, the EVM reports must be rigorously monitored and verified with periodic partnership reviews between the Contractor, PMO, EVMS Support Office, and DCMA. The Program technical staffs will be held accountable for the verification and analysis of the Program EVM and IMS. When practical, the DCMA should be an active partner in the IBR.

A follow-on IBR must be conducted if there is a threshold breach, such as an over-target baseline or significant change in contract, and for each subsequent award (including all evolutionary development delivery orders). A follow-on IBR may be conducted at the discretion of the Program Manager.

The April 2003 version of The Program Managers' Guide to the Integrated Baseline Review Process has been added to the OSD acquisition site. USD(AT&L) AR&A sent a memo to the Service Acquisition Executives directing conformance with this Guide to improve consistency of the overall IBR process.

- 2.9. Program Controls for Performance Based Service Contracts (PBSC). PBSC contracts do not generally meet the requirement for EVM. For effective management of the PBSC the following will be required to ensure successful Contractor performance:
  - 2.9.1. A Quality Control Plan (QCP) will be a required element of the technical proposal in response to the solicitation. A QCP is developed and submitted by the Contractor for Government approval in compliance with his contract deliverables. Once accepted, the QCP is used by the Contractor to guide and rigorously document contract execution.
  - 2.9.2. The Quality Assurance Surveillance Plan (QASP) is a Government developed process for systematic quality assurance surveillance oversight to assure the delivery of results specified in the contract or task order are timely and effective.
  - 2.9.3. The QCP and QASP should be complementary. The QASP is not a part of the contract nor is it intended to duplicate or be duplicated by the Contractor's QCP.
- 2.10. Defense Contract Management Agency (DCMA). The MOAs for support must include a specific request for the establishment of risk identification and a reporting system, and require surveillance with joint, frequent, and timely reviews of CDRL EVM and IMS contractor deliveries. The MOA will require a written verification of the contractor's EVMS. This verification will be based on the location where most of the contractor's work under the proposed contract is planned. This verification will address an assessment of contractor's EVMS capability, quality, and past performance. As a part of this verification, subcontractor EVM data management processes may also be documented.

Samples of DCMA MOAs are available at: <http://home.dcma.mil/dcma-pi/CBT%20-%20Training/MOA/Samples.htm>.

PEO surveys of PMOs will assess the support provided by DCMA. Any dissatisfaction or concerns must be reported to the regional DCMA Customer Liaison for resolution.