



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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SUBJECT: Application of Earned Value Management on a Fixed Price Incentive Firm Contract

As part of its role to develop, publish, and maintain Department of Defense (DoD) policy and guidance on Earned Value Management (EVM), the Office of Performance Assessments and Root Cause Analyses (PARCA) is responsible for resolving differences in the interpretation of EVM policy. PARCA has recently received requests to clarify policy on the use of EVM on Fixed Price Incentive Firm (FPIF) Contracts.

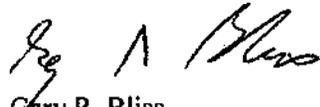
The DoD Instruction 5000.02 dated January 7, 2015, Table 8 EVM Requirements describes the application of EVM is required on FPIF *“development and integration contracts with measurable and discrete work scope. In cases where the work scope is not measurable and discrete, program offices should follow the process to obtain a DFARS deviation.”*

There are three potential situations surrounding the application of EVM on FPIF contracts:

- Development and integration contracts with measurable and discrete work scope: EVM methodology and system requirements apply as described in DFARS Subpart 234.2 Earned Value Management System.
- Low-Rate Initial Production (LRIP) contracts with remaining development or production risk: EVM methodology and system requirements are applicable unless the scope of work and risks do not lend itself to the application. A tailored Integrated Program Management Report (IPMR) Format 1 and Format 6 may be used for reporting; Format 1 should address the entire program and include detail for high risk WBS items.
- Full-Rate Production (FRP) contracts: Application of EVM methodology and system requirements are based on risk and the contractual scope of work. Generally speaking,

FRP risks are low to the Government, and thus, EVM deviations are routinely approved. If EVM is not applied, program management principles and cost and schedule reporting generally apply. The reporting should include cost information including actuals and top-level schedule information providing delivery dates of end products. Historical data integrity issues or performance risks may drive additional reporting requirements and/or the application of EVM.

PARCA and Service EVM Focal Points are available to work with program offices to help with the tailoring of the IPMR. Note that any contract that meets the current DFARS thresholds, and EVM is determined not to apply based on the scope of work, must process a DFARS deviation per their Service or Agency guidance. Questions regarding this can be sent to the PARCA EVM Division inbox at OSD.DODEVM@mail.mil.



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cc:
USD(AT&L) Direct Reports